Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2010 or

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

For the transition period from _____ to _____.

Commission File Number: 1-14100

IMPAC MORTGAGE HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

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

19500 Jamboree Road, Irvine, California 92612
(Address of principal executive offices)
(949) 475-3600
(Registrant's telephone number, including area code)

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

Title of each class	**Name of each exchange on which registered**
Common Stock, $0.01 par value	NYSE Amex

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

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

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

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

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

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

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

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

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

As of June 30, 2010, the aggregate market value of the voting stock held by non-affiliates of the registrant was approximately $21.6 million, based on the closing sales price of common stock on the NYSE Amex on that date. For purposes of the calculation only, all directors and executive officers of the registrant have been deemed affiliates. There were 7,788,546 shares of common stock outstanding as of March 25, 2011.

IMPAC MORTGAGE HOLDINGS, INC.
2010 FORM 10-K ANNUAL REPORT
TABLE OF CONTENTS

IMPAC MORTGAGE HOLDINGS, INC.
2010 FORM 10-K ANNUAL REPORT
TABLE OF CONTENTS

PART I

ITEM 1. BUSINESS

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

Forward-Looking Statements

This report on Form 10-K contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements, some of which are based on various assumptions and events that are beyond our control, may be identified by reference to a future period or periods or by the use of forward-looking terminology, such as "may," "will," "believe," "expect," "likely," "should," "could," "seem to," "anticipate," or similar terms or variations on those terms or the negative of those terms. The forward-looking statements are based on current management expectations. Actual results may differ materially as a result of several factors, including, but not limited to the following: the ongoing volatility in the mortgage industry; our ability to successfully manage through the current market environment; our compliance with applicable local, state and federal laws and regulations and other general market and economic conditions; our ability to meet liquidity needs from current cash flows or generate new sources of revenue; management's ability to successfully manage and grow the Company's mortgage and real estate fee-based business activities and mortgage lending operations; the ability to make interest payments; increases in default rates or loss severities and mortgage related losses; our ability to obtain additional financing and the terms of any financing that we do obtain; inability to effectively liquidate properties to mitigate losses; increase in loan repurchase requests and ability to adequately settle repurchase obligations; decreases in value of our residual interests that differ from our assumptions; the ability of our common stock to continue trading in an active market; the outcome of litigation or regulatory actions pending against us or other legal contingencies.

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

Available Information

Our Internet website address is www.impaccompanies.com. We make available our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and proxy statements for our annual stockholders' meetings, as well as any amendments to those reports, free of charge through our website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission, or "SEC." You can learn more about us by reviewing our SEC filings on our website by clicking on "Stockholder Relations" located on our home page and proceeding to "Financial Reports." We also make available on our website, under "Corporate Governance," charters for the audit, compensation, and governance and nominating committees of our board of directors, our Code of Business Conduct and Ethics, our Corporate Governance Guidelines and other company information, including amendments to such documents and waivers, if any to our Code of Business Conduct and Ethics. These documents will also be furnished, free of charge, upon

written request to Impac Mortgage Holdings, Inc., Attention: Stockholder Relations, 19500 Jamboree Road, Irvine, California 92612. The SEC also maintains a website at www.sec.gov that contains reports, proxy statements and other information regarding SEC registrants, including the Company.

Recent Business Developments

During 2010, Impac Mortgage Holdings, Inc., through its wholly owned subsidiary Integrated Real Estate Service Corp., continued to provide mortgage and real estate services, and continued to assist in the management of the long-term mortgage portfolio, including the residual interests in securitizations. In the third quarter of 2010, the Company, through its wholly owned subsidiary Excel Mortgage Servicing, Inc. (Excel), re-entered the mortgage banking market and started funding residential mortgage loans.

As part of the initiative to re-enter the mortgage lending market, the Company has completed the following:

- Obtained its first warehouse facility since 2008 to fund residential mortgage loans;
- acquired controlling interest in a mortgage banking firm, AmeriHome Mortgage Corporation (AmeriHome), giving the Company ability to (i) originate, sell to and service for Fannie Mae and Freddie Mac loans, (ii) originate Federal Housing Authority (FHA) government loans and (iii) issue and service Ginnie Mae securities;
- through Excel, obtained approval to directly originate FHA loans as a HUD mortgagee and approval to originate, sell and service Fannie Mae loans;
- increased warehouse funding capacity to $42.0 million as of December 31, 2010;
- funded $20.7 million in residential mortgage loans in 2010; and
- obtained preliminary term sheets from lenders for a potential total warehouse funding capacity of $160 million as of March 25, 2011.

The Company was also successful in paying off and fully satisfying at a discount the $6.6 million outstanding balance of its last remaining significant obligation associated with the previously discontinued non-conforming residential lending operations. The full satisfaction of this obligation results in the termination of all associated covenants, conditions and restrictions.

In 2009, the Company created an integrated services platform to provide solutions to the mortgage and real estate markets. In 2010, the Company has further developed and enhanced its integrated services platform in providing services to investors, portfolio managers, servicers and individual borrowers primarily by focusing on loss mitigation and performance of our own long-term mortgage portfolio. The development of these business activities focuses on vertical integration of a centralized platform to operate synergistically to maximize revenues and profits. During 2010, the Company has expanded the mortgage and real estate service revenues by 33% to $56.4 million in 2010 from $42.3 million in 2009.

Through the loss mitigation efforts, the Company has been able to improve the performance of the long-term mortgage portfolio by reducing the 60 or more days delinquent loans to $2.4 billion, or 21.3%, at December 31, 2010 from $3.1 billion, or 25.0%, at December 31, 2009.

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

Market Conditions

During 2010, economic conditions in the United States generally improved, however the pace of improvement has been moderate. While the economy has begun to grow, its growth has not been strong enough to improve the employment market. The December 2010 unemployment rate of 9.4% marked the twentieth consecutive month of unemployment rates at or above 9%. These conditions have contributed to continuing distress in the mortgage industry. During the first half of 2010, housing prices began to stabilize in many markets with some markets experiencing recoveries as the first-time homebuyer tax credit and low interest rates environment served as a temporary stabilizing force for improving home sales. However, beginning in the third quarter of 2010 and continuing through the end of the year, we began to see home price declines in many markets as the homebuyer tax credit expired and housing prices remained under pressure due to elevated foreclosure levels. In addition, foreclosure delays as a result of reviews into foreclosure practices of some loan servicers in the fourth quarter of 2010, among other market conditions may result in continued downward pressure on home prices for the foreseeable future.

Despite positive job creation overall in 2010, the economy began to lose jobs again in the third quarter of 2010 as job creation in the private sector, while positive, slowed and was more than offset by reductions in government-related jobs. While job creation again turned positive in the fourth quarter, fear remains as to how pronounced any economic recovery may be. Such fear appeared to lessen, however, towards the end of 2010 as consumer spending began to increase and retail sales showed signs of improvement. U.S. unemployment rates, which have been a major factor in the deterioration of credit quality in the U.S. improved, but remained high at 9.4 percent in December 2010, decreasing from a rate of 10.2 percent in December 2009. However, we believe significant number of U.S. residents are no longer looking for work and, therefore, are not reflected in the U.S. unemployment rates. High unemployment rates have generally been most pronounced in the markets which had previously experienced the highest appreciation in home values. Unemployment rates in 18 states are at or above the U.S. national average and unemployment rates in five states are at or above 11 percent, including California and Florida. California and Florida represent 52% and 12% of the aggregate unpaid principal of our long-term mortgage portfolio, respectively, at December 31, 2010.

On July 21, 2010, the "Dodd-Frank Wall Street Reform and Consumer Protection Act" was signed into law and is a sweeping overhaul of the financial regulatory system. The legislation will have a significant effect on the operations of many financial institutions, mortgage lenders and finance companies in the U.S. As the legislation calls for extensive regulations to be promulgated to interpret and implement the legislation, it is not possible to precisely determine the effect to our operations and financial results at this time.

Mortgage and credit market conditions remained weak throughout 2010 due primarily to a continued weak labor market. Existing uncertainties surrounding the housing market, economy and regulatory environment will continue to present challenges for the Company. The ongoing economic stress or further deterioration of general economic conditions could prolong or increase borrower defaults leading to deteriorating performance of our long-term mortgage portfolio.

In addition to the weak labor market, we continue to be affected by the following factors:

- Overall levels of delinquencies remain elevated;
- Loss severity rates remain relatively high, as market conditions, such as home prices and the rate of home sales remain weak;

- Growth in the number of loans in the foreclosure process as well as prolonged foreclosure timelines related to deficiencies in foreclosure practices of servicers as discussed below;

- Mortgage loan originations from 2005 to 2007 continue to perform worse than originations from prior periods;

- Real estate markets in a large portion of the United States continue to be affected by stagnation or declines in property values experienced over the last three years;

- Home prices remain under pressure due to elevated foreclosure levels even though they have begun to stabilize in some markets, including some parts of California; and

- Tighter lending standards by mortgage lenders which affects the ability of borrowers to refinance existing mortgage loans or finance new purchases.

A number of factors make it difficult to predict when a sustained recovery in the housing and credit markets will occur. Concerns about the future of the U.S. economy, including the pace and magnitude of recovery from the recent economic recession, consumer confidence, volatility in energy prices, credit market volatility and trends in corporate earnings will continue to influence the U.S. economic recovery and the capital markets. In particular, continued improvement in unemployment rates and a sustained recovery of the housing markets remain critical components of a broader U.S. economic recovery. Further weakening in these components as well as in consumer confidence may result in additional deterioration in consumer payment patterns and credit quality. Weak consumer fundamentals including consumer spending, declines in wage income and wealth, as well as a difficult job market continue to depress consumer confidence. Additionally, there is uncertainty as to the future course of monetary policy and uncertainty as to the effect on the economy and consumer confidence when the remaining actions taken by the government to restore faith in the capital markets and stimulate consumer spending end, including the recent extension of unemployment insurance benefits and the prior presidential administration's tax cuts. These conditions in combination with general economic weakness and the impact of recent regulatory changes will continue to impact our results in 2011, the degree of which is largely dependent upon the nature and extent of the economic recovery.

In October 2010, certain large mortgage servicers announced investigations into their internal servicing operations. As reported, these investigations focused on the broad horizontal review of industry foreclosure practices. Some state attorney generals and various state and federal regulators and policymakers have since initiated inquiries concerning foreclosure procedures for single-family mortgage loans. Certain courts have issued new rules relating to foreclosures and we anticipate that scrutiny of foreclosure documentation will increase. Also, in some areas, officials are requiring additional verification of information filed prior to the foreclosure proceeding.

Due to the significant slowdown in foreclosures, and in some instances, cessation of all foreclosure processing by numerous loan servicers, for some period of time in 2011 there may be some reduction in the number of properties being marketed following foreclosure. The impact of that decrease may increase demand for properties currently on the market resulting in a stabilization of home prices but could also result in a larger number of vacant properties in communities creating downward pressure on general property values. As a result, the short term impact of the foreclosure processing delay is highly uncertain. However, the longer term impact is even more uncertain as eventually servicers will again begin to foreclose and market properties in large numbers, which is likely to create a significant oversupply of housing inventory and hence continue to drive real estate prices downward. This could lead to an increase in loss severity on real estate owned (REO) properties which could result in REO losses for the Company.

Although the U.S. government has taken various actions to stabilize the financial markets and encourage lending, we continue to operate under very difficult market conditions. There can be no assurance that the government actions will have a beneficial effect on the financial markets and, more specifically, the markets in which we operate. We cannot predict what, if any, impact these actions or future actions by either the U.S. government or foreign governments could have on our business, results of operations and financial condition. These events may impact the availability of financing generally in the marketplace and also may impact the market value of financial instruments, including the residual interests, loans, and the performance of our long-term mortgage portfolio.

Ambac Financial Group, Inc. (Ambac) provides bond guaranty insurance for thirteen of the Company's consolidated securitizations. In November 2010, Ambac filed for bankruptcy protection. As the related securitization trusts are nonrecourse to the Company, it is not required to replace or otherwise settle bond guaranty insurance within the consolidated trusts. Furthermore, in determining the fair value of securitized mortgage borrowings, the Company excludes consideration of bond guaranty insurance payments in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) ASC 820-10-35-18A. In addition to Ambac, other insurance companies have issued bond guaranty insurance policies for certain securities within the Company's securitized mortgage borrowings. Other bond insurers are experiencing similar financial difficulties and in fact since 2009 FGIC has suspended paying claims on bond guaranty insurance. Bankruptcy filings by Ambac and other bond insurance companies could materially affect industry-wide market prices for collateralized mortgage bonds.

Financial Regulatory Reform

On July 21, 2010, the "Dodd-Frank Wall Street Reform and Consumer Protection Act" was signed into law. This legislation is a sweeping overhaul of the financial regulatory system.

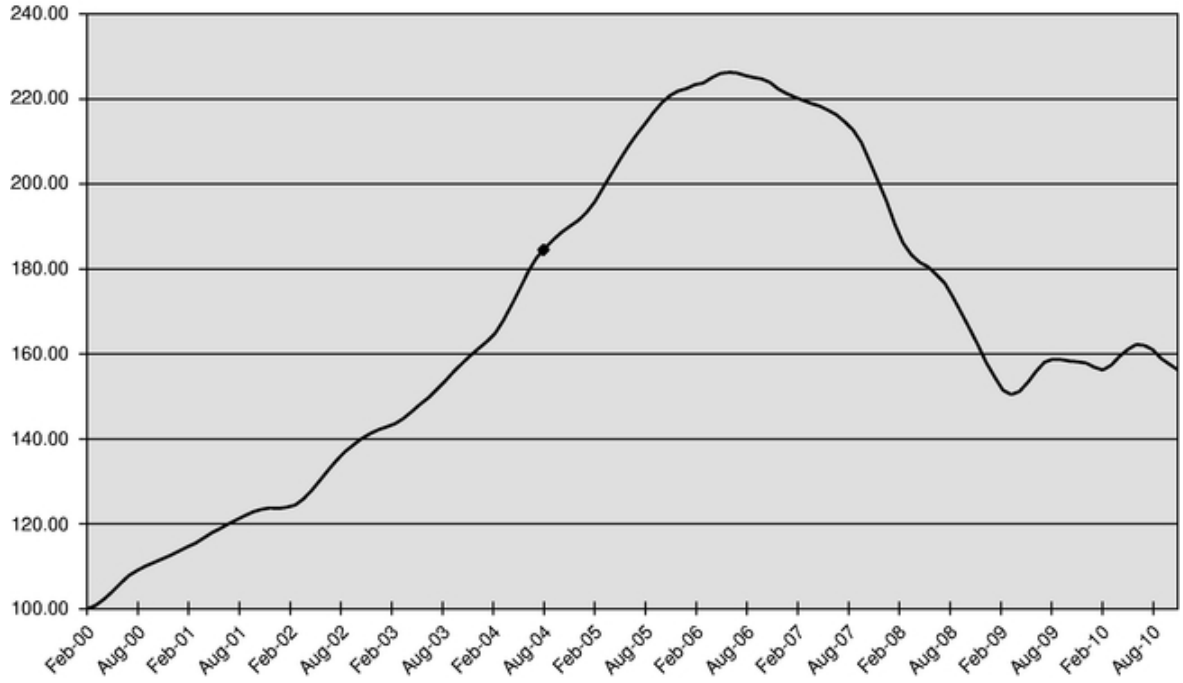
The legislation provides for new regulation on financial institutions, creates new supervisory and advisory bodies, including the new Consumer Financial Protection Bureau, and contains many consumer related provisions including provisions addressing mortgage reform. In the area of mortgage origination, it appears there is an effective elimination of stated income loans and low document loans along with a requirement to apply a net tangible benefit test for all refinancing transactions. There are also numerous revised servicing requirements for mortgage loans.

The legislation will have a significant effect on the operations of many financial institutions in the U.S. As the legislation calls for extensive regulations to be promulgated to interpret and implement the legislation, it is not possible to precisely determine the impact to operations and financial results at this time. The Company will continue to assess the effect of the legislation on the Company's business as the associated regulations are adopted.

Effects of Recent Market Activity

During 2010, the Company's investment in securitized non-conforming loans (residual interests) continued to be affected by the aforementioned economic and housing market conditions. Although there has been a slight improvement in home prices as evidenced in the Case-Shiller chart below, as a result of current market conditions, the Company's residual interests continue to be affected by increased estimated defaults and severities.

Case-Shiller (Composite-10)



As depicted in the chart above, average home prices peaked in June 2006 at 226.29 and continued their dramatic decline through much of the first half of 2009, while increasing slightly over the remaining half of the year. The Standard & Poor's Case-Shiller 10-City Composite Home Price Index (the Index) for December 2010 was 156.26 (with the base of 100.00 for January 2000.) Beginning in the third quarter of 2007, the Company began to believe that there was a correlation between the borrowers' perceived equity in their homes and defaults. The original loan-to-value (defined as loan amount as a percentage of collateral value, "LTV") and original combined loan-to-value (defined as first lien plus total subordinate liens to collateral value, "CLTV") ratios of single-family mortgages remaining in the Company's securitized mortgage collateral as of December 31, 2010 was 73% and 82%, respectively. The current LTV and CLTV ratios likely increased from origination date as a result of the deterioration in the real estate market. We believe that home prices that have declined below the borrower's perceived value at the time a mortgage was closed have a higher risk of default within our portfolio. Based on the Index, home prices have declined 31% through December 31, 2010 from the 2006 peak. Further, we believe home prices in general within California and Florida, the states with the highest concentration of our mortgages, have declined even further than the Index. We have considered the deterioration in home prices and its effect on our loss severities, which are a primary assumption used in the valuation of securitized mortgage collateral and borrowings.

Continuing Operations

The Company's continuing operations include the mortgage and real estate fee-based business activities performed by IRES and the long-term mortgage portfolio (residual interests in securitizations reflected as net trust assets and liabilities in the consolidated balance sheets).

Mortgage and Real Estate Services

The Company's integrated services platform was created to provide solutions to the mortgage and real estate markets. Through IRES, the Company performs services for investors, portfolio managers, servicers and individual borrowers, including mortgage lending services, portfolio monitoring and real estate services, surveillance and recovery services and title and escrow services. The mortgage and real estate services have been developed as part of a centralized platform to operate synergistically to maximize revenues and profits. The integrated services platform includes mortgage lending operations, portfolio loss mitigation and real estate services and title and escrow.

Mortgage Lending Operations—During 2010, the Company began funding conforming residential mortgage loans as it re-enters the mortgage banking market. By obtaining its first warehouse facility since 2008, the Company has been originating and funding mortgages through its wholly owned subsidiary, Excel, under the "Impac Mortgage" brand name. The mortgage lending activities include the origination, funding and selling of loans. In 2010, the Company slowly began to rebuild the mortgage lending platform to ensure that appropriate licenses, approvals and quality control process were in place to originate, sell, and service residential mortgage loans that are eligible for sale to Ginnie Mae under FHA programs and the other government-sponsored enterprises.

Portfolio Loss Mitigation and Real Estate Services—The Company has been able to develop and enhance its service offerings by providing services focusing on loss mitigation and performance of our own long-term mortgage portfolio. The Company's portfolio loss mitigation and real estate services operations include the following services:

- REO surveillance and disposition services to portfolio managers and servicers to assist them with improving portfolio performance by maximizing liquidation proceeds from managing foreclosed real estate assets.

- Short sale (where a lender agrees to take less than the balance owed from the borrower) services for servicers, investors and institutions with distressed and delinquent residential and multifamily mortgage portfolios.

- Real estate brokerage which primarily serves the southern California area. The real estate brokerage business lists and sells REO and pre-foreclosure properties associated with short sales.

- Default surveillance and loss recovery services for residential and multifamily mortgage portfolios for servicers and investors to assist them with overall portfolio performance and maximizing cash recovery.

- Loan modification solutions to individual borrowers by interacting with loan servicers on behalf of the borrowers to assist them in lowering the monthly mortgage payments to an affordable level allowing them to remain in their homes. The Company receives fees paid by the borrower for these services.

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

Title and Escrow—The title insurance company services primarily California and selected national markets providing title insurance, escrow and settlement services to residential mortgage lenders, real estate agents, asset managers and REO companies in the residential real estate market. The services are provided through a proprietary integrated technology platform.

Although the Company intends to expand its portfolio loss mitigation and real estate services to third parties in the marketplace, the revenues from these business activities have historically been generated from the Company's long-term mortgage portfolio. Furthermore, as the distressed mortgage and real estate markets remain unstable and uncertain due to the significant number of foreclosure properties that need to be sold, there remains uncertainty about the ongoing need and delivery of these services in the future.

Long-Term Mortgage Portfolio

The long-term mortgage portfolio consists of the residual interest in securitizations represented on the consolidated balance sheet as the difference between trust assets and trust liabilities. See more discussion of the long-term mortgage portfolio under "Status of Operations" in Management's Discussion and Analysis of Financial Conditions and Results of Operations.

The long-term mortgage portfolio includes adjustable rate and, to a lesser extent, fixed rate Alt-A single-family residential mortgages and commercial (primarily multifamily) mortgages that were acquired and originated by the Company. Alt-A mortgages are primarily first lien mortgages made to borrowers whose credit is generally within typical Fannie Mae and Freddie Mac guidelines, but have loan characteristics that make them non-conforming under those guidelines.

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

Historically, the Company securitized mortgages in the form of collateralized mortgage obligations (CMOs), which were consolidated and accounted for as secured borrowings for financial statement purposes. Securitized mortgages in the form of real estate mortgage investment conduits (REMICs) were either consolidated or unconsolidated depending on the design of the securitization structure. CMO and certain REMIC securitizations were designed so that the transferee (securitization trust) was not a qualifying special purpose entity (QSPE), and therefore the Company consolidated the variable interest entity (VIE) as it was the primary beneficiary of the sole residual interest in each securitization trust. Amounts consolidated are included in trust assets and liabilities as securitized mortgage collateral, real estate owned, derivative assets, securitized mortgage borrowings and derivative liabilities in the accompanying consolidated balance sheets. At December 31, 2010, our residual interest in securitizations (represented by the difference between trust assets and trust liabilities) increased to $26.4 million, compared to $23.0 million at December 31, 2009.

Effective January 1, 2010, former QSPEs were evaluated for consolidation based on the provisions of FASB ASC 810-10-25, which eliminates the concept of a QSPE and changes the approach to determining a securitization trust's primary beneficiary. Refer to Note 1.—*Recently Adopted Accounting Pronouncements* in the notes to the consolidated financial statements for a discussion of the impact these new rules will have on the Company's consolidated balance sheets.

During 2010 and 2009, the Company did not acquire or retain any mortgages in the long-term mortgage portfolio.

For additional information regarding the long-term mortgage portfolio refer to Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations," Note 3. "Securitized Mortgage Collateral" and Note 6. "Securitized Mortgage Borrowings" in the notes to the consolidated financial statements.

Master Servicing

We have retained master servicing rights on substantially all of our non-conforming single-family residential and commercial mortgage acquisitions and originations that we retained or sold through securitizations. Our function as master servicer includes collecting loan payments from loan servicers and remitting loan payments, less master servicing fees receivable and other fees, to a trustee or other purchaser for each series of mortgage-backed securities or mortgages master serviced. In addition, as master servicer, we monitor compliance with our servicing guidelines and perform, or contract with a third party to perform, all obligations not adequately performed by any loan servicer. We are also required to advance funds, or cause our loan servicers to advance funds, to cover principal and interest payments not received from borrowers depending on the status of their mortgages. We also earn income or incur expense on principal and interest payments we receive from borrowers until those payments are remitted to the investors of those mortgages. Master servicing fees are generally 0.03 percent per annum on the unpaid principal balance of the mortgages serviced. Cash flows from master servicing has declined significantly due to a decrease in principal balances and a decline in interest rates since the end of 2008, which affects the amount we earn on balances held in custodial accounts. At December 31, 2010, we were the master servicer for approximately 45,600 mortgages with an unpaid principal balance of approximately $13.0 billion of which $2.9 billion of those loans were 60 or more days delinquent. At December 31, 2010, the Company is also the master servicer for unconsolidated securitizations totaling approximately $1.8 billion in unpaid principal balance of which $0.5 billion of those loans were 60 or more days delinquent.

Discontinued Operations

Discontinued operations primarily include minimizing or settling the repurchase liability exposure related to our former non-conforming mortgage operations.

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

Regulation

Under our mortgage lending and real estate brokerage operations, we have established underwriting guidelines that include provisions for inspections and appraisals, required credit reports on prospective borrowers and determined maximum loan amounts. Our mortgage lending activities are subject to, among other laws, the Equal Credit Opportunity Act, Federal Truth-in-Lending Act, Fair Credit Reporting Act, Fair and Accurate Credit Transaction Act, Fair Housing Act, Gramm-Leach, Bliley Act, Telephone Consumer Protection Act, Can Spam Act, Real Estate Settlement Procedures Act, Home Mortgage Disclosure Act, the Fair Debt Collection Practices Act, the Secure and Fair Enforcement for Mortgage Licensing Act of 2008, the Dodd-Frank Wall Street Reform and Consumer Protection Act, and the regulations promulgated thereunder. These laws and regulations, among other things, prohibit discrimination and require the disclosure of certain basic information to mortgagors concerning credit terms and settlement costs, prohibit the payment of kickbacks for the referral of business incident to a real estate settlement service, limit payment for settlement services to the reasonable value of the services rendered and goods furnished, restrict the marketing practices we used to find customers, require us to safeguard non-public information about our customers and require the maintenance, disclosure of information regarding the disposition of mortgage applications based on race, gender, geographical distribution, price and income level and established national minimum standards for mortgage licenses. Our mortgage lending, real estate brokerage and title and escrow activities are also subject to state and local laws and regulations, including state licensing laws, anti-predatory lending laws, and may also be subject to applicable state usury statutes. Our mortgage lending operation is an approved Housing and Urban Development "HUD" lender. As a HUD approved lender, we are required to submit annually to Fannie Mae, Freddie Mac, and HUD, as applicable, audited financial statements, or the equivalent, according to the financial reporting requirements of each regulatory entity for its sellers/ servicers. Our affairs will also be subject to examination by Fannie Mae and Freddie Mac at any time to assure compliance with applicable regulations, policies and procedures. Also refer to "Regulatory Risks" under Item 1A. Risk Factors for a further discussion of regulations that may affect our Company.

Competition

We operate in a highly competitive industry that could become even more competitive as a result of legislative, regulatory, economic, and technological changes, as well as continued consolidation. Our competitors include banks, thrifts, credit unions, real estate brokerage firms, title and escrow companies, and mortgage banking companies. Competition is based on a number of factors including, among others, customer service, quality and range of products and services offered, price, reputation, interest rates, lending limits and customer convenience. To compete effectively, we must have a very high level of operational, technological, and managerial expertise, as well as access to capital at a competitive cost. As a result of reduced access to capital, general housing trends, rising delinquencies and defaults and other factors, many mortgage and real estate services firms have recently experienced severe financial difficulty, with some exiting the business or filing for bankruptcy protection.

Our mortgage and real estate fee-based business activities compete with firms that provide similar services, including loan modification companies, real estate asset management and disposition companies, real estate brokerage firms and title and escrow companies.

Risk factors, as outlined below, provide additional information related to risks associated with competition in the mortgage, real estate services and title and escrow industries.

Employees

As of December 31, 2010 and 2009, we had a total of 376 and 299 full-time and part-time employees, respectively. Management believes that relations with its employees are good. We are not a party to any collective bargaining agreements.

ITEM 1A. RISK FACTORS

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

Risks Related To Our Businesses

If we fail to generate new sources of revenue successfully, our business, financial condition and results of operations could be materially and adversely affected.

Since 2007, management has been challenged by the unprecedented turmoil in the mortgage market, including significant increases in delinquencies and foreclosures and significant increases in credit-related losses. In response, the Company discontinued its non-conforming mortgage and retail operations, its commercial operations and warehouse lending operations in 2007, and during 2008 and 2009 (i) satisfied and terminated all of its reverse repurchase financings, except for one, which was restructured and subsequently satisfied, (ii) reduced and restructured its trust preferred payment obligations, (iii) settled a significant portion of its outstanding loan repurchase claims, and (iv) eliminated its preferred stock dividends. Although these actions have decreased our debt obligations, certain others have caused a reduction in our cash and overall liquidity.

In light of the continuing turmoil in the mortgage market, our ability to continue our operations is dependent upon our ability to successfully initiate new sources of revenue, such as our mortgage and real estate fee-based business activities that we established during 2009 and 2010, and re-enter the mortgage lending industry, which may include acquiring new operations, that contribute sufficient additional cash flow to enable us to generate net revenue to meet our current and future expenses. Our future financial performance and success are dependent in large part upon our ability to implement and maintain our mortgage and real estate fee-based business activities and mortgage lending operations successfully. The mortgage and real estate services market is volatile and highly competitive. The Company's ability to successfully compete in the mortgage and real estate services market is uncertain as these operations were only established in the last few years. Our business will be materially affected if we are unable to generate sufficient liquidity to conduct our operations as planned.

