

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

**CURRENT REPORT PURSUANT
TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of report (Date of earliest event reported) **July 21, 2015**

Impac Mortgage Holdings, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Maryland

(State or Other Jurisdiction of Incorporation)

1-14100

(Commission File Number)

33-0675505

(IRS Employer Identification No.)

19500 Jamboree Road, Irvine, California

(Address of Principal Executive Offices)

92612

(Zip Code)

(949) 475-3600

(Registrant's Telephone Number, Including Area Code)

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

Attached as Exhibit 99.1 and Exhibit 99.2 to this Current Report is the slide presentation and transcript, respectively, from the Company's Annual Meeting of Stockholders held on July 21, 2015 and the information therein is incorporated herein by reference.

The information contained in this Item 2.02 and Exhibits 99.1 and 99.2 included with this Current Report on Form 8-K, is being furnished pursuant to Item 2.02 and shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that Section, nor shall such information be deemed to be incorporated by reference in any registration statement or other document filed under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, except as otherwise stated in such filing.

Item 5.02 Departure of Director or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On July 21, 2015, the stockholders of Impac Mortgage Holdings, Inc. (the "Company") approved an amendment to the Company's 2010 Omnibus Incentive Plan, as amended (the "Plan"), increasing the number of shares available under the Plan by 300,000 shares. Awards under the Plan may include incentive stock options, nonqualified stock options, stock appreciation rights, restricted shares of common stock, restricted stock units, performance share or unit awards, other stock-based awards and cash-based incentive awards. The increase in shares available under the Plan is designed to enhance the flexibility in granting stock options and other awards to officers, employees, non-employee directors and other key persons and to ensure that the Company can continue to grant stock options and other awards to such persons at levels determined to be appropriate by the Company's compensation committee.

A description of the terms and conditions of the Plan is set forth in the Company's definitive Proxy Statement for the 2015 Annual Meeting of Stockholders filed with the Securities and Exchange Commission on April 30, 2015, under the heading "Proposal No. 2 - Approval of Amendment to 2010 Omnibus Incentive Plan to Increase the Shares Subject to the Plan by 300,000 Shares", which such description is incorporated herein by reference. The summary of the terms and conditions of the Plan is not a complete discussion of the document. Accordingly, the foregoing is qualified in its entirety by reference to the full text of the Plan included as Exhibit 10.1 to this Current Report on Form 8-K, which is incorporated herein by reference.

The Company held its annual meeting of stockholders on July 21, 2015. For more information about the proposals set forth below, please see the Company's definitive Proxy Statement filed with the Securities and Exchange Commission on April 30, 2015. There were 10,184,886 shares of common stock present in person or by proxy at the meeting. The final voting results on each of the matters submitted to a vote of stockholders were as follows:

Proposal No. 1: To elect a Board of Directors to serve for the ensuing year. There were six nominees for the Company's Board of Directors. The affirmative vote of a plurality of all of the votes cast at the meeting was necessary for the election of a nominee for director. Broker non-votes did not count as votes cast and had no effect on the result of the vote. Each of the six nominees listed below have been elected to serve on the Board of Directors until the Company's 2016 annual meeting of stockholders or until their respective successors are elected and qualify. The voting results were as follows:

Director Nominee	Votes For	Votes Withheld	Broker Non-Votes
Joseph R. Tomkinson	4,811,865	143,284	3,363,682
William S. Ashmore	4,814,286	140,863	3,363,682
James Walsh	4,269,918	685,231	3,363,682
Frank P. Philipps	4,818,963	136,186	3,363,682
Stephan R. Peers	4,268,123	687,026	3,363,682
Leigh J. Abrams	4,268,453	686,696	3,363,682

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Proposal No. 2: To approve an amendment to the Company's 2010 Omnibus Incentive Plan to increase the number of shares of common stock subject to the plan by 300,000 shares. Approval of the proposal required the affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the meeting. Abstentions had the same effect as a vote against the proposal and broker non-votes were not counted as shares entitled to vote and had no effect on the result of the vote. The proposal was approved by a vote of stockholders as follows:

Votes For	Votes Against	Abstentions	Broker Non-Votes
4,451,808	468,180	35,160	3,363,683

Proposal No. 3: To ratify the appointment of Squar, Milner, Peterson, Miranda & Williamson, LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2015. Approval of the proposal required the affirmative vote of a majority of all votes cast at the meeting. Abstentions did not count as votes cast and had no effect on the result of the vote. The proposal was approved by a vote of stockholders as follows:

Votes For	Votes Against	Abstentions	Broker Non-Votes
8,103,042	192,073	23,716	N/A

Item 7.01 Regulation FD Disclosure.

Attached as Exhibit 99.1 and Exhibit 99.2 to this Current Report is the slide presentation and transcript, respectively, from the Company's Annual Meeting of Stockholders held on July 21, 2015 and the information therein is incorporated herein by reference.

The information contained in this Item 7.01 and Exhibits 99.1 and 99.2 included with this Current Report on Form 8-K, is being furnished pursuant to Item 7.01 and shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of that Section, nor shall such information be deemed to be incorporated by reference in any registration statement or other document filed under the Securities Act or the Exchange Act, except as otherwise stated in such filing.

Item 9.01 Financial Statements and Exhibits.

Exhibit	Description
10.1	2010 Omnibus Incentive Plan, as amended
99.1	Slide presentation from Annual Meeting of Stockholders held on July 21, 2015
99.2	Transcript from Annual Meeting of Stockholders held on July 21, 2015

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

IMPAC MORTGAGE HOLDINGS, INC.

Date: July 24, 2015

By: /s/Ron Morrison
 Name: Ron Morrison
 Title: EVP & General Counsel

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Exhibit	Description
10.1	2010 Omnibus Incentive Plan, as amended
99.1	Slide presentation from Annual Meeting of Stockholders held on July 21, 2015
99.2	Transcript from Annual Meeting of Stockholders held on July 21, 2015

IMPAC MORTGAGE HOLDINGS, INC.

OMNIBUS INCENTIVE PLAN

Effective July 20, 2010

(amended as of July 21, 2015)

IMPAC MORTGAGE HOLDINGS, INC.

OMNIBUS INCENTIVE PLAN

ARTICLE I

PURPOSE AND ADOPTION OF THE PLAN

1.01 Purpose. The purpose of the Impac Mortgage Holdings, Inc. Omnibus Incentive Plan (as amended from time to time, the "Plan") is to assist in attracting and retaining highly competent employees, directors and consultants, to act as an incentive in motivating selected employees, directors and consultants of the Company and its Affiliates to achieve long-term corporate objectives and to enable stock-based and cash-based incentive awards to qualify as performance-based compensation for purposes of the tax deduction limitations under Section 162(m) of the Code.

1.02 Adoption and Term. The Plan shall be effective on July 20, 2010 upon and otherwise subject to approval of the stockholders of the Company (the "Effective Date"). The Plan shall remain in effect until the tenth anniversary of the Effective Date, or until terminated by action of the Board, whichever occurs sooner.

1.03 Assumption of Outstanding Awards under Prior Plans. As of the Effective Date, the Prior Plans of the Company shall be frozen and no new awards shall be made under such Prior Plans. Further, all awards outstanding under the Prior Plans as of the Effective Date shall be assumed by this Plan and thereafter deemed to be Awards granted and outstanding under this Plan; *provided*, that such assumed awards shall continue to be subject to the same terms and conditions as set forth in the applicable Award Agreement, except that references in such Award Agreements to the "Plan" shall be deemed to refer to this Plan and references to "Deferred Stock" shall be deemed to refer to Restricted Stock Units.

ARTICLE II

DEFINITIONS

For the purpose of this Plan, capitalized terms shall have the following meanings:

2.01 Affiliate means an entity in which, directly or indirectly through one or more intermediaries, the Company has at least a fifty percent (50%) ownership interest or, where permissible under Section 409A of the Code, at least a twenty percent (20%) ownership interest; *provided, however*, for purposes of any grant of an Incentive Stock Option, "Affiliate" means a corporation which, for purposes of Section 424 of the Code, is a parent or subsidiary of the Company, directly or indirectly.

2.02 Award means any one or a combination of Non-Qualified Stock Options or Incentive Stock Options described in Article VI, Stock Appreciation Rights described in Article VI, Restricted Shares or Restricted Stock Units described in Article VII, Performance Awards described in Article VIII, other stock-based Awards described in Article IX, short-term cash incentive Awards described in Article X or any other award made under the terms of the Plan.

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2.03 Award Agreement means a written agreement between the Company and a Participant or a written acknowledgment from the Company to a Participant specifically setting forth the terms and conditions of an Award granted under the Plan.

2.04 Award Period means, with respect to an Award, the period of time, if any, set forth in the Award Agreement during which specified target performance goals must be achieved or other conditions set forth in the Award Agreement must be satisfied.

2.05 Beneficiary means an individual, trust or estate who or which, by a written designation of the Participant filed with the Company, or if no such written designation is filed, by operation of law, succeeds to the rights and obligations of the Participant under the Plan and the Award Agreement upon the Participant's death.

2.06 Board means the Board of Directors of the Company.

2.07 Change in Control means, and shall be deemed to have occurred upon the occurrence of, any one of the following events, unless an Award Agreement specifically provides for a different definition of Change in Control:

(a) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act (other than the Company; any trustee or other fiduciary holding securities under an employee benefit plan of the Company; or any company owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of the Common Stock of the Company) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person or any securities acquired directly from the Company or its Affiliates) representing 30% or more of the combined voting power of the Company's then outstanding securities; or

(b) during any period of two consecutive years (not including any period prior to the Effective Date), individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in clause (a), (c) or (d) of this Section 2.07) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof; or

(c) the consummation of a Merger of the Company with any other corporation, other than (i) a Merger which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Company, at least 75% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such Merger, or (ii) a Merger effected to implement a recapitalization of the Company (or similar transaction) in which no person acquires more than 50% of the combined voting power of the Company's then outstanding securities;

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(d) the consummation of any sale, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Company to an unrelated party; or

(e) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company.

2.08 Code means the Internal Revenue Code of 1986, as amended. References to a section of the Code shall include that section and any comparable section or sections of any future legislation that amends, supplements or supersedes said section.