Our ability to acquire new businesses is significantly constrained by our limited liquidity and our likely inability to obtain financing or to issue equity securities as a result of our current financial condition and current market conditions, as well as other uncertainties and risks. There can be no assurances that we will be able to initiate or acquire new business operations. We may not be able to implement and maintain our new business operations successfully or achieve the anticipated benefits of their implementation. If we are unable to do so, we may be unable to satisfy our future operating costs and liabilities, including repayment of our note payable and long-term debt.

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

Competition in the residential real estate and mortgage services business is intense. Plus, the mortgage business and other businesses in which we have begun operations have recently experienced substantial consolidation. Our competitors include banks, thrifts, credit unions, real estate brokerage firms, title and escrow companies, asset management companies, and mortgage banking companies. Several of our competitors enjoy advantages, including greater financial resources and access to capital, a wider geographic presence, more accessible branch office locations, more aggressive marketing campaigns, better brand recognition, the ability to offer a wider array of services or more favorable pricing alternatives, as well as lower origination and operating costs. To compete effectively, we must have a very high level of operational, technological, and managerial expertise, as well as access to capital at a competitive cost. As a result of reduced access to capital, general housing trends, rising delinquencies and defaults and other factors, many mortgage and real estate services firms have recently experienced severe financial difficulty, with some exiting the business or filing for bankruptcy protection, resulting in a consolidation of companies in such industries. The dominance of a limited number of companies has created greater competition and to the extent that we can not compete effectively, it may adversely affect our business operations and financial performance.

Our long-term liquidity is dependent on our ability to grow and maintain new businesses.

The ability to meet our long-term liquidity requirements is subject to several factors, such as realizing cash flows from our long-term mortgage portfolio and generating fees from our newly established mortgage and real estate fee-based business activities. Our future financial performance and success are dependent in large part upon our ability to grow our mortgage and real estate fee-based business activities. We believe that current cash balances, short-term investments, cash flows realized from our long-term mortgage portfolio and fees generated from our mortgage and real estate fee-based business activities will be adequate to fund our current operations and liabilities. At December 31, 2010, our debt obligations, consisting of our trust preferred securities, junior subordinated notes, and the note payable related to the obligation limited to and secured by some of our residual interests in certain securitization trusts, was an aggregate of approximately $70.9 million in outstanding principal balance. We cannot provide any assurances that we will be able to operate successfully our mortgage and real estate fee-based business activities and other business that we may implement in the future. If we are unable to do so, we may be unable to satisfy our future operating costs and liabilities, including repayment of our note payable and long-term debt.

The Company's mortgage portfolio contains significant interest rate risks that are not currently hedged by the Company.

Residual interests in certain securitization trusts are expected to generate cash flows to the Company. These cash flows are contingent upon maintaining required overcollateralization levels and can be reduced or eliminated by realized losses from the disposition of loans or REO. Assuming realized losses have not reduced overcollateralization levels below required levels, excess cash flows are distributed to the residual interest holder after the required bond interest and principal payments are made to investors. Interest rates on the loans in the securitization trusts generally adjust bi-annually. Interest rates on the bonds usually adjust monthly with changes partially offset by derivatives instruments (primarily interest rate swap agreements) inside the securitization trusts. Since bond interest rates adjust more frequently than the related loans, increases in LIBOR rates could significantly reduce the future cash flows we receive from these securitization trusts. The amount of the derivatives instruments is not sufficient to fully protect the residual cash flows from increases in LIBOR. The

Company does not have the ability to change the derivatives instruments inside the trusts and does not currently hedge this interest rate risk with derivatives instruments outside the securitization trusts. As a result of not fully hedging interest rate risks, the Company's future residual cash flows could be significantly affected by rising LIBOR rates.

There has been recent litigation in the mortgage industry related to securitizations.

As defaults, delinquencies, foreclosures, and losses in the real estate market continue, there have been recent lawsuits by various investors, insurers, underwriters and others against various participants in securitizations, such as sponsors, depositors, underwriters, and loan sellers. Some lawsuits have alleged that the mortgage loans had origination defects, that there were misrepresentations made about the mortgage loans and the parties failed to properly disclose the quality of the mortgage loans or repurchase defective loans or that there were other misrepresentations, lack of representations, or errors in securitization documents. There have been other claims contending errors or misrepresentations in the securitization documents or process itself. Historically, we both securitized and sold mortgage loans to third parties that may have been deposited or included in pools for securitizations. We have discovered discrepancies in our securitization documents and are working with the parties involved, including bondholders, on the issue. Recently the trustee of three of our securitizations has filed actions in the Superior Court of the State of California, County of Orange, seeking instructions on how to resolve the ambiguities, inconsistencies in and/or omissions by modifying or reforming the securitizations documents to be consistent. Although the petitions do not seek any affirmative recovery from us, the outcome of that litigation may have an effect on us. To the extent that we are not successful in correcting the discrepancies or even if we are successful and make revisions to correct the discrepancies, we may be subject to liability. In connection with these potential claims, we may be asked to repurchase these bonds, provide indemnification against such claims or we may become subject to litigation related to the securitizations. As a result, we may incur significant legal and other expenses in defending against claims and litigation and we may be required to pay settlement costs, damages, penalties or other charges which could adversely affect our financial results.

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

We sell or contract with third-parties for the servicing of all our mortgage loans. Our operations, performance and liabilities are subject to risks associated with inadequate or untimely servicing. Poor performance by a servicer may result in greater than expected delinquencies and losses on our mortgage loans or in our resulting exposure to investors, bond holders, bond insurers or others as we are responsible for the performance of our loan servicers. If we, or our servicers, commit a material breach of our obligations as a servicer or master servicer, we may be subject to termination if the breach is not cured within a specified period of time following notice, causing us to lose master servicing income. In addition, we may be required to indemnify the securitization trustee against losses from any failure by us, as master servicer or on behalf of the servicer, to perform the servicing obligations properly. Recent announcements of deficiencies in foreclosure documentation by several large servicers have raised various concerns relating to foreclosure practices. We are working with all of our servicers to identify deficient foreclosure practices. A number of our servicers, including several of our largest ones, have temporarily suspended foreclosure proceedings in some or all states in which they do business while they conduct their evaluations. We are also evaluating the impact of these foreclosure practices on our REO properties and the servicers have suspended certain REO sales and eviction proceedings for REO properties pending the completion of the evaluation. Issues have also been identified with respect to practices of certain legal counsel involved in the foreclosure process and in the use of the mortgage electronic registration system as a foreclosing party or as a listed beneficiary of a mortgage. We expect that these issues and the related foreclosure suspensions could prolong the foreclosure process

nationwide and may delay sales of our REO properties and hence affect the performance of our securities. Continued foreclosure delays and other disruptions in the real estate market may result in a material adverse impact to our financial results.

Also, a substantial increase in our delinquency or foreclosure rate could adversely affect our ability to access the capital and secondary markets for our financing needs. Also, with respect to mortgage loans subject to a securitization, greater delinquencies would adversely affect the value of our residual interest, if any, we hold in connection with that securitization.

In a securitization, relevant agreements permit us to be terminated as servicer or master servicer under specific conditions described in these agreements. If, as a result of a servicer or sub-servicer's failure to perform adequately, we were terminated as master servicer of a securitization, the value of any master servicing rights held by us could be adversely affected.

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

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

We are a defendant in purported class action lawsuits and may not prevail in these matters.

Class action lawsuits and regulatory actions alleging improper marketing practices, abusive loan terms and fees, disclosure violations, improper yield spread premiums and other matters are risks faced by all mortgage originators, particularly those in the Alt-A and subprime market. We are a defendant in purported class actions pending in different states. Some of the class actions allege generally that the loan originator (not Impac) improperly charged fees in violation of various state lending or consumer protection laws in connection with mortgages that we acquired while others allege that our lending practice was a statutory violation, an unlawful business practice, an unfair business practice or a breach of a contract. They generally seek unspecified compensatory damages, punitive damages, pre- and post-judgment interest, costs and expenses and rescission of the mortgages, as well as a return of any improperly collected fees. We may incur defense costs and other expenses in connection with the class action lawsuits, and we cannot assure you that the ultimate outcome of these or other actions will not have a material adverse effect on our financial condition or results of operations. In addition to the expense and burden incurred in defending this litigation and any damages that we may suffer, our management's efforts and attention may be diverted from the ordinary business operations in order to address these claims. If the final resolution of this litigation is unfavorable to us, our financial condition, results of operations and cash flows might be materially adversely affected. We believe we have meritorious defenses to the actions and intend to defend against them vigorously; however, an adverse judgment in any of these matters could have a material adverse effect on us.

Second trust deed mortgages in our long term investment portfolio expose us to greater credit risks.

Our security interest in the property securing second mortgages in our portfolio is subordinated to the interest of the first mortgage holder. Typically, the second mortgages have a higher combined loan to value (CLTV) ratio than do our first mortgages. If the borrower experiences difficulties in making senior lien payments or if the value of the property is equal to or less than the amount needed to repay the

borrower's obligation to the first mortgage holder upon foreclosure, our second mortgage loan may not be repaid.

Also, our senior security interests may be affected if there are junior liens on the same properties resulting in a higher CLTV which borrowers may perceive have no equity. This could result in our senior liens defaulting at a higher rate than senior liens without a junior lien.

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

Our results of operations are materially affected by conditions in the mortgage and real estate markets, the financial markets and the economy generally. Beginning in 2007, the mortgage industry and the single-family residential housing markets, and to a lesser extent multifamily residential housing markets, were adversely affected as home prices declined and delinquencies and defaults significantly increased. Borrowers have found it difficult to refinance due to home price depreciation and lenders tightened their underwriting guidelines, which has led to further increases in defaults and credit losses. During 2010, the Company continued to be significantly and negatively affected by the deteriorating real estate market and the weak economic environment. As a result, non-conforming mortgage loans have not performed up to historical expectations, and the fair value of non-conforming mortgage loans has deteriorated. This, in turn, has resulted in declining revenues and increased expenses, including significant increases in loan losses and impairment charges, losses sustained in the operation of real estate properties acquired in foreclosure proceedings and foreclosure related professional fees. These factors have led to deterioration in the quality of the Company's long-term mortgage portfolio, as evidenced by the delinquencies, foreclosures and credit losses.

The disruption in the capital markets and secondary mortgage markets has also reduced liquidity and investor demand for mortgage loans and mortgage backed securities, while yield requirements for these products has increased. The increased defaults on residential mortgage loans, increases in the number of ratings downgrades with respect to bonds issued in connection with securitized loans, lack of liquidity in the bond market and the financial condition of many companies that typically participate in this market have negatively affected our ability to operate our business. Continuing concerns about the declining real estate market, as well as inflation, energy costs, geopolitical issues and the availability and cost of credit, have contributed to increased volatility and diminished expectations for the economy and markets going forward. The mortgage market has been severely affected by changes in the lending landscape and there is no assurance that these conditions have stabilized or that they will not worsen. These unprecedented disruptions and deterioration of the mortgage market, have had, and may continue to have, an adverse effect on the Company's earnings and financial condition.

Without adequate financing, the growth of our business operations will be limited.

As of December 31, 2010, we have been able to increase warehouse funding capacity to $42 million. We are currently seeking warehouse facilities, and although we have obtained preliminary term sheets from lenders for a potential total warehouse funding capacity of $160 million, as of the date of this report, we have not executed definitive agreements for the additional warehouse capacity. If we are unable to obtain adequate financing, we will not be able to expand our business operations as planned, which will limit our revenues and operating results.

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

Future financing sources may include borrowings in the form of bank credit facilities (including term loans and revolving facilities), repurchase agreements, warehouse facilities, structured financing

arrangements, public and private equity and debt issuances and derivative instruments, in addition to transactions or asset specific funding arrangements. Our access to sources of financing depends upon a number of factors over which we have little or no control, including general market conditions, resources and policies or lenders. Under current market conditions, many forms of structured financing arrangements are generally unavailable, which has also limited borrowings under warehouse and repurchase agreements that are intended to be refinanced by such financings. In addition, if regulatory capital requirements imposed on our private lenders change, they may be required to limit, or increase the cost of, financing they provide to us. In general, this could potentially increase our financing costs and reduce our liquidity. Consequently, the implementation of our new mortgage lending operations may be dictated by the cost and availability of financing. Depending on market conditions at the relevant time, we may have to rely more heavily on additional equity issuances, which may be dilutive to our shareholders, or on less efficient forms of debt financing that require a larger portion of our cash flow from operations, thereby reducing funds available for our operations and future business opportunities. We cannot assure you that we will have access to such equity or debt capital on favorable terms (including, without limitation, cost and term) at the desired times, or at all, which could negatively affect our results of operations.

If defaults on our mortgage loans continue, it will result in continuing declines in revenues and net income.

Loan defaults result in a decrease in interest income and an increase in loan losses. The decrease in interest income resulting from loan defaults may be for a prolonged period of time as we seek to recover, primarily through legal proceedings, the outstanding principal balance and accrued interest due on a defaulted loan, plus the legal costs incurred in pursuing our legal remedies. Legal proceedings, which may include foreclosure actions and bankruptcy proceedings, are expensive and time consuming. The decrease in interest income, the costs incurred from defaulted loans and increases in loan losses will have an adverse effect on our liquidity, net income and shareholders' equity.

The adverse market conditions have affected our mortgage loan delinquencies and REO. At December 31, 2010, the Company's mortgage portfolio had 21.3 percent or $2.4 billion of loans that were 60 days or more delinquent, included in continuing and discontinued operations, compared to 25.1 percent or $3.1 billion at December 31, 2009. REO decreased 35 percent to $92.8 million at December 31, 2009 as compared to $142.7 million at December 31, 2009 and we incurred losses from REOs of $6.8 million for the year ended December 31, 2010 compared to $218.2 million for the previous year. These losses are primarily in the nonrecourse securitization trusts but could result in reduced cash flows from the Company's residual interests in respective securitizations. These conditions, which increase the cost and reduce the availability of debt, may continue or worsen in the future.

A material difference between the assumptions used in the determination of the value of our residual interests and our actual experience would cause us to write down the value of these securities and could harm our liquidity and financial condition.

Investments in residual interests and subordinated securities are much riskier than investments in senior mortgage-backed securities because these subordinated securities bear credit losses prior to the related senior securities. The risk associated with holding residual interests and subordinated securities is greater than holding the underlying mortgage loans directly due to the concentration of losses attributed to the subordinated securities. The value of residual interests represents the present value of future cash flows expected to be received by us from the excess cash flows created in the securitization transaction. In general, future cash flows are estimated by taking the coupon rate of the loans underlying the transaction less the interest rate paid to the bond holders, less contractually specified servicing and trustee fees, and after giving effect to estimated prepayments, credit losses and overcollateralization

requirements. We estimate future cash flows from these securities and value them utilizing assumptions based in part on projected interest rates, delinquency, mortgage loan prepayment speeds and credit losses. It is extremely difficult to validate the assumptions we use in valuing our residual interests. Even if the general accuracy of the valuation model is validated, valuations are highly dependent upon the reasonableness of our assumptions and the predictability of the relationships which drive the results of the model. Such assumptions are complex as we must make judgments about the effect of matters that are inherently uncertain. If our actual experience differs from our assumptions, we could be required to reduce the value of these securities. Furthermore, if our actual experience differs materially from these assumptions, our cash flow, financial condition, results of operations and liquidity may be harmed.

We may experience reduced net earnings or losses if our liabilities re-price at different rates than our assets.

A significant source of revenue is net interest income or net interest spread from our long-term mortgage portfolio, which is the difference between the interest we earn on our interest earning assets and the interest we pay on our interest bearing liabilities. The rates we pay on our borrowings are independent of the rates we earn on our assets and may be subject to more frequent periodic rate adjustments. Therefore, we could experience a decrease in net earnings or a loss because the interest rates on our borrowings could increase faster than the interest rates on our assets, if the increased borrowing costs are not offset by reduced cash payments on derivatives recorded in other non-interest income. If our net interest spread becomes negative, we will be paying more interest on our borrowings than we will be earning on our assets and we will be exposed to a risk of loss.

The rates paid on our borrowings and the rates received on our assets may be based upon different indices. Our long-term mortgage portfolio includes mortgages that are one-, three- and six-month LIBOR and one-year LIBOR hybrid ARMs. These are mortgages with fixed interest rates for an initial period of time, after which they begin bearing interest based upon short-term interest rate indices and adjust periodically. We generally funded mortgages with adjustable interest rate borrowings having interest rates that are indexed to short-term interest rates, typically one-month LIBOR, and adjust periodically at various intervals. To the extent that there is an increase in the interest rate index used to determine our adjustable interest rate borrowings and it increases faster than the indices used to determine the rates on our assets (*i.e.*, the increase is not offset by a corresponding increase in the rates at which interest accrues on our assets) or is not offset by various cash payments on interest rate derivatives that we have in place at any given time, our net earnings will decrease or we will have net losses. Additionally, the Company has commenced a policy to modify loans by either reducing the interest rates, waiving accrued and unpaid interest or deferring accrued interest to help minimize delinquencies and maximize recoveries on loans. Although we believe in the long run this is beneficial to the Company, the modification of loans to defer the re-pricing may cause the Company to experience a reduction in expected cash flows.

ARMs typically have interest rate caps, which limit interest rates charged to the borrower during any given period. Our borrowings are not subject to similar restrictions. As a result, in a period of rapidly increasing interest rates, the interest rates we pay on our borrowings could increase without limitation, while the interest rates we earn on our ARMs would be capped. If this occurs, our net interest spread could be significantly reduced or we could suffer a net interest loss if not offset by a decrease in the cash payments on interest rate derivatives that we have in place at any given time.

We may be subject to losses on mortgages for which we did not obtain mortgage insurance.

We did not obtain credit enhancements such as mortgage pool or special hazard insurance for all of our mortgages and mortgage investments. Generally, we required mortgage insurance on any first mortgage with an LTV ratio greater than 80 percent. During the time we hold mortgages for investment,

we are subject to risks of borrower defaults and bankruptcies and special hazard losses that are not covered by standard hazard insurance. If a borrower defaults on a mortgage that we hold, we bear the risk of loss of principal to the extent there is any deficiency between the value of the related mortgaged property and the amount owing on the mortgage loan and any insurance proceeds available to us through the mortgage insurer. Also, to the extent we have insurance coverage, we bear the risk of the insurance carriers not being able to make the required payments.

Loans to non-conforming borrowers may expose us to a higher risk of delinquencies, foreclosures and losses.

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

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

In connection with our loan sales to third parties and our prior securitizations, we transferred mortgages acquired and originated by us to the third parties or into a trust in exchange for cash and, in the case of a securitized mortgage, residual certificates issued by the trust. The trustee, purchaser, bondholder, or other entities involved in the issuance of the securities (which may include bond insurers) may have recourse to us with respect to the breach of the representations, and warranties made by us at the time such mortgages are transferred or when the securities are sold. Those representations and warranties may include, but are not limited to, issues such as the validity of the lien, the absence of liens or delinquent taxes, the validity of the appraisal obtained in conjunction with the loan, the truthfulness of information used in the loan approval process, the loans compliance with all local, state and federal laws, the delivery of all documents required to perfect title to the lien, the loan meeting all underwriting criteria and the selection process used to include the loans in any particular transaction. Also, we previously engaged in bulk whole loan sales pursuant to agreements that generally provide for recourse by the purchaser against us in the event of a breach of one of our representations or warranties, any fraud or misrepresentation during the mortgage origination process, or upon early default on such mortgage. We attempted to limit the potential remedies of such purchasers to the potential remedies we received from those from whom we acquired or originated the mortgages. However, in some cases, the remedies available to a purchaser of mortgages from us may be broader or extend longer than those available to us against others whom have sold mortgage loans to us and should a purchaser enforce its remedies against us, we are not always able to enforce whatever remedies we have against others. Furthermore, if we discover, prior to the sale or transfer of a loan, that there is any fraud or

misrepresentation with respect to the mortgage and the originator fails to repurchase the mortgage, then we may not be able to sell the mortgage or we may have to sell the mortgage at a discount.

Our commercial and multifamily mortgages may expose us to increased lending risks.

Our commercial and multifamily mortgages typically involve larger mortgage balances to single borrowers or groups of related borrowers compared to one- to four-family residential mortgages. These commercial and multifamily mortgages have risks because repayment of the mortgages often depends on the successful operations and the income stream of the borrowers. Additionally, current economic conditions and the resulting tightening of credit markets have limited the opportunities for borrowers seeking to refinance their mortgages prior to scheduled interest rate resets. The inability of commercial and multifamily borrowers to successfully refinance their mortgages prior to scheduled interest rate reset dates could significantly increase delinquencies and losses within our long-term mortgage portfolio.

Failure to successfully manage interest rate risks may adversely affect results of operations.

As part of our mortgage lending operation, we will follow a program intended to protect against interest rate changes. However, developing an effective interest rate risk management strategy is complex and no management strategy can completely insulate the Company from risks associated with interest rate changes. In addition, hedging involves transaction costs. In the event the Company hedges against interest rate risks, the Company may substantially reduce its net earnings.

In the event the Company purchases derivatives to hedge against market and interest rate risks and the provider of such derivatives becomes financially unsound or insolvent, the Company may be forced to unwind such derivatives with such provider and may take a loss thereon. Further, the Company could suffer the adverse consequences that the hedging transaction was intended to protect against. Although, the Company intends to purchase derivatives only from financially sound institutions and to monitor the financial strength of such institutions on a periodic basis, no assurance can be given that the Company can avoid such third party risks.

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

We did not set limitations on the percentage of our long-term mortgage portfolio composed of properties located in any one area (whether by state, zip code or other geographic measure). Concentration in any one area increases our exposure to the economic and natural hazard risks associated with that area. A majority of our mortgage acquisitions and originations, long-term mortgage portfolio and finance receivables were secured by properties in California and, to a lesser extent, Florida. California and Florida have experienced, and may experience in the future, an economic downturn and have also suffered the effects of certain natural hazards. As a result of the economic downturn, real estate values in California and Florida have decreased drastically and may continue to decrease in the future, which could have a material adverse effect on our results of operations or financial condition.

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

The performance of our long-term mortgage portfolio may be adversely affected by the performance of parties who service or sub-service our mortgage loans.

We sell or contract with third-parties for the servicing of all our mortgage loans, including those in our securitizations. Our operations are subject to risks associated with inadequate or untimely servicing. Poor performance by a servicer may result in greater than expected delinquencies and losses on our mortgage loans. A substantial increase in our delinquency or foreclosure rate or delays in the foreclosure process could adversely affect our ability to access the capital and secondary markets for our financing needs. Also, with respect to mortgage loans subject to a securitization, greater delinquencies and greater loss severities would adversely affect the value of our residual interest, if any, we hold in connection with that securitization.

In a securitization, relevant agreements permit us to be terminated as servicer or master servicer under specific conditions described in these agreements. If, as a result of a servicer or sub-servicer's failure to perform adequately, we were terminated as master servicer of a securitization, the value of any master servicing rights held by us could be adversely affected.

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

On February 11, 2011, the Treasury issued a White Paper titled "Reforming America's Housing Finance Market" (or the White Paper) that lays out, among other things, proposals to limit or potentially wind down the role that Fannie Mae and Freddie Mac play in the mortgage market. Any such proposals, if enacted, may have broad adverse implications for the MBS market and our business, operations and financial condition. We expect such proposals to be the subject of significant discussion and it is not yet possible to determine whether such proposals will be enacted and, if so, when, what form any final legislation or policies might take or how proposals, legislation or policies emanating from the White Paper may impact the MBS market and our business, operations and financial condition. We are evaluating, and will continue to evaluate, the potential impact of the proposals set forth in the White Paper on our business and our financial position and results of operations.

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

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

We are exposed to environmental liabilities, with respect to properties that we take title to upon foreclosure, that could increase our costs of doing business and harm our results of operations.

In the course of our activities, we may foreclose and take title to residential properties and become subject to environmental or mold liabilities with respect to those properties. The laws and regulations related to mold or environmental contamination often impose liability without regard to responsibility for the contamination. We may be held liable to a governmental entity or to third parties for property damage, personal injury, investigation and clean-up costs incurred by these parties in connection with mold or environmental contamination, or may be required to investigate or clean up hazardous or toxic substances, or chemical releases at a property. The costs associated with investigation or remediation activities could be substantial. Moreover, as the owner or former owner of a contaminated site, we may be subject to common law claims by third parties based upon damages and costs resulting from mold or environmental contamination emanating from the property. If we ever become subject to significant

mold or environmental liabilities, our business, financial condition, liquidity and results of operations could be significantly harmed.

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

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

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

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

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

Effective internal control over financial reporting and disclosure controls and procedures are necessary for us to provide reliable financial reports and effectively prevent fraud and operate successfully as a public company. Any failure to develop or maintain effective internal control over financial reporting and disclosure controls and procedures could harm our reputation or operating results, or cause us to fail to meet our reporting obligations. We cannot be certain that our efforts to improve or maintain our internal control over financial reporting and disclosure controls and procedures will be successful or that we will be able to maintain adequate controls over our financial processes and reporting in the future. Any failure to develop or maintain effective controls or difficulties encountered in their implementation or other effective improvement of our internal control over financial reporting and disclosure controls and procedures could harm our operating results, or cause us to fail to meet our reporting obligations. If we are unable to adequately establish or maintain our internal control over financial reporting, our external auditors will not be able to issue an unqualified opinion on the effectiveness of our internal control over financial reporting. In the past, we have reported, and may discover in the future, material weaknesses in our internal control over financial reporting.

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

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

At the end of our 2010 taxable year, we had net operating loss (NOL) carryforwards of approximately $490.6 million for federal income tax purposes and approximately $492.1 million for state income tax purposes. During the year ended December 31, 2010, estimated net operating loss carryforwards were reduced as a result of the Company generating taxable income from cancellation of debt for approximately $426.2 million of securitized mortgage borrowings. Although, under existing tax rules, we are generally allowed to use those NOL carryforwards to offset taxable income in subsequent taxable years, our ability to use those NOL carryforwards to offset income may be severely limited to the extent that we have experienced or do experience an ownership change within the meaning of Section 382 of the Internal Revenue Code. These provisions could also limit our ability to deduct certain losses (built-in losses) we recognize after an ownership change with respect to assets we own at the time of the ownership change. In general, an ownership change, as defined by Section 382, results from transactions increasing ownership of certain stockholders or public groups in our stock by more than 50 percentage points over a three-year period. In addition, the generation of taxable income from cancellation of debt may further reduce the NOL. Any limitation on our NOL carryforwards that could be used to offset taxable income would adversely affect our liquidity and cash flow, as and when we become profitable. However, we may not generate sufficient taxable income in future periods to be able to realize fully the tax benefits of our NOL carryforwards.

Regulatory Risks

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

To the extent we originated and purchased mortgage loans, re-enter the mortgage lending business, or provide title and escrow services, loan modification and debt settlement services, asset management, liquiquidation and oversight services, and other new businesses in which we may commence, applicable state and local laws generally regulate interest rates and other charges, require certain disclosure, and require applicable licensing. In addition, other state and local laws, public policy and general principles of equity relating to the protection of consumers, unfair and deceptive practices and debt collection practices may apply to the origination, servicing and collection of our loans, and title and escrow services. Our business is also subject to various federal laws, including:

- the Federal Truth-in-Lending Act and Regulation Z promulgated there under, which require certain disclosures to the borrowers regarding the terms of the loans and which has recently been interpreted to require substantial changes in compensation that can be paid to brokers and loan originators;

- the Equal Credit Opportunity Act and Regulation B promulgated there under, which prohibit discrimination on the basis of age, race, color, sex, religion, marital status, national origin,

receipt of public assistance or the exercise of any right under the Consumer Credit Protection Act, in the extension of credit;

- the Fair Housing Act, which prohibits discrimination in housing on the basis of race, color, national origin, religion, sex, familial status, or handicap, in housing-related transactions;
- the Fair Credit Reporting Act, which regulates the use and reporting of information related to the borrower's credit experience;
- the Fair and Accurate Credit Transaction Act, which regulates credit reporting and use of credit information in making unsolicited offers of credit;
- the Gramm-Leach-Bliley Act, which imposes requirements on all lenders with respect to their collection and use of nonpublic financial information and requires them to maintain the security of that information;
- the Real Estate Settlement Procedures Act, which requires that consumers receive disclosures at various times and outlaws kickbacks that increase the cost of settlement services;
- the Home Mortgage Disclosure Act, which requires the reporting of public loan data;
- the Telephone Consumer Protection Act and the Can Spam Act, which regulate commercial solicitations via telephone, fax, and the Internet;
- the Depository Institutions Deregulation and Monetary Control Act of 1980, which preempts certain state usury laws;
- the Alternative Mortgage Transaction Parity Act of 1982, which preempts certain state lending laws which regulate alternative mortgage transactions;
- the Fair Debt Collection Practices Act which prohibits unfair debt collection practices;
- the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 establishes national minimum standards for mortgage licensees;
- the Dodd-Frank Wall Street Reform and Consumer Protection Act, which is a sweeping overhaul of the financial regulatory system. Title XIV of the Dodd-Frank Act contains the Mortgage Reform and Anti-Predatory Lending Act ("Mortgage Act"). The Mortgage Act imposes a number of additional requirements on lenders and servicers of residential mortgage loans, including Impac, by amending certain existing provisions and adding new sections to TILA, RESPA, and other federal laws. The penalties for noncompliance with these laws are also significantly increased by the Mortgage Act, which could lead to an increase in lawsuits against mortgage lenders and servicers. Like other parts of the Dodd-Frank Act, the Mortgage Act requires that implementing regulations be issued before many of its provisions are effective. Therefore, many of these provisions in the Mortgage Act might not become effective until 2013 or early 2014; and
- New and proposed legislation affecting the debt settlement business.