2.09 Committee means the Compensation Committee of the Board.

2.10 Common Stock means the common stock of the Company, par value \$0.01 per share.

2.11 Company means Impac Mortgage Holdings, Inc., a Maryland corporation, and its successors.

2.12 Date of Grant means the date designated by the Committee as the date as of which it grants an Award, which shall not be earlier than the date on which the Committee approves the granting of such Award.

2.13 Disability means permanent and total disability as determined under the Company's disability program or policy, or if no disability program or policy exists, then any physical or mental disability that renders a Participant unable perform services for the Company in the capacity for which the Participant served immediately prior to such disability and such disability is reasonably expected to last for at least twelve (12) months.

2.14 Dividend Equivalent Account means a bookkeeping account in accordance with Section 11.17 and related to an Award that is credited with the amount of any cash dividends or stock distributions that would be payable with respect to the shares of Common Stock subject to such Awards had such shares been outstanding shares of Common Stock.

2.15 Exchange Act means the Securities Exchange Act of 1934, as amended.

2.16 Exercise Price with respect to Options, the amount established by the Committee in the Award Agreement in accordance with Section 6.01(b) which is required to purchase each share of Common Stock upon exercise of the Option, or with respect to a Stock Appreciation Right, the amount established by the Committee in the Award Agreement in accordance with Section 6.02(b) which is to be subtracted from the Fair Market Value on the date of exercise in order to determine the amount of the payment to be made to the Participant.

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2.17 Fair Market Value of the Common Stock means: the closing sales price of the Common Stock on the applicable date, or if no sale of stock has been recorded on such day, then on the next preceding day on which a sale was so made. In the event the Common Stock is not admitted to trade on a securities exchange, the Fair Market Value as of any applicable date shall be as determined in good faith by the Committee (but in any event not less than "fair market value" within the meaning of Section 409A of the Code, and any regulations and other guidance thereunder). For purposes of this definition, when determining the Fair Market Value for the grant of an Award, "applicable date" means the date of grant of the Award.

2.18 Incentive Stock Option means a stock option within the meaning of Section 422 of the Code.

2.19 Merger means any merger, reorganization, consolidation, exchange, transfer of assets or other transaction having similar effect involving the Company.

2.20 Non-Qualified Stock Option means a stock option which is not an Incentive Stock Option.

2.21 Non-Vested Share means shares of Common Stock issued to a Participant in respect of the non-vested portion of an Option in the event of the early exercise of such Participant's Options pursuant to such Participant's Award Agreement, as permitted in Section 6.06 below.

2.22 Options means all Non-Qualified Stock Options and Incentive Stock Options granted at any time under the Plan.

2.23 Outstanding Common Stock means, at any time, the issued and outstanding shares of Common Stock.

2.24 Participant means a person designated to receive an Award under the Plan in accordance with Section 5.01.

2.25 Performance Awards means Awards granted in accordance with Article VIII.

2.26 Performance Goals means operating income, operating profit (earnings from continuing operations before interest and taxes), earnings per share, return on investment or working capital, return on stockholders' equity, economic value added (the amount, if any, by which net operating profit after tax exceeds a reference cost of capital), Adjusted Net Earnings (as defined below), net earnings (loss) attributable to common stockholders, stock price any one of which may be measured with respect to the Company or any one or more of its Affiliates, divisions, units and either in absolute terms or as compared to another company or companies, and quantifiable, objective measures of individual performance relevant to the particular individual's job responsibilities

"Adjusted Net Earnings" means net earnings (loss) attributable to common stockholders as reported in the Company's periodic reports filed with the Securities and Exchange Commission, provided that such amount shall be adjusted by reversing the following, to the extent such adjustments were made in calculating such net earnings (loss) attributable to common stockholders:

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(a) any accrual already made with respect to the annual bonus, special bonus, or incentive bonus applicable to such person:

(b) any adjustment relating to change in fair value of net trust assets;

(c) any adjustment relating to change in fair value of long term debt;

(d) any adjustment relating to noncash level yield long term debt;

(e) any charge relating to amortization of deferred charges; and

(f) any adjustment relating to the following items within earnings of discontinued operations: (1) lower of cost or market and (2) repurchase liability provision.

2.27 Plan has the meaning given to such term in Section 1.01.

2.28 Prior Plans means the Company's 1995 Stock Option, Deferred Stock and Restricted Stock Plan, as amended, and the Company's 2001 Stock Option, Deferred Stock and Restricted Stock Plan, as amended.

2.29 Restricted Shares means Common Stock subject to restrictions imposed in connection with Awards granted under Article VII.

2.30 Restricted Stock Unit means a unit representing the right to receive Common Stock or the value thereof in the future subject to restrictions imposed in connection with Awards granted under Article VII.

2.31 Rule 16b-3 means Rule 16b-3 promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act, as the same may be amended from time to time, and any successor rule.

2.32 Stock Appreciation Rights means awards granted in accordance with Article VI.

2.33 Termination of Service means the voluntary or involuntary termination of a Participant's service as an employee, director or consultant with the Company or an Affiliate for any reason, including death, disability, retirement or as the result of the divestiture of the Participant's employer or any similar transaction in which the Participant's employer ceases to be the Company or one of its Affiliates. Whether entering military or other government service shall constitute Termination of Service, or whether and when a Termination of Service shall occur as a result of disability, shall be determined in each case by the Committee in its sole discretion.

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ARTICLE III

ADMINISTRATION

3.01 Committee.

(a) Duties and Authority. The Plan shall be administered by the Committee and the Committee shall have exclusive and final authority in each determination, interpretation or other action affecting the Plan and its Participants. The Committee shall have the sole discretionary authority to interpret the Plan, to establish and modify administrative rules for the Plan, to impose such conditions and restrictions on Awards as it determines appropriate, and to make all factual determinations with respect to and take such steps in connection with the Plan and Awards granted hereunder as it may deem necessary or advisable. The Committee shall not, however, have or exercise any discretion that would disqualify amounts payable under Article X as performance-based compensation for purposes of Section 162(m) of the Code. The Committee may delegate such of its powers and authority under the Plan as it deems appropriate to a subcommittee of the Committee or designated officers or employees of the Company. In addition, the full Board may exercise any of the powers and authority of the Committee under the Plan. In the event of such delegation of authority or exercise of authority by the Board, references in the Plan to the Committee shall be deemed to refer, as appropriate, to the delegate of the Committee or the Board. To the extent applicable, actions taken by the Committee or any subcommittee thereof, and any delegation by the Committee to designated officers or employees, under this Section 3.01 shall comply with Section 16(b) of the Exchange Act, the performance-based provisions of Section 162(m) of the Code, and the regulations promulgated under each of such statutory provisions, or the respective successors to such statutory provisions or regulations, as in effect from time to time.

(b) Indemnification. Each person who is or shall have been a member of the Board or the Committee, or an officer or employee of the Company to whom authority was delegated in accordance with the Plan, shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such individual in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in

any such action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf; provided, however, that the foregoing indemnification shall not apply to any loss, cost, liability, or expense that is a result of his or her own willful misconduct.

ARTICLE IV

SHARES

4.01 Number of Shares Issuable. The total number of shares of Common Stock authorized to be issued under the Plan shall be 2,880,585 which consists of (i) 1,280,585 shares allocated to outstanding Options granted under the Prior Plans and being assumed by this Plan (the "Assumed Option Shares"), and (ii) 1,600,000 shares(1) of Common Stock reserved for future grants under this Plan. Shares of Common Stock underlying Awards issued under Articles VII, VIII and IX of this Plan shall be charged as 2.0 shares against the number of shares of Common Stock available for the grant of Awards hereunder. The foregoing share limits shall be subject to adjustment in accordance with Section 11.07. The shares to be offered under the Plan shall be authorized and unissued Common Stock, or issued Common Stock that shall have been reacquired by the Company.

4.02 Shares Subject to Terminated Awards. The Assumed Option Shares shall only be available for issuance upon exercise of an Option granted under the Prior Plans and assumed by this Plan and none of the Assumed Option Shares shall be available for grants of new Options or other Awards under this Plan, even if the assumed Options are forfeited, canceled or otherwise terminated without issuance of any shares of Common Stock. Except as provided in the preceding sentence, Common Stock covered by any unexercised portions of terminated or forfeited Options (including canceled Options) granted under the Plan or any predecessor employee stock plan of the Company, Restricted Stock or Restricted Stock Units (whether granted under this Plan or any predecessor employee stock plan) that are forfeited or terminated for any reason prior to the date that the restrictions on such Awards would otherwise have lapsed, other stock-based Awards that are forfeited or terminated for any reason as provided under the Plan, and Common Stock subject to any Awards that are otherwise surrendered by the Participant may again be subject to new Awards under the Plan. Further, any Award settled in cash shall not be counted as shares of Common Stock for any purpose under the Plan.

ARTICLE V

PARTICIPATION

5.01 Eligible Participants. Participants in the Plan shall be such employees, directors and consultants of the Company and its Affiliates as the Committee, in its sole discretion, may designate from time to time. The Committee's designation of a Participant in any year shall not require the Committee to designate such person to receive Awards or grants in any other year. The designation of a Participant to receive Awards or grants under one portion of the Plan does not require the Committee to include such Participant under other portions of the Plan. The Committee shall consider such factors as it deems pertinent in selecting Participants and in determining the type and amount of their respective Awards. Subject to adjustment in accordance with Section 11.07, no Participant shall be granted Awards in any calendar year in respect of more than 450,000 shares of Common Stock (whether through grants of Options or Stock Appreciation Rights or other Awards of Common Stock or rights with respect thereto) or cash-based Awards for more than \$5,000,000; *provided*, the Committee may grant Awards to a Participant in excess of these annual limits if the Committee expressly determines that a particular Award shall not be designed to qualify as "performance-based compensation" as defined under Section 162(m) of the Code and the applicable treasury regulations thereunder.

(1) On July 20, 2010, the stockholders approved the Plan initially authorizing 450,000 shares. On each of July 24, 2012, July 23, 2013, July 22, 2014, and July 21, 2015 the stockholders approved an increase of the authorized shares by 250,000, 300,000, 300,000 and 300,000 shares, respectively.

ARTICLE VI

STOCK OPTIONS AND STOCK APPRECIATION RIGHTS

6.01 Option Awards.

(a) Grant of Options. The Committee may grant, to such Participants as the Committee may select, Options entitling the Participant to purchase shares of Common Stock from the Company in such number, at such price, and on such terms and subject to such conditions, not inconsistent with the terms of this Plan, as may be established by the Committee. The terms of any Option granted under this Plan shall be set forth in an Award Agreement.