Violations of certain provisions of these federal and state laws may limit our ability to collect all or part of the principal of or interest on the loans and in addition could subject us to damages and could result in the mortgagors rescinding the loans whether held by us or subsequent holders of the loans. In

addition, such violations could cause us to be in default under our credit and repurchase lines and could result in the loss of licenses held by us.

Similarly, it is possible borrowers may assert that the loan forms we used or acquired, including forms for "interest-only" and "option-ARM" loans for which there is little standardization or uniformity, fail to properly describe the transactions they intended, or that our forms failed to comply with applicable consumer protection statutes or other federal and state laws. This could result in liability for violations of certain provisions of federal and state consumer protection laws and our inability to sell the loans and our obligation to repurchase the loans or indemnify the purchasers.

The title insurance business is heavily regulated by state insurance regulatory authorities including the California Department of Insurance. These authorities generally possess broad powers with respect to the licensing of title insurers, the types and amounts of investments that title insurers may make, insurance rates, forms of policies and the form and content of required annual statements, as well as the power to audit and examine title insurers. Under state laws, certain levels of capital and surplus must be maintained and certain amounts of securities must be segregated or deposited with appropriate state officials. Various state statutes require title insurers to defer a portion of all premiums in a reserve for the protection of policyholders and to segregate investments in a corresponding amount. Further, most states restrict the amount of dividends and distributions a title insurer may make to its shareholders.

The Obama Administration recently delivered a report to Congress regarding proposals to reform the housing finance market in the United States. The report, among other things, outlined various potential proposals to wind down Fannie Mae and Freddie Mac (the "GSEs") and reduce or eliminate over time the role of the GSEs in guaranteeing mortgages and providing funding for mortgage loans, as well as proposals to implement reforms relating to borrowers, lenders, and investors in the mortgage market, including reducing the maximum size of a loan that the GSEs can guarantee, phasing-in a minimum down payment requirement for borrowers, improving underwriting standards, and increasing accountability and transparency in the securitization process. The extent and timing of any regulatory reform regarding the GSEs and the home mortgage market, as well as any effect on Impac's business and financial results, are uncertain. Any other future legislation and/or regulation, if adopted, also could have a material adverse effect on our business operations, income, and/or competitive position and may have other negative consequences.

New regulatory laws affecting our operations may affect our ability to re-enter the mortgage market, continue our current operations or commence new operations.

The regulatory environments in which we previously operated, and continue to operate, have an effect on all the activities in which we are engaged and may engage in the future. Changes to the laws, regulations or regulatory policies can affect whether and to what extent we may be able to profitably reenter the mortgage markets, whether we can continue to operate current businesses and whether we can commence new operations. Many states and local governments and the Federal Government have enacted, or may enact laws, or regulations that restrict or prohibit some provisions in some programs or businesses that we have previously participated in, currently participate in or plan to participate in the future. As such, we cannot be sure that in the future we will be able to engage in activities that were similar to those we engaged or participated in the past thereby limiting ability to commence new operations. As a result, we might be at a competitive disadvantage which would affect our operations and profitability.

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

We intend to conduct our business at all times so as not to become regulated as an investment company under the Investment Company Act. The Investment Company Act exempts entities that are

primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate.

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

Limitations on acquisition and change in control ownership limit.

Our Charter and bylaws, and Maryland corporate law contain a number of provisions that could delay, defer, or prevent a transaction or a change of control of us that might involve a premium price for holders of our capital stock or otherwise be in their best interests by increasing the associated costs and timeframe necessary to make an acquisition, making the process for acquiring a sufficient number of shares of our capital stock to effectuate or accomplish such a change of control longer and more costly. In addition, investors may refrain from attempting to cause a change in control because of the difficulty associated with such a venture because of the limitations.

Risks Related to Ownership of Our Securities

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

The market price of our securities has been volatile. Our common stock has been trading on the NYSE Amex stock exchange since December 2009, and prior to that it was quoted on the pink sheets since November 2008. We cannot guarantee that a consistently active trading market for our securities will continue. In addition, there can be no assurances that such markets will continue or that any shares which may be purchased may be sold without incurring a loss. Any such market price of our shares may not necessarily bear any relationship to our book value, assets, past operating results, financial condition or any other established criteria of value, and may not be indicative of the market price for the shares in the future. The market price of our securities is likely to continue to be highly volatile and could be significantly affected by factors including:

- unanticipated fluctuations in our operating results;
- general market and mortgage industry conditions;
- mortgage and real estate fees;
- delinquencies and defaults on outstanding mortgages;
- loss severities on loans and REO;
- prepayments on mortgages;

- valuations of securitization related assets and liabilities;
- mark to market adjustments related to the fair value of derivatives; and
- interest rates.

During 2010, our common stock reached an intra-day high sales price of $6.18 on January 13, and an intra-day low sales price of $2.49 on September 13. As of March 25, 2011, our stock price closed at $2.61 per share. In addition, significant price and volume fluctuations in the stock market have particularly affected the market prices for the securities of mortgage companies such as ours. Furthermore, general conditions in the mortgage industry may adversely affect the market price of our securities. These broad market fluctuations have adversely affected and may continue to adversely affect the market price of our securities. If our results of operations fail to meet the expectations of securities analysts or investors in a future quarter, the market price of our securities could also be materially adversely affected and we may experience difficulty in raising capital.

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our primary executive and administrative offices are located at 19500 Jamboree Road, Irvine, California 92612 where we have a premises lease expiring in November 2016. We have two options to extend the term for five-year periods for each option. The premises consist of a seven-story building containing approximately 210,000 square feet with an initial annual rental rate of $31.80 per square foot, which amount increases every 30 months since commencement of the lease in October 2006. As of December 31, 2009, the Company has subleased approximately 102,000 square feet of our corporate headquarters.

ITEM 3. LEGAL PROCEEDINGS

Mortgage-related Litigation

Gilmor, et al. v. Preferred Credit Corp., et. al., Case No. 4:10-CV-00189, currently pending in the United States District Court for the Western District of Missouri, is a putative class action against Preferred Credit and others charging violations of Missouri's Second Mortgage Loan Act. In a Sixth Amended Complaint ("Complaint"), plaintiffs Michael P. and Shellie Gilmor and others bring suit against Preferred Credit, as the originator of various second mortgage loans in Missouri, and against: IMPAC Funding Corporation; IMPAC Mortgage Holdings; IMPAC Secured Assets; IMPAC Secured Assets CMN Trust Series 1998-1 Collateralized Asset-Backed Notes, Series 1998-1; IMH Assets Corp; Impac CMB

Trust Series 1999-1; Impac CMB Trust Series 1999-2; Impac CMB Trust Series 2000-1; Impac CMB Trust Series 2000-2; Impac CMB Trust Series 2001-4; Impac CMB Trust Series 2002-1; Impac CMB Trust Series 2003-5, (collectively, the "IMPAC Defendants"), among numerous others, as alleged holders of notes associated with second mortgage loans originated by Preferred Credit.

Plaintiffs complain that at closing Preferred Credit charged them fees and costs in violation of Missouri's Second Mortgage Loan Act. Additionally, Plaintiffs obtained certification of a class of all persons similarly situated. Plaintiffs allege that the IMPAC Defendants are liable to Plaintiffs and members of the putative class as alleged holders of notes associated with second mortgage loans originated by Preferred Credit.

Plaintiffs seek on behalf of themselves and the members of the putative class, among other things, disgorgement or restitution of all improperly collected charges, the right to rescind all affected loan transactions, the right to offset any finance charges, closing costs, points or other loan fees paid against the principal amounts due on the loans if rescinded, actual and punitive damages, and attorneys' fees.

Plaintiffs filed a motion for class certification, which was granted. In March, 2004, Plaintiffs filed their Sixth Amended Complaint.

On February 26, 2010, U.S. Bank National Association ND and other defendants removed the case to federal court. The case remains pending in federal court. Trial is scheduled to commence on August 13, 2012.

Baker, et al. v. Century Financial Group, et al., Case No. 4:04-CV-W-0201-SOW, currently pending in the Circuit Court of Clay County, Missouri, is a putative class action against Century Financial and others charging violations of Missouri's Second Mortgage Loan Act. In particular, in a Fourth Amended Complaint ("Complaint"), Plaintiffs James and Jill Baker and others bring suit against Century Financial, as the originator of various second mortgage loans in Missouri, and against IMPAC Funding Corporation, IMH Assets Corporation, IMPAC Mortgage Holdings, Inc., IMPAC Secured Assets Corporation, and two terminated IMPAC trusts (collectively, the "IMPAC Defendants"), among others, as alleged holders of notes associated with second mortgage loans originated by Century Financial.

The Plaintiffs' allegations are similar to those asserted by the Plaintiffs in the Gilmor action, discussed above. Plaintiffs seek on behalf of themselves and the members of the putative class, among other things, disgorgement or restitution of all allegedly improperly-collected charges, the right to rescind all affected loan transactions, the right to offset any finance charges, closing costs, points or other loan fees paid against the principal amounts due on the loans if rescinded, actual and punitive damages, and attorneys' fees.

The case was subsequently removed to federal court and later remanded by the federal court to the Circuit Court of Clay County, Missouri. The IMPAC Defendants filed an Answer on March 7, 2005. Limited discovery has taken place since this date, including additional discovery responses by certain IMPAC Defendants during 2008.

The above purported class action lawsuits are similar in nature in that they allege that the mortgage loan originators violated the respective state's statutes by charging excessive fees and costs when making second mortgage loans on residential real estate. The complaints allege that IFC was a purchaser, and is a holder, along with other affiliated entities, of second mortgage loans originated by other lenders. The plaintiffs in the lawsuits are seeking damages that include disgorgement of interest paid, restitution, rescission, actual damages, statutory damages, exemplary damages, pre-judgment interest and punitive damages. No specific dollar amount of damages is specified in the complaints.

Other Matters

On December 20, 2010 the Company received notification from a bond holder in a securitization issued by Impac Secured Assets Corporation. The demand alleges errors or discrepancies in the filed securitization documentation and seeks damages of at least $3.5 million. No litigation has been commenced in this action.

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

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

ITEM 4. RESERVED

PART II

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

Our common stock is currently listed on the NYSE Amex under the symbol "IMH" and prior to that until December 29, 2009, the Company's common stock was quoted on the Pink OTC Markets (formerly, Pink Sheets).

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

	2010			2009		
	High	Low	Close	High	Low	Close
First Quarter	6.18	3.16	3.95	0.80	0.12	0.18
Second Quarter	4.60	2.55	2.82	1.01	0.16	1.00
Third Quarter	3.37	2.49	2.77	2.96	0.9	10.00
Fourth Quarter	2.79	2.61	2.79	4.99	2.11	3.70

On March 25, 2011, the last quoted price of our common stock on the NYSE Amex was $2.61 per share. As of March 25, 2011, there were 248 holders of record, including holders who are nominees for an undetermined number of beneficial owners, of our common stock.

The Board of Directors of the Company authorizes the payment of cash dividends on its common stock, subject to an ongoing review of the Company's profitability, liquidity and future operating cash requirements. The Board of Directors did not declare cash dividends on our common stock during the years ended December 31, 2010 and 2009. We do not expect to declare or pay any cash dividends on our common stock in the foreseeable future.

In connection with the completion of its Offer to Purchase and Consent Solicitation, the Company paid $7.4 million accumulated but unpaid dividends on its 9.375% Series B Cumulative Redeemable Preferred Stock and 9.125% Series C Cumulative Redeemable Preferred Stock during the year ended December 31, 2009. There was $7.4 million in dividends paid on these two classes of preferred stock during the year ended December 31, 2009.

ITEM 6. SELECTED FINANCIAL DATA

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

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

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

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

Selected Financial Results for 2010

Continuing Operations

- Earnings from continuing operations of $7.6 million for the year ended December 31, 2010, compared to $8.3 million for 2009.
- Net interest income of $5.7 million for the year ended December 31, 2010, compared to $9.8 million for 2009.
- Non-interest income—net trust assets of $4.3 million for the year ended December 31, 2010, compared to $13.0 million for 2009.
- Mortgage and real estate services fees of $56.4 million for the year ended December 31, 2010, compared to $42.3 million for 2009.
- In 2010, the Company was successful in paying off and fully satisfying at a discount the $6.6 million outstanding balance of its last remaining significant obligation associated with the previously discontinued non-conforming lending operations. The full satisfaction of this obligation results in the termination of all associated covenants, conditions and restrictions.

Discontinued Operations

- Earnings from discontinued operations (net of tax) of $2.2 million for the year ended December 31, 2010, compared to $2.3 million for 2009.

Market Conditions

See Item 1. "Business" for discussion of market conditions.

Status of Operations

Mortgage and Real Estate Services

The mortgage and real estate services have been developed as part of a centralized platform to operate synergistically to maximize revenues and profits. The integrated services platform includes the mortgage lending operations, portfolio loss mitigation and real estate services and title and escrow.

Mortgage Lending Operations—During 2010, the Company began funding conforming residential mortgage loans as it re-enters the mortgage banking market. By obtaining its first warehouse facility since 2008, the Company has been originating and funding mortgages through its wholly owned subsidiary, Excel, under the "Impac Mortgage" brand name. The mortgage lending activities include the

origination, funding and selling of loans. During 2010, the Company funded $20.7 million, sold $17.4 million and brokered $20.1 million of loans as compared to a minimal amount of loans brokered in 2009.

As of December 31, 2010, the Company had increased its warehouse funding capacity to $42.0 million, and has obtained preliminary term sheets from lenders for a potential total warehouse capacity of $160 million as of March 25, 2010.

In October 2010, the Company completed the acquisition of 51% of AmeriHome which is an approved seller/servicer for Fannie Mae, Freddie Mac and HUD, in addition to being an approved Ginnie Mae issuer and has an option to acquire up to 90%.. In the later part of 2010, the Company sought to increase mortgage production through retail channels and beginning to develop a wholesale channel, while it was primarily relying on its captive financing channel from the Company's long-term mortgage portfolio. Through these channels, the Company originated only loans that are eligible for sale to Ginnie Mae under FHA programs and other government-sponsored enterprises. The Company is seeking to expand its mortgage lending platform in 2011 by establishing loan production centers in different regions of the U.S.

In March 2011, Excel expanded into the pacific northwest of the U.S. opening a regional production office in Lake Oswego, Oregon, along with other offices throughout Oregon, Washington, and Idaho. Excel hired an experienced senior management team along with regional sales and operational staff. With this regional production office, Excel has a mortgage origination presence throughout the West Coast and in the Midwest and has plans to open a Gulf Coast regional office in Baton Rouge, Louisiana.

Portfolio Loss Mitigation and Real Estate Services—The Company has been able to develop and enhance its service offerings by providing services focusing on loss mitigation and performance of our own long-term mortgage portfolio. The Company portfolio loss mitigation and real estate services include REO surveillance and disposition services, default surveillance and loss recovery services, short sale and real estate brokerage services, loan modifications, portfolio monitoring and reporting services.

In 2011, the Company expects to expand the portfolio loss mitigation services platform with an engagement with a third party to provide certain servicer audit, recovery and title search services for residential mortgage portfolios. The Company anticipates offering and providing similar services to additional third party customers throughout 2011.

Title and Escrow—The title insurance company services primarily California and selected national markets providing title insurance, escrow and settlement services to residential mortgage lenders, real estate agents, asset managers and REO companies in the residential real estate market. The services are provided through a proprietary integrated technology platform.

For the years ended December 31, 2010 and 2009, mortgage and real estate services fees were $56.4 million and $42.3 million, respectively, as follows:

	For the year ended December 31,	
	2010	2009
Real estate services and recovery fees	22,064	10,148
Title and escrow	16,786	7,539
Loan modification fees	11,741	17,525
Portfolio service fees	5,814	7,064
Total mortgage and real estate services fees	$ 56,405	$ 42,276

Although the Company intends to expand its portfolio loss mitigation and real estate services to more third parties in the marketplace, the revenues from these business activities have historically been generated from the Company's long-term mortgage portfolio. Furthermore, as the distressed mortgage and real estate markets remain unstable and uncertain due to the significant number of foreclosure properties that need to be sold, there remains uncertainty about the ongoing need and delivery of these services in the future.

Long-Term Mortgage Portfolio

Although we have seen some stabilization and improvement in defaults, the portfolio continues to suffer losses and may continue for the foreseeable future until we see a significant decline in the number of foreclosure properties in the market. Existing conditions are unprecedented and result in uncertainty around the long-term performance of the portfolio.

At December 31, 2010, our residual interest in securitizations (represented by the difference between trust assets and trust liabilities) increased to $26.4 million, compared to $23.0 million at December 31, 2009. The increase in residual fair value in 2010 was primarily due to decreased loss assumptions for single-family collateral and investor yield requirements.

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

In accordance with GAAP, the Company is required to consolidate all but one of these trusts (as the Company is not the master servicer) on our statement of financial condition and results of operations. For the one trust the Company did not consolidate, the residual interest is reported as investment securities available-for-sale. For the trusts the Company did consolidate, the loans are included in the statement of financial condition as "securitized mortgage collateral", the foreclosed loans are included in the statement of financial condition as "real estate owned" and the various bond

tranches owned by investors are included in the statement of financial condition as "securitized mortgage borrowings". Any interest rate derivatives remaining in the trusts are included in our statement of financial condition as "derivative assets" or "derivative liabilities", respectively. To the extent there is excess overcollateralization (as defined in the securitization agreements) in these securitization trusts, the Company receives cash flows from the excess interest collected monthly from the residual interest the Company owns. Because (i) the Company elected the fair value option on the securitized mortgage collateral, securitized mortgage borrowings and derivative assets/liabilities, and (ii) real estate owned is reflected at net realizable value (which approximates fair market value), the net of the trust assets and trust liabilities represents the estimated fair value of what the Company owns—the residual interests.

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

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

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

The following table presents changes in the Company's trust assets and trust liabilities for the year ended December 31, 2010:

	TRUST ASSETS					TRUST LIABILITIES			
	Level 3 Recurring Fair Value Measurements			NRV		Level 3 Recurring Fair Value Measurements			
	Investment securities available-for-sale	Securitized mortgage collateral	Derivative assets	Real estate owned	Total trust assets	Securitized mortgage borrowings	Derivative liabilities	Total trust liabilities	Net trust assets and trust liabilities
Recorded book value at 12/31/2009	**813**	**5,666,122**	**146**	**142,364**	**5,809,445**	**(5,659,865)**	**(126,603)**	**(5,786,468)**	**22,977**
Total Gains/(losses) included in earnings:									
Interest income	246	487,039	-	-	487,285	-	-	-	487,285
Interest expense	-	-	-	-	-	(881,355)	-	(881,355)	(881,355)
Change in FV of net trust assets, excluding REO	69	621,043	(106)		621,006 (1)	(571,688)	(38,208)	(609,896) (1)	11,110
Change in FV of long-term debt	-	-	-	-	-	-	-	-	-
Losses from REO – not at FV but at NRV	-	-	-	(6,798)	(6,798) (1)	-	-	-	(6,798)
Total gains (losses) included in earnings	315	1,108,082	(106)	(6,798)	1,101,493	(1,453,043)	(38,208)	(1,491,251)	(389,758)
Adoption of ASU 2009-17	(298)	116,907	-	-	116,609	(110,618)	(9,013)	(119,631)	(3,022)
Transfers in and/or out of level 3									
Purchases issuances and settlements	(185)	(879,436)	-	(42,858)	(922,479)	1,210,781	107,908	1,318,689	396,210
Recorded book value at 12/31/2010	**$ 645**	**$ 6,011,675**	**$ 40**	**$ 92,708**	**$ 6,105,068**	**$ (6,012,745)**	**$ (65,916)**	**$ (6,078,661)**	**$ 26,407**

(1) Represents non-interest income-net trust assets on the Company's consolidated statements of operations for the year ended December 31, 2010.

The increase in fair value of securitized mortgage collateral resulted in gains of $621.0 million during the year ended December 31, 2010, offset by losses resulting from the $571.7 increase in the fair value of securitized mortgage borrowings within the Level 3 recurring fair value measurements table for the year ended December 31, 2010. For the year ended December 31, 2010, the valuation change of REO resulted in a loss of $6.8 million. Inclusive of losses from REO, trust assets reflect a net gain of $614.2 million as a result of gains from the increase in fair value of securitized mortgage collateral of $621.0 million offset by losses from REO of $6.8 million and losses from other trust assets of $37 thousand. Net losses on trust liabilities were $609.9 million as a result of losses from the increase in fair value of securitized mortgage borrowings and losses from other trust liabilities of $38.2 million. As a result non-interest income—net trust assets increased by $4.3 million during the year ended December 31, 2010.

To understand the financial position of the Company better, we believe it is important to understand the composition of the Company's stockholders' equity (deficit) and to which component of

the business it relates. At December 31, 2010, the equity (deficit) within our continuing and discontinued operations was comprised of the following significant assets and liabilities:

	Condensed Components of Stockholders' Equity (Deficit) As of December 31, 2010		
	Continuing Operations	Discontinued Operations	Total
Cash	$ 11,506	$ 113	$ 11,619
Residual interests in securitizations	26,407	-	26,407
Note payable	(6,874)	-	(6,874)
Long-term debt ($71,120 par)	(11,728)	-	(11,728)
Repurchase reserve	-	(7,987)	(7,987)
Lease liability (1)	-	(2,226)	(2,226)
Deferred charge	13,144	-	13,144
Net other assets (liabilities)	7,922	(2,580)	5,342
Stockholders' equity (deficit)	$ 40,377	$ (12,680)	$ 27,697

(1) Guaranteed by IMH.

Continuing operations

At December 31, 2010, cash within our continuing operations decreased to $11.5 million from $25.7 million at December 31, 2009. The primary sources of cash between periods were $56.4 million in fees generated from the mortgage and real estate fee-based businesses and $11.2 million from residual interests in securitizations. Offsetting the sources of cash were operating expenses totaling $61.4 million and $23.8 million in payments on the notes payable, net of proceeds received from issuance of structured debt agreement.

Since our consolidated and unconsolidated securitization trusts are nonrecourse, we have netted trust assets and liabilities to present the Company's interest in these trusts more simply, which are considered our residual interests in securitizations. For unconsolidated securitizations our residual interests represent the fair value of investment securities available-for-sale. For consolidated securitizations, our residual interests are represented by the fair value of securitized mortgage collateral and real estate owned, offset by the fair value of securitized mortgage borrowings and net derivative liabilities. We receive cash flows from our residual interests in securitizations to the extent they are available after required distributions to bondholders and maintaining overcollateralization levels within the trusts. The estimated fair value of the residual interests, represented by the difference in the fair value of trust assets and trust liabilities, was $26.4 million at December 31, 2010, compared to $23.0 million at December 31, 2009.

In November 2010, the Company entered into an $8.0 million structured debt agreement, secured by residual interests, to pay off the balance owed on the Credit Agreement with the last remaining warehouse lender from 2007. The payoff resulted in the full satisfaction of the note payable entered into by the Company on October 30, 2009 at a $1.3 million discount to the approximately $6.6 million outstanding balance. The new note payable entered into in November 2010 bears interest at a fixed rate of 10% per annum and is amortized in equal principal payments over 11 months and the balance at December 31, 2010 was $6.7 million. Refer to Note 14.—*Notes Payable* in the notes to the consolidated financial statements for a discussion of the structured debt agreement.

At December 30, 2010, we had deferred charges of $13.1 million, which is amortized as a component of income tax expense in the consolidated statements of operations over the estimated life of the mortgages retained in the securitized mortgage collateral. The deferred charges represent the deferral of income tax expense on inter-company profits that resulted from the sale of mortgages from taxable subsidiaries to IMH in prior years. This balance is recorded as required by GAAP and does not have any realizable cash value.

Net other assets include $4.3 million in loans held-for-sale, $3.2 million in premises and equipment, $2.8 million in prepaid expenses, and $2.6 million in accounts receivable.

Discontinued operations

The Company's most significant liabilities within discontinued liabilities at December 31, 2010 relate to its repurchase reserve and a lease liability associated with the former non-conforming mortgage operations.

In previous years when our discontinued operations sold loans to investors, we were required to make normal and customary representations and warranties about the loans we had previously sold to investors. Our whole loan sale agreements generally required us to repurchase loans if we breached a representation or warranty given to the loan purchaser. In addition, we also could be required to repurchase loans as a result of borrower fraud or if a payment default occurs on a mortgage loan shortly after its sale. The repurchase reserve is an estimate of losses from expected repurchases, and is based, in part, on the recent settlement of claims. During 2010, consistent with other mortgage lenders, we received repurchase requests from Fannie Mae for loans funded primarily in 2007. At December 31, 2010, the repurchase reserve was $8.0 million as compared to $11.0 million at December 31, 2009.

In connection with the discontinuation of our non-conforming mortgage, retail mortgage, warehouse lending and commercial operations, a significant amount of office space that was previously occupied is no longer being used by the Company. The Company has subleased a significant amount of this office space. At December 31, 2010, the Company had a liability of $2.2 million included within discontinued operations, representing the present value of the minimum lease payments over the remaining life of the lease, offset by the expected proceeds from sublet revenue related to this office space.

Critical Accounting Policies

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

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

Fair Value of Financial Instruments

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

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

As a result of the lack of observable market data resulting from inactive markets, the Company has classified its investment securities available-for-sale, securitized mortgage collateral and borrowings, net derivative liabilities, long-term debt, mortgage servicing rights, and call and put options as Level 3 fair value measurements. Level 3 assets and liabilities were 99% and 100%, respectively, of total assets and total liabilities measured at estimated fair value at December 31, 2010 and 2009. For a detailed discussion of the determination of fair value for individual financial instruments, see Note 2. Fair Value of Financial Instruments in the notes to the consolidated financial statements.

Variable Interest Entities and Transfers of Financial Assets and Liabilities

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

Our estimate of the fair value of our net retained residual interests in unconsolidated securitizations, which are included in investment securities available-for-sale in the consolidated balance sheets, requires us to exercise significant judgment as to the timing and amount of future cash flows from the residual interests. We are exposed to credit risk from the underlying mortgage loans in

unconsolidated securitizations to the extent we retain subordinated interests. Changes in expected cash flows resulting from changes in expected net credit losses will impact the value of our subordinated retained interests and those changes are recorded as a component of change in fair value of net trust assets

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

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

Effective January 1, 2010, former QSPEs are evaluated for consolidation based on the provisions of FASB ASC 810-10-25, which eliminates the concept of a QSPE and changes the approach to determining a securitization trust's primary beneficiary. Refer to Note 1.—*Recently Adopted Accounting Pronouncements* in the notes to the consolidated financial statements for a discussion of the impact the new rules will have on the Company's consolidated balance sheets.

Net Realizable Value of REO

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

Repurchase Reserve

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

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

The Company estimates the repurchase reserve, included in liabilities of discontinued operations in the consolidated balance sheet, based on the estimated trailing whole loan sales that still have

outstanding early payment and misrepresentation warranties. The calculation of the trailing whole loan sales subject to request is based upon historical analysis of the timing of requests in relation to their sale date. The Company also calculates the rate at which our whole loan sales will develop into early payment default or misrepresentation claims. Based on historical experience, management will determine what percentage of the claims may incur a loss. The Company applies a historical loss rate, adjusted for current market conditions based on the type of loan (first lien or to a lesser extent second lien) to the loans we expect to incur loss on in the future to derive the repurchase reserve. The reserve includes the Company's estimate of losses in the fair value of loans the Company expects it will repurchase, plus any premiums that will be refunded to the investor. The loss in fair value is predominately determined based on several factors including recent settlements and status of current settlement negotiations.

Interest Income and Interest Expense

Interest income on securitized mortgage collateral and interest expense on securitized mortgage borrowings are recorded using the effective yield for the period based on the previous quarter-end's estimated fair value.

Income Taxes

Effective January 1, 2009, the Company revoked its election to be taxed as a real estate investment trust (REIT). As a result of revoking this election, the Company is subject to income taxes as a regular (Subchapter C) corporation. With this election, we will not be allowed to elect to be taxed as a REIT until 2014.

We have significant NOL carryforwards from prior years. We do not expect to be able to generate sufficient taxable income in future years to utilize these losses and have recognized a full valuation allowance against these NOL carryforwards in our consolidated balance sheets.