(b) Exercise Price of Options. The Exercise Price of each share of Common Stock upon exercise of any Option granted under the Plan shall not be less than 100% of the Fair Market Value of the Common Stock on the Date of Grant; *provided, however*, that the Committee shall have discretion, with respect to a Non-Qualified Stock Option, to establish an Exercise Price at less than the Fair Market Value on the Date of Grant to the extent that such Option is designed to comply with the requirements of Section 409A of the Code.

(c) Designation of Options. The Committee shall designate, at the time of the grant of each Option, the Option as an Incentive Stock Option or a Non-Qualified Stock Option; *provided, however*, that an Option may be designated as an Incentive Stock Option only if the applicable Participant is an employee of the Company on the Date of Grant.

(d) Special Incentive Stock Option Rules. To the extent that the aggregate Fair Market Value (determined as of the time the Option is granted) of the shares of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year (under all plans of the Company and its parent and subsidiary corporations) exceeds \$100,000, such Incentive Stock Options shall constitute Non-Qualified Stock Options. For purposes of this Section 6.01(d), Incentive Stock Options shall be taken into account in the order in which they were granted. If pursuant to the above, an Incentive Stock Option is treated as an Incentive Stock Option in part and a Non-Qualified Stock Option in part, the Participant may designate at the time of exercise which portion shall be deemed to be exercised, and in the absence of such express designation in writing, the portion of the Option treated as an Incentive Stock Option shall be deemed to be exercised first. Notwithstanding any other provision of the Plan to the contrary, the Exercise Price of each

Incentive Stock Option shall be equal to or greater than the Fair Market Value of the Common Stock subject to the Incentive Stock Option as of the Date of Grant of the Incentive Stock Option; *provided, however*, that no Incentive Stock Option shall be granted to any person who, at the time the Option is granted, owns stock (including stock owned by application of the constructive ownership rules in Section 424(d) of the Code) possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company, unless at the time the Incentive Stock Option is granted the Exercise Price of the Option is at least one hundred ten percent (110%) of the Fair Market Value of the Common Stock subject to the Incentive Stock Option and the Incentive Stock Option, by its terms, is not exercisable for more than five years from the Date of Grant.

(e) Rights As a Stockholder. A Participant or a transferee of an Option pursuant to Section 11.04 shall have no rights as a stockholder with respect to Common Stock covered by an Option until the Participant or transferee shall have become the holder of record of any such shares, and no adjustment shall be made for dividends in cash or other property or distributions or other rights with respect to any such Common Stock for which the record date is prior to the date on which the Participant or a transferee of the Option shall have become the holder of record of any such shares covered by the Option; *provided, however*, that Participants are entitled to share adjustments to reflect capital changes under Section 11.07.

6.02 Stock Appreciation Rights.

(a) Stock Appreciation Right Awards. The Committee is authorized to grant to any Participant one or more Stock Appreciation Rights. Upon exercise of a Stock Appreciation Right with respect to a share of Common Stock, the Participant shall be entitled to receive an amount equal to the excess, if any, of (i) the Fair Market Value of a share of Common Stock on the date of exercise over (ii) the Exercise Price of such Stock Appreciation Right established in the Award Agreement, which amount shall be payable as provided in Section 6.02(c).

(b) Exercise Price. The Exercise Price of each share of Common Stock upon exercise of any Stock Appreciation Right granted under the Plan shall not be less than 100% of the Fair Market Value of the Common Stock on the Date of Grant; *provided, however*, that the Committee shall have discretion to establish an Exercise Price at less than the Fair Market Value on the Date of Grant to the extent that such Stock Appreciation Right is designed to comply with the requirements of Section 409A of the Code.

(c) Payment of Incremental Value. Any payment which may become due from the Company by reason of a Participant's exercise of a Stock Appreciation Right may be paid to the Participant as determined by the Committee (i) all in cash, (ii) all in Common Stock, or (iii) in any combination of cash and Common Stock. In the event that all or a portion of the payment is made in Common Stock, the number of shares of Common Stock delivered in satisfaction of such payment shall be determined by dividing the amount of such payment or portion thereof by the Fair Market Value on the date of exercise. No fractional share of Common Stock shall be issued to make any payment in respect of Stock Appreciation Rights; if any fractional share would be issuable, the combination of cash and Common Stock payable to the Participant shall be adjusted as directed by the Committee to avoid the issuance of any fractional share.

6.03 Terms of Stock Options and Stock Appreciation Rights.

(a) Conditions on Exercise. An Award Agreement with respect to Options or Stock Appreciation Rights may contain such waiting periods, exercise dates and restrictions on exercise (including, but not limited to, periodic installments) as may be determined by the Committee at the time of grant.

(b) Duration of Options and Stock Appreciation Rights. Options and Stock Appreciation Rights shall terminate upon the first to occur of the following events:

- (i) Expiration of the Option or Stock Appreciation Right, as provided in the Award Agreement; or
- (ii) Termination of the Award in the event of a Participant's disability, retirement, death or other Termination of Service, as provided in the Award Agreement; or
- (iii) Ten years from the Date of Grant (five years in certain cases, as described in Section 6.01(d)).

(c) Acceleration or Extension of Exercise Period. The Committee, in its sole discretion, shall have the right (but shall not be obligated), exercisable on or at any time after the Date of Grant, to permit the exercise of an Option or Stock Appreciation Right (i) prior to the time such Option or Stock Appreciation Right would become exercisable under the terms of the Award Agreement, or (ii) after the termination of the Option or Stock Appreciation Right under the terms of the Award Agreement.

(d) Exercise of Options or Stock Appreciation Rights Upon Termination of Services. Unless an Award Agreement provides otherwise, the following rules shall govern the treatment of an Award of Options or Stock Appreciation Rights upon a Participant's Termination of Services:

(i) Termination of Vested Options or Stock Appreciation Rights Upon Termination of Services.

(A) Termination Other Than Due to Death or Disability. In the event of a Participant's Termination of Services for any reason other than due to the Participant's death or Disability, the right of the Participant to exercise any vested Options or Stock Appreciation Rights shall, unless the exercise period is extended by the Board in accordance with Section 6.03(c) above, terminate upon the earlier of: (I) thirty (30) days after the date of the Termination of Services; and (II) the date of expiration of the Options or Stock Appreciation Rights determined pursuant to Sections 6.03(b)(i) or (iii) above.

(B) Death or Disability. In the event of a Participant's Termination of Services by reason of death or Disability, the right of the Participant to exercise any vested Options or Stock Appreciation Rights shall, unless the exercise period is extended by the Board in accordance with Section 6.03(c) above, terminate upon the earlier of: (I) six (6) months after the date of the Termination

of Services; and (II) the date of expiration of the Options or Stock Appreciation Rights determined pursuant to Sections 6.03(b)(i) or (iii) above.

(ii) Termination of Unvested Options Upon Termination of Services. To the extent the right to exercise Options or Stock Appreciation Rights, or any portion thereof, has not vested as of the date of Termination of Services, the right shall expire on the date of Termination of Services regardless of the reason for the Termination of Services.

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6.04 Exercise Procedures. Each Option and Stock Appreciation Right granted under the Plan shall be exercised under such procedures and by such methods as the Committee may establish or approve from time to time. The Exercise Price of shares purchased upon exercise of an Option granted under the Plan shall be paid in full in cash by the Participant pursuant to the Award Agreement; *provided, however*, that the Committee may (but shall not be required to) permit payment to be made (a) by delivery to the Company of shares of Common Stock held by the Participant, (b) by a “net exercise” method under which the Company reduces the number of shares of Common Stock issued upon exercise by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate Exercise Price, or (c) such other consideration as the Committee deems appropriate and in compliance with applicable law (including payment under an arrangement constituting a brokerage transaction as permitted under the provisions of Regulation T applicable to cashless exercises promulgated by the Federal Reserve Board, unless prohibited by Section 402 of the Sarbanes-Oxley Act of 2002). In the event that any Common Stock shall be transferred to the Company to satisfy all or any part of the Exercise Price, the part of the Exercise Price deemed to have been satisfied by such transfer of Common Stock shall be equal to the product derived by multiplying the Fair Market Value as of the date of exercise times the number of shares of Common Stock transferred to the Company. The Participant may not transfer to the Company in satisfaction of the Exercise Price any fractional share of Common Stock. Any part of the Exercise Price paid in cash upon the exercise of any Option shall be added to the general funds of the Company and may be used for any proper corporate purpose. Unless the Committee shall otherwise determine, any Common Stock transferred to the Company as payment of all or part of the Exercise Price upon the exercise of any Option shall be held as treasury shares.

6.05 Change in Control. With respect to each Award of Options or Stock Appreciation Rights, the Committee shall determine whether and to what extent such Options or Stock Appreciation Rights shall become immediately and fully exercisable in the event of a Change in Control or upon the occurrence of one or more specified conditions following a Change in Control. Notwithstanding the foregoing, unless otherwise determined by the Committee, no Change in Control of the Company shall be deemed to have occurred for purposes of determining a Participant’s rights under this Plan if (a) the Participant is a member of a group that first announces a proposal which, if successful, would result in a Change in Control, which proposal (including any modifications thereof) is ultimately successful, or (b) the Participant acquires a two percent (2%) or more equity interest in the entity that ultimately acquires the Company pursuant to the transaction described in clause (a) of this Section 6.05.

6.06 Early Exercise. An Option may, but need not, include a provision by which the Participant may elect to exercise the Option in whole or in part prior to the date the Option is fully vested. The provision may be included in the Award Agreement at the time of grant of the Option or may be added to the Award Agreement by amendment at a later time. In the event of an early exercise of an Option, any shares of Common Stock received shall be subject to a special repurchase right in favor of the Company with terms established by the Committee. The Committee shall determine the time and/or the event that causes the repurchase right to terminate and fully vest the Common Stock in the Participant.