Financial Condition and Results of Operations

Financial Condition

As of December 31, 2010 compared to December 31, 2009

	December 31,		Increase	%
	2010	2009	(Decrease)	Change
Investment securities available-for-sale	$ 645	$ 813	$ (168)	(21)%
Securitized mortgage collateral	6,011,675	5,666,122	345,553	6
Derivative assets	40	146	(106)	(73)
Real estate owned	92,708	142,364	(49,656)	(35)
Total trust assets	6,105,068	5,809,445	295,623	5
Assets of discontinued operations	373	4,480	(4,107)	(92)
Other assets	48,498	58,987	(10,489)	(18)
Total assets	$ 6,153,939	$ 5,872,912	$ 281,027	5%
Securitized mortgage borrowings	$ 6,012,745	$ 5,659,865	$ 352,880	6%
Derivative liabilities	65,916	126,603	(60,687)	(48)
Total trust liabilities	$ 6,078,661	$ 5,786,468	$ 292,193	5
Liabilities of discontinued operations	13,053	19,152	(6,099)	(32)
Other liabilities	34,528	51,799	(17,271)	(33)
Total liabilities	6,126,242	5,857,419	268,823	5
Total IMH stockholders' equity	26,396	15,433	10,963	71
Noncontrolling interest	1,301	60	1,241	2,068
Total equity	27,697	15,493	12,204	79
Total liabilities and stockholders' equity	$ 6,153,939	$ 5,872,912	$ 281,027	5%

Total assets and total liabilities were $6.2 billion and $6.1 billion at December 31, 2010, respectively, as compared to $5.9 billion at December 31, 2009. The increase in total assets and liabilities are primarily attributable to increases in the Company's trust assets and trust liabilities as summarized below:

- Securitized mortgage collateral increased $345.6 million during the year ended December 31, 2010. The increase in securitized mortgage collateral from $5.7 billion at December 31, 2009 to $6.0 billion at December 31, 2010 was primarily due to decreased loss assumptions for single-family collateral, reduction in investor yield requirements as discussed below, and the net consolidation of trust assets, partially offset by reductions in principal balances from defaults and principal payments during the period. For the year ended December 31, 2010, the balance increased due to increases in fair value of $1.1 billion and net consolidation of trust assets related to the adoption of ASU 2009-17 of $116.9 million, offset by reductions in principal balances (resulting from transfers to REO and principal paydowns) of $879.4 million.

- REO within the Company's securitization trusts decreased $49.7 million to $92.7 million at December 31, 2010. Decreases in REO were due to liquidations of $194.8 million. Offsetting the decrease from liquidations were increases in REO from foreclosures of $150.0 million, $3.0 million in the net consolidation of trust assets related to the adoption of ASU 2009-17, and $7.9 million in additional impairment write-downs.

- Securitized mortgage borrowings increased $352.9 million to $6.0 billion at December 31, 2010. The increase in securitized mortgage borrowings was primarily due to decreased loss assumptions for single-family collateral, reduction in investor yield requirements as discussed below, and the net consolidation of trust liabilities, offset by reductions in principal balances during the period. For the year ended December 31, 2010, the balance increased due to increases in fair value of $1.5 billion, net consolidation of trust liabilities related to the adoption of ASU 2009-17 of $110.6 million, offset by reductions in outstanding balances of $1.2 billion.

- Derivative liabilities, net decreased $60.6 million to $65.9 million at December 31, 2010. The decrease is the result of $107.9 million in derivative cash payments from the securitization trusts, offset by a $38.3 million increase in fair value resulting from decreases in the forward LIBOR curve and the net consolidation of off balance sheet trusts related to the adoption of ASU 2009-17 of $9.0 million.

Book value per common share was $(3.16) as of December 31, 2010, as compared to $(4.79) as of December 31, 2009 (inclusive of the remaining $52.3 million of liquidation preference on the Company's preferred stock).

Since our consolidated and unconsolidated securitization trusts are nonrecourse to the Company, our economic risk is limited to our residual interests in these securitization trusts. Therefore, in the following table we have netted trust assets and trust liabilities to present these residual interests more simply. Our residual interests in securitizations are segregated between our single-family (SF) residential and multifamily (MF) residential portfolios and are represented by the difference between trust assets and trust liabilities. The following tables present the estimated fair value of our residual interests, including investment securities available for sale, by securitization vintage year and other related assumptions used to derive these values at December 31, 2010:

	Estimated Fair Value of Residual Interests by Vintage Year		
Origination Year	**SF**	**MF**	**Total**
2002-2003 (1)	$ 11,887	$ 4,036	$ 15,923
2004	2,624	7,728	10,352
2005 (2)	-	132	132
2006 (2)	-	-	-
2007 (2)	-	-	-
Total	**$ 14,511**	**$ 11,896**	**$ 26,407**
Weighted avg. prepayment rate	7%	5%	7%
Weighted avg. discount rate	30%	20%	25%

(1) 2002-2003 vintage year includes CMO 2007-A, since the majority of the mortgages collateralized in this securitization were originated during this period.
(2) The estimated fair values of residual interests in vintage years 2005 through 2007 is reflective of higher estimated future losses and investor yield requirements compared to earlier vintage years.

The Company utilizes a number of assumptions to value securitized mortgage collateral, securitized mortgage borrowings and residual interests. These assumptions include estimated collateral default rates and loss severities (credit losses), collateral prepayment rates, forward interest rates and investor yields (discount rates). The Company uses the same collateral assumptions for securitized mortgage collateral and securitized mortgage borrowings as the collateral assumptions determine collateral cash flows which are used to pay interest and principal for securitized mortgage borrowings

and excess spread, if any, to the residual interests. However, the Company uses different investor yield (discount rate) assumptions for securitized mortgage collateral and securitized mortgage borrowings and the discount rate used for residual interests based on underlying collateral characteristics, vintage year, assumed risk and market participant assumptions (see aforementioned discussion of methods used to estimate the fair value of the assets and liabilities within the securitization trusts in *Long Term Mortgage Portfolio*). The table below reflects the estimated future credit losses and investor yield requirements for trust assets by product (SF and MF) and securitization vintage:

	Estimated Future Losses (1)		Investor Yield Requirement (2)	
	SF	MF	SF	MF
2002-2003	5%	1%	12%	11%
2004	13%	1%	11%	9%
2005	27%	4%	13%	11%
2006	36%	16%	20%	14%
2007	30%	10%	21%	8%

(1) Estimated future losses derived by dividing future projected losses by unpaid principal balances at December 31, 2010.

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

As illustrated in S&Ps Case Shiller 10-City Composite Home Price Index, from 2002 through 2006, home price appreciation escalated to historic levels. During 2005 through 2007, the company originated or acquired mortgages supported by these elevated real estate values. Beginning in 2007, deterioration in the economy resulting in high unemployment and a dramatic drop in home prices resulted in significant negative equity for borrowers. These factors have led to significant increases in loss severities resulting from deterioration in the credit quality of borrowers, as well as strategic defaults, whereby borrowers with the ability to pay are defaulting on their mortgages based on the belief that home prices will not recover in a reasonable amount of time. Home prices have deteriorated back to December 2003 levels which has significantly reduced or eliminated equity for loans originated after 2003. Future loss estimates are significantly higher for mortgage loans included in securitization vintages after 2004 which reflect severe home price deterioration and defaults experienced with mortgages originated during these periods.

Cash flows from the Company's long-term mortgage portfolio are affected by the following market and operational risks:

- liquidity risk;
- interest rate risk;
- credit risk; and
- prepayment risk.

Interest Rate Risk. The Company's earnings from the long-term mortgage portfolio depend largely on our interest rate spread, represented by the relationship between the yield on our interest- earning assets (primarily investment securities available-for-sale and securitized mortgage collateral) and the cost of our interest-bearing liabilities (primarily securitized mortgage borrowings, long-term debt and note payable). Our interest rate spread is impacted by several factors, including general economic

factors, forward interest rates and the credit quality of mortgage loans in the long-term mortgage portfolio.

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

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

At December 31, 2010, derivative liabilities, net were $65.9 million and reflect the securitization trust's liability to pay third-party counterparties based on the estimated value to settle the derivative instruments. Cash payments on these derivative instruments are based on notional amounts that are decreasing over time. Excluding the effects of other factors such as portfolio delinquency and loss severities within the securitization trusts, as the notional amount of these derivative instruments decrease over time, payments to counterparties in the current interest rate environment are reduced, thereby potentially increasing cash flows on our residual interests in securitizations. Conversely, increases in interest rates from current levels could potentially reduce overall cash flows on our residual interests in securitizations. Since our consolidated and unconsolidated securitization trusts are nonrecourse to the Company, our economic risk is limited to our residual interests in these securitization trusts.

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

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

Using historical losses, current portfolio statistics and market conditions and available market data, the Company has estimated future loan losses, which are included in the fair value adjustment to our securitized mortgage collateral. While the credit performance for the loans has been clearly far worse than the Company's initial expectations when the loans were originated, the ultimate level of realized losses will largely be influenced by events that will likely unfold over the next several years, including the severity of housing price declines and overall strength of the economy. If market conditions continue to deteriorate in excess of our expectations, the Company may need to recognize additional fair value reductions to our securitized mortgage collateral, which may also affect the value of the related securitized mortgage borrowings and residual interests.

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

We use the Mortgage Bankers Association (MBA) method to define delinquency as a contractually required payment being 30 or more days past due. We measure delinquencies from the date of the last payment due date in which a payment was received. Delinquencies for loans 60 days late or greater, foreclosures and delinquent bankruptcies were $2.4 billion or 21.3% as of December 31, 2010.

The following table summarizes the unpaid principal balances of loans in our mortgage portfolio, included in securitized mortgage collateral, loans held-for-investment and loans held-for-sale for

continuing and discontinued operations combined, that were 60 or more days delinquent (utilizing the MBA method) as of the periods indicated:

	December 31,			
	2010	%	2009	%
Loans held-for-sale and investment (1)				
60 - 89 days delinquent	$ -	0.0%	$ 66	0.0%
90 or more days delinquent	1,121	0.0%	6,928	0.1%
Foreclosures (2)	1,020	0.0%	7,397	0.1%
Total 60+ days delinquent loans held-for-sale and investment	2,141	0.0%	14,391	0.1%
Long-term mortgage portfolio				
60 - 89 days delinquent	$ 260,106	2.3%	$ 324,032	2.6%
90 or more days delinquent	734,459	6.5%	1,043,718	8.4%
Foreclosures (2)	1,062,362	9.4%	1,449,538	11.6%
Delinquent bankruptcies (3)	337,976	3.0%	302,314	2.4%
Total 60+ days delinquent long-term mortgage portfolio	2,394,903	21.3%	3,119,602	25.0%
Total 60 or more days delinquent	$ 2,397,044	21.3%	$ 3,133,993	25.1%
Total collateral	11,256,312	100%	12,492,493	100%

(1) Loans held-for-sale are primarily included in assets of discontinued operations in the consolidated balance sheets. Loans held-for-investment are included in other assets in the consolidated balance sheets.

(2) Represents properties in the process of foreclosure.

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

The following table summarizes securitized mortgage collateral, loans held-for-investment, loans held-for-sale and real estate owned, that were non-performing for continuing and discontinued operations combined as of the dates indicated (excludes 60-89 days delinquent):

	December 31,			
	2010	%	2009	%
90 or more days delinquent, foreclosures and delinquent bankruptcies	$ 2,136,938	19.0%	$ 2,809,895	22.5%
Real estate owned	92,780	0.8%	142,676	1.1%
Total non-performing assets	$ 2,229,718	19.8%	$ 2,952,571	23.6%

Non-performing assets consist of non-performing loans (mortgages that are 90 days or more delinquent, including loans in foreclosure and delinquent bankruptcies) plus REO. It is our policy to place a mortgage on non-accrual status when it becomes 90 days delinquent and to reverse from revenue any accrued interest, except for interest income on securitized mortgage collateral when the scheduled payment is received from the servicer. The servicers are required to advance principal and interest on loans within the securitization trusts to the extent the advances are considered recoverable. As of December 31, 2010, non-performing assets (unpaid principal balance of loans 90 or more days delinquent, foreclosures and delinquent bankruptcies plus REO) as a percentage of the total collateral was 20%. At December 31, 2009, non-performing assets to total collateral was 24%. As of

December 31, 2010, the estimated fair value of non-performing assets (representing the fair value of loans 90 or more days delinquent, foreclosures and delinquent bankruptcies plus REO) was $657.5 million or 11% of total assets. At December 31, 2009, the estimated fair value of non-performing assets was $942.5 million or 16% of total assets.

REO, which consists of residential real estate acquired in satisfaction of loans, is carried at the lower of cost or net realizable value less estimated selling costs. Adjustments to the loan carrying value required at the time of foreclosure are included in the change in the fair value of net trust assets. Changes in the Company's estimates of net realizable value subsequent to the time of foreclosure and through the time of ultimate disposition are recorded as gains or losses from real estate owned in the consolidated statements of operations. REO, for continuing and discontinued operations, at December 31, 2010 decreased $49.9 million or 35% from December 31, 2009, as a result of liquidations and a decrease in foreclosures.

We realized gains on the sale of real estate owned in the amount $1.1 million for the year ended December 31, 2010, compared to a loss of $90.4 million for 2009. Additionally, for 2010, the Company recorded write-downs of the net realizable value of the REO in the amount of $7.9 million compared to write-downs of $127.8 million for 2009. These write-downs of the net realizable value reflect declines in value of the REO subsequent to foreclosure date.

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

	December 31,	
	2010	**2009**
REO	$ 122,279	$ 176,800
Impairment (1)	(29,499)	(34,080)
Ending balance	$ 92,780	$ 142,720
REO inside trusts	$ 92,708	$ 142,364
REO outside trusts (2)	72	356
Total	$ 92,780	$ 142,720

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

(2) Amount represents REO related to former on-balance sheet securitizations, which were collapsed as the result of the Company exercising its clean-up call options. This REO is included in other assets in the accompanying consolidated balance sheets.

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

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

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

Results of Operations

Condensed Statements of Operations Data

	For the year ended December 31,			
	2010	2009	Increase (Decrease)	% Change
Interest income	$ 985,150	$ 1,780,923	$ (795,773)	(45)%
Interest expense	979,440	1,771,143	(791,703)	(45)
Net interest income	5,710	9,780	(4,070)	(42)
Total non-interest income	63,464	56,142	7,322	13
Total non-interest expense	(61,370)	(55,633)	(5,737)	(10)
Income tax expense	(205)	(2,017)	1,812	90
Net earnings from continuing operations	7,599	8,272	(673)	(8)
Earnings from discontinued operations, net	2,238	2,315	(77)	(3)
Net earnings	9,837	10,587	(750)	(7)
Net loss attributable to noncontrolling interest (1)	457	250	207	83
Net earnings attributable to IMH	$ 10,294	$ 10,837	$ (543)	(5)
Earnings per share available to common stockholders – basic (2)	$ 1.33	$ 0.44	$ 0.88	197%
Earnings per share available to common stockholders – diluted (2)	$ 1.24	$ 0.44	$ 0.79	180%

(1) The Company reports the portion of Experience 1, Inc. and AmeriHome Mortgage Corporation (both subsidiaries of IRES) that it does not own as noncontrolling interests.

(2) As discussed in Note 12. to the consolidated financial statements, the difference between the carrying value of the tendered preferred stock ($106.1 million) and the amount paid for the shares ($1.3 million) was recognized as a decrease in retained deficit in 2009 and is reflected in the consolidated statements of changes in stockholders' equity (deficit) as a reclassification from additional paid in capital. Including the redemption, total basic and diluted earnings per share from continuing operations available to common stockholders were $14.18 and $13.97,

respectively. However, because of the special nature of the preferred stock redemption (which the Company considers an infrequently occurring item), management believes that earnings per common share excluding such transaction are more meaningful from an operations standpoint.

Net Interest Income

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

The following tables summarize average balance, interest and weighted average yield on mortgage assets and borrowings, included within continuing and discontinued operations, for the periods indicated. Cash receipts and payments on derivative instruments hedging interest rate risk related to our securitized mortgage borrowings are not included in the results below. These cash receipts and payments are included as a component of the change in fair value of net trust assets.

	For the year ended December 31,					
	2010			2009		
	Average Balance	Interest	Yield	Average Balance	Interest	Yield
ASSETS						
Investment securities available-for-sale	$ 871	$ 246	28.24%	$ 1,317	$ 496	37.66%
Securitized mortgage collateral	6,099,394	984,857	16.15%	6,263,266	1,780,427	28.43%
Loans held-for-sale	1,938	47	2.43%	-	-	0.00%
Total interest-earning assets	$ 6,102,203	$ 985,150	16.14%	$ 6,264,583	$ 1,780,923	28.43%
LIABILITIES						
Securitized mortgage borrowings	$ 6,079,342	$ 974,058	16.02%	$ 6,331,770	$ 1,767,555	27.92%
Long-term debt	10,882	4,480	41.17%	11,093	3,378	30.45%
Note payable	15,353	856	5.58%	-	-	0.00%
Warehouse borrowings	1,834	46	2.51%	5,719	210	3.67%
Total interest-bearing liabilities	$ 6,107,411	$ 979,440	16.04%	$ 6,348,582	$ 1,771,143	27.90%
Net Interest Spread (1)		$ 5,710	0.10%		$ 9,780	0.53%
Net Interest Margin (2)			0.09%			0.16%

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

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

For the year ended December 31, 2010 compared to the year ended December 31, 2009

Net interest income spread decreased $4.1 million for the year ended December 31, 2010 to $5.7 million from $9.8 million for the comparable 2009 period. The decrease in net interest spread was primarily attributable to overall declines in yields and balances between periods and the resulting decrease in net interest income on securitized mortgage collateral and securitized mortgage borrowings, as well as an increase in interest expense incurred on the note payable of $856 thousand for the year ended December 31, 2010 as compared to none for the comparable 2009 period. As a result, net interest margin decreased from 0.16% for the year ended December 31, 2009 to 0.09% for the year ended December 31, 2010.

During the year ended December 31, 2010, the yield on interest-earning assets decreased to 16.14% from 28.43% in the comparable 2009 period. The yield on interest-bearing liabilities decreased to 16.04% for the year ended December 31, 2010 from 27.90% for the comparable 2009 period. In connection with the fair value accounting for investment securities available-for-sale and securitized mortgage collateral and borrowings, interest income and interest expense is recognized using effective yields based on estimated fair values for these instruments. The decrease in yield for securitized mortgage collateral and securitized mortgage borrowings is primarily related to the adoption of FASB ASC 820-10-65-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly," during the second quarter of 2009. The fair value of the securitized mortgage collateral and securitized mortgage borrowings increased and the yields decreased as a result of the adoption which clarified the use of quoted prices in determining fair value in markets that are inactive, thus moderating the need to use distressed prices in valuing financial assets and liabilities in illiquid markets as the Company had used in prior periods. Furthermore, bond prices received from pricing services and other market participants have increased over the past few quarters as investor's demand for mortgage-backed securities has increased. This has resulted in an increase in fair value for both securitized mortgage collateral and securitized mortgage borrowings. These increases in fair value have decreased the effective yields used for purposes of recognizing interest income and interest expense on these instruments.

Non-Interest Income

For the year ended December 31, 2010 compared to the year ended December 31, 2009

	For the year ended December 31,			
	2010	**2009**	**Increase (Decrease)**	**% Change**
Change in fair value of net trust assets, excluding REO	$ 11,110	$ 231,162	$ (220,052)	(95)%
Losses from REO	(6,798)	(218,157)	211,359	97
Non-interest income – net trust assets	4,312	13,005	(8,693)	(67)
Change in fair value of long-term debt	689	765	(76)	(10)
Mortgage and real estate services fees	56,405	42,276	14,129	33
Other	2,058	96	1,962	2044
Total non-interest income	$ 63,464	$ 56,142	$ 7,322	13%

Non-interest income—net trust assets. Since our consolidated and unconsolidated securitization trusts are nonrecourse to the Company, our economic risk is limited to our residual interests in these securitization trusts. To better understand the economics on our residual interests in securitizations, it is necessary to consider the net effect of changes in fair value of net trust assets and

losses from real estate owned. All estimated future losses are included in the estimate of the fair value of securitized mortgage collateral and REO. Losses on REO are reported separately in the consolidated statement of operations as REO is a nonfinancial asset which is the only component of trust assets and liabilities that is not recorded at fair value. Therefore, REO value at the time of sale or losses from further write-downs are recorded separately in the Company's consolidated statement of operations. The net effect of changes in value related to our investment in all trust assets and liabilities is shown as non-interest income—net trust assets, which includes losses from REO. Non-interest income related to our net trust assets (residual interests in securitizations) was $4.3 million for the year ended December 31, 2010, compared to $13.0 million in the comparable 2009 period. The $4.3 million in non-interest income—net trust assets was primarily attributable to increased expected net interest spread as a result of decreased loss assumptions for single-family collateral and investor yield requirements during the year ended December 31, 2010. The $13.0 million gain on net trust assets was primarily attributable to the adoption of FASB ASC 820-10-65-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly," during the second quarter of 2009, which resulted in an increase to the fair value of net trust assets before REO losses. The individual components of the non-interest income from net trust assets are discussed below:

Change in fair value of net trust assets, excluding REO. For the year ended December 31, 2010, the Company recognized an $11.1 million gain from the change in fair value of net trust assets, excluding REO. The net gain recognized during the period was comprised of gains resulting from the increase in fair value of investment securities-for-sale and securitized mortgage collateral of $69 thousand and $621.0 million, respectively. Offsetting these gains were losses resulting from increases in the fair value of securitized mortgage borrowings and net derivative liabilities of $571.7 million and $38.3 million, respectively.

For the year ended December 31, 2009, the Company recognized a $231.2 million gain from the change in fair value of net trust assets, excluding REO. The net gain recognized during the period was comprised of gains resulting from the increase in fair value of investment securities-for-sale and securitized mortgage collateral, and reduction in the fair value of securitized mortgage borrowings of $3.5 million, $27.8 million and $254.0 million, respectively. Offsetting these gains were losses from the increase in the fair value of net derivative liabilities of $54.2 million.

Losses from REO. Losses from REO were $6.8 million for the year ended December 31, 2010. This loss was comprised of $7.9 million in additional impairment write-downs during the period partially offset by $1.1 million in gain on sale of REO. During the year ended December 31, 2010, additional impairment write-downs were attributable to higher expected loss severities on properties held during the period as compared to previously reserved. The gain is attributable to mortgage insurance recovery collected in the period as a result of our increased loss mitigation efforts of our portfolio.

Losses from REO were $218.2 million for the year ended December 31, 2009. This loss was comprised of a $90.4 million loss on sale of REO, coupled with $127.8 million in additional impairment write- downs during the period. During 2009, loss severities resulting from liquidations in areas where we have high concentration of foreclosed properties (such as California and Florida) have continued to increase significantly over the previous year as a result of deterioration in the U.S. economy and real estate markets. The declines in housing prices have resulted in liquidations of foreclosed assets at prices below expected levels as well as additional impairment write-downs of REO since foreclosure.

Change in the fair value of long-term debt. Change in the fair value of long-term debt was a gain of $689 thousand for the year ended December 31, 2010, compared to a gain of $765 thousand for the comparable 2009 period as a result of the reduction in the estimated fair value of long-term debt. Long-term debt (consisting of trust preferred securities and junior subordinated notes) is measured

based upon an analysis prepared by the Company, which considers the Company's own credit risk, including consideration of settlements with trust preferred debt holders and discounted cash flow analyses.

Mortgage and real estate services fees. Revenues generated from these businesses are primarily from the Company's long-term mortgage portfolio. For the year ended December 31, 2010, mortgage and real estate services fees were $56.4 million compared to $42.3 million in fees in the comparable 2009 period. The mortgage and real estate services fees of $56.4 million for the year ended December 31, 2010, was primarily comprised of $22.1 million in monitoring, surveillance and recovery fees, $16.8 million in title and escrow fees, $11.7 million in loan modification fees, and $5.8 million in servicing income. The $14.1 million increase in mortgage and real estate services fees was comprised of increases in monitoring, surveillance and recovery fees and title and escrow fees of $13.0 million and $8.2 million, respectively. Offsetting these increases were reductions in loan modification fees and servicing income of $5.8 million and $1.3 million, respectively.

Non-Interest Expense

For the year ended December 31, 2010 compared to the year ended December 31, 2009

	For the year ended December 31,			
	2010	2009	Increase (Decrease)	% Change
Personnel expense	$ 42,272	$ 35,688	$ 6,584	18%
General, administrative and other	10,406	10,338	68	1
Occupancy expense	4,155	4,234	(79)	(2)
Legal and professional expense	2,291	3,207	(916)	(29)
Data processing expense	2,246	2,166	80	4
Total non-interest expense	$ 61,370	$ 55,633	$ 5,737	10%

Total non-interest expense was $61.4 million for the year ended December 31, 2010, compared to $55.6 million for the comparable period of 2009. The $5.7 million increase in non-interest expense was attributable to a $6.6 million increase in personnel expense over the previous period as a result of increases in personnel and related costs associated with the growth of our mortgage and real estate fee-based business activities, which was partially offset by a decrease in personnel costs associated with the long-term mortgage portfolio.

Income Taxes

In accordance with FASB ASC 810-10-45-8, the Company records a deferred charge representing the deferral of income tax expense on inter-company profits that resulted from the sale of mortgages from taxable subsidiaries to IMH in prior years. The deferred charge is included in other assets in the consolidated balance sheets and is amortized as a component of income tax expense in the consolidated statements of operations over the estimated life of the mortgages retained in the securitized mortgage collateral. The Company recorded a tax provision of $205 thousand and $2.0 million for the years ended December 31, 2010 and 2009, respectively. The provision is the result of state income tax expense for the year ended December 31, 2010. For the year ended December 31, 2009, the net provision is the result of the amount of the deferred charge amortized and/or impaired resulting from credit losses, which does not result in any tax liability to be paid.

Results of Operations by Business Segment

Mortgage and Real Estate Services

For the year ended December 31, 2010 compared to the year ended December 31, 2009

During 2009, the Company initiated various mortgage and real estate fee-based business activities, including loan modifications, real estate disposition, monitoring and surveillance services, real estate brokerage, mortgage lending and title and escrow services. Although the Company intends to generate more fees by providing these services to third parties in the marketplace, the revenues from these businesses have primarily been generated from the Company's long-term mortgage portfolio. Despite our efforts to expand these services, we have encountered challenges in selling these services to third-parties.

Condensed Statements of Operations Data

	For the year ended December 31,			
	2010	2009	Increase (Decrease)	% Change
Net interest income	$ 19	$ 12	$ 7	58%
Mortgage and real estate services fees	56,405	42,276	14,129	33
Other non-interest income	890	117	773	661
Total non-interest income	57,295	42,393	14,902	35
Personnel expense	(35,258)	(23,099)	(12,159)	(53)
Non-interest expense and income taxes	(8,650)	(6,707)	(1,943)	(29)
Net earnings	$ 13,406	$ 12,599	$ 807	6%

For the year ended December 31, 2010, mortgage and real estate services fees, which primarily include loan modification fees and monitoring and surveillance services fees, were $56.4 million compared to $42.3 million in monitoring fees in the comparable 2009 period. The $14.1 million increase in mortgage and real estate services fees was comprised of increases in real estate services and recovery fees and title and escrow fees of $11.9 million and $9.2 million, respectively. Offsetting these increases were reduction in loan modification fees and portfolio service fees of $5.8 million and $1.3 million, respectively.

For the year ended December 31, 2010, personnel expense increased $12.2 million to $35.3 million as a result of increases in personnel and related costs associated with the growth of our mortgage and real estate fee-based business activities.

For the year ended December 31, 2010, non-interest expense and income taxes increased $1.9 million to $8.7 million. The increase is primarily related to increased business promotion and marketing expense and increased occupancy expenses associated with the mortgage and real estate fee-based business activities.

Refer to Note 7. "Segment Reporting" in the notes to consolidated financial statements for financial results of the continuing operating segments and see Item 1. "Summary of Market Conditions and Liquidity, Business and Financial Statement Presentation including Significant Accounting Policies" for additional information regarding the operating structure.

Long-Term Portfolio

For the year ended December 31, 2010 compared to the year ended December 31, 2009

	For the year ended December 31,			
	2010	2009	Increase (Decrease)	% Change
Net interest income	$ 5,691	$ 9,768	$ (4,077)	(42)%
Change in fair value of net trust assets, excluding REO	11,110	231,162	(220,052)	(95)
Losses from real estate owned	(6,798)	(218,157)	211,359	97
Non-interest income- net trust assets	4,312	13,005	(8,693)	(67)
Change in fair value of long-term debt	689	765	(76)	(10)
Other non-interest income	1,168	(21)	1,189	5662
Total non-interest income	6,169	13,749	(7,580)	(55)
Personnel expense	(7,015)	(12,589)	5,574	44
Non-interest expense and income taxes	(10,652)	(15,255)	4,603	30
Net loss	$ (5,807)	$ (4,327)	$ (1,480)	(34)%

Net loss for the long-term portfolio was a loss of $5.8 million for the year ended December 31, 2010, compared to a loss of $4.3 million for the comparable period of 2009. This decrease in net earnings is primarily attributable to a $8.7 million decrease in non-interest income-net trust assets and a $4.1 million decrease in net interest income, offset by a $5.6 million reduction in personnel expense and a $4.6 million reduction in non-interest expense and income taxes.

The decrease in the fair value of net trust assets was primarily the result of the adoption of FASB ASC 820-10-65-4 during the second quarter of 2009. This clarified the use of quoted prices in determining fair values in markets that are inactive, thus moderating the need to use distressed prices in valuing financial assets and liabilities in illiquid markets as the Company used in prior periods. The Company recorded a significant increase in the fair value of net trust assets as a result of the adoption of FASB ASC 820-10-65-4 during June of 2009. For the year ended December 31, 2010, the Company recognized a $11.1 million gain from the change in fair value of net trust assets, excluding REO. The net gain recognized during the period was comprised of gains resulting from the increase in fair value of investment securities-for-sale and securitized mortgage collateral of $69 thousand and $621.0 million, respectively. Offsetting these gains were losses resulting from increases in the fair value of securitized mortgage borrowings and net derivative liabilities of $571.7 million and $38.3 million, respectively. Losses from REO were $6.8 million for the year ended December 31, 2010. This loss was comprised of $7.9 million in additional impairment write-downs during the period partially offset by $1.1 million in gain on sale of REO. During the year ended December 31, 2010, additional impairment write-downs were attributable to higher expected loss severities on properties held during the period as compared to previously reserved. The gain is attributable to mortgage insurance recovery collected in the period as a result of our increased loss mitigation efforts of our portfolio.

Personnel expense decreased $5.6 million during the year ended December 31, 2010 as a result of reduced personnel associated with the long-term portfolio segment of the Company.

Non-interest expense and income taxes decreased $4.6 million. The decrease is attributable to a $2.0 million reduction in income tax expense, $1.0 million reduction in legal and professional fees as well as a $1.3 million decrease in general and administrative expenses. The reduction in income tax expense is the result of $2.0 million of the deferred charge amortized and/or impaired in 2009 resulting from credit losses as compared to none in 2010.

Discontinued Operations

For the year ended December 31, 2010 compared to the year ended December 31, 2009

Condensed Statements of Operations Data

	For the year ended December 31,			
	2010	2009	Increase (Decrease)	% Change
Net interest income (expense)	$ 61	$ (351)	$ 412	117%
Gain (loss) on sale of loans	153	(5,739)	5,892	103
Provision for repurchases	(2,685)	(647)	(2,038)	(315)
Other non-interest income	3,236	(2,144)	5,380	251
Total non-interest income	704	(8,530)	9,234	108
Personnel expense	939	(546)	1,485	272
Non-interest expense and income taxes	534	11,742	(11,208)	(95)
Net earnings	$ 2,238	$ 2,315	$ (77)	(3)%

Gain (loss) on sale of loans increased $5.9 million to a gain of $153 thousand for the year ended December 31, 2010 as compared to a loss of $5.7 million in the comparable period in 2009. The decrease in loss on sale of loans was the result of reductions in lower of cost or market adjustments against loans held-for-sale between periods resulting from the Settlement Agreement in October 2009 with its reverse repurchase facility lender which removed further exposure associated with the loans held for sale that secured the line.

Provision for repurchases increased $2.0 million to $2.7 million for the year ended December 31, 2010, compared to $647 thousand for the same period in 2009. The $2.0 million increase is the result of settlements reached with whole-loan investors during 2009, coupled with increases in estimated repurchase obligations during 2010. During the third quarter, consistent with other mortgage lenders, we received repurchase requests from Fannie Mae for loans funded primarily in 2007 resulting in an increase in our repurchase reserve to $8.0 million at December 31, 2010.

The $5.4 million increase in other non-interest income is primarily the result of gains of $2.3 million on sales of REO properties not in trusts and recovery of REO write-downs during the year ended December 31, 2010 as compared to loss on sale of REO and write-downs of REO totaling $2.6 million for the comparable period in 2009.

Non-interest expense and income taxes decreased $11.2 million between periods primarily due to a Federal tax refund in the amount of $8.9 million, including interest, as a result of an election to carryback net operating losses five years pursuant to 2009 Federal legislation, *The Worker, Homeownership, and Business Assistance Act of 2009*.

When the Company discontinued operations in 2007, it recorded a lease liability for unused space, but as we have sublet the unused space, the lease liability has decreased. As a result, for the year ended December 31, 2009 the Company recorded income of $2.5 million related to a reduction in estimated lease liabilities as a result of changes in our expected minimum future lease payments in non-interest expense and income taxes within discontinued operations.

Refer to Note 19. "Discontinued Operations" in the notes to consolidated financial statements for financial results of the discontinued operating segments and see Item 1. "Summary of Market

Conditions and Liquidity, Business and Financial Statement Presentation including Significant Accounting Policies" for additional information regarding the operating structure.

Liquidity and Capital Resources

Our results of operations and liquidity are materially affected by conditions in the markets for mortgages and mortgage-related assets, as well as the broader financial markets and the general economy. Concerns over economic recession, geopolitical issues, unemployment, the availability and cost of financing, the mortgage market and a declining real estate market contributed to increased volatility and diminished expectations for the economy and markets. As a result of these conditions, the financial and mortgage industries suffered severe losses and several major market participants failed or have been impaired, resulting in a significant contraction in market liquidity. This illiquidity negatively affected both the terms and availability of financing for all mortgage-related assets. Due to this unprecedented volatility in the marketplace, it has become difficult to anticipate market conditions and therefore meet our liquidity objectives. If these conditions persist, institutions from which we seek financing for our investments may tighten their lending standards or become insolvent, which could make it more difficult for us to obtain financing on favorable terms or at all. Our profitability may be adversely affected if we are unable to obtain cost-effective financing.

We believe that current cash balances, cash flows from mortgage and real estate services fees generated from our long-term mortgage portfolio, and residual interest cash flows from our long-term mortgage portfolio are adequate for our current operating needs. However, we believe the mortgage and real estate services market is volatile and highly competitive. Competition for loss mitigation servicing, loan modification services, title and escrow services, and other portfolio services has intensified in the past year due to the unprecedented difficult mortgage environment and severe credit tightening, coupled with the continuing recessionary economy, which has been evidenced by increasing delinquencies and defaults, eroding real estate values and government mandated modification programs. This difficult mortgage environment has led to an increase in competitors who have recently entered or have established businesses delivering similar services. Our competitors include mega mortgage servicers, established subprime loan servicers, and newer entrants to the specialty servicing and recovery collections business. The Company's efforts to market its ability to provide mortgage and real estate services for others is more difficult than many of our competitors because we have not historically provided such services to unrelated third parties, and we are not a rated primary or special servicer of residential mortgage loans as designated by a rating agency. Additionally, performance of the long-term mortgage portfolio is subject to the continued deterioration in the real estate market and current economic conditions. Cash flows from our residual interests in securitizations are sensitive to delinquencies, defaults and credit losses associated with the securitized loans. Losses in excess of current estimates will reduce the residual interest cash receipts from our long-term mortgage portfolio.

In response to these unprecedented market conditions and efforts to improve liquidity, the Company has taken the following steps:

- from December 2008 through December 2009, we purchased and canceled $36.5 million and exchanged $51.3 million in outstanding trust preferred securities to reduce annual interest expense obligations from $7.8 million to approximately $2.0 million;

- in June 2009, we completed the Offer to Purchase and Consent Solicitation for which the Company repurchased the majority of its preferred stock and eliminated its annual preferred dividend obligation of $14.9 million;

- in October 2009, we restructured and entered into a settlement agreement with the remaining reverse repurchase facility lender to remove any further exposure associated with the facility or the loans securing the facility;

- in November 2010, we entered into an $8.0 million structured debt agreement (note payable) using seven of the Company's subordinate residuals to pay off the balance owed on its note payable to the last remaining warehouse bank from 2007. The payoff resulted in the full satisfaction of the Credit Agreement entered into by the Company on October 30, 2009 at a $1.3 million discount to the approximately $6.6 million outstanding balance. This also resulted in the termination of all covenants, conditions and restrictions associated with that agreement;

- during 2009, we created an integrated services platform to provide solutions to the mortgage and real estate markets. We initiated various mortgage and real estate fee-based business activities, including loan modifications, real estate disposition, monitoring and surveillance services, real estate brokerage and lending services and title and escrow services; and

- in October 2010, we completed the acquisition of 51% of AmeriHome Mortgage Corporation (AmeriHome) which is an approved seller/servicer for Fannie Mae, Freddie Mac and HUD, in addition to being an approved Ginnie Mae issuer. The Company has an option to purchase up to 90% of AmeriHome, exercisable anytime from January 1, 2011 to December 31, 2013.

While the Company continues to pay its obligations as they become due, the ability of the Company to continue is dependent upon many factors, particularly the Company's ability to successfully compete and grow the mortgage and real estate fee-based business activities and realize the value of its long-term mortgage portfolio. There can be no assurance of the Company's ability to do so.

During 2010, our operating businesses were primarily funded as follows:

- cash flows from our mortgage and real estate fee-based business activities; and

- cash flows from our long-term mortgage portfolio (residual interests in securitizations).

The Company primarily used available funds as follows:

- monthly interest and principal payments on the structured debt agreement under the terms of the Indenture;

- settlement payment to the remaining reverse repurchase facility lender associated with the Settlement Agreement, and interest and principal payments on the Credit Agreement under the terms of the agreement associated with the settlement;

- interest payments on long-term debt, including trust preferred securities and junior subordinated notes;

- lease obligations, payroll obligations, operating expenses; and

- repurchase loans or settle repurchase claims.

Sources of Liquidity

Fees from our mortgage and real estate service business activities. The Company earns fees from various mortgage and real estate fee-based business activities, including loss mitigation, real

estate disposition, monitoring and surveillance services, real estate brokerage and lending services and title and escrow services. The Company provides services to investors, servicers and individual borrowers primarily by focusing on loss mitigation and performance of our long-term mortgage portfolio. Additionally, the Company acts as the master servicer for mortgages included in our CMO and REMIC securitizations. The master servicing fees we earn are generally 0.03 percent per annum (3 basis points) on the declining principal balances of these mortgages plus interest income on cash held in custodial accounts until remitted to investors, less any interest shortfall. However, due to the decline in interest rates, the interest income earned on cash held in custodial accounts has declined significantly.

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

- servicing and master servicing fees paid;
- premiums paid to mortgage insurers;
- cash payments / receipts on derivatives;
- interest paid on securitized mortgage borrowings;
- principal payments and prepayments paid on securitized mortgage borrowings;
- overcollateralization requirements;
- actual losses, net of any gains incurred upon disposition of other real estate owned or acquired in settlement of defaulted mortgages;
- unpaid interest shortfall;
- basis risk shortfall; and
- bond write-downs reinstated.

The Company transferred seven residual interests into a bankruptcy remote trust to secure the Note Payable. The Note Payable is to be repaid (including interest) from the monthly cash flows of the seven residual interests. Any excess cash flows are held by the trust to cover any monthly shortfalls from the residual interests. If the excess cash flows reach an amount equal to the balance on the Note Payable, the Company has the option to pay off the Note Payable and take title back on the residual interests. Subsequent to the repayment of the Note Payable, the Company will receive the cash flows from the residual interests.

Uses of Liquidity

Credit Agreement. In October 2009, the Company entered into a Credit Agreement with its remaining reverse repurchase facility lender for a $33.9 million term loan. The borrowing under the Credit Agreement, which was to be paid over 18 months had an interest rate of one-month LIBOR plus 350 basis points and required a monthly principal and interest payment of $1.5 million. A $10.0 million principal payment was due and paid in April 2010 as part of the Credit Agreement. In November 2010, the Credit Agreement was paid off at a $1.3 million discount to the approximately $6.6 million

outstanding balance from proceeds received on the $8.0 million structured debt agreement using seven of the Company's subordinate residual interests. This also resulted in the termination of all covenants, conditions and restrictions associated with that agreement. The Credit Agreement was fully satisfied in November 2010 as more fully described below.

Structured Debt Agreement (Note Payable). In November 2010, the Company entered into an $8.0 million structured debt agreement using seven of the Company's subordinate residuals to pay off the balance owed on its note payable to the last remaining warehouse bank from 2007. The Company received net proceeds of $7.4 million. The $8.0 million debt is evidenced by an Indenture with Deutsche Bank National Trust Company, as trustee. The debt bears interest at a fixed rate of 10% per annum and is amortized in equal principal payments over 11 months with all distributions from the underlying residuals being used to make the monthly payments. If the cumulative residual payments are not sufficient to pay the required monthly principal and interest the Company would be required to pay the difference to avoid the transfer of the residuals and the rights to the associated future cash flows to the note holder. Any excess cash flows from the residuals are included in a reserve account, which is available to cover future shortfalls. The $8.0 million borrowing was recorded as a note payable in the accompanying consolidated balance sheets and is current as to principal and interest payments as of December 31, 2010.

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

Investors have requested the Company to repurchase loans or to indemnify them against losses on certain loans which the investors believe either do not comply with applicable representations or warranties or defaulted shortly after its purchase. The Company records an estimated reserve for these losses at the time the loan is sold, and adjusts the reserve to reflect the estimated loss. The repurchase reserve is included in liabilities of discontinued operations in the consolidated balance sheets.

The reserve totaled approximately $8.0 million at December 31, 2010, compared to $11.0 million at December 31, 2009. In determining the adequacy of the reserve for mortgage repurchases, management considers such factors as specific requests for repurchase, known problem loans, underlying collateral values, recent sales activity of similar loans, historical experience, recent settlement experience, current settlement negotiations, current market conditions and other appropriate information. During 2010, the Company recorded a provision for repurchase losses of $2.7 million included in the net earnings from discontinued operations.

Financing. The Company has obtained warehouse financing and any decision to provide financing to us in the future will depend upon a number of factors, including:

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

Warehouse Lines. In June 2010 and December 2010, the Company, through IRES and its subsidiaries, entered into Master Repurchase Agreements with regional banks providing $10 million and $25 million warehouse facilities, respectively. Both warehouse facilities mature in June 2011 and are secured by and used to fund conforming single-family residential mortgage loans that are held for sale.

Additionally, In October 2010, as part of the acquisition of AmeriHome, the Company, through its subsidiaries, assumed a Master Repurchase Agreement with a regional bank providing a $3.5 million warehouse facility. The warehouse facility is secured by and is used to fund conforming single-family residential mortgage loans that are held for sale. The agreement expired January 2011, however, in March 2011, the warehouse facility was increased to $10 million and the maturity date was extended to January 2012, as described further in Note. 19.—Subsequent Events.

Operating activities. Net cash provided by operating activities was $271.6 million for 2010 as compared to $388.6 million for 2009. During 2010, the primary sources of cash in operating activities were cash received from fees generated by our mortgage and real estate service business activities and excess cash flows from our residual interests in securitizations. During 2009, the primary sources of cash in operating activities were cash received from fees generated by our mortgage and real estate service business activities, cash received from excess cash flows from our residual interests in securitizations, and income tax refunds received from the carryback of net operating losses to prior years.

Investing activities. Net cash provided by investing activities was $943.7 million for 2010 as compared to $1.6 billion for 2009. For 2010 and 2009, the primary source of cash from investing activities was provided by principal repayments on our securitized mortgage collateral and proceeds from the liquidation of REO.

Financing activities. Net cash used in financing activities was $1.2 billion for 2010 as compared to $2.0 billion for 2009. For 2010, net cash used in financing activities was primarily for principal repayments on securitized mortgage borrowings and principal repayments of notes payable, partially offset by net borrowings under warehouse agreements. For 2009, net cash used in financing activities was primarily for principal repayments on securitized mortgage borrowings. Additionally, as a result of restructuring the Company's balance sheet to reduce its debt burden, cash was used for the purchase and cancellation of trust preferred securities, repurchase preferred stock and pay accumulated but unpaid dividends associated with the Offer to Purchase, principal repayments for the former reverse repurchase line, and a cash payment under the Settlement Agreement to settle the reverse repurchase line.

Inflation. The consolidated financial statements and corresponding notes to the consolidated financial statements have been prepared in accordance with GAAP, which require the measurement of financial position and operating results in terms of historical dollars without considering the changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased costs of our operations during 2010 and 2009. Unlike industrial companies, nearly all of our assets and liabilities are monetary in nature. As a result, interest rates have a greater effect on our performance than do the effects of general levels of inflation. Inflation affects our operations primarily through its effect on interest rates, since interest rates normally increase during periods of high inflation and decrease during periods of low inflation.

Off Balance Sheet Arrangements

When we sell or broker loans through whole-loan sales, we are required to make normal and customary representations and warranties to the loan originators or purchasers, including guarantees against early payment defaults typically 90 days, and fraudulent misrepresentations by the borrowers. Our agreements generally require us to repurchase loans if we breach a representation or warranty given to the loan purchaser. In addition, we may be required to repurchase loans as a result of borrower fraud

or if a payment default occurs on a mortgage loan shortly after its sale. Because the loans are no longer on our balance sheet, the recourse component is considered a guarantee. During 2010, we sold $17.4 million and brokered $20.1 million of loans with recourse compared to $2.5 million and $6.0 million in 2009. We maintained an $8.0 million reserve related to these and other guarantees as of December 31, 2010 compared to a reserve of $11.0 million as December 31, 2009. During 2010 we paid $5.7 million to settle repurchase demands on loans previously sold to third parties as compared to $1.1 million to settle or repurchase loans during 2009.

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

The Company's management, with the participation of its chief executive officer (CEO) and its chief financial officer (CFO), evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2010. Based on that evaluation, the Company's chief executive officer and chief financial officer concluded that, as of that date, the Company's disclosure controls and procedures were effective at a reasonable assurance level.

Management's Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Section 13a-15(f) of the Exchange Act). Internal control over financial reporting is a process designed by, or under the supervision of, the Company's CEO and CFO to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for reporting purposes in conformity with U.S. generally accepted accounting principles and include those policies and procedures that (i) pertain to the maintenance of

records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

As of December 31, 2010, management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the framework established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on the criteria established by COSO, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2010.

Our management, including our chief executive officer and chief financial officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by improper management override of the controls. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with associated policies or procedures. Because of the inherent limitations in a cost-effective control system, there is a risk that material misstatements due to error or fraud may occur and will not be detected on a timely basis.

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

Changes in Internal Control Over Financial Reporting

During the quarter ended December 31, 2010, there were no changes in our internal control over financial reporting that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

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

We have audited Impac Mortgage Holdings, Inc.'s (the Company) internal control over financial reporting as of December 31, 2010 based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Impac Mortgage Holdings, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Impac Mortgage Holdings, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010 based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Impac Mortgage Holdings, Inc. and subsidiaries as of December 31, 2010 and 2009 and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years then ended, and our report dated March 31, 2011 expressed an unqualified opinion thereon.

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

Newport Beach, California
March 31, 2011

ITEM 9B. OTHER INFORMATION

In October 2010, as part of the acquisition of AmeriHome Mortgage Corporation (see Note 18. Business Combination), the Company, through its subsidiaries, assumed a Master Repurchase Agreement with a regional bank providing a $3.5 million warehouse facility. The warehouse facility is used to fund and is secured by conforming single family residential mortgage loans that are held for sale. The agreement expires January 2011. The rate range is the greater of the loan note rate or 4.50%. Under the terms of the warehouse facility, IRES and its subsidiaries are required to maintain various financial and other covenants. At December 31, 2010, the Company was in compliance with these financial covenants. In March 2011, the warehouse facility was increased to $10 million and the maturity extended to January 2012, as described further in Note 19. Subsequent Events.

On December 3, 2010, the Company, through IRES and its subsidiaries, entered into a Master Repurchase Agreement with New Century Bank providing a $25 million warehouse facility. The Company and IRES also provided guaranties. The warehouse facility is used to fund and is secured by conforming single family residential mortgage loans that are held for sale. The agreement expires June 2011. The rate is one month LIBOR plus 4.00%, increasing to up to 6.00% if the loans are held up to 60 days, with a floor of 4.75%. Under the terms of the warehouse facility, IRES and its subsidiaries are required to maintain various financial and other covenants, including minimum tangible net worth of $4.8 million and $2.4 million of Excel and AmeriHome respectively. At December 31, 2010, the Company was in compliance with these financial covenants.

In October 2010, Excel Mortgage Servicing, Inc., a wholly-owned subsidiary of IRES, completed the acquisition of 51% of AmeriHome Mortgage Corporation (AmeriHome) whereby the Company made a $1.1 million cash payment to AmeriHome and entered into a note payable for $720,000. As part of the transaction, the Company was granted an option to purchase an additional 39% of AmeriHome beginning January 1, 2011 for 1.5 times 39% of the lesser of $5 million or Issuer's Book Value (IBV) of AmeriHome plus $550,000 in cash (see call option in Note 2. Fair Value of Financial Instruments). This option has a three-year term. In addition the founder of AmeriHome has a put option to sell his remaining 49% ownership beginning January 1, 2014 to the Company for the lesser of $5 million or IBV (see put option in Note 2. Fair Value of Financial Instruments). The IBV of AmeriHome was approximately $2.3 million at the time the Company purchased its 51% ownership interest.

Effective December 1, 2010, the Company adopted the Non-Employee Director Deferred Stock Unit Award Program (the "DSU Program"). The DSU Program provides for the grant of deferred stock units ("DSUs") to non-employee directors pursuant to the 2010 Omnibus Incentive Plan. Each DSU grant vests in three (3) substantially equal annual installments, commencing with the first anniversary of the date of grant, subject to the director's continued service on the board of director. Upon vesting, the DSUs continue to be held in the director's stock account until payment becomes due. In the event a director is no longer a member of the board of directors prior to vesting, all DSUs that remain unvested terminate and are forfeited. Dividends and other distributions on DSUs are credited to the director's stock account as if such DSUs were actual shares of common stock issued and outstanding. No interest is credited on stock amounts. Dividends and distributions are converted, based on fair market value of the common stock, into DSUs and credited to the director's stock account. The board may, in its sole discretion, waive vesting and forfeiture of DSUs. In the event a change in control, all outstanding DSUs are deemed fully vested. Directors receive a distribution of stock within thirty (30) days after the date the director no longer serves on the board. The distribution will consist of one share of common stock for each DSU. Any shares of common stock issued are deemed issued under the 2010 Omnibus Incentive Plan.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item 10 is hereby incorporated by reference to Impac Mortgage Holdings, Inc.'s definitive proxy statement, to be filed pursuant to Regulation 14A within 120 days after the end of Impac Mortgage Holdings, Inc.'s 2010 fiscal year.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 is hereby incorporated by reference to Impac Mortgage Holdings, Inc.'s definitive proxy statement, to be filed pursuant to Regulation 14A within 120 days after the end of Impac Mortgage Holdings, Inc.'s 2010 fiscal year.

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

The information required by this Item 12 including Equity Compensation Plan Information is hereby incorporated by reference to Impac Mortgage Holdings, Inc.'s definitive proxy statement, to be filed pursuant to Regulation 14A within 120 days after the end of Impac Mortgage Holdings, Inc.'s 2010 fiscal year.

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

The information required by this Item 13 is hereby incorporated by reference to Impac Mortgage Holdings, Inc.'s definitive proxy statement, to be filed pursuant to Regulation 14A within 120 days after the end of Impac Mortgage Holdings, Inc.'s 2010 fiscal year.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item 14 is hereby incorporated by reference to Impac Mortgage Holdings, Inc.'s definitive proxy statement, to be filed pursuant to Regulation 14A within 120 days after the end of Impac Mortgage Holdings, Inc.'s 2010 fiscal year.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(3) Exhibits

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Irvine, State of California, on the 31st day of March 2011.

IMPAC MORTGAGE HOLDINGS, INC.

by /s/ JOSEPH R. TOMKINSON

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

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

Signature	Title	Date
/s/ JOSEPH R. TOMKINSON Joseph R. Tomkinson	Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)	March 31, 2011
/s/ WILLIAM S. ASHMORE William S. Ashmore	President and Director	March 31, 2011
/s/ TODD R. TAYLOR Todd R. Taylor	Chief Financial Officer (Principal Financial and Accounting Officer)	March 31, 2011
/s/ JAMES WALSH James Walsh	Director	March 31, 2011
/s/ FRANK P. FILIPPS Frank P. Filipps	Director	March 31, 2011
/s/ STEPHAN R. PEERS Stephan R. Peers	Director	March 31, 2011
/s/ LEIGH J. ABRAMS Leigh J. Abrams	Director	March 31, 2011

Exhibit Index

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

Exhibit Number	Description
3.1(k)	Articles of Amendment of Series B Preferred Stock (incorporated by reference to exhibit 3.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 30, 2009).
3.1(l)	Articles of Amendment of Series C Preferred Stock (incorporated by reference to exhibit 3.2 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 30, 2009).
3.2	Bylaws, as amended and restated (incorporated by reference to the corresponding exhibit number of the Registrant's Quarterly Report on Form 10-Q for the period ending March 31, 1998).
3.2(a)	Amendment to Bylaws (incorporated by reference to exhibit 3.2(a) of the Registrant's Registration Statement of Form S-3 (File No. 333-111517) filed with the Securities and Exchange Commission on December 23, 2003).
3.2(b)	Second Amendment to Bylaws (incorporated by reference to Exhibit 3.2(b) of the Registrant's Form 8-K, filed with the Securities and Exchange Commission on April 1, 2005).
3.2(c)	Third Amendment to Bylaws of the Company (incorporated by reference to Exhibit 3.2(c) of the Registrant's Form 8-K, filed with the Securities and Exchange Commission on March 29, 2006).
3.2(d)	Fourth Amendment to Bylaws of the Company (incorporated by reference to Exhibit 3.2 of the Registrant's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on December 20, 2007).
3.2(e)	Fifth Amendment to Bylaws of the Company (incorporated by reference to Exhibit 3.2(e) of the Registrant's Form 8-K, filed with the Securities and Exchange Commission on February 13, 2008).
3.2(f)	Amendment No. 6 to Bylaws of the Company (incorporated by reference to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 5, 2008).
4.1	Form of Stock Certificate of the Company (incorporated by reference to the corresponding exhibit number to the Registrant's Registration Statement on Form S-11, as amended (File No. 33-96670), filed with the Securities and Exchange Commission on September 7, 1995).
4.2	Specimen Certificate representing the 9.375 percent Series B Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 4.1 of the Registrant's Form 8-A, filed with the Securities and Exchange Commission on May 27, 2004).
4.3	Specimen Certificate representing the 9.125 percent Series C Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 4.1 of the Registrant's Form 8-A, filed with the Securities and Exchange Commission on November 19, 2004).
4.4	Indenture between Impac Mortgage Holdings, Inc. and Wilmington Trust Company, as trustee, dated October 18, 2005 (incorporated by reference to Exhibit 4.8 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2005).

Exhibit Number	Description
4.4(a)	First Supplemental Indenture dated as of July 14, 2009 between Wilmington Trust Company and Impac Mortgage Holdings, Inc. to Indenture dated October 18, 2005 (incorporated by reference to Exhibit 4.1 of the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2009).
4.5	Junior Subordinated Indenture dated May 8, 2009 between Impac Mortgage Holdings, Inc. and The Bank of New York Mellon Trust Company, National Association, as trustee, related to Junior Subordinated Note due 2034 in the principal amount of $30,244,000 (incorporated by reference to exhibit 10.3 of the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2009).
4.6	Junior Subordinated Indenture dated May 8, 2009 between Impac Mortgage Holdings, Inc. and The Bank of New York Mellon Trust Company, National Association, as trustee, related to Junior Subordinated Note due 2034 in the principal amount of $31,756,000 (incorporated by reference to exhibit 10.4 of the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2009).
4.7	Indenture dated November 26, 2010 between LVII 2010-R1 and Deutsche National Trust Company, as trustee
10.1(a)	Form of 2002 Indemnification Agreement between the Registrant and its Directors and Officers (incorporated by reference to exhibit 10.1(a) of the Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2004).
10.1(b)	Schedule of each officer and director that is a party to an Indemnification Agreement (incorporated by reference to exhibit 10.2(b) of the Registrant's Annual Report on Form 10-K for the year-ended December 31, 2007).
10.2	Form of Loan Purchase and Administrative Services Agreement between the Registrant and Impac Funding Corporation (incorporated by reference to exhibit 10.9 to the Registrant's Registration Statement on Form S-11, as amended (File No. 33-96670), filed with the Securities and Exchange Commission on September 7,1995).
10.3	Servicing Agreement effective November 11, 1995 between the Registrant and Impac Funding Corporation (incorporated by reference to exhibit 10.14 to the Registrant's Registration Statement on Form S-11, as amended (File No. 333-04011), filed with the Securities and Exchange Commission on May 17, 1996).
10.4	Lease dated March 4, 2005 regarding 19500 Jamboree Road, Newport Beach California (incorporated by reference to exhibit 10.8 of the Registrant's Annual Report on Form 10-K for the year-ended December 31, 2004).
10.5*	Impac Mortgage Holdings, Inc. 2010 Omnibus Incentive Plan (incorporated by reference to exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 21, 2010).
10.5(a)*	Form of Stock Option Agreement for 2010 Omnibus Incentive Plan (incorporated by reference to exhibit 99.6 of the Registrant's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on September 10, 2010).
10.5(b)*	Form of Restricted Stock Agreement for 2010 Omnibus Incentive Plan (incorporated by reference to exhibit 99.7 of the Registrant's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on September 10, 2010).