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ARTICLE VII

RESTRICTED SHARES AND RESTRICTED STOCK UNITS

7.01 Award of Restricted Stock and Restricted Stock Units. The Committee may grant to any Participant an Award of Restricted Shares consisting of a specified number of shares of Common Stock issued to the Participant subject to such terms, conditions and forfeiture and transfer restrictions, whether based on performance standards, periods of service, retention by the Participant of ownership of specified shares of Common Stock or other criteria, as the Committee shall establish. The Committee may also grant Restricted Stock Units representing the right to receive shares of Common Stock in the future subject to such terms, conditions and restrictions, whether based on performance standards, periods of service, retention by the Participant of ownership of specified shares of Common Stock or other criteria, as the Committee shall establish. With respect to performance-based Awards of Restricted Shares or Restricted Stock Units intended to qualify as “performance-based” compensation for purposes of Section 162(m) of the Code, performance targets will consist of specified levels of one or more of the Performance Goals. The terms of any Restricted Share and Restricted Stock Unit Awards granted under this Plan shall be set forth in an Award Agreement which shall contain provisions determined by the Committee and not inconsistent with this Plan.

7.02 Restricted Shares.

(a) Issuance of Restricted Shares. As soon as practicable after the Date of Grant of a Restricted Share Award by the Committee, the Company shall cause to be transferred on the books of the Company, or its agent, Common Stock, registered on behalf of the Participant, evidencing the Restricted Shares covered by the Award, but subject to forfeiture to the Company as of the Date of Grant if an Award Agreement with respect to the Restricted Shares covered by the Award is not duly executed by the Participant and timely returned to the Company. All Common Stock covered by Awards under this Article VII shall be subject to the restrictions, terms and conditions contained in the Plan and the Award Agreement entered into by the Participant. Until the lapse or release of all restrictions applicable to an Award of Restricted Shares, the share certificates representing such Restricted Shares may be held in custody by the Company, its designee, or, if the certificates bear a restrictive legend, by the Participant. Upon the lapse or release of all restrictions with respect to an Award as described in Section 7.02(d), one or more share certificates, registered in the name of the Participant, for an appropriate number of shares as provided in Section 7.02(d), free of any restrictions set forth in the Plan and the Award Agreement shall be delivered to the Participant.

(b) Stockholder Rights. Beginning on the Date of Grant of the Restricted Share Award and subject to execution of the Award Agreement as provided in Section 7.02(a), the Participant shall become a stockholder of the Company with respect to all shares subject to the Award Agreement and shall have all of the rights of a stockholder, including, but not limited to, the right to vote such shares and the right to receive dividends; *provided, however*, that the Award Agreement may provide that any dividend distributed with respect to any Restricted Shares as to which the restrictions have not yet lapsed shall be subject to the same restrictions as such Restricted Shares and held or restricted as provided in Section 7.02(a).

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(c) Restriction on Transferability. None of the Restricted Shares may be assigned or transferred (other than by will or the laws of descent and distribution, or to an inter vivos trust with respect to which the Participant is treated as the owner under Sections 671 through 677 of the Code, except to the extent that Section 16 of the Exchange Act limits a Participant's right to make such transfers), pledged or sold prior to lapse of the restrictions applicable thereto.

(d) Delivery of Shares Upon Vesting. Upon expiration or earlier termination of the forfeiture period without a forfeiture and the satisfaction of or release from any other conditions prescribed by the Committee, or at such earlier time as provided under the provisions of Section 7.04, the restrictions applicable to the Restricted Shares shall lapse. As promptly as administratively feasible thereafter, subject to the requirements of Section 11.05, the Company shall deliver to the Participant or, in case of the Participant's death, to the Participant's Beneficiary, one or more share certificates for the appropriate number of shares of Common Stock, free of all such restrictions, except for any restrictions that may be imposed by law.

(e) Forfeiture of Restricted Shares. Subject to Sections 7.02(f) and 7.04, all Restricted Shares shall be forfeited and returned to the Company and all rights of the Participant with respect to such Restricted Shares shall terminate unless the Participant continues in the service of the Company or an Affiliate as an employee until the expiration of the forfeiture period for such Restricted Shares and satisfies any and all other conditions set forth in the Award Agreement. The Committee shall determine the forfeiture period (which may, but need not, lapse in installments) and any other terms and conditions applicable with respect to any Restricted Share Award.

(f) Waiver of Forfeiture Period. Notwithstanding anything contained in this Article VII to the contrary, the Committee may, in its sole discretion, waive the forfeiture period and any other conditions set forth in any Award Agreement under appropriate circumstances (including the death, disability or retirement of the Participant or a material change in circumstances arising after the date of an Award) and subject to such terms and conditions (including forfeiture of a proportionate number of the Restricted Shares) as the Committee shall deem appropriate.

7.03 Restricted Stock Units.

(a) Settlement of Restricted Stock Units. Payments shall be made to Participants with respect to their Restricted Stock Units as soon as practicable after the Committee has determined that the terms and conditions applicable to such Award have been satisfied or at a later date if distribution has been deferred. Payments to Participants with respect to Restricted Stock Units shall be made in the form of Common Stock, or cash or a combination of both, as the Committee may determine. The amount of any cash to be paid in lieu of Common Stock shall be determined on the basis of the Fair Market Value of the Common Stock on the date any such payment is processed. As to shares of Common Stock which constitute all or any part of such payment, the Committee may impose such restrictions concerning their transferability and/or their forfeiture as may be provided in the applicable Award Agreement or as the Committee may otherwise determine, provided such determination is made on or before the date certificates for such shares are first delivered to the applicable Participant.

(b) Shareholder Rights. Until the lapse or release of all restrictions applicable to an Award of Restricted Stock Units, no shares of Common Stock shall be issued in respect of such Awards and no Participant shall have any rights as a shareholder of the Company with respect to the shares of Common Stock covered by such Award of Restricted Stock Units.

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(c) Waiver of Forfeiture Period. Notwithstanding anything contained in this Section 7.03 to the contrary, the Committee may, in its sole discretion, waive the forfeiture period and any other conditions set forth in any Award Agreement under appropriate circumstances (including the death, Disability or retirement of the Participant or a material change in circumstances arising after the date of an Award) and subject to such terms and conditions (including forfeiture of a proportionate number of shares issuable upon settlement of the Restricted Stock Units constituting an Award) as the Committee shall deem appropriate.

(d) Deferral of Payment. If approved by the Committee and set forth in the applicable Award Agreement, a Participant may elect to defer the amount payable with respect to the Participant's Restricted Stock Units in accordance with such terms as may be established by the Committee, subject to the requirements of Section 409A of the Code.

7.04 Change in Control. With respect to each Award of Restricted Stock or Restricted Stock Units, the Committee shall determine whether and to what extent such Restricted Stock or Restricted Stock Units shall become immediately and fully exercisable in the event of a Change in Control or upon the occurrence of one or more specified conditions following a Change in Control. Notwithstanding the foregoing, unless otherwise determined by the Committee, no Change in Control of the Company shall be deemed to have occurred for purposes of determining a Participant's rights under this Plan if (a) the Participant is a member of a group that first announces a proposal which, if successful, would result in a Change in Control, which proposal (including any modifications thereof) is ultimately successful, or (b) the Participant acquires a two percent (2%) or more equity interest in the entity that ultimately acquires the Company pursuant to the transaction described in clause (a) of this Section 7.04.

ARTICLE VIII

PERFORMANCE AWARDS

8.01 Performance Awards.

(a) Award Periods and Calculations of Potential Incentive Amounts. The Committee may grant Performance Awards to Participants. A Performance Award shall consist of the right to receive a payment (measured by the Fair Market Value of a specified number of shares of Common Stock, increases in such Fair Market Value during the Award Period and/or a fixed cash amount) contingent upon the extent to which certain predetermined performance targets have been met during an Award Period. The Award Period shall be one or more fiscal or calendar years as determined by the Committee. The Committee, in its discretion and under such terms as it deems appropriate, may permit newly eligible Participants, such as those who are promoted or newly hired, to receive Performance Awards after an Award Period has commenced.

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(b) Performance Targets. Subject to Section 11.18, the performance targets applicable to a Performance Award may include such goals related to the performance of the Company or, where relevant, any one or more of its Affiliates or divisions and/or the performance of a Participant as may be established by the Committee in its discretion. In the case of Performance Awards to “covered employees” (as defined in Section 162(m) of the Code), the targets will be limited to specified levels of one or more of the Performance Goals. The performance targets established by the Committee may vary for different Award Periods and need not be the same for each Participant receiving a Performance Award in an Award Period.

(c) Earning Performance Awards. The Committee, at or as soon as practicable after the Date of Grant, shall prescribe a formula to determine the percentage of the Performance Award to be earned based upon the degree of attainment of the applicable performance targets.

(d) Payment of Earned Performance Awards. Subject to the requirements of Section 11.05, payments of earned Performance Awards shall be made in cash or Common Stock, or a combination of cash and Common Stock, in the discretion of the Committee. The Committee, in its sole discretion, may define, and set forth in the applicable Award Agreement, such terms and conditions with respect to the payment of earned Performance Awards as it may deem desirable.

8.02 Termination of Service or Change in Control. The Award Agreement with respect to any Performance Award shall contain provisions dealing with the disposition of such Award in the event of a Change in Control or in the event of a Termination of Services prior to the exercise, realization or payment of such Award, with such provisions to take account of the specific nature and purpose of the Award.

ARTICLE IX

OTHER STOCK-BASED AWARDS

9.01 Grant of Other Stock-Based Awards. Other stock-based awards, consisting of stock purchase rights (with or without loans to Participants by the Company containing such terms as the Committee shall determine), Awards of Common Stock, or Awards valued in whole or in part by reference to, or otherwise based on, Common Stock, may be granted either alone or in addition to or in conjunction with other Awards under the Plan. Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the persons to whom and the time or times at which such Awards shall be made, the number of shares of Common Stock to be granted pursuant to such Awards, and all other conditions of the Awards. Any such Award shall be confirmed by an Award Agreement executed by the Committee and the Participant, which Award Agreement shall contain such provisions as the Committee determines to be necessary or appropriate to carry out the intent of this Plan with respect to such Award.

9.02 Terms of Other Stock-Based Awards. In addition to the terms and conditions specified in the Award Agreement, Awards made pursuant to this Article IX shall be subject to the following:

(a) Any Common Stock subject to Awards made under this Article IX may not be sold, assigned, transferred, pledged or otherwise encumbered prior to the date on which the shares are issued, or, if later, the date on which any applicable restriction, performance or deferral period lapses; and

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(b) If specified by the Committee in the Award Agreement, the recipient of an Award under this Article IX shall be entitled to receive, currently or on a deferred basis, interest or dividends or dividend equivalents with respect to the Common Stock or other securities covered by the Award; and

(c) The Award Agreement with respect to any Award shall contain provisions dealing with the disposition of such Award in the event of a Termination of Service prior to the exercise, payment or other settlement of such Award, whether such termination occurs because of retirement, disability, death or other reason, with such provisions to take account of the specific nature and purpose of the Award.