Exhibit Number	Description
10.5(c)*	Form of Stock Option Agreement for 2001 Stock Option, Deferred Stock and Restricted Stock Plan (incorporated by reference to exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2004).
10.5(d)*	Form of Restricted Stock Agreement for 2001 Stock Option, Deferred Stock and Restricted Stock Plan (incorporated by reference to exhibit 10.1 of the Registrant's Current Report on Form 8-K, filed with the Securities and Exchange Commission on September 2, 2005).
10.6*	Non-Employee Director Deferred Stock Unit Award Program
10.6(a)*	Form of Notice of Grant Under Non-Employee Director Deferred Stock Unit Award Program
10.7*	Executive Employment Agreement effective as of July1, 2009 between Impac Mortgage Holdings, Inc. and Joseph R. Tomkinson (incorporated by reference to exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 8, 2011).
10.8*	Executive Employment Agreement made as of July 1, 2009 between Impac Mortgage Holdings, Inc. and William S. Ashmore (incorporated by reference to exhibit 10.2 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 8, 2011).
10.9	Amended and Restated Declaration of Trust among Impac Mortgage Holdings, Inc., Wilmington Trust Company, as Delaware and Institutional Trustee, and the Administrative Trustees named therein, dated October 18, 2005 (incorporated by reference to Exhibit 10.29 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2005).
10.9(a)	Amendment No. 1 dated as of July 14, 2009 among Wilmington Trust Company, Impac Mortgage Holdings, Inc. and holders of Capital Securities to Amended and Restated Declaration of Trust dated October 18, 2005 (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2009).
10.10	Amended and Restated Trust Agreement dated November 26, 2010 among IMH Assets Corp., Christiana Bank & Trust Company, as owner trustee, and Deutsche Bank National Trust Company, as registrar and Paying agent
10.11	Exchange Agreement dated May 8, 2009 between Impac Mortgage Holdings, Inc., Taberna Preferred Funding I, Ltd., and Taberna Preferred Funding II, Ltd. (incorporated by reference to exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2009).
10.12	Credit Agreement dated as of October 30, 2009 among Impac Mortgage Holdings, Inc., Impac Funding Corporation, Impac Warehouse Lending Group, Inc., Integrated Real Estate Service Corp. and UBS Real Estate Securities, Inc. (incorporated by reference to exhibit 10.17 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2009).
10.12(a)	Tranche A Term Note dated October 30, 2009 for $23,850,000 (incorporated by reference to exhibit 10.17(a) of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2009).

Exhibit Number	Description
10.12(b)	Tranche B Term Note dated October 30, 2009 for $10,000,000 (incorporated by reference to exhibit 10.17(b) of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2009).
10.13	Settlement Agreement dated October 30, 2009 among Impac Mortgage Holdings, Inc., Impac Funding Corporation, Impac Warehouse Lending Group, Inc. and UBS Real Estate Securities, Inc. (incorporated by reference to exhibit 10.18 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2009).
10.14	Master Repurchase Agreement dated as of June 24, 2010 between East West Bank and Synergy Capital Mortgage Corp. and Excel Mortgage Servicing, Inc., and Integrated Real Estate Service Corp., as Guarantor (incorporated by reference to exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2010).
10.15	Master Repurchase Agreement dated as of December 3, 2010 between New Century Bank, Excel Mortgage Servicing and AmeriHome Mortgage Corporation.
10.15(a)	Guaranty and Suretyship Agreement dated as of December 3, 2010 made by the Registrant.
10.15(b)	Guaranty and Suretyship Agreement dated as of December 3, 2010 made by Integrated Real Estate Service Corp.
21.1	Subsidiaries of the Registrant (incorporated by reference to exhibit 21.1 of the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2009).
23.1	Consent of Squar, Milner, Peterson, Miranda & Williamson, LLP
31.1	Certification of Chief Executive Officer pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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

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

CONSOLIDATED FINANCIAL STATEMENTS

INDEX

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Impac Mortgage Holdings, Inc. and subsidiaries (the Company) as of December 31, 2010 and 2009, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Impac Mortgage Holdings, Inc. and subsidiaries at December 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Impac Mortgage Holdings, Inc's. internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 31, 2011 expressed an unqualified opinion thereon.

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

Newport Beach, California
March 31, 2011

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	At December 31,	
	2010	2009
ASSETS		
Cash and cash equivalents	$ 11,507	$ 25,678
Restricted cash	1,495	1,253
Short-term investments	-	5,002
Trust assets		
Investment securities available-for-sale	645	813
Securitized mortgage collateral	6,011,675	5,666,122
Derivative assets	40	146
Real estate owned	92,708	142,364
Total trust assets	6,105,068	5,809,445
Assets of discontinued operations	373	4,480
Other assets	35,496	27,054
Total assets	$ 6,153,939	$ 5,872,912
LIABILITIES		
Trust liabilities		
Securitized mortgage borrowings	$ 6,012,745	$ 5,659,865
Derivative liabilities	65,916	126,603
Total trust liabilities	6,078,661	5,786,468
Long-term debt	11,728	9,773
Notes payable	6,874	31,060
Liabilities of discontinued operations	13,053	19,152
Other liabilities	15,926	10,966
Total liabilities	6,126,242	5,857,419
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Series A junior participating preferred stock, $0.01 par value; 2,500,000 shares authorized; none issued or outstanding	-	-
Series B 9.375% redeemable preferred stock, $0.01 par value; liquidation value $16,904; 2,000,000 shares authorized, 676,156 noncumulative shares issued and outstanding as of December 31, 2010 and December 31, 2009, respectively	7	7
Series C 9.125% redeemable preferred stock, $0.01 par value; liquidation value $35,389; 5,500,000 shares authorized; 1,415,564 noncumulativeshares issued and outstanding as of December 31, 2010 and December 31, 2009, respectively	14	14
Common stock, $0.01 par value; 200,000,000 shares authorized; 7,787,546 and 7,698,146 shares issued and outstanding as of December 31, 2010 and December 31, 2009, respectively	78	77
Additional paid-in capital	1,076,375	1,075,707
Net accumulated deficit:		
Cumulative dividends declared	(822,520)	(822,520)
Retained deficit	(227,558)	(237,852)
Net accumulated deficit	(1,050,078)	(1,060,372)
Total Impac Mortgage Holdings, Inc. stockholders' equity	26,396	15,433
Noncontrolling interests	1,301	60
Total equity	27,697	15,493
Total liabilities and stockholders' equity	$ 6,153,939	$ 5,872,912

See accompanying notes to consolidated financial statements.

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

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

	For the year ended December 31,	
	2010	2009
INTEREST INCOME	$ 985,150	$ 1,780,923
INTEREST EXPENSE	979,440	1,771,143
Net interest income	5,710	9,780
NON-INTEREST INCOME:		
Change in fair value of net trust assets, excluding REO	11,110	231,162
Losses from REO	(6,798)	(218,157)
Non-interest income – net trust assets	4,312	13,005
Change in fair value of long-term debt	689	765
Mortgage and real estate services fees	56,405	42,276
Other	2,058	96
Total non-interest income	63,464	56,142
NON-INTEREST EXPENSE:		
Personnel expense	42,272	35,688
General, administrative and other	10,406	10,338
Occupancy expense	4,155	4,234
Legal and professional expense	2,291	3,207
Data processing expense	2,246	2,166
Total non-interest expense	61,370	55,633
Earnings from continuing operations before income taxes	7,804	10,289
Income tax expense from continuing operations	205	2,017
Earnings from continuing operations	7,599	8,272
Earningsfrom discontinued operations, net of tax	2,238	2,315
Net earnings	9,837	10,587
Net loss attributable to noncontrolling interests	457	250
Net earnings attributable to IMH	10,294	10,837
Cash dividends on preferred stock	-	(7,443)
Net earnings available to common stockholders before preferred stock redemption (Note 13)	$ 10,294	$ 3,394
Earnings per common share – basic:		
Earnings from continuing operations attributable to IMH	$ 1.04	$ 0.14
Earnings from discontinued operations	0.29	0.30
Net earnings per share available to common stockholders before preferred stock redemption (Note 12)	$ 1.33	$ 0.44
Earnings per common share – diluted:		
Earnings from continuing operations attributable to IMH	$ 0.97	$ 0.14
Earnings from discontinued operations	0.27	0.30
Net earnings per share available to common stockholders before preferred stock redemption (Note 12)	$ 1.24	$ 0.44

See accompanying notes to consolidated financial statements.

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands, except share amounts)

	Preferred Shares Outstanding	Preferred Stock	Common Shares Outstanding	Common Stock	Additional Paid-In Capital	Cumulative Dividends Declared	Retained Deficit	Total IMH Stockholders' Equity	Noncontrolling Interests	Total Stockholders' Equity
Balance, December 31, 2008	6,470,600	$ 65	7,618,146	$ 76	$ 1,177,697	$ (815,077)	$ (353,509)	$ 9,252	$ -	$ 9,252
Dividends declared on preferred shares	-	-	-	-	-	(7,443)	-	(7,443)	-	(7,443)
Redemption of preferred stock	(4,378,880)	(44)	-	-	(106,041)	-	104,820	(1,265)	-	(1,265)
Shares issued pursuant to legal settlement	-	-	80,000	1	299	-	-	300	-	300
Stock based compensation	-	-	-	-	3,752	-	-	3,752	-	3,752
Contribution from noncontrolling interest	-	-	-	-	-	-	-	-	310	310
Net earnings	-	-	-	-	-	-	10,837	10,837	(250)	10,587
Balance, December 31, 2009	2,091,720	21	7,698,146	77	1,075,707	(822,520)	(237,852)	15,433	60	15,493
Proceeds and tax benefit from exercise of stock options	-	-	59,400	1	30	-	-	31	-	31
Common stock issued pursuant to marketing service agreement	-	-	30,000	-	129	-	-	129	-	129
Stock based compensation	-	-	-	-	509	-	-	509	-	509
Contribution from noncontrolling interest	-	-	-	-	-	-	-	-	561	561
Noncontrolling interest from acquisition	-	-	-	-	-	-	-	-	1,137	1,137
Net earnings (loss)	-	-	-	-	-	-	10,294	10,294	(457)	9,837
Balance, December 31, 2010	2,091,720	$ 21	7,787,546	$ 78	$ 1,076,375	$ (822,520)	$ (227,558)	$ 26,396	$ 1,301	$ 27,697

See accompanying notes to consolidated financial statements.

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	For the year ended December 31,	
	2010	**2009**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 9,837	$ 10,587
Losses from real estate owned	6,798	218,157
Amortization of deferred charge, net	-	1,998
Gain on extinguishment of debt	(1,299)	-
Change in fair value of mortgage servicing rights	(118)	-
(Gain) loss on sale of loans	(646)	104
Origination of mortgage loans held-for-sale	(20,739)	-
Sale and principal reduction on mortgage loans held-for-sale	17,979	-
Change in fair value of net trust assets, excluding REO	(120,282)	(433,924)
Change in fair value of trust preferred securities	(689)	(765)
Accretion of interest income and expense	396,714	693,748
Change in REO impairment reserve	(12,462)	(129,349)
Stock-based compensation	509	3,651
Net change in restricted cash	(242)	-
Net cash (used in) provided by operating activities of discontinued operations	(4,425)	19,243
Net change in other assets and liabilities	682	5,154
Net cash provided by operating activities	271,617	388,604
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in securitized mortgage collateral	729,477	865,669
Net change in mortgages held-for-investment	198	526
Maturity (purchase) of short-term investments	5,000	(5,041)
Purchase of premises and equipment	(1,773)	(676)
Net principal change on investment securities available-for-sale	185	4,904
Acquisition of AmeriHome, net of cash	(365)	-
Proceeds from the sale of real estate owned	208,585	715,764
Net cash provided by investing activities of discontinued operations	2,374	15,513
Net cash provided by investing activities	943,681	1,596,659
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of warehouse borrowings	(13,709)	-
Borrowings under warehouse agreement	16,787	-
Repayment of securitized mortgage borrowings	(1,209,516)	(1,928,316)
Settlement of trust preferred securities	-	(4,275)
Repurchase of preferred stock	-	(1,265)
Preferred stock dividends paid	-	(7,443)
Issuance of note payable	7,360	-
Principal payments on notes payable	(31,040)	(2,790)
Payment under settlement agreement	-	(20,000)
Contributions from noncontrolling interest	560	310
Proceeds from exercise of stock options	30	-
Net cash used in financing activities of discontinued operations	-	(41,862)
Net cash used in financing activities	(1,229,528)	(2,005,641)
Net change in cash and cash equivalents	(14,230)	(20,378)
Cash and cash equivalents at beginning of year	25,850	46,228
Cash and cash equivalents at end of year – continuing operations	11,507	25,678
Cash and cash equivalents at end of year – discontinued operations	113	172
Cash and cash equivalents at end of year	$ 11,620	$ 25,850

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS - (continued)

(in thousands)

	For the year ended December 31,	
	2010	**2009**
SUPPLEMENTARY INFORMATION (Continuing and Discontinued Operations):		
Interest paid	$ 99,857	$ 130,940
Taxes paid	149	-
NON-CASH TRANSACTIONS (Continuing and Discontinued Operations):		
Common stock issued upon legal settlement	$ -	$ 300
Common stock issued pursuant to marketing service agreement	129	-
Transfer of loans held-for-sale and held-for-investment to real estate owned	-	12,540
Transfer of securitized mortgage collateral to real estate owned	149,959	347,539
Net effect of consolidation of net trust assets from adoption of accounting principle	119,631	-
Net effect of consolidation of net trust liabilities from adoption of accounting principle	(119,631)	-
Issuance of note payable	-	33,850
Transfer of net assets from discontinued operations to continuing operations	-	(54,527)
Redemption of preferred stock	-	104,820
INVESTING ACTIVITIES FROM ACQUISITIONS:		
Acquisition:		
Fair value of assets acquired	$ 4,200	$ -
Fair value of liabilities assumed	(1,963)	-
Noncontrolling interest	(1,137)	-
Cash paid for acquisition	1,100	-

See accompanying notes to consolidated financial statements.

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

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

Note 1.—Summary of Market Conditions and Liquidity, Business and Financial Statement Presentation including Significant Accounting Policies

Business Summary

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

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

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

Market Conditions and Liquidity

During the first half of 2010, housing prices began to stabilize in many markets with some markets experiencing recoveries as the first-time homebuyer tax credit and low interest rates environment served as a temporary stabilizing force for improving home sales. However, beginning in the third quarter of 2010 and continuing through the end of the year, we began to see home price declines in many markets as the homebuyer tax credit expired and housing prices remained under pressure due to elevated foreclosure levels. In addition, foreclosure delays as a result of reviews into foreclosure practices of some loan servicers in the fourth quarter of 2010, among other market conditions may result in continued downward pressure on home prices for the foreseeable future.

Mortgage and credit market conditions remained weak throughout 2010 due primarily to a continued weak labor market. Existing uncertainties surrounding the housing market, economy and regulatory environment will continue to present challenges for the Company. The ongoing economic stress or further deterioration of general economic conditions could prolong or increase borrower defaults leading to deteriorating performance of our long-term mortgage portfolio.

A number of factors make it difficult to predict when a sustained recovery in the housing and credit markets will occur. Concerns about the future of the U.S. economy, including the pace and magnitude of recovery from the recent economic recession, consumer confidence, volatility in energy prices, credit market volatility and trends in corporate earnings will continue to influence the U.S. economic recovery and the capital markets. In particular, continued improvement in unemployment rates and a sustained recovery of the housing markets remain critical components of a broader U.S. economic recovery. Further weakening in these components as well as in consumer confidence may result in additional deterioration in consumer payment patterns and credit quality. Weak consumer fundamentals including consumer spending, declines in wage income and wealth, as well as a difficult job market continue to depress consumer confidence. Additionally, there is uncertainty as to the future course of monetary policy and uncertainty as to the impact on the economy and consumer confidence when the remaining

actions taken by the government to restore faith in the capital markets and stimulate consumer spending end, including the recent extension of unemployment insurance benefits and the prior presidential administration's tax cuts. These conditions in combination with general economic weakness and the impact of recent regulatory changes will continue to impact our results in 2011, the degree of which is largely dependent upon the nature and extent of the economic recovery.

The ability to meet the Company's long-term liquidity requirements is subject to several factors, such as generating fees from the mortgage and real estate business activities and realizing cash flows from the long-term mortgage portfolio. The Company's future financial performance and success are dependent in large part upon the ability to grow the mortgage and real estate business activities, including providing services to third parties and expanding the mortgage lending operations. In November 2010, the Company entered into an $8.0 million structured debt agreement to pay off the balance owed on the Credit Agreement with the last remaining warehouse lender from 2007. The payoff resulted in the full satisfaction of the Credit Agreement entered into by the Company at a $1.3 million discount to the approximately $6.6 million outstanding balance. Refer to Note 15.—*Notes Payable*, for additional information regarding the structured debt agreement and its impact on the consolidated financial statements. The Company believes that current cash balances, cash flows from mortgage and real estate services fees generated from the long-term mortgage portfolio, and residual interest cash flows from the long-term mortgage portfolio are adequate for the current operating needs. However, the mortgage and real estate services market is volatile, highly competitive and subject to increased regulation. The Company's ability to successfully compete in the mortgage and real estate services industry may be challenging as its business activities have been established in the last few years and many competitors have recently entered or have established businesses delivering similar services. Additionally, the mortgage lending environment is extremely competitive and highly regulated. The future success of the mortgage lending operations will depend on a number of factors, including the ability to procure adequate financing to fund loan production, maintaining associated financial covenants of lenders, how well the Company competes, housing market conditions, economic recovery and financial regulatory reform. If the Company is unsuccessful, the Company may be unable to satisfy the future operating costs and liabilities, including repayment of the note payable and long-term debt. To be successful in expanding the business and providing adequate returns to the shareholders, the Company may seek financing in the form of debt or equity capital.

Financial Statement Presentation

Principles of Consolidation

The financial condition, results of operations and cash flows have been presented in the accompanying consolidated financial statements for each of the years in the two-year period ended December 31, 2010 and include the financial results of IMH, IRES and IMH Assets within continuing operations and IWLG and IFC within discontinued operations. In addition, IRES consolidates two subsidiaries, which, as of December 31, 2010, are 80% and 51% owned, respectively (see Note 18. Noncontrolling Interests).

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

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

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

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

Prior to January 1, 2010, there were two different accounting frameworks applicable to SPEs, depending on the nature of the entity and the Company's relation to that entity; the qualifying special purpose entity (QSPE) framework and the variable interest entity (VIE) framework.

The QSPE framework applied when an entity transfers (sells) financial assets to an SPE meeting certain criteria. These criteria were designed to ensure that the activities of the SPE are essentially predetermined in their entirety at the inception of the vehicle and that the transferor cannot exercise control over the entity, its assets or activities. Entities meeting these criteria were not consolidated by the Company.

When the SPE did not meet the QSPE criteria, consolidation was assessed pursuant to the VIE framework. A VIE is defined as an entity that (1) lacks enough equity investment at risk to permit the entity to finance its activities without additional subordinated financial support from other parties, (2) has equity owners who are unable to make decisions and/or (3) has equity owners that do not absorb or receive the entity's losses and returns. QSPEs were previously excluded from the scope of the VIE framework.

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

Effective January 1, 2010, QSPE's are no longer excluded from the consolidation provisions of the VIE framework. Refer to Note 1.—*Recent Accounting Pronouncements*, for additional information regarding the elimination of QSPE's from the VIE framework and its impact on the consolidated financial statements.

Noncontrolling Interests in Consolidated Subsidiaries

Effective January 1, 2009, the Company adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 810-10-65-1, *Noncontrolling Interests in Consolidated Financial Statements*. This Statement clarifies that a noncontrolling interest (minority interest) in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements with sufficient disclosure provided to identify and distinguish between the interests of the parent and the interest of the noncontrolling owners. The Company reports the portion of Experience 1, Inc. (parent of title insurance company) and AmeriHome Mortgage Corporation (both subsidiaries of IRES) that it does not own as noncontrolling interests. During 2010 and 2009, both Experience 1, Inc. and AmeriHome Mortgage Corporation incurred net losses. For Experience 1, Inc. and Amerihome Mortgage Corporation, the noncontrolling interest funded their

portion of the net loss, which has been reflected as Contribution from noncontrolling interest in the accompanying consolidated statement of changes in stockholders' equity.

Use of Estimates and Assumptions

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

Fair Value Option

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

Cash and Cash Equivalents, Restricted Cash and Short-term Investments

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

Cash balances that have restrictions as to the Company's ability to withdraw funds are considered restricted cash. At December 31, 2010 and 2009, restricted cash totaled $1.5 million and $1.3 million, respectively.

Short-term investments, which are recorded at amortized cost, represent an investment in liquid and highly-rated corporate bonds that matured in January 2010.

Investment Securities Available-for-Sale

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

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

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

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

Securitized Mortgage Collateral

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

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

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

Effective January 1, 2010, former QSPEs are evaluated for consolidation based on the provisions of FASB ASC 810-10-25, which eliminates the concept of a QSPE and changes the approach to determining a securitization trust's primary beneficiary. Refer to Note 1.—*Recent Accounting Pronouncements* for a discussion of the impact on the Company's consolidated balance sheets.

Securitized mortgage collateral is generally not placed on nonaccrual status as the servicer remits the interest payments to the trust regardless of the delinquency status of the underlying mortgage loan.

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

Real Estate Owned

Real estate owned (REO), which consists of residential real estate acquired in satisfaction of loans, is carried at net realizable value, which includes the estimated fair value of the residential real estate less estimated selling and holding costs, offset by expected contractual mortgage insurance proceeds to be received, if any. Adjustments to the loan carrying value required at the time of foreclosure

affect the carrying amount of securitized mortgage collateral. Subsequent write-downs in the net realizable value of REO are included in losses from REO in the consolidated statements of operations.

Securitized Mortgage Borrowings

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

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

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

Financial Guaranty Insurance Company (FGIC) provides bond guaranty insurance for three of the Company's consolidated securitizations. In determining the fair value of securitized mortgage borrowings, the Company excludes consideration of bond guaranty insurance payments in accordance with FASB ASC 820-10-35-18A. In November 2009, the Company was notified that FGIC had been ordered by the New York Insurance Department to suspend paying any and all claims based on its financial condition. As the related securitization trusts are nonrecourse to the Company, it is not required to replace or otherwise settle bond guaranty insurance within the consolidated trusts. However, other insurance companies have issued bond guaranty insurance policies for certain securities within the Company's securitized mortgage borrowings. Additional suspensions on the payment of claims may arise, which could materially affect industry-wide market prices for collateralized mortgage bonds.

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

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

Derivative Instruments

In accordance with FASB ASC 815-10 *Derivatives and Hedging—Overview*, the Company records all its derivative instruments at fair value as either derivative assets or derivative liabilities, included within trust assets and trust liabilities in the consolidated balance sheets. The Company has accounted for all its derivatives as non-designated hedge instruments or free-standing derivatives. The Company uses derivative instruments to manage interest rate risk.

Interest Rate Swaps, Caps and Floors

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

To mitigate exposure to the effect of changing interest rates on cash flows on securitized mortgage borrowings and reverse repurchase borrowings, the Company purchased derivative instruments primarily in the form of interest rate swap agreements (swaps) and, to a lesser extent, interest rate cap agreements (caps) and interest rate floor agreements (floors). Due to the closure of the mortgage operations, the Company has not entered into a new derivative instrument since the third quarter of 2007. However, the Company still has $65.9 million in net derivative liabilities outstanding as of December 31, 2010 all of which are in the securitized trusts.

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

Options

The Company has issued call and put options in connection with the acquisition of AmeriHome Mortgage Corporation (Note 18). Options are considered derivative instruments and recorded at fair value with changes in fair value reported in earnings.

Mortgage Loans Held-for-Sale

During 2009, the Company established a residential mortgage lending operation after discontinuing its Alt-A and commercial lending operations in 2007 (see Note 19, Discontinued Operations). Mortgage loans originated under the new lending operation are included in other assets in the accompanying consolidated balance sheets and accounted for using the fair value option, with changes in fair value recorded in noninterest income. In accordance with FASB ASC 825, *Financial Instruments*, loan origination fees and expenses are recognized in earnings as incurred and not deferred. Loans held for sale remaining from the Company's discontinued Alt-A and commercial lending operations are recorded at the lower of cost or market and are included in assets of discontinued operations in the accompanying consolidated balance sheets.

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

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

Mortgage Servicing Rights

The Company acquired mortgage servicing rights (MSRs) as part of its acquisition of AmeriHome Mortgage Corporation in October 2010 as more fully discussed in Note 18.-*Business Combinations*. The Company elected to measure these MSRs at fair value as prescribed by FASB ASC 860-50-35, and as such, servicing assets or liabilities are valued using discounted cash flow modeling techniques using assumptions regarding future net servicing cash flow, including prepayment rates, discount rates, servicing cost and other factors. Changes in estimated fair value are reported in the statement of operations within non-interest income.

Long-term Debt

Long-term debt (consisting of trust preferred securities and junior subordinated notes) is reported at fair value. Unrealized gains and losses are recognized in earnings as changes in fair value of long-term debt.

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

Interest Income and Interest Expense

Interest income on securitized mortgage collateral and interest expense on securitized mortgage borrowings are recorded quarterly using the effective yield for the period based on the previous quarter-end's estimated fair value.

Revenue Recognition for Fee Based Businesses

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

Real Estate Services and Recovery Fees

The Company provides real estate services and loss recovery services to servicers, portfolio managers and investors to assist them in maximizing loss mitigation performance in managing distressed mortgage portfolios and foreclosed real estate assets, and the disposition of such assets. In addition, the Company performs default surveillance services for residential and multifamily mortgage portfolios for servicers and investors to assist them with overall portfolio performance. These fees are recognized in income in the period when services are rendered and collectability is reasonably certain.

Modification Fees

The Company provides loan modification services to mortgage borrowers for a fee. Company representatives will negotiate with lenders on behalf of the borrower to modify their existing mortgage loan to reduce their interest rate, loan principal, forgiveness of past delinquencies, and/or other terms that are beneficial to the borrower. The modification fees are earned and recognized when a modified loan agreement is executed and collectability of such fees is reasonably assured.

Portfolio Service Fees

The Company acts as a service provider to an affiliate of the Parent, who is the master servicer on various mortgage and multifamily loan pools for loans in the long-term portfolio of the Parent. The Company earns portfolio service fees by performing various services such as collection of interest and principal payments, remittance of those payments to investors, reconciling payment discrepancies, and handling credit issues such as borrower defaults. The fees charged to the parent are at market rates and recognized in income in the period the services are rendered.

Title and Escrow Fees

The Company provides title insurance, escrow and settlement services to residential mortgage lenders, real estate agents, asset managers and REO companies in the residential market sector of the real estate industry. Title fees are recognized as income in the period the deed is recorded. The Company provides for estimated future losses on policies issued as a current charge against income. Escrow fees and other trustee fees are recognized as income when an escrow or other trust is closed.

Stock-Based Compensation

The Company maintains a stock-based incentive compensation plan, the terms of which are governed by the 2010 Omnibus Incentive Plan (the 2010 Incentive Plan). The 2010 Incentive Plan provides for the grant of stock appreciation rights, restricted stock units, performance shares and other stock- and cash-based incentive awards. Employees, directors, consultants or other person providing services to the Company or its affiliates are eligible to receive awards pursuant to the 2010 Incentive Plan. In connection with the adoption of the 2010 Incentive Plan, the Company's 2001 Stock Plan, which was scheduled to expire in March 2011, was frozen. Further, all outstanding awards under the 2001 Stock Plan, as well as the Company's previous 1995 Stock Option, Deferred Stock and Restricted Stock Plan (together with the 2001 Stock Plan, the "Prior Plans"), were assumed by the 2010 Incentive Plan. As of December 31, 2010, the aggregate number of shares reserved under the 2010 Incentive Plan is 1,530,784 shares (including all outstanding awards assumed from Prior Plans), and there were 30,080 shares available for grant as stock options, restricted stock and deferred stock awards. The Company issues new shares of common stock to satisfy stock option exercises.

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

The fair value of each stock option granted under the Company's stock-based compensation plan is estimated on the date of grant using the Black-Scholes-Merton option-pricing model and the

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

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

assumptions noted below. Given the declines in the Company stock price and the resulting decreased exercise activity by option holders, there is a lack of historical exercise experience and therefore the expected term of options granted is derived using the simplified method as permitted under FASB ASC 718-10-S99-1. The risk-free interest rate is based on the U.S. Treasury rate with a term equal to the expected term of the option grants on the date of grant.

FASB ASC 718 requires forfeitures to be estimated at the time of grant and prospectively revised, if necessary, in subsequent periods if actual forfeitures differ from initial estimates. Stock-based compensation expense is recorded net of estimated forfeitures for the years ended December 31, 2010 and 2009, such that expense was recorded only for those stock-based awards that were expected to vest.

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

	For the year ended December 31,	
	2010	**2009**
Risk-free interest rate	1.55% - 1.92%	2.86%
Expected lives (in years)	6.00	5.50
Expected volatility (1)	250.42% - 250.47%	259.16%
Expected dividend yield	0.00%	0.00%
Fair value per share	$2.72 - $2.79	$0.53

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

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

	For the year ended December 31,			
	2010		**2009**	
	Number of Shares	**Weighted-Average Exercise Price**	**Number of Shares**	**Weighted-Average Exercise Price**
Options outstanding at beginning of year	1,294,585	$ 13.47	1,140,186	$ 37.18
Options granted	399,984	2.76	842,300	0.53
Options exercised	(59,400)	0.53	-	-
Options forfeited / cancelled	(158,465)	58.30	(687,901)	36.92
Options outstanding at end of year	1,476,704	$ 6.28	1,294,585	$ 13.47
Options exercisable at end of year	1,080,784	$ 7.57	203,330	$ 66.18

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

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

	As of December 31,			
	2010		2009	
	Weighted-Average Remaining Life (Years)	Aggregate Intrinsic Value (in thousands)	Weighted-Average Remaining Life (Years)	Aggregate Intrinsic Value (in thousands)
Options outstanding at end of year	7.19	$ 1,714	6.85	$ 2,283
Options exercisable at end of year	6.38	$ 1,702	1.23	$ -

The aggregate intrinsic value in the preceding table represents the total pre-tax intrinsic value, based on the Company's closing stock price of $2.79 and $3.29 per common share as of December 31, 2010 and 2009, respectively, which would have been received by the option holders, had all option holders exercised their options as of that date. As of December 31, 2010, there was approximately $870 thousand of total unrecognized compensation cost related to stock option compensation arrangements granted under the plan, net of estimated forfeitures. That cost is expected to be recognized over the remaining weighted average period of 2.88 years.

For the years ended December 31, 2010 and 2009, the aggregate grant-date fair value of stock options granted was approximately $1.1 million and $445 thousand, respectively.

For the years ended December 31, 2010 and 2009, total stock-based compensation expense was $510 thousand and $3.8 million, respectively.

In April 2009, certain of the Company's officers and directors gave notice of the surrender of an aggregate of 581,000 stock options and the Board of Directors accepted and approved the cancellation of those options. In connection with the cancellation of these options, the Company recognized non-cash compensation expense of approximately $1.7 million during the second quarter of 2009.

Additional information regarding stock options outstanding as of December 31, 2010 is as follows:

	Stock Options Outstanding			Options Exercisable	
Exercise Price Range	Number Outstanding	Weighted-Average Remaining Contractual Life in Years	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$ 0.53 - 2.73	957,000	8.76	$ 1.00	753,000	$ 0.53
2.80 - 12.00	395,924	5.92	7.54	204,004	12.00
25.60 - 41.80	108,655	0.50	33.24	108,655	33.24
50.80 - 93.80	8,875	0.83	71.87	8,875	71.87
94.00 - 217.70	6,250	2.67	173.20	6,250	173.20
0.53 - 217.70	1,476,704	7.32	6.28	1,080,784	7.57

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

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

In addition to the options granted, the Company has granted restricted stock units (RSU's), which vest over a three year period. The fair value of each RSU was measured on the date of grant using the grant date price of the Company's stock. A summary of the activity for the Company's RSU's for the year-ended December 31, 2010, is presented below:

	For the year ended December 31, 2010	
	Number of Shares	Weighted-Average Grant Date Fair Value
RSU's outstanding at beginning of year	-	$ -
RSU's granted	24,000	2.73
RSU's exercised	-	-
RSU's forfeited / cancelled	-	-
RSU's outstanding at end of year	24,000	$ 2.73

As of December 31, 2010, there was approximately $64 thousand of total unrecognized compensation cost related to the RSU compensation arrangements granted under the plan. That cost is expected to be recognized over a weighted average period of 2.93 years.

Income Taxes and Deferred Charge

Effective January 1, 2009, the Company revoked its election to be taxed as a REIT. As a result of revoking this election, the Company is subject to income taxes as a regular (Subchapter C) corporation.

Prior to January 1, 2009, the Company operated as a REIT under the requirements of the Internal Revenue Code. Requirements for qualification as a REIT included various restrictions on ownership of IMH's stock, requirements concerning distribution of taxable income and certain restrictions on the nature of assets and sources of income.

The Company recorded income tax expense of $205 thousand and $2.0 million for the years ended December 31, 2010 and 2009, respectively. The income tax expense for 2010 is the result of state income taxes. The income tax expense for 2009 is primarily the result of the amount of the deferred charge amortized and/or impaired resulting from credit losses, which does not result in any tax liability required to be paid. The deferred charge represents the deferral of income tax expense on inter-company profits that resulted from the sale of mortgages from taxable subsidiaries to IMH in prior years. The deferred charge is included in other assets in the accompanying consolidated balance sheets and is amortized as a component of income tax expense in the accompanying consolidated statement of operations over the estimated life of the mortgages retained in the securitized mortgage collateral.

As of December 31, 2010, the Company had estimated federal and California net operating loss carryforwards of approximately $490.6 million and $492.1 million, respectively, of which $271.7 million (federal) relate to discontinued operations. During the year ended December 31, 2010, estimated net operating loss carryforwards were reduced as a result of the Company generating taxable income from cancellation of debt for approximately $426.2 million of securitized mortgage borrowings. Federal and

state net operating loss (NOL) carryforwards begin to expire in 2020 and 2017, respectively. California losses have been suspended by the state, thus the expiration begins in 2017. The Company recorded a full valuation allowance against the deferred tax assets as it believes that as of December 30, 2010 it is more likely than not that the deferred tax assets will not be recoverable.

During the fourth quarter of 2009, the Company received a federal income tax refund in the amount of $8.9 million as a result of an election to carryback NOLs five years pursuant to 2009 federal legislation, *The Worker, Homeownership, and Business Assistance Act of 2009*. The Company files income tax returns in the U.S. federal and various state jurisdictions. The Company is subject to routine income tax audits in the various jurisdictions. A subsidiary of the Company is currently under examination by the Internal Revenue Service for tax year 2008. Management believes that there are no unresolved issues or claims likely to be material to our financial position. As of December 31, 2010, the Company has no material uncertain tax positions.

Earnings per Common Share

Basic earnings per common share is computed on the basis of the weighted average number of shares outstanding for the year divided into earnings for the year. Diluted earnings per common share is computed on the basis of the weighted average number of shares and dilutive common equivalent shares outstanding for the year divided by earnings for the year, unless anti-dilutive. Refer to Note 12.—*Reconciliation of Earnings Per Share*.

Recently Adopted Accounting Pronouncements

In February 2010, the FASB issued ASU No. 2010-9 *Amendments to Certain Recognition and Disclosure Requirements* (ASU 2010-9). The ASU amends FASB Accounting Standards Codification Topic 855 *Subsequent Events* to address certain implementation issues related to an entity's requirement to perform and disclose subsequent events procedures. ASU 2010-9 requires SEC filers to evaluate subsequent events through the date the financial statements are issued. All other entities are required to evaluate subsequent events through the date the financial statements are available to be issued. ASU 2010-9 exempts SEC filers from disclosing the date through which subsequent events have been evaluated. For the Company, ASU 2010-9 is effective immediately for financial statements that are to be issued or revised.

In January 2010, the FASB issued ASU No. 2010-6 *Improving Disclosures About Fair Value Measurements* (ASU 2010-6). The ASU amends Codification Topic 820 *Fair Value Measurements and Disclosures* to add new disclosure requirements for transfers into and out of Levels 1 and 2 fair value measurements, as well as separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 fair value measurements. ASU 2010-6 also clarifies existing fair value disclosures regarding the level of disaggregation and inputs and valuation techniques used to measure fair value. ASU 2010-6 is effective for the first reporting period (including interim periods) beginning after December 15, 2009, except for the requirement to provide the Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. ASU 2010-6 only adds new disclosures requirements and as a result, its adoption did not have an impact on the Company's consolidated financial statements.

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

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

In June 2009, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 166, *Accounting for Transfers of Financial Assets—An Amendment of FASB Statement 140* which eliminates the concept of QSPEs and provides additional criteria transferors must use to evaluate transfers of financial assets. This standard modifies certain guidance contained in FASB ASC 860 *Transfers and Servicing* and is adopted into the Codification through the issuance of ASU 2009-16 *Transfers and Servicing (Topic 860): Accounting for Transfers of Financial Assets*. In order to determine whether a transfer is accounted for as a sale, the transferor must assess whether it and all of its consolidated entities have surrendered control of the financial assets. The standard also requires financial assets and liabilities retained from a transfer accounted for as a sale to be initially recognized at fair value. The Company adopted this standard effective January 1, 2010 with no impact on its consolidated financial statements.

In June 2009, the FASB issued SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)*, which amends several key consolidation provisions related to variable interest entities (VIEs). This standard amends guidance contained in FASB ASC 810 *Consolidation* and is adopted into the Codification through the issuance of ASU 2009-17 *Consolidations (Topic 810): Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*. Former QSPEs will be evaluated for consolidation based on the provisions of FASB ASC 810-10-25, which changes the approach to determining a VIE's primary beneficiary and requires companies to more frequently reassess whether they must consolidate or deconsolidate VIEs. The accounting standard requires a qualitative, rather than quantitative, analysis to determine the primary beneficiary of a VIE for consolidation purposes. The primary beneficiary of a VIE is the enterprise that has (a) the power to direct the VIE activities that most significantly affect the VIE's economic performance, and (b) the right to receive benefits of the VIE that could potentially be significant to the VIE or the obligation to absorb losses of the VIE that could potentially be significant to the VIE. This standard was effective on January 1, 2010 for the Company and applies to all current QSPEs and VIEs, and all VIEs created after the effective date. In accordance with this standard, the Company may consolidate QSPEs and VIEs at carrying value or elect the fair value option. The Company elected the fair value option, in which all of the financial assets and liabilities of certain designated QSPEs and VIEs were recorded at fair value upon the adoption of this standard and continue to be recorded at fair value thereafter with changes in fair value reported in earnings.

In connection with the adoption of this standard on January 1, 2010, the Company consolidated $253.7 million of trust assets and trust liabilities at fair value. Additionally, the Company deconsolidated $134.1 million of trust assets and liabilities at fair value. The following is a summary of the impact of adopting the new consolidation provisions of FASB ASC 810.

	(prior to adoption) December 31, 2009	Variable Interest Entities		(after adoption) January 1, 2010
		Consolidated	Deconsolidated	
Investment securities available-for-sale	$ 813	$ (298)	$ -	$ 515
Securitized mortgage collateral	5,666,122	249,523	(132,615)	5,783,030
REO	142,364	4,499	(1,478)	145,385
Securitized mortgage borrowings	(5,649,865)	(244,683)	134,065	(5,760,483)
Derivative liabilities, net	(126,457)	(9,041)	28	(135,470)
Net trust assets	$ 32,977	-	-	$ 32,977

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

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

There was no overall impact on stockholders' equity as a result of the consolidation and deconsolidation of these trust assets and liabilities on January 1, 2010.

Note 2.—Fair Value of Financial Instruments

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

Effective April 1, 2009, the Company adopted the provisions of FASB ASC 820-10-65-4 (formerly FSP No. FAS 157-4), which address determining fair value when there has been a significant decrease in the volume and level of activity for an asset or liability compared to normal market activity for those or similar assets or liabilities. When significant decreases in the volume and level of activity for assets and liabilities are present, transaction and quoted prices may not be indicative of fair value. In these instances, the Company performs additional analysis of the transaction and quoted prices and may apply significant adjustments to those prices in estimating fair value. In determining which adjustments may be needed, the Company considers the nature of the quote (indicative price or binding offer) when weighting the available evidence. In the absence of transaction or quoted prices based on normal market activity, the Company may use valuation techniques that reflect management's views as to the assumptions that market participants would use in pricing the assets and liabilities.

Prior to adoption of the provisions of FASB ASC 820-10-65-4, the Company used independent broker quoted prices (unadjusted and non-binding quotes) to estimate fair value for substantially all of its securitized mortgage borrowings.

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

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

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

prepayment speeds and appropriate discount rates. The following table presents the estimated fair value of financial instruments included in the consolidated financial statements as of the dates indicated:

	December 31, 2010		December 31, 2009	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
Cash and cash equivalents	$ 11,507	$ 11,507	$ 25,678	$ 25,678
Restricted cash	1,495	1,495	1,253	1,253
Short-term investments	-	-	5,002	5,002
Investment securities available-for-sale	645	645	813	813
Securitized mortgage collateral	6,011,675	6,011,675	5,666,122	5,666,122
Derivative assets	40	40	146	146
Mortgage servicing rights	1,439	1,439	-	-
Loans held-for-sale	4,283	4,283	-	-
Call option	706	706	-	-
Liabilities				
Securitized mortgage borrowings	6,012,745	6,012,745	5,659,865	5,659,865
Derivative liabilities	65,916	65,916	126,603	126,603
Long-term debt	11,728	11,728	9,773	9,773
Warehouse borrowings	4,057	4,057	-	-
Notes payable	6,874	6,818	31,060	27,789
Put option	61	61	-	-

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

The carrying amount of cash and cash equivalents and restricted cash approximates fair value. The fair value of short-term investments was determined using quoted prices in active markets.

Refer to *Recurring Fair Value Measurements* below for a description of the valuation methods used to determine the fair value of investment securities available for sale, securitized mortgage collateral and borrowings, derivative assets and liabilities, long-term debt, mortgage servicing rights, loans held-for-sale, and call and put options.

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

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

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

Note payable is recorded at amortized cost. Notes payable includes notes with maturities ranging from less than a year to three years. For notes with maturities of less than a year, the estimated fair value approximates carrying value due to the short-term nature of the liabilities. Notes with maturities greater than a year, the estimated fair value is determined using a discounted cash flow model using market rates. The estimated fair value is less than the carrying value as the notes are non-interest bearing.

Fair Value Hierarchy

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

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

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

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

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

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

As a result of the lack of observable market data resulting from inactive markets, the Company has classified its investment securities available-for-sale, securitized mortgage collateral and borrowings, net derivative liabilities, long-term debt, mortgage servicing rights, and call and put options as Level 3 fair value measurements. Level 3 assets and liabilities were 99% and 100%, respectively, of total assets and total liabilities measured at estimated fair value at December 31, 2010 and 2009.

Recurring Fair Value Measurements

We assess our financial instruments on a quarterly basis to determine the appropriate classification within the fair value hierarchy, as defined by ASC Topic 810. Transfers between fair value classifications occur when there are changes in pricing observability levels. Transfers of financial instruments among the levels occur at the beginning of the reporting period. There were no material transfers between our Level 1 and Level 2 classified instruments during the year ended December 31, 2010. The adoption of ASU 2009-17 resulted in the Company consolidating and deconsolidating certain trust assets and liabilities at fair value as of January 1, 2010. The details of the effect of the adoption of

(dollars in thousands, except per share data or as otherwise indicated)

this standard are illustrated in Note 1.—Summary of Market Conditions and Liquidity, Business and Financial Statement Presentation including Significant Accounting Policies.

The following tables present the Company's assets and liabilities that are measured at estimated fair value on a recurring basis, including financial instruments for which the Company has elected the fair value option at December 31, 2010 and December 31, 2009, based on the fair value hierarchy:

	Recurring Fair Value Measurements					
	December 31, 2010			December 31, 2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Investment securities available-for-sale	$ -	$ -	$ 645	$ -	$ -	$ 813
Mortgage servicing rights	-	-	1,439	-	-	-
Loans held-for-sale	-	4,283	-	-	-	-
Call option (1)	-	-	706	-	-	-
Securitized mortgage collateral	-	-	6,011,675	-	-	5,666,122
Total assets at fair value	$ -	$ 4,283	$ 6,014,465	$ -	$ -	$ 5,666,935
Liabilities						
Securitized mortgage borrowings	$ -	$ -	$ 6,012,745	$ -	$ -	$ 5,659,865
Derivative liabilities, net (2)	-	-	65,876	-	-	126,457
Long-term debt	-	-	11,728	-	-	9,773
Put option (3)	-	-	61	-	-	-
Total liabilities at fair value	$ -	$ -	$ 6,090,410	$ -	$ -	$ 5,796,095

(1) Included in other assets in the accompanying balance sheets.

(2) At December 31, 2010, derivative liabilities, net included $40 thousand in derivative assets and $65.9 million in derivative liabilities, included within trust assets and trust liabilities, respectively. At December 31, 2009, derivative liabilities, net included $146 thousand in derivative assets and $126.6 million in derivative liabilities, included within trust assets and trust liabilities, respectively.

(3) Included in other liabilities in the accompanying balance sheets.

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

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

The following tables present a reconciliation for all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2010 and December 31, 2009:

	Level 3 Recurring Fair Value Measurements For the year ended December 31, 2010							
	Investment securities available-for-sale	Securitized mortgage collateral	Securitized mortgage borrowings	Derivative liabilities, net	Mortgage servicing rights	Call option	Put Option	Long-term debt
Fair value, December 31, 2009	$ 813	$ 5,666,122	$ (5,659,865)	$ (126,457)	$ -	$ -	$ -	$ (9,773)
Total gains (losses) included in earnings:								
Interest income (1)	246	487,039	-	-	-	-	-	-
Interest expense (1)	-	-	(881,355)	-	-	-	-	(2,644)
Change in fair value	69	621,043	(571,688)	(38,314)	118	6	(3)	689
Total gains (losses) included in earnings	315	1,108,082	(1,453,043)	(38,314)	118	6	(3)	(1,955)
Adoption of ASU 2009-17 (2)	(298)	116,907	(110,618)	(9,013)	-	-	-	-
Transfers in and/or out of Level 3	-	-	-	-	1,321	700	64	-
Purchases, issuances and settlements	(185)	(879,436)	1,210,781	107,908	-	-	-	-
Fair value, December 31, 2010	$ 645	$ 6,011,675	$ (6,012,745)	$ (65,876)	$ 1,439	$ 706	$ 61	$ (11,728)
Unrealized gains (losses) still held (3)	$ 401	$ (4,699,699)	$ 6,553,235	$ (66,461)	$ -	$ -	$ -	$ 59,035

(1) Amounts primarily represent accretion to recognize interest income and interest expense using effective yields based on estimated fair values for trust assets and trust liabilities. The total net interest income, including cash received and paid, was $5.7 million for the year ended December 31, 2010, as reflected in the accompanying consolidated statement of operations.
(2) Amounts represent the consolidation and deconsolidation of trust assets and liabilities as a result of the adoption of ASU 2009-17 on January 1, 2010.
(3) Represents the amount of unrealized gains (losses) relating to assets and liabilities classified as Level 3 that are still held at December 31, 2010.

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

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

	Level 3 Recurring Fair Value Measurements For the year ended December 31, 2009				
	Investment securities available-for-sale	Securitized mortgage collateral	Securitized mortgage borrowings	Derivative liabilities, net	Long-term debt
Fair value, December 31, 2008	$ 2,068	$ 5,894,424	$ (6,193,984)	$ (273,547)	$ (15,403)
Total gains (losses) included in earnings:					
Interest income (1)	109	957,103	-	-	-
Interest expense (1)	-	-	(1,649,686)	-	(1,274)
Change in fair value	3,540	27,804	254,007	(54,189)	765
Total gains (losses) included in earnings	3,649	984,907	(1,395,679)	(54,189)	(509)
Transfers in and/or out of Level 3	-	-	-	-	-
Purchases, issuances and settlements	(4,904)	(1,213,209)	1,929,798	201,279	6,139
Fair value, December 31, 2009	$ 813	$ 5,666,122	$ (5,659,865)	$ (126,457)	$ (9,773)
Unrealized (losses) gains still held (2)	$ 486	$ (6,333,766)	$ 7,838,814	$ (128,305)	$ 60,990

(1) Amounts primarily represent accretion to recognize interest income and interest expense using effective yields based on estimated fair values for trust assets and trust liabilities. The total net interest income, including cash received and paid, was approximately $9.8 million for the year ended December 31, 2009, as reflected in the accompanying statement of operations.

(2) Represents the amount of unrealized gains (losses) relating to assets and liabilities classified as Level 3 that are still held at December 31, 2009.

The following tables present the changes in recurring fair value measurements included in net earnings (loss) for the years ended December 31, 2010 and 2009:

	Recurring Fair Value Measurements Changes in Fair Value Included in Net Earnings For the year ended December 31, 2010					
			Change in Fair Value of			
	Interest Income (1)	Interest Expense (1)	Net Trust Assets	Long-term Debt	Other non-interest income	Total
Investment securities available-for-sale	$ 246	$ -	$ 69	$ -	$ -	$ 315
Securitized mortgage collateral	487,039	-	621,043	-	-	1,108,082
Securitized mortgage borrowings	-	(881,355)	(571,688)	-	-	(1,453,043)
Mortgage servicing rights	-	-	-	-	118	118
Call option	-	-	-	-	6	6
Put option	-	-	-	-	3	3
Derivative instruments, net	-	-	(38,314)(2)	-	-	(38,314)
Long-term debt	-	(2,644)	-	689	-	(1,955)
Total	**$ 487,285**	**$ (883,999)**	**$ 11,110 (3)**	**$ 689**	**$ 127**	**$ (384,788)**

(1) Amounts primarily represent accretion to recognize interest income and interest expense using effective yields based on estimated fair values for trust assets and trust liabilities. The total net interest income, including cash received and paid,

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

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

was $5.7 million for the year ended December 31, 2010, as reflected in the accompanying consolidated statement of operations.

(2) Included in this amount is $70.9 million in changes in the fair value of derivative instruments, offset by $109.2 million in cash payments from the securitization trusts for the year ended December 31, 2010.

(3) For the year ended December 31, 2010, change in the fair value of trust assets, excluding REO was $11.1 million. Excluded from the $120.3 million change in fair value of net trust assets, excluding REO, in the accompanying consolidated statement of cash flows is $109.2 million in cash payments from the securitization trusts related to the Company's net derivative liabilities.

	Recurring Fair Value Measurements Changes in Fair Value Included in Net Loss For the year ended December 31, 2009				
			Change in Fair Value of		
	Interest Income (1)	Interest Expense (1)	Net Trust Assets	Long-term Debt	Total
Investment securities available-for-sale	$ 109	$ -	$ 3,540	$ -	$ 3,649
Securitized mortgage collateral	957,103	-	27,804	-	984,907
Securitized mortgage borrowings	-	(1,649,686)	254,007	-	(1,395,679)
Derivative instruments, net	-	-	(54,189)(2)	-	(54,189)
Long-term debt	-	(1,274)	-	765	(509)
Total	**$ 957,212**	**$ (1,650,960)**	**$ 231,162 (3)**	**$ 765**	**$ (461,821)**

(1) Amounts represent interest income and interest expense accretion included in interest income and interest expense, respectively in the consolidated statement of operations.

(2) Included in this amount is $148.6 million in changes in the fair value of derivative instruments, offset by $202.8 million in cash payments from the securitization trusts for the year ended December 31, 2009.

(3) For the year ended December 31, 2009, change in the fair value of trust assets, excluding REO was $231.2 million. Excluded from the $(433.9) million change in fair value of net trust assets, excluding REO, in the accompanying consolidated statement of cash flows is $202.8 million in cash payments from the securitization

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

Investment securities available-for-sale—The Company elected to carry all of its investment securities available-for-sale at fair value. The investment securities consist primarily of non-investment grade mortgage-backed securities. The fair value of the investment securities is measured based upon the Company's expectation of inputs that other market participants would use. Such assumptions include judgments about the underlying collateral, prepayment speeds, future credit losses, forward interest rates and certain other factors. Given the market disruption and lack of observable market data as of December 31, 2010 and 2009, the estimated fair value of the investment securities available-for-sale was measured using significant internal expectations of market participants' assumptions.

Mortgage servicing rights—The Company elected to carry all of its mortgage servicing rights arising from its newly acquired mortgage lending operation at fair value. The fair value of mortgage servicing rights is based upon an internal discounted cash flow model. The valuation model incorporates assumptions that market participants would use in estimating the fair value of servicing. These assumptions include estimates of prepayment speeds, discount rate, cost to service, escrow account earnings, contractual servicing fee income, prepayment and late fees, among other considerations. Mortgage servicing rights are considered a Level 3 measurement at December 31, 2010.

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

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

Mortgage loans held-for-sale—The Company elected to carry its mortgage loans held-for-sale originated from its residential mortgage lending platform at fair value. Fair value is based on quoted market prices, where available, prices for other traded mortgage loans with similar characteristics, and purchase commitments and bid information received from market participants. Given the meaningful level of secondary market activity for conforming mortgage loans, active pricing is available for similar assets and accordingly, the Company classifies its mortgage loans held-for-sale as a Level 2 measurement at December 31, 2010.

Call option—As part of the acquisition of AmeriHome as more fully discussed in Note 18.—*Business Combinations*, the purchase agreement included a call option to purchase an additional 39% of AmeriHome. The estimated fair value is based on a multinomial model incorporating various assumptions including expected future book value of AmeriHome, the probability of the option being exercised, volatility, expected term and certain other factors. The call option is considered a Level 3 measurement at December 31, 2010.

Put option—As part of the acquisition of AmeriHome, a put option which allows the noncontrolling interest holder to sell his remaining 49% of AmeriHome to the Company in the event the Company does not exercise the call option discussed above. The estimated fair value is based on a multinomial model incorporating various assumptions including expected future book value of AmeriHome, the probability of the option being exercised, volatility, expected term and certain other factors. The put option is considered a Level 3 measurement at December 31, 2010.

Securitized mortgage collateral—The Company elected to carry all of its securitized mortgage collateral at fair value. These assets consist primarily of non-conforming mortgage loans securitized between 2002 and 2007. Fair value measurements are based on the Company's internal models used to compute the net present value of future expected cash flows, with observable market participant assumptions, where available. The Company's assumptions include its expectations of inputs that other market participants would use in pricing these assets. These assumptions include judgments about the underlying collateral, prepayment speeds, estimated future credit losses, forward interest rates, investor yield requirements and certain other factors. As of December 31, 2010, securitized mortgage collateral had an unpaid principal balance of $10.7 billion, compared to an estimated fair value of $6.0 billion. The aggregate unpaid principal balance exceeds the fair value by $4.7 billion at December 31, 2010. As of December 31, 2010, the unpaid principal balance of loans 90 days or more past due was $1.9 billion compared to an estimated fair value of $0.6 billion. The aggregate unpaid principal balances of loans 90 days or more past due exceed the fair value by $1.3 billion at December 31, 2010.

Securitized mortgage borrowings—The Company elected to carry all of its securitized mortgage borrowings at fair value. These borrowings consist of individual tranches of bonds issued by securitization trusts and are primarily backed by non-conforming mortgage loans. Fair value measurements include the Company's judgments about the underlying collateral and assumptions such as prepayment speeds, estimated future credit losses, forward interest rates, investor yield requirements and certain other factors. As of December 31, 2010, securitized mortgage borrowings had an outstanding principal balance of $12.6 billion compared to an estimated fair value of $6.0 billion. The aggregate outstanding principal balance exceeds the fair value by $6.6 billion at December 31, 2010.

Long-term debt—The Company elected to carry all of its long-term debt (consisting of trust preferred securities and junior subordinated notes) at fair value. These securities are measured based upon an analysis prepared by management, which considered the Company's own credit risk, including

(dollars in thousands, except per share data or as otherwise indicated)

settlements with trust preferred debt holders and discounted cash flow analysis. As of December 31, 2010, long-term debt had an unpaid principal balance of $70.5 million compared to an estimated fair value of $11.7 million. The aggregate unpaid principal balance exceeds the fair value by $58.8 million at December 31, 2010.

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

Nonrecurring Fair Value Measurements

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

The following tables present financial and non-financial assets and liabilities measured using nonrecurring fair value measurements at December 31, 2010 and 2009, respectively:

	Nonrecurring Fair Value Measurements December 31, 2010			Total Gains (Losses) For the Year Ended December 31, 2010 (6)
	Level 1	Level 2	Level 3	
Loans held-for-sale (1)	$ -	$ -	$ -	$ (218)
REO (2)	-	68,830	-	(7,526)
Lease liability (3)	-	-	(2,226)	284
Deferred charge (4)	-	-	13,144	-
Intangible asset (5)	-	-	1,000	-

(1) Relates to Alt-A loans held-for-sale included in assets of discontinued operations.

(2) For the year ended December 31, 2010, the $7.5 million loss during the period included $7.9 million of additional impairment write-downs and $355 thousand in recoveries within continuing and discontinued operations, respectively.

(3) Amounts are included in discontinued operations. For the year ended December 31, 2010, the Company recorded $284 thousand in recoveries resulting from changes in lease liabilities as a result of changes in our expected minimum future lease payments, respectively.

(4) Amounts are included in continuing operations. For the year ended December 31, 2010, the Company recorded zero income tax expense resulting from impairment write-downs based on changes in estimated cash flows and lives of the related mortgages retained in the securitized mortgage collateral.

(5) Amount is included in other assets in the accompanying consolidated balance sheets.

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

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

(6) Total gains (losses) reflect gains and losses from all nonrecurring measurements during the period.