ARTICLE X

SHORT-TERM CASH INCENTIVE AWARDS

10.01 Eligibility. Executive officers of the Company who are from time to time determined by the Committee to be “covered employees” for purposes of Section 162(m) of the Code will be eligible to receive short-term cash incentive awards under this Article X.

10.02 Awards.

(a) Performance Targets. The Committee shall establish objective performance targets based on specified levels of one or more of the Performance Goals. Such performance targets shall be established by the Committee on a timely basis to ensure that the targets are considered “preestablished” for purposes of Section 162(m) of the Code.

(b) Amounts of Awards. In conjunction with the establishment of performance targets for a fiscal year or such other short-term performance period established by the Committee, the Committee shall adopt an objective formula (on the basis of percentages of Participants’ salaries, shares in a bonus pool or otherwise) for computing the respective amounts payable under the Plan to Participants if and to the extent that the performance targets are attained. Such formula shall comply with the requirements applicable to performance-based compensation plans under Section 162(m) of the Code and, to the extent based on percentages of a bonus pool, such percentages shall not exceed 100% in the aggregate.

(c) Payment of Awards. Awards will be payable to Participants in cash each year upon prior written certification by the Committee of attainment of the specified performance targets for the preceding fiscal year or other applicable performance period.

(d) Negative Discretion. Notwithstanding the attainment by the Company of the specified performance targets, the Committee shall have the discretion, which need not be exercised uniformly among the Participants, to reduce or eliminate the award that would be otherwise paid.

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(e) Guidelines. The Committee may adopt from time to time written policies for its implementation of this Article X. Such guidelines shall reflect the intention of the Company that all payments hereunder qualify as performance-based compensation under Section 162(m) of the Code.

(f) Non-Exclusive Arrangement. The adoption and operation of this Article X shall not preclude the Board or the Committee from approving other short-term incentive compensation arrangements for the benefit of individuals who are Participants hereunder as the Board or Committee, as the case may be, deems appropriate and in the best interests of the Company.

ARTICLE XI

TERMS APPLICABLE GENERALLY TO AWARDS GRANTED UNDER THE PLAN

11.01 Plan Provisions Control Award Terms. Except as provided in Section 11.16, the terms of the Plan shall govern all Awards granted under the Plan, and in no event shall the Committee have the power to grant any Award under the Plan which is contrary to any of the provisions of the Plan. In the event any provision of any Award granted under the Plan shall conflict with any term in the Plan as constituted on the Date of Grant of such Award, the term in the Plan as constituted on the Date of Grant of such Award shall control. Except as provided in Section 11.03 and Section 11.07, the terms of any Award granted under the Plan may not be changed after the Date of Grant of such Award so as to materially decrease the value of the Award without the express written approval of the holder.

11.02 Award Agreement. No person shall have any rights under any Award granted under the Plan unless and until the Company and the Participant to whom such Award shall have been granted shall have executed and delivered an Award Agreement or received any other Award acknowledgment authorized by the Committee expressly granting the Award to such person and containing provisions setting forth the terms of the Award.

11.03 Modification of Award After Grant. No Award granted under the Plan to a Participant may be modified (unless such modification does not materially decrease the value of the Award) after the Date of Grant except by express written agreement between the Company and the Participant, provided that any such change (a) shall not be inconsistent with the terms of the Plan, and (b) shall be approved by the Committee.

11.04 Limitation on Transfer. Except as provided in Section 7.02(c) in the case of Restricted Shares, a Participant's rights and interest under the Plan may not be assigned or transferred other than by will or the laws of descent and distribution, and during the lifetime of a Participant, only the Participant personally (or the Participant's personal representative) may exercise rights under the Plan. The Participant's Beneficiary may exercise the Participant's rights to the extent they are exercisable under the Plan following the death of the Participant. Notwithstanding the foregoing, to the extent permitted under Section 16(b) of the Exchange Act with respect to Participants subject to such Section, the Committee may grant Non-Qualified Stock Options that are transferable, without payment of consideration, to immediate family members of the Participant or to trusts or partnerships for such family members, and the Committee may also amend outstanding Non-Qualified Stock Options to provide for such transferability.

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11.05 Taxes. The Company shall be entitled, if the Committee deems it necessary or desirable, to withhold (or secure payment from the Participant in lieu of withholding) the amount of any withholding or other tax required by law to be withheld or paid by the Company with respect to any amount payable and/or shares issuable under such Participant's Award, and the Company may defer payment or issuance of the cash or shares upon exercise or vesting of an Award unless indemnified to its satisfaction against any liability for any such tax. The amount of such withholding or tax payment shall be determined by the Committee and shall be payable by the Participant at such time as the Committee determines in accordance with the following rules:

(a) The Participant shall have the right to elect to meet his or her withholding requirement (i) by having withheld from such Award at the appropriate time that number of shares of Common Stock, rounded down to the nearest whole share, whose Fair Market Value is equal to the amount of withholding taxes due, (ii) by direct payment to the Company in cash of the amount of any taxes required to be withheld with respect to such Award or (iii) by a combination of shares and cash.

(b) In the case of Participants who are subject to Section 16 of the Exchange Act, the Committee may impose such limitations and restrictions as it deems necessary or appropriate with respect to the delivery or withholding of shares of Common Stock to meet tax withholding obligations.

11.06 Surrender of Awards. Any Award granted under the Plan may be surrendered to the Company for cancellation on such terms as the Committee and the holder approve. With the consent of the Participant, the Committee may substitute a new Award under this Plan in connection with the surrender by the Participant of an equity compensation award previously granted under this Plan or any other plan sponsored by the Company.

11.07 Adjustments to Reflect Capital Changes.

(a) Recapitalization. In the event of any corporate event or transaction (including, but not limited to, a change in the Common Stock or the capitalization of the Company) such as a merger, consolidation, reorganization, recapitalization, separation, partial or complete liquidation, stock dividend, stock split, reverse stock split, spin-off, or other distribution of stock or property of the Company, a combination or exchange of Common Stock, dividend in kind, or other like change in capital structure, number of outstanding shares of Common Stock, distribution (other than normal cash dividends) to shareholders of the Company, or any similar corporate event or transaction, the Committee, in order to prevent dilution or enlargement of Participants' rights under this Plan, shall make equitable and appropriate adjustments and substitutions, as applicable, to or of the number and kind of shares subject to outstanding Awards, the Exercise Price for such shares, the number and kind of shares available for future issuance under the Plan and the maximum number of shares in respect of which Awards can be made to any Participant in any calendar year, and other determinations applicable to outstanding Awards. The Committee shall have the power and sole discretion to determine the amount of the adjustment to be made in each case.

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(b) Merger. In the event that the Company is a party to a Merger, outstanding Awards shall be subject to the agreement of merger or reorganization. Such agreement may provide, without limitation, for the continuation of outstanding Awards by the Company (if the Company is a surviving corporation), for their assumption by the surviving corporation or its parent or subsidiary, for the substitution by the surviving corporation or its parent or subsidiary of its own awards for such Awards, for accelerated vesting and accelerated expiration, or for settlement in cash or cash equivalents.

(c) Options to Purchase Shares or Stock of Acquired Companies. After any Merger in which the Company or an Affiliate shall be a surviving corporation, the Committee may grant substituted options under the provisions of the Plan, pursuant to Section 424 of the Code, replacing old options granted under a plan of another party to the Merger whose shares or stock subject to the old options may no longer be issued following the Merger. The foregoing adjustments and manner of application of the foregoing provisions shall be determined by the Committee in its sole discretion. Any such adjustments may provide for the elimination of any fractional shares which might otherwise become subject to any Options.

11.08 No Right to Continued Service. No person shall have any claim of right to be granted an Award under this Plan. Neither the Plan nor any action taken hereunder shall be construed as giving any Participant any right to be retained in the service of the Company or any of its Affiliates.

11.09 Awards Not Includable for Benefit Purposes. Payments received by a Participant pursuant to the provisions of the Plan shall not be included in the determination of benefits under any pension, group insurance or other benefit plan applicable to the Participant which is maintained by the Company or any of its Affiliates, except as may be provided under the terms of such plans or determined by the Committee.

11.10 Governing Law. All determinations made and actions taken pursuant to the Plan shall be governed by the laws of the State of California and construed in accordance therewith.

11.11 No Strict Construction. No rule of strict construction shall be implied against the Company, the Committee, or any other person in the interpretation of any of the terms of the Plan, any Award granted under the Plan or any rule or procedure established by the Committee.

11.12 Compliance with Rule 16b-3. It is intended that, unless the Committee determines otherwise, Awards under the Plan be eligible for exemption under Rule 16b-3. The Board is authorized to amend the Plan and to make any such modifications to Award Agreements to comply with Rule 16b-3, as it may be amended from time to time, and to make any other such amendments or modifications as it deems necessary or appropriate to better accomplish the purposes of the Plan in light of any amendments made to Rule 16b-3.

11.13 Captions. The captions (i.e., all Section headings) used in the Plan are for convenience only, do not constitute a part of the Plan, and shall not be deemed to limit, characterize or affect in any way any provisions of the Plan, and all provisions of the Plan shall be construed as if no captions have been used in the Plan.

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11.14 Severability. Whenever possible, each provision in the Plan and every Award at any time granted under the Plan shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of the Plan or any Award at any time granted under the Plan shall be held to be prohibited by or invalid under applicable law, then (a) such provision shall be deemed amended to accomplish the objectives of the provision as originally written to the fullest extent permitted by law and (b) all other provisions of the Plan and every other Award at any time granted under the Plan shall remain in full force and effect.

11.15 Amendment and Termination.

(a) Amendment. The Board shall have complete power and authority to amend the Plan at any time; provided, however, that the Board shall not, without the requisite affirmative approval of stockholders of the Company, make any amendment which requires stockholder approval under the Code or under any other applicable law or rule of any stock exchange or listing service which lists Common Stock or Company Voting Securities. No termination or amendment of the Plan may, without the consent of the Participant to whom any Award shall theretofore have been granted under the Plan, adversely affect the right of such individual under such Award.

(b) Termination. The Board shall have the right and the power to terminate the Plan at any time. No Award shall be granted under the Plan after the termination of the Plan, but the termination of the Plan shall not have any other effect on any Award outstanding at the time of the termination of the Plan and any such outstanding Award will continue in accordance with its terms and conditions.

11.16 Foreign Qualified Awards. Awards under the Plan may be granted to such employees, directors and consultants of the Company and its Affiliates who are residing in foreign jurisdictions as the Committee in its sole discretion may determine from time to time. The Committee may adopt such supplements to the Plan as may be necessary or appropriate to comply with the applicable laws of such foreign jurisdictions and to afford Participants favorable treatment under such laws.

11.17 Dividend Equivalents. For any Award granted under the Plan, the Committee shall have the discretion, upon the Date of Grant or thereafter, to establish a Dividend Equivalent Account with respect to the Award, and the applicable Award Agreement or an amendment thereto shall confirm such establishment. If a Dividend Equivalent Account is established, the following terms shall apply:

(a) Terms and Conditions. Dividend Equivalent Accounts shall be subject to such terms and conditions as the Committee shall determine and as shall be set forth in the applicable Award Agreement. Such terms and conditions may include, without limitation, for the Participant's Account to be credited as of the record date of each cash dividend on the Common Stock with an amount equal to the cash dividends which would be paid with respect to the number of shares of Common Stock then covered by the related Award if such shares of Common Stock had been owned of record by the Participant on such record date.

(b) Unfunded Obligation. Dividend Equivalent Accounts shall be established and maintained only on the books and records of the Company and no assets or funds of the Company shall be set aside, placed in trust, removed from the claims of the Company's general creditors, or otherwise made available until such amounts are actually payable as provided hereunder.

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11.18 Adjustment of Performance Goals and Targets. Notwithstanding any provision of the Plan to the contrary, the Committee shall have the authority to adjust any Performance Goal, performance target or other performance-based criteria established with respect to any Award under the Plan if circumstances occur (including, but not limited to, unusual or nonrecurring events, changes in tax laws or accounting principles or practices or changed business

or economic conditions) that cause any such Performance Goal, performance target or performance-based criteria to be inappropriate in the judgment of the Committee; provided, that with respect to any Award that is intended to qualify for the “performance-based compensation” exception under Section 162(m) of the Code and the regulations thereunder, any adjustment by the Committee shall be consistent with the requirements of Section 162(m) and the regulations thereunder.

11.19 Legality of Issuance. Notwithstanding any provision of this Plan or any applicable Award Agreement to the contrary, the Committee shall have the sole discretion to impose such conditions, restrictions and limitations (including suspending exercises of Options or Stock Appreciation Rights and the tolling of any applicable exercise period during such suspension) on the issuance of Common Stock with respect to any Award unless and until the Committee determines that such issuance complies with (a) any applicable registration requirements under the Securities Act of 1933 or the Committee has determined that an exemption therefrom is available, (b) any applicable listing requirement of any stock exchange on which the Common Stock is listed, (c) any applicable Company policy or administrative rules, and (d) any other applicable provision of state, federal or foreign law, including foreign securities laws where applicable.

11.20 Restrictions on Transfer. Regardless of whether the offering and sale of Common Stock under the Plan have been registered under the Securities Act of 1933 or have been registered or qualified under the securities laws of any state, the Company may impose restrictions upon the sale, pledge, or other transfer of such Common Stock (including the placement of appropriate legends on stock certificates) if, in the judgment of the Company and its counsel, such restrictions are necessary or desirable to achieve compliance with the provisions of the Securities Act of 1933, the securities laws of any state, the United States or any other applicable foreign law.

11.21 Further Assurances. As a condition to receipt of any Award under the Plan, a Participant shall agree, upon demand of the Company, to do all acts and execute, deliver and perform all additional documents, instruments and agreements which may be reasonably required by the Company, to implement the provisions and purposes of the Plan.

Impac Mortgage Holdings, Inc. Annual Stockholders' Meeting

Tuesday, July 21, 2015



Safe Harbor Statement

During this presentation we will make projections or other forward-looking statements in regards to but not limited to GAAP and taxable earnings, cash flows, interest rate and market risk exposure, mortgage production and general market conditions. I would like to refer you to the “Business Risk Factors” in our most recently filed Form 10K filed under the Securities and Exchange Act of 1934. These documents contain and identify important factors that could cause the actual results to differ materially from those contained in our projections or forward-looking statements. This presentation including outlook and any guidance is effective as of the date given and we expressly disclaim any duty to update the information herein.

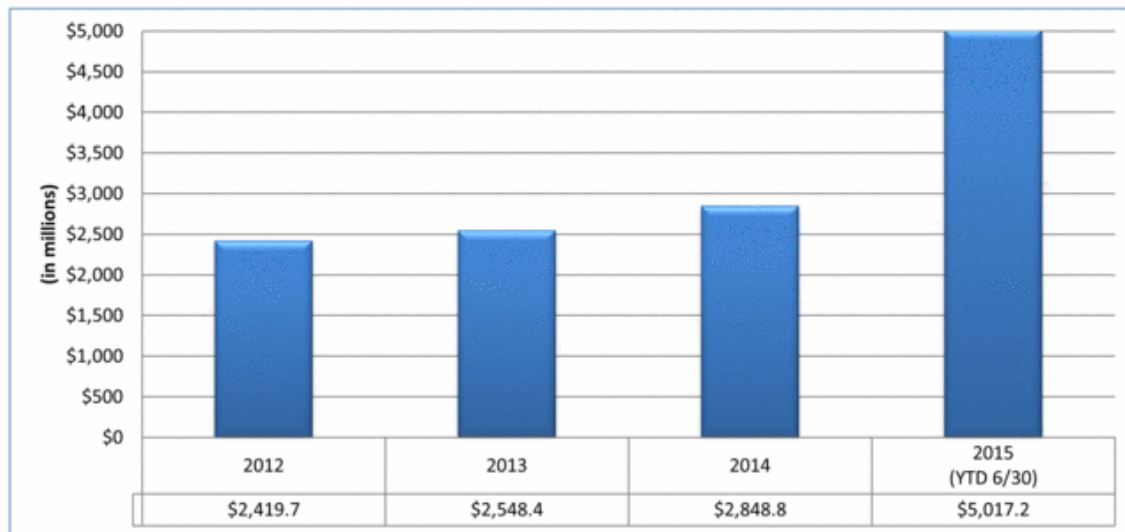


2014 Overview

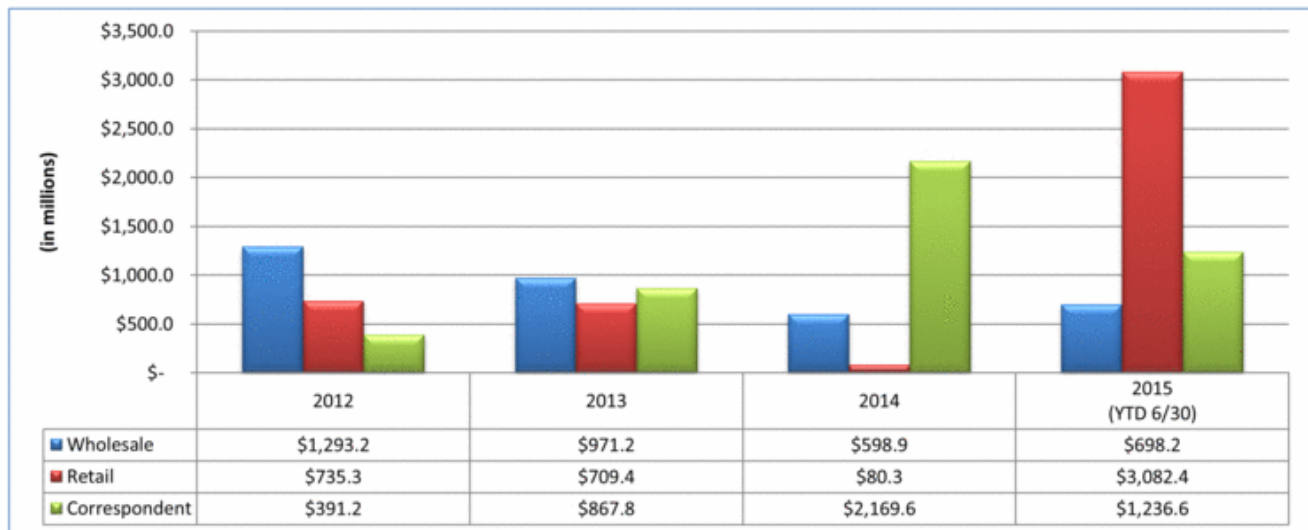
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- **AltQM initiative with Macquarie Group**
- **Growth in mortgage originations**
- **Opportunistic mortgage servicing sales**



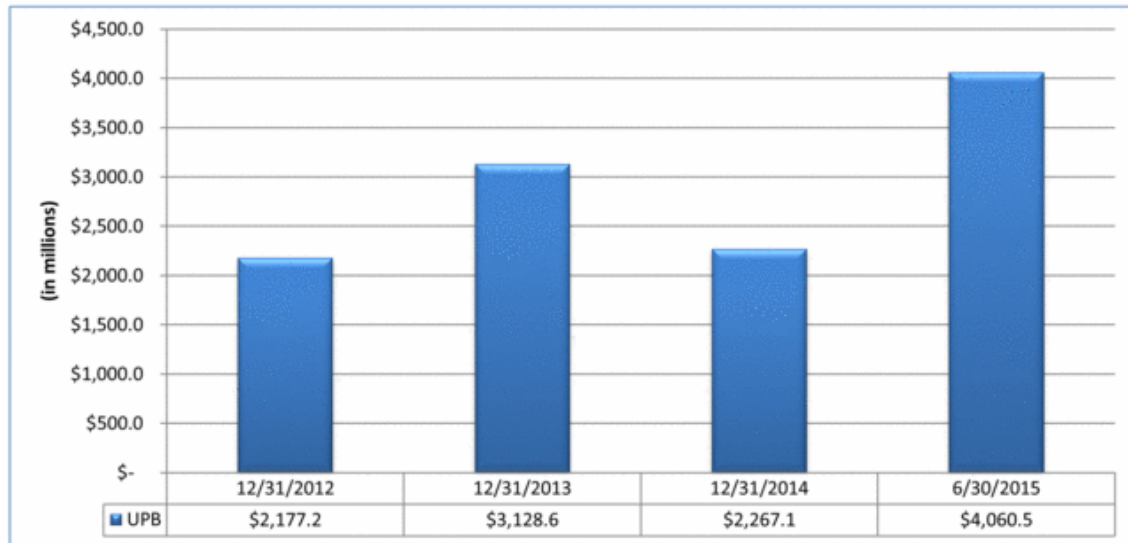
Mortgage Originations



Mortgage Originations by Channel

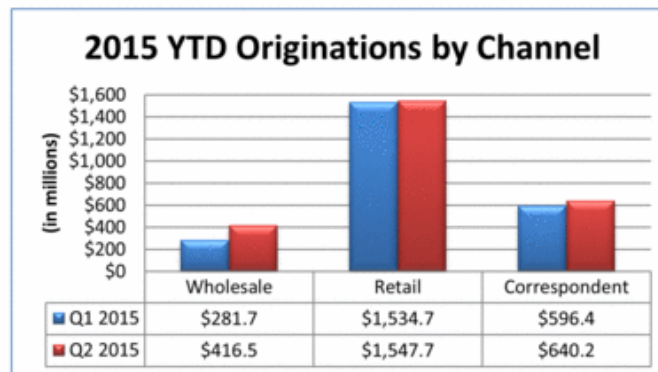


Mortgage Servicing Portfolio



2015 Overview

- CashCall Mortgage acquisition
- First quarter operating income of \$17 million
- Two successful capital raises