	Non-recurring Fair Value Measurements December 31, 2009			Total Gains (Losses) For the Year Ended December 31, 2010 (6)
	Level 1	Level 2	Level 3	
Loans held-for-sale (1)	$ -	$ -	$ 2,369	$ (4,495)
REO (2)	-	113,693	-	(130,594)
Lease liability (3)	-	-	(3,875)	2,228
Deferred charge (4)	-	-	13,144	(1,998)
Intangible asset (5)	-	-	1,000	-

(1) Relates to Alt-A loans held-for-sale included in assets of discontinued operations.
(2) Represents $113.7 million in REO within continuing operations at December 31, 2009 which had additional impairment write-downs subsequent to the date of foreclosure. For the year ended December 31, 2009, the $130.6 million loss related to additional impairment write-downs during the period included $127.8 million and $2.8 million within continuing and discontinued operations, respectively.
(3) Amounts are included in discontinued operations. For the year ended December 31, 2009, the Company recorded $2.2 million in gains resulting from changes in lease liabilities as a result of changes in our expected minimum future lease payments, respectively.
(4) Amounts are included in continuing operations. For the year ended December 31, 2009, the Company recorded $2.0 million in income tax expense resulting from impairment write-downs based on changes in estimated cash flows and lives of the related mortgages retained in the securitized mortgage collateral.
(5) Amount is included in other assets in the accompanying consolidated balance sheets.
(6) Total gains (losses) reflect gains and losses from all nonrecurring measurements during the period.

Loans held-for-sale—Loans held-for-sale (included in assets of discontinued operations) for which the fair value option was not elected are carried at the lower of cost or market (LOCOM). When available, such measurements are based upon what secondary markets offer for portfolios with similar characteristics, and are considered Level 2 measurements. If market pricing is not available, such measurements are significantly impacted by the Company's expectations of other market participants' assumptions, and are considered Level 3 measurements. The Company utilizes internal pricing processes to estimate the fair value of these loans, which is based on recent loan sales and estimates of the fair value of the underlying collateral. Loans held-for-sale from the discontinued non-conforming lending division is considered Level 3 fair value measurements at December 31, 2010 and 2009.

Real estate owned—REO consists of residential real estate acquired in satisfaction of loans. Upon foreclosure, REO is adjusted to the estimated fair value of the residential real estate less estimated selling and holding costs, offset by expected contractual mortgage insurance proceeds to be received, if any. Subsequently, REO is recorded at the lower of carrying value or estimated fair value less costs to sell. Fair values of REO are generally based on observable market inputs, and considered Level 2 measurements at December 31, 2010 and 2009.

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

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

Lease liability—In connection with the discontinuation of our non-conforming mortgage, retail mortgage, warehouse lending and commercial operations, a significant amount of office space that was previously occupied is no longer being used by the Company. The Company has subleased a significant amount of this office space. The Company has recorded a liability, included within discontinued operations, representing the present value of the minimum lease payments over the remaining life of the lease, offset by the expected proceeds from sublet revenue related to this office space. This liability is based on present value techniques that incorporate the Company's judgments about estimated sublet revenue and discount rates. Therefore, this liability is considered a Level 3 measurement at December 31, 2010 and 2009.

Deferred charge—Deferred charge represents the deferral of income tax expense on inter-company profits that resulted from the sale of mortgages from taxable subsidiaries to IMH in prior years. The deferred charge is amortized as a component of income tax expense over the estimated life of the mortgages retained in the securitized mortgage collateral. The Company evaluates the deferred charge for impairment quarterly using internal estimates of estimated cash flows and lives of the related mortgages retained in the securitized mortgage collateral. If the deferred charge is determined to be impaired, it is amortized as a component of income tax expense. Deferred charge is considered a Level 3 measurement at December 31, 2010 and 2009.

Intangible asset—Intangible assets deemed to have an indefinite life are tested annually for impairment, or more frequently if events or changes in circumstances indicate that the asset might be impaired. Impairment losses are recognized if carrying amount of an intangible asset exceeds its estimated fair value. Intangible asset, which is included in other assets of continuing operations, is considered a Level 3 measurement at December 31, 2010 and 2009.

Note 3.—Securitized Mortgage Collateral

Securitized mortgage collateral consisted of the following:

	December 31,	
	2010	**2009**
Mortgages secured by residential real estate	$ 9,178,409	$ 10,565,629
Mortgages secured by commercial real estate	1,532,965	1,434,259
Fair value adjustment	(4,699,699)	(6,333,766)
Total securitized mortgage collateral	$ 6,011,675	$ 5,666,122

The Company had troubled debt restructurings during 2010 and 2009, which are included in change in fair value of net trust assets.

As of December 31, 2010, the Company master serviced mortgages for others of approximately $1.8 billion that were primarily mortgages collateralizing REMIC securitizations, compared to $2.0 billion at December 31, 2009. Related fiduciary funds are held in trust for investors in non-interest bearing accounts and therefore not included in the Company's consolidated balance sheets. The Company may also be required to advance funds or cause loan servicers to advance funds to cover principal and interest payments not received from borrowers depending on the status of their mortgages.

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

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

Note 4.—Real Estate Owned (REO)

The Company's REO consisted of the following:

	December 31,	
	2010	2009
REO	$ 122,279	$ 176,800
Impairment (1)	(29,499)	(34,080)
Ending balance	$ 92,780	$ 142,720
REO inside trusts	$ 92,708	$ 142,364
REO outside trusts (2)	72	356
Total	$ 92,780	$ 142,720

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

(2) Amount represents REO related to former on-balance sheet securitizations, which were collapsed as the result of the Company exercising its clean-up call options. This REO is included in other assets in the accompanying consolidated balance sheets.

Note 5.—Other Assets

Other Assets

Other assets consisted of the following:

	December 31,	
	2010	2009
Deferred charge (See Note 1.)	$ 13,144	$ 13,144
Loans held-for-sale	4,283	-
Investment in limited partnership	4,259	4,759
Premises and equipment, net	3,227	2,541
Prepaid expenses	2,834	2,588
Accounts receivable	2,550	1,740
Mortgage servicing rights	1,439	-
Other assets	3,760	2,282
Total other assets	$ 35,496	$ 27,054

Premises and Equipment, net

Premises and equipment are stated at cost, less accumulated depreciation or amortization. Depreciation on premises and equipment is recorded using the straight-line method over the estimated

useful lives of individual assets, typically three to twenty years. Premises and equipment consisted of the following as of the dates indicated:

	December 31, 2010	December 31, 2009
Premises and equipment	$ 11,938	$ 10,216
Less: Accumulated depreciation	(8,711)	(7,675)
Total premises and equipment, net	$ 3,227	$ 2,541

Note 6.—Securitized Mortgage Borrowings

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

Year of Issuance	Original Issuance Amount	Securitized mortgage borrowings outstanding as of December 31, 2010	Securitized mortgage borrowings outstanding as of December 31, 2009	Range of Percentages: Fixed Interest Rates	Range of Percentages: Interest Rate Margins over One-Month LIBOR (1)	Range of Percentages: Interest Rate Margins after Contractual Call Date (2)
2002	$ 3,876.1	$ 24.1	$ 28.8	5.25 - 12.00	0.27 - 2.75	0.54 - 3.68
2003	5,966.1	222.5	260.9	4.34 - 12.75	0.27 - 3.00	0.54 - 4.50
2004	17,710.7	1,529.5	1,874.3	3.58 - 5.56	0.25 - 2.50	0.50 - 3.75
2005	13,387.7	3,883.3	4,275.1	-	0.24 - 2.90	0.48 - 4.35
2006	5,971.4	4,219.1	4,081.2	6.25	0.10 - 2.75	0.20 - 4.13
2007	3,860.5	2,687.4	2,978.4	-	0.06 - 2.00	0.12 - 3.00
Subtotal securitized mortgage borrowings		12,565.9	13,498.7			
Fair value adjustment		(6,553.2)	(7,838.8)			
Total securitized mortgage borrowings		$ 6,012.7	$ 5,659.9			

(1) One-month LIBOR was 0.26 percent as of December 31, 2010.

(2) Interest rate margins are generally adjusted when the unpaid principal balance is reduced to less than 10-20 percent of the original issuance amount, or if certain other triggers are met.

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

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

As of December 31, 2010, expected principal reductions of the securitized mortgage borrowings, which is based on expected prepayment rates, was as follows (dollars in millions):

	Payments Due by Period				
	Total	Less Than One Year	One to Three Years	Three to Five Years	More Than Five Years
Securitized mortgage borrowings	$ 12,565.9	$ 1,309.8	$ 2,712.6	$ 1,602.2	$ 6,941.3

Note 7.—Segment Reporting

The Company has three reporting segments, consisting of the long-term mortgage portfolio, mortgage and real estate services and discontinued operations. The following table presents the selected balance sheet data by reporting segment as of the dates indicated:

Balance Sheet Items as of December 31, 2010:	Long-term Portfolio	Mortgage and Real Estate Services	Discontinued Operations	Reclassifications (1)	Consolidated
Cash and cash equivalents	$ -	$ 12,259	$ 113	$ (865)	$ 11,507
Restricted cash	-	1,495	91	(91)	1,495
Trust assets	6,105,068	-	-	-	6,105,068
Loans held-for-sale	-	4,283	-	-	4,283
Other assets	18,526	12,687	169	204	31,586
Total assets	6,123,594	30,724	373	(752)	6,153,939
Total liabilities	6,101,157	12,784	13,053	(752)	6,126,242
Total stockholders' equity (deficit)	22,437	17,940	(12,680)	-	27,697
Balance Sheet Items as of December 31, 2009:					
Cash and cash equivalents	7,940	17,738	172	(172)	25,678
Restricted cash	-	1,253	501	(501)	1,253
Trust assets	5,809,445	-	-		5,809,445
Loans held-for-sale	-	-	2,371	(2,371)	-
Other assets	28,205	3,851	1,436	3,044	36,536
Total assets	5,845,590	22,842	4,480	-	5,872,912
Total liabilities	5,831,936	6,331	19,152	-	5,857,419
Total stockholders' equity (deficit)	13,654	16,511	(14,672)	-	15,493

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

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

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

The following table presents selected statement of operations information by reporting segment for the years ended December 31, 2010 and 2009:

Statement of Operations Items for the year ended December 31, 2010:	Long-term Portfolio	Mortgage and Real Estate Services	Discontinued Operations	Reclassifications (1)	Consolidated
Net interest income	$ 5,691	$ 19	$ 61	$ (61)	$ 5,710
Non-interest income - net trust assets	4,312	—	—	—	4,312
Change in fair value of long-term debt	689	—	—	—	689
Mortgage and real estate services fees	—	56,405	—	—	56,405
Other non-interest (expense) income	1,168	890	704	(704)	2,058
Non-interest expense and income taxes	(17,667)	(43,908)	1,473	(1,473)	(61,575)
(Loss) earnings from continuing operations	$ (5,807)	$ 13,406			7,599
Earnings from discontinued operations, net of tax			$ 2,238		2,238
Net earnings					$ 9,837

Statement of Operations Items for the year ended December 31, 2009:					
Net interest income	$ 9,768	$ 12	$ (351)	$ 351	$ 9,780
Non-interest income - net trust assets	13,005	-	-	-	13,005
Change in fair value of long-term debt	765	-	-	-	765
Mortgage and real estate services fees	-	42,276	-	-	42,276
Other non-interest income (expense)	(21)	117	(8,530)	8,530	96
Non-interest expense and income taxes	(27,844)	(29,806)	11,196	(11,196)	(57,650)
(Loss) earnings from continuing operations	$ (4,327)	$ 12,599			8,272
Earnings from discontinued operations, net of tax			$ 2,315		2,315
Net earnings					$ 10,587

(1) Amounts represent reclassifications of activity in the discontinued operations segment into loss from discontinued operations, net of tax as presented in the accompanying consolidated statements of operations.

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

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

Note 8.—Employee Benefit Plans

401(k) Plan

After meeting certain employment requirements, employees can participate in the Company's 401(k) plan. Under the 401(k) plan, employees may contribute up to 25 percent of their salaries, pursuant to certain restrictions. The Company matches 50 percent of the first 4 percent of employee contributions. Additional contributions may be made at the discretion of the board of directors. During the year ended December 31, 2010, the Company recorded approximately $335 thousand for basic matching contributions. During the year ended December 31, 2009, the Company expensed approximately $337 thousand for basic and discretionary matching contributions.

Note 9.—Related Party Transactions

Historically, mortgage loans have been extended to officers and directors of the Company. All such loans were made at the prevailing market rates and conditions existing at the time. During 2010, no mortgage loans were extended to officers or directors. At December 31, 2009, the Company had a mortgage loan with one director at market terms.

The Company earns mortgage and real estate service fees by providing such services to its long-term mortgage portfolio.

Note 10.—Commitments and Contingencies (Continuing and Discontinued Operations)

Legal Proceedings

Mortgage-related Litigation

Gilmor, et al. v. Preferred Credit Corp., et. al., Case No. 4:10-CV-00189, currently pending in the United States District Court for the Western District of Missouri, is a putative class action against Preferred Credit and others charging violations of Missouri's Second Mortgage Loan Act. In a Sixth Amended Complaint ("Complaint"), plaintiffs Michael P. and Shellie Gilmor and others bring suit against Preferred Credit, as the originator of various second mortgage loans in Missouri, and against: IMPAC Funding Corporation; IMPAC Mortgage Holdings; IMPAC Secured Assets; IMPAC Secured Assets CMN Trust Series 1998-1 Collateralized Asset-Backed Notes, Series 1998-1; IMH Assets Corp; Impac CMB Trust Series 1999-1; Impac CMB Trust Series 1999-2; Impac CMB Trust Series 2000-1; Impac CMB Trust Series 2000-2; Impac CMB Trust Series 2001-4; Impac CMB Trust Series 2002-1; Impac CMB Trust Series 2003-5, (collectively, the "IMPAC Defendants"), among numerous others, as alleged holders of notes associated with second mortgage loans originated by Preferred Credit.

Plaintiffs complain that at closing Preferred Credit charged them fees and costs in violation of Missouri's Second Mortgage Loan Act. Additionally, Plaintiffs obtained certification of a class of all persons similarly situated. Plaintiffs allege that the IMPAC Defendants are liable to Plaintiffs and members of the putative class as alleged holders of notes associated with second mortgage loans originated by Preferred Credit.

Plaintiffs seek on behalf of themselves and the members of the putative class, among other things, disgorgement or restitution of all improperly collected charges, the right to rescind all affected

loan transactions, the right to offset any finance charges, closing costs, points or other loan fees paid against the principal amounts due on the loans if rescinded, actual and punitive damages, and attorneys' fees.

Plaintiffs filed a motion for class certification, which was granted. In March, 2004, Plaintiffs filed their Sixth Amended Complaint.

On February 26, 2010, U.S. Bank National Association ND and other defendants removed the case to federal court. The case remains pending in federal court. Trial is scheduled to commence on August 13, 2012.

Baker, et al. v. Century Financial Group, et al., Case No. 4:04-CV-W-0201-SOW, currently pending in the Circuit Court of Clay County, Missouri, is a putative class action against Century Financial and others charging violations of Missouri's Second Mortgage Loan Act. In particular, in a Fourth Amended Complaint ("Complaint"), Plaintiffs James and Jill Baker and others bring suit against Century Financial, as the originator of various second mortgage loans in Missouri, and against IMPAC Funding Corporation, IMH Assets Corporation, IMPAC Mortgage Holdings, Inc., IMPAC Secured Assets Corporation, and two terminated IMPAC trusts (collectively, the "IMPAC Defendants"), among others, as alleged holders of notes associated with second mortgage loans originated by Century Financial.

The Plaintiffs' allegations are similar to those asserted by the Plaintiffs in the Gilmor action, discussed above. Plaintiffs seek on behalf of themselves and the members of the putative class, among other things, disgorgement or restitution of all allegedly improperly-collected charges, the right to rescind all affected loan transactions, the right to offset any finance charges, closing costs, points or other loan fees paid against the principal amounts due on the loans if rescinded, actual and punitive damages, and attorneys' fees.

The case was subsequently removed to federal court and later remanded by the federal court to the Circuit Court of Clay County, Missouri. The IMPAC Defendants filed an Answer on March 7, 2005. Limited discovery has taken place since this date, including additional discovery responses by certain IMPAC Defendants during 2008.

The above purported class action lawsuits are similar in nature in that they allege that the mortgage loan originators violated the respective state's statutes by charging excessive fees and costs when making second mortgage loans on residential real estate. The complaints allege that IFC was a purchaser, and is a holder, along with other affiliated entities, of second mortgage loans originated by other lenders. The plaintiffs in the lawsuits are seeking damages that include disgorgement of interest paid, restitution, rescission, actual damages, statutory damages, exemplary damages, pre-judgment interest and punitive damages. No specific dollar amount of damages is specified in the complaints.

Other Matters

On December 20, 2010 the Company received notification from a bond holder in a securitization issued by Impac Secured Assets Corporation. The demand alleges errors or discrepancies in the filed securitization documentation and seeks damages of at least $3.5 million. No litigation has been commenced in this action.

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

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

On October 27, 2009, the Company issued 80,000 shares of common stock and paid legal expenses in connection with the settlement of Sharon Page v. Impac Mortgage Holdings, Inc., et al., which was originally filed on December 17, 2007 in the United States District Court, Central District of California against IMH and several of its senior officers.

The Company is party to other litigation and claims which are normal in the course of our operations. While the results of such other litigation and claims cannot be predicted with certainty, management believes the final outcome of such matters will not have a material adverse effect on the Company's financial condition or results of operations.

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

Lease Commitments

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

	Operating Leases	Capital Leases	Total
Year 2011	$ 7,737	$ 122	$ 7,859
Year 2012	7,892	122	8,014
Year 2013	7,788	121	7,909
Year 2014	7,725	-	7,725
Year 2015	7,822	-	7,822
Year 2016 and thereafter	7,823	-	7,823
Subtotal	46,787	365	47,152
Sublet income	(18,347)	-	(18,347)
Total lease commitments	$ 28,440	$ 365	$ 28,805

Total rental expense for the years ended December 31, 2010 and 2009 was $3.7 million and $1.2 million, respectively. During 2010 and 2009, approximately $4.0 million and $3.7 million, respectively, were charged to continuing operations, and is included in occupancy expense in the consolidated statements of operations. Included in rent expense for 2010 is a reduction of $288 thousand related to changes in estimated lease liabilities as a result of changes in our expected minimum future lease payments at the discontinued operations, compared to a reduction of $2.5 million in 2009.

Repurchase Reserve

When the Company sells loans through whole loan sales it is required to make normal and customary representations and warranties about the loans to the purchaser. The Company's whole loan

sale agreements generally require it to repurchase loans if the Company breaches a representation or warranty given to the loan purchaser. In addition, the Company may be required to repurchase loans as a result of borrower fraud or if a payment default occurs on a mortgage loan shortly after its sale. As of December 31, 2010 and 2009, the Company had a liability for losses on loans sold with representations and warranties totaling $8.0 million and $11.0 million, respectively, included primarily in liabilities from discontinued operations in the accompanying consolidated balance sheets.

Geographic Concentration

The aggregate unpaid principal balance of loans in the Company's long-term mortgage portfolio secured by properties in California and Florida was $5.7 billion and $1.3 billion, or 52 percent and 12 percent, respectively, at December 31, 2010.

Note 11.—Derivative Instruments

As of December 31, 2010, the net derivative liability included in the securitization trusts was $65.9 million, as compared to $126.5 million at December 31, 2009. The derivative values are based on the net cash receipts or payments expected to be received or paid by the bankruptcy remote trusts. The fair value of the derivatives fluctuates with changes in the future expectation of LIBOR, in addition to cash receipts or payments.

On September 15, 2008, Lehman Brothers Holdings Inc. (LBHI) filed a petition for protection under Chapter 11 of the U.S. Bankruptcy Code. As of that date, LBHI, through affiliated companies, was an interest rate swap counterparty to several of the Company's CMO and REMIC securitizations. At December 31, 2010, the estimated fair value of derivatives with LBHI, through its affiliated companies was $15.7 million and is included in derivative liabilities in the accompanying consolidated balance sheet. As the related securitization trusts are non-recourse to the Company, the Company is not required to replace or otherwise settle any derivative positions affected by counterparty default within the consolidated trusts.

As part of the acquisition of AmeriHome Mortgage Corporation as more fully discussed in Note 18. Business Combinations, the purchase agreement included a call and put option. The call option allows the Company to purchase an additional 39% of AmeriHome anytime between January 1, 2011 and December 31, 2013. Insofar that the Company does not exercise the call option, the Company has written a put option to the founder of AmeriHome that provides the founder with the right to require the Company to acquire the remaining 49% of AmeriHome. These options are considered derivative instruments and recorded at fair value using a binominal option pricing model. Changes in fair value are reported through the consolidated statement of operations.

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

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

Note 12.—Reconciliation of Earnings Per Share

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

	For the year ended December 31,	
	2010	**2009**
Numerator for basic earnings per share:		
Earnings from continuing operations	$ 7,599	$ 8,272
Cash dividends on cumulative redeemable preferred stock	-	(7,443)
Net loss attributable to noncontrolling interest	457	250
Earnings from continuing operations attributable to IMH	8,056	1,079
Earnings from discontinued operations	2,238	2,315
Earnings available to common stockholders before redemption of preferred stock (1)	$ 10,294	$ 3,394
Denominator for basic earnings per share (2):		
Basic weighted average common shares outstanding during the year	7,739	7,633
Denominator for diluted earnings per share (2):		
Basic weighted average common shares outstanding during the year	7,739	7,633
Net effect of dilutive stock options	585	112
Diluted weighted average common shares outstanding during the year	8,324	7,745
Earnings per common share – basic:		
Earnings from continuing operations attributable to IMH	$ 1.04	$ 0.14
Earnings from discontinued operations	0.29	0.30
Earnings per share available to common stockholders before redemption of preferred stock (1)	$ 1.33	$ 0.44
Earnings per common share – diluted:		
Earnings from continuing operations attributable to IMH	$ 0.97	$ 0.14
Earnings from discontinued operations	0.27	0.30
Earnings per share available to common stockholders before redemption of preferred stock (1)	$ 1.24	$ 0.44

(1) As discussed in Note 13.—*Redeemable Preferred Stock*, the difference between the carrying value of the tendered preferred stock ($106.1 million) and the amount paid for the shares ($1.3 million) was recognized as a decrease in retained deficit in 2009 and is reflected in the consolidated statements of changes in stockholders' equity (deficit) as a reclassification from additional paid in capital. Including the redemption, total basic and diluted earnings per share from continuing operations available to common stockholders were $14.18 and $13.97, respectively.

(2) Share amounts presented in thousands.

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

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

The anti-dilutive stock options outstanding for the years ending December 31, 2010 and 2009 were 130 thousand and 468 thousand shares, respectively.

Note 13.—Redeemable Preferred Stock

In June 2009, the Company completed the Offer to Purchase and Consent Solicitation (the "Offer to Purchase") of all of its 9.375% Series B Cumulative Redeemable Preferred Stock and 9.125% Series C Cumulative Redeemable Preferred Stock (which are sometimes collectively hereinafter referred to as the Preferred Stock). The Series B Preferred Stock had a liquidation preference of $50 million and the Series C Preferred Stock had a liquidation preference of $111.8 million, for a total of $161.8 million. Upon expiration of the Offer to Purchase, holders of approximately 68% of the Preferred Stock tendered an aggregate of 4,378,880 shares. Holders of the Company's Series B Preferred Stock tendered 1,323,844 shares at $0.29297 per share for a total of $388 thousand. Holders of the Company's Series C Preferred Stock tendered 3,055,036 shares at $0.28516 per share for a total of $871 thousand. The aggregate purchase price for the Preferred Stock was $1.3 million. In addition, in connection with completing the offer to purchase the Company paid $7.4 million accumulated but unpaid dividends on its Preferred Stock. With the total cash payment of $8.7 million, the Company eliminated $109.5 million of liquidation preference on its Preferred Stock. After the completion of the Offer to Purchase, the Company has outstanding $52.3 million liquidation preference of Series B and Series C Preferred Stock. As this transaction is considered a redemption for accounting purposes, in accordance with FASB ASC 505-10 and 260-10-S99, the difference between the carrying value of the tendered preferred stock ($106.1 million) and the amount paid for the shares ($1.3 million) was recognized as a decrease in retained deficit in 2009 and is reflected in the consolidated statements of changes in stockholders' equity (deficit) as a reclassification from additional paid in capital. Including the redemption, total basic and diluted earnings per share from continuing operations available to common stockholders were $14.18 and $13.97, respectively.

With completion of the Offer to Purchase and modification to the terms of the Series B Preferred Stock and Series C Preferred Stock, the Company eliminated its $14.9 million annual preferred dividend obligation.

As a condition to completing the Offer to Purchase, the common stockholders and preferred stockholders approved and consented to modify the terms of both the Series B Cumulative Preferred Stock and Series C Cumulative Preferred Stock to (i) make Preferred Stock dividends, if any, non-cumulative, (ii) eliminate the provisions prohibiting the payment of dividends on junior stock and prohibiting the purchase or redemption of junior or parity stock if full cumulative dividends for all past dividend periods are not paid or declared and set apart for payment, (iii) eliminate any premiums payable upon the liquidation, dissolution or winding up of the Company, (iv) eliminate the provision prohibiting the Company from electing to redeem Preferred Stock prior to the fifth year anniversary of the issuance of such preferred stock, (v) eliminate the provision prohibiting the Company from redeeming less than all of the outstanding Preferred Stock if full cumulative dividends for all past dividend periods have not been paid or declared and set apart for payment, (vi) eliminate the right of holders of Preferred Stock to elect two directors if dividends are in arrears for six quarterly periods and (vii) eliminate the right of holders of Preferred Stock to consent to or approve the authorization or issuance of preferred stock senior to the Preferred Stock. The holders of each series of Preferred Stock retain the right to a $25.00/share liquidation preference in the event of a liquidation of the Company and the right to receive dividends on the Preferred Stock if any such dividends are declared.

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

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

Note 14.—Long-term Debt

Trust Preferred Securities

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

The following table shows the remaining principal balance and fair value of Trust Preferred Securities issued as of December 31, 2010 and 2009:

	December 31,	
	2010	2009
Trust preferred securities (1)	$ 8,500	$ 8,500
Common securities	263	263
Fair value adjustment	(6,345)	(6,501)
Total	$ 2,418	$ 2,262

(1) Stated maturity of July 30, 2035. Redeemable at par at any time after July 30, 2010. Requires quarterly distributions initially at a fixed rate of 8.55 percent per annum through July 30, 2010 and thereafter at a variable rate of three-month LIBOR plus 3.75 percent per annum. At December 31, 2010, the interest rate was 4.04%.

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

In December 2008, the Company fully satisfied $8.0 million in outstanding Trust Preferred Securities of Impac Capital Trust #4 for $1.2 million.

In January 2009, the Company fully satisfied $25.0 million in outstanding Trust Preferred Securities of Impac Capital Trust #2 for $3.75 million.

In June 2009, the Company purchased and canceled $1.0 million in outstanding Trust Preferred Securities of Impac Capital Trust #4 for $150 thousand.

In August 2009, the Company purchased and canceled $2.5 million in outstanding Trust Preferred Securities of Impac Capital Trust #4 for $375 thousand, resulting in $8.5 million in outstanding Trust Preferred Securities. In July 2009, the Company became current and is no longer deferring interest on its

(dollars in thousands, except per share data or as otherwise indicated)

remaining trust preferred securities. The Company no longer has the right to defer interest payments on its remaining Trust Preferred Securities.

Junior Subordinated Notes

In May 2009, the Company exchanged an aggregate of $51.3 million in Trust Preferred Securities of Impac Capital Trusts #1 and #3 for junior subordinated notes with an increased aggregate principal balance of $62.0 million and a maturity date in March 2034. Under the terms of the exchange, in consideration for the increase in principal, the interest rate for each note was reduced from the original 8.01 percent to 2.00 percent through 2013 with increases of 1.00 percent per year through 2017. Starting in 2018, the interest rates become variable at 3-month LIBOR plus 375 basis points. In connection with the exchange, the Company paid a fee of $0.5 million.

The following table shows the remaining principal balance and fair value of junior subordinated notes issued as of December 31, 2010 and 2009:

	December 31,	
	2010	2009
Junior subordinated notes	$ 62,000	$ 62,000
Fair value adjustment	(52,689)	(54,489)
Total	$ 9,311	7,511

Note 15.—Notes Payable

Note payable—Credit Agreement

In October 2009, the Company entered into a settlement agreement (the Settlement Agreement) with its remaining reverse repurchase facility lender to settle the restructured financing. The Settlement Agreement retired the facility and removed any further exposure associated with the line or the loans that secured the line. Pursuant to the terms of the Settlement Agreement, the Company settled the $140.0 million balance of the reverse repurchase line by (i) transferring the loans securing the line to the lender at their approximate carrying values, (ii) making in a cash payment of $20.0 million and (iii) entering into a credit agreement with the lender (the Credit Agreement) for a $33.9 million note payable. The borrowing under the Credit Agreement, which was to be paid over 18 months had an interest rate of one-month LIBOR plus 350 basis points and required a monthly principal and interest payment of $1.5 million. An additional $10.0 million principal payment was due and paid in April 2010 as part of the Credit Agreement. The Credit Agreement was fully satisfied in November 2010 as more fully described below.

Note payable—Debt Agreement

In November 2010, the Company entered into an $8.0 million structured debt agreement using seven of the Company's residual interests (net trust assets) to