2015 Looking Ahead

- **Strategies for mortgage lending growth**
- **Growing AltQM production volumes**
- **Selectively retaining mortgage servicing**
- **Shelf registration**



This concludes my prepared remarks,
thank you for attending Impac
Mortgage Holdings, Inc. 2015 Annual
Stockholders' Meeting.



Impac Mortgage Holdings

Annual Meeting of Shareholders

July 21, 2015 at 12:00 p.m. Eastern

CORPORATE PARTICIPANTS

Joe Tomkinson — *Chairman and Chief Executive Officer*

Ron Morrison — *General Counsel and Executive Vice President*

PRESENTATION

Justin Moio

Good morning, everyone. Thank you for joining us this morning for Impac Mortgage Holdings' 2015 Annual Stockholders' Meeting. During this presentation, we will make projections or other forward-looking statements in regards to, but not limited to, GAAP and taxable earnings, cash flows, interest rate risk and market risk exposure, mortgage production, and general market conditions. I would like to refer you to the business risk factors in our most recently filed Form 10-K under the Securities and Exchange Act of 1934. These documents contain and identify important factors that could cause the actual results to differ materially from those contained in our projections or forward-looking statements. This presentation, including any outlook and any guidance, is effective as of the date given, and we expressly disclaim any duty to update the information herein.

At this time, I'd like anybody who hasn't voted their shares, they can see me in the back of the room, and I have additional ballots where you can provide me your proxies so you can vote those shares. At this time, I'd like to introduce Joe Tomkinson, Chairman and CEO of Impac Mortgage Holdings.

Joe Tomkinson

Good morning. First order of business, I'd like to introduce our board that's with us: Frank Phillips, Stephan Peers, Leigh Abrams, and Jim Walsh, also, our general council, Ron Morrison. Our president and chief operating officer is Bill Ashmore. Bill came to work with me 27 years ago, now. This is actually our 20th anniversary at Impac, so I thought I'd mention that. Then, where's my secretary in the back? Kathy King's [ph] been with me 28 years, since she was a young woman at the time, and she often remarks this is what happens when you work for Joe for this long. Then, head of our secondary marketing is Nancy Pollard, and our controller is Dave Wallace. Todd Taylor is somewhere in the room. Oh, there he is. I didn't recognize him. He's been with us a long time, also.

Anyway, I want to welcome everyone to our 20th—is this our 20th? Or would it be the 19th shareholders meeting? Oh, who's counting? I don't know, either. It doesn't make any difference. We're still here; that's the important thing. So, Ron, do you want give the results of the election?

Ron Morrison

Thank you, Joe. I think Justin already inquired, but is there anyone present who has not yet voted or who voted by proxy and wishes to withdraw that and vote differently at this time?

Okay, there being nobody present, with that, I can announce that we do have a quorum, and with regards to the election itself, the current slate of directors was reelected, that being Mr. Tomkinson, Mr. Ashmore, Mr. Walsh, Mr. Phillips, Mr. Peers, and Mr. Abrams. In addition, with regards to the amendment to the omnibus incentive plan, that also passed. The proposal to ratify Squar Milner as our accountants also passed. That is the results of the election. Thank you.

Joe Tomkinson

Alright. Ashmore beat me again? He was more popular than me?

M

Yes.

Joe Tomkinson

This is the fourth year in a row. It's really beginning to irritate me. Alright, let's see here, I've got some prepared remarks, and we've got some slides here for everyone. Let me get my script.

So, we'll start off with a very quick overview for 2014. As everyone is aware—as a side note, I was talking with Todd Pickup and Tim Bush. I'm not sure why we have these shareholder meetings for the previous year in July. I mean, why wouldn't we have it in February? I mean, last year's irrelevant, but this is what we talk about.

Anyway, as you all are very well aware, in 2014 we successfully sold AmeriHome Mortgage for about \$10 million. We recorded a return on our investment of about 20%. The whole reason for the original purchase of AmeriHome was it sort of gave us a jumpstart to get back into the business of residential lending. At the time that we went to reapply for all of our approvals with Fanny, Freddy, Jenny, the process had changed significantly, and it would have been a much

drawn-out process. Just to give you an example, in the state of New York, it took us 32 months to get reapproved, just in one state. So, that was the reason that we originally purchased AmeriHome. We sold it to another hedge fund. That sale concluded in—when was it? December 2014? Yes.

Then, we also, in late September of 2014, we launched or announced the initiative of our Alt-QM mortgage operations. This is very similar to the old Alt-A; however, this all conforms to the Dodd-Frank and the CFPB guidance, which we continue to get interpretations for the lending criteria, and as we discover what that criteria is, we go ahead and we implement those changes as we see fit.

During 2014, we increased our total loan originations to approximately \$2.9 billion. That was from \$2.5 billion in 2013. Two billion dollars of those originations and this is important, occurred in the second half of 2014, and that was a real strong indicator of what we were going to see in the first quarter of this year. During 2014, on a very selective basis, we sold our servicing rights. The reason for that is we were very capital constrained, and one of the ways to raise capital and to continue to grow the originations is to sell off that servicing. We were able to do that, which was at a profit, but we also generated about \$28 million, \$29 million in operating cash that we were able to recover.

Let's go to the next slide. Let's take a look at the originations in the lending overview. From 2012 to 2014, we were basically back in startup mode, and our mortgage originations increased slightly every year. While in the first half of 2015, our total originations nearly doubled the production for all of 2014, so in the first half of this year, we doubled what we did for 2014 with a total of \$5 billion in total originations. If we continue on this path, our projections show that we'll do somewhere in the neighborhood, for 2015, roughly \$10 billion through all channels, which is a huge increase.

CashCall Mortgage is a centralized retail call center that has traditionally focused on mortgage refinances, and as all of you know, we completed that transaction in the first week of January of this year, of 2015.

Let's go to Slide 3. As illustrated in the originations by the channel chart, our channel production has adjusted dramatically over the last year and a half. In 2014, and as a result of the sale of our costly brick and mortar retail branches, our production was predominantly generated from our wholesale channels and our correspondent lending division. It's important to note that in the fourth quarter 2014, prior to the acquisition of CashCall, CashCall was a correspondent seller, and the loan acquisition volume in the correspondent division included CashCall originations. Through the first half of 2015, as a result of CashCall Mortgage's volume being moved from the correspondent channel to our retail channel, retail originations through CashCall Mortgage channel now make up approximately 60% of our total origination volume. Additionally, the wholesale volume in the first half of 2015 has already surpassed the channel origination total production for all of 2014.

In 2014, the correspondent channel's correspondent standalone business, excluding CashCall production, was approximately \$1.1 billion. In the first half of 2015, the comparable correspondent production has been approximately \$1.2 billion. Again, that business has almost doubled.

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As seen in the mortgage servicing portfolio chart, the company steadily increased its mortgage servicing portfolio in 2012 and 2013. By increasing the mortgage servicing portfolio of agency loans with low interest rates and high credit quality, we were in a position to strategically sell servicing and capitalize in attractive pricing in the market, which I mentioned earlier in the presentation. As I discussed earlier, we sold \$3.3 billion of the servicing rights, which generated \$28 million in cash. These sales and servicing rights in our mortgage servicing portfolio were partially offset by the addition of servicing retaining loans of \$1.9 billion of conforming government, or GSE eligible loans.

In the CashCall Mortgage acquisition, in the first quarter, we completed the acquisition of CashCall, and CashCall Mortgage originations, which includes the complete origination platform. Their systems and personnel now operate as a separate division of Impac Mortgage Corporation under the name CashCall Mortgage. The division operates as a centralized call center that utilizes a marketing platform to generate customer leads to the internet and call center loan agents. By using its marketing platform to generate internal leads and its efficient, low cost operations, we believe CashCall Mortgage is able to compete with some of the largest internet lenders across the nation. The completion of this acquisition has already yielded significant financial results for the company and contributed to nearly half of the \$5 billion in production for the first half of 2015.

Our first quarter operating income, that's important to note, was \$17 million. In the first quarter of 2015, we reported income of \$17.2 million, or a \$1.72 per share, as compared to an operating loss of \$2.8 million in the fourth quarter of 2014. The increase in the operating income was primarily caused by the increase in origination volumes and margins in the first quarter, more specifically, the retail volumes of the CashCall Mortgage. In the second quarter of 2015, we expect to show strong originations and earnings numbers, but at this point I'm not prepared to provide specific earnings guidance as our P&L contains a significant amount of mark to market adjustments that could change prior to the second quarter earnings release which we will release in about two weeks.

This year, we had successful capital raises. When we had announced our first quarter earnings, we indicated that we were hopeful to raise around \$50 million in equity or equity capital. In May, we announced a \$25 million convertible debt issuance, and in June, we announced another \$30 million in working line capital facility with the Macquarie Group.

This capital was necessary due to the higher haircut requirements due to the higher volumes and contingent consideration payments associated with the acquisition of CashCall Mortgage. Additionally, our current capital position now allows us to continue to grow our mortgage lending platform. These transactions not only strengthen our liquidity position, but it also provided the ability to selectively retain mortgage servicing rights, as well as greater ability to take advantage of opportunities that may arise in the mortgage lending industry.

In looking forward in 2015, the strategies for our lending groups are as follows: Prior to the completion of the acquisition of CashCall, CashCall was licensed in just 11 states. Since then, based on the states in which Impac is currently licensed, CashCall Mortgage now has licenses in 41 states. This expanded national lending footprint, combined with access to the Impac loan products, will unlock significant opportunities to greatly diversify CashCall Mortgage loan production and increase the total overall production.

With that being said, CashCall Mortgage's current pipeline is primarily made up of the original states they were licensed, but we have seen an increase of applications with the newly licensed states and as a result of a nationwide marketing campaign of over 25% in the current pipeline. The increase of applications within these newly licensed states is expected to begin to generate fundings in the third quarter or the fourth quarter of this year. In addition, a nationwide marketing campaign is the most cost effective and efficient way of having to target a smaller number of states for marketing campaigns for all of media advertising, including internet, television, and radio.

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Since CashCall is an extremely efficient origination platform, we are currently in negotiation with large acquirers of mortgage servicing rights assets to act as a retention business to refinance their MSR assets back into their portfolio. The geographic expansion, additional loan production offering, and anticipated servicing retention business is expected to mitigate the reduced refinance activity expected during the latter half of 2015 and maintain CashCall volumes throughout the year.

In addition to the CashCall Mortgage, Impac's business-to-business channels of wholesale and correspondent will also be a part of the overall growth during the period of half of 2015. Currently, our business-to-business channels monthly run rates are \$360 million and growing. These channels also complement our current retail mix of business, with nearly half of our business-to-business production being purchase money transactions and 45% FHA and VA loans.

Growing the Alt-QM production volumes, even though our Alt-QM loan volumes were lower than we initially forecasted, we still believe that these loan programs can be an important part of the overall production. In July, as a result of feedback from borrowers in our business-to-business channels, we have simplified our Alt-QM program guidelines which are expected to create a more origination friendly loan product. These changes will further provide flexibility to help qualify high credit quality borrowers that are unable to get refinancing from current traditional mortgage platforms. As a result, we have seen an increase in our Alt-QM pipeline to over \$75 million; however, we do not anticipate these programs providing a material amount of revenue to the original channels until 2016.

We continue selective mortgage servicing. During the second half of 2015, we anticipate we will continue to grow our mortgage servicing right portfolio from \$4 billion at June of this year; however, we do anticipate that we may selectively sell mortgage servicing rights and assets to maintain a desired liquidity to grow our businesses. This year, we completed a shelf registration. At Impac, we completed the shelf origination in July of 2015, and that will allow us, the company, the flexibility to raise additional capital in the future to retain assets and grow the businesses through an equity raise. The raising of capital will be evaluated based on IMH's stock price, our deferred tax analysis, capital needs, the deployment of the capital raised, and overall return on earnings.

This concludes my prepared remarks. I'll open it up to any questions from the floor or questions that we have over the—what is it—internet? Is that what it is? Alright.

QUESTIONS AND ANSWER

Brian Gaitner

Thank you. Stockholder Brian Gaitner [ph]. This is a question on gain on sale margin. Given acquisition of CashCall, as well as management's strategic direction and the makeup of originations with channel loan type or purpose, specifically what I believe would be a percentage gain in originations in future Alt-QM and purchase originations, how do you see gain on sale margins widening or contracting in the future? And maybe if you could discuss where margins were in past good times.

Joe Tomkinson

Well, the margins, they fluctuate quarter to quarter. I'm sure you already know that. We've seen a decrease in the overall margins in the CashCall, although we saw an increase in margins in the correspondent in the wholesale channel. What was the other part? You wanted to know—

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Brian Gaitner

Just where the margins today versus where it was in maybe early 2000s [indiscernible]?

Joe Tomkinson

Well, you know, the margins—I'll go back to 2013. The margins were huge. Then they contracted, and in the beginning of this year, the margins widened again. We saw margins as high as, what, 327? Over 300 in the retail. Those have declined down somewhere in the 280 area. You want to add to where we see things going?

M

I think Joe's right in terms of where the competitive market is. As you see interest rates go up or climb in the May-June timeframe, there was compression overall in margins from a competitive standpoint. In addition to holding borrowers in, you're having competitive pressure. So, I think the biggest thing that we'll see is some stabilization of rates will allow us to maintain a more even margin over the overall channels. Although Joe had mentioned that we have increased production in the business-to-business channels, and those margins have stabilized or increased since the first part of the year.

Comparing it back to 2000 plus vintage is going to be impossible because the mix of business back then, our mix of business was all non-agency business. It was a different type of lending. It was more spread lending as opposed to what it is today, where the significant portion of the gain on sales embedded within those MSR assets. So, depending upon how those assets go and the competitive pressures, you're going to see margins contract or expand throughout the year.

One thing we have seen is since the first of the year when [indiscernible] and quite a few other larger MSR buyers were out of the market, or were flooding the market in the case of [indiscernible], we've seen that abate in the last couple of months, so we have seen a little bit stronger bid for those MSRs. But again, with the rising interest rates, you are going to see some compression. But what we've seen historically, and from talking to CashCall management, what they've seen is that as interest rates go up, it takes a little bit of time for the borrowers and the originators to acclimate to slightly higher interest rates. So, what we're going through right now is a period where instead of seeing primary rates being originated in the mid to higher threes, you're starting to see coupons move into the 4% region. You're going to see, again, it's going to take a while, a month or two, before borrowers start acclimating to that.

But I think that's happening, probably, at a decent time, which is the middle of a summer buying season, and as Joe mentioned, our increase in purchase business, which we want to get to in excess of 60% in the business to business, and that combines with the fact that we'll be a larger percentage of FHA business, which is basically predominantly purchase money. What CashCall is doing in that particular area is rolling out a government affinity program that will hopefully be put in place between now and the end of the year to capture more of the non-conventional refinance activity.

Joe Tomkinson

The big question, really, on everybody's mind is what happens when interest rates rise? Really, in a roundabout way, that's really what your whole question is based on. I think to a large extent maybe in the pricing, the increase in interest rates, the anticipation that is already built into the pricing that we're seeing. Interest rates undoubtedly are going to go up, at least in my opinion. The consensus seems to be by the end of the year, maybe we'll see an increase as much as a 0.5%. Now, what does that mean, 0.5%? Right now, we're conforming. It's conforming somewhere around 3.88%, 4%, somewhere in that neighborhood.

So, now let's look at it from a practical standpoint. Now, all of a sudden, interest rates are 4.5%, 4.75%. When I first bought my very first home 40 years ago, I closed a loan at 7.75%, and everybody thought in 1976 or 1977 that that was a great deal for a 30-year fixed rate loan. So, interest rates are still historically very, very low, and at 4.5%, they're even lower than they were 40-some years ago.

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As long as I've been doing this, Bill and I together, we've seen I don't know how many changes in interest rates. When I first started the business, interest rates were 16%, and I was selling loans at 4 points and 16%, and people were thanking me for giving them a 16% 30-year fixed rate loan. So, what we have seen over the years is people get adjusted to the higher rates. What typically happens when you have higher rates? Well, as long as I've been doing this, I've always seen price appreciation. So, now you see homes going up in value, and generally that is inflationary, and so that's why you have higher interest rates. So, then all of a sudden there's a bigger demand for homes and home ownership because people are thinking to themselves I've got to get in the game.

Now, 4.5%, when you really sit there and analyze it and you say okay, I'm going to put down 20% on \$100,000 home, so I've got \$20,000 invested, the house is appreciating, let's say, 3%—fair enough? Okay. So, what's 3% of \$100,000? I'm appreciating \$3,000 a year. The government's giving me back 30% of everything I spend on my interest, so I'm getting back roughly what, \$12,000? Alright, so now I get back \$12,000. I'm earning \$3,000. I get my taxes, and I'm building equity. Now when you take a look at it and you say for a \$20,000 investment, I'm earning \$12,000, \$15,000, even though I'm paying 4.5%, is that a bad investment? That's a better return than you guys are getting in my stock for the last seven years.

So, we know how to sell interest. We understand the homeowner. We know how to manage interest rate risk. There was a lot of speculation at Impac, by going out and borrowing the money, oh, they're having liquidity crisis, and they need the money. We didn't need the money. What I wanted to do was have more liquidity so that I could take advantage of these low servicing values that we were getting. I didn't want to sell the servicing at 90 if I think the price should be 120. So, we borrowed money short term. We borrowed it at pretty good rates. One of the borrowings was a convertible which I have the option to convert it, if I want. That's tantamount to raising capital. I think that was cheap money.

Interest rates don't bother me. It's a fact of life. The volume is going to fluctuate up and fluctuate down. Right now the volume's been fluctuating down. Gee, everyone knows that because we've had an increase in interest rates. So, what do we do? We cut back on our expenses, which is exactly what Bill has been doing for the last six weeks or so.

We're here to manage the process. We didn't survive through the last seven years by not managing the process. I can't tell you how many times people thought that they were going to be putting the tombstone on Impac. Now, we're in a position to grow the company, and there's a lot of low-hanging fruit out there. The large banks, they're stepping away from the business. We had the foresight to enter into and create the Alt-QM program, way ahead of our time. But it's better to have a program that you can use for the underserved market. When interest rates go up, more and more individuals are not going to qualify for the GSE loans because of the debt-to-income ratios, etc. Our guidelines provide for a higher debt-to-income ratio, so now we have these loan programs in place that as the volume goes down in the GSE programs, there are alternatives for what, to purchase money, where realtors can sit there and they can say hey, I can use these other programs because rather than only having two borrowers per house that qualify, now I have ten borrowers that qualify. That's the whole idea.

Does that answer all that long question? That was a long answer. Usually Bill is the verbose one; I'm usually pretty cut.

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[Indiscernible.]

Joe Tomkinson

I think I covered everything. So, next year, I'd like to get more votes than Ashmore, alright? Do we have any other questions?

CONCLUSION

Joe Tomkinson

Alright, we're all done then. Thank you for coming. We had a bigger, larger turnout than I expected. We will conclude this until next year. Are we going to have this meeting the same time next year?

M

Unless you want to move it up, yes.

Joe Tomkinson

I'd prefer to move it up. Then it's more relevant. Alright, thank you.

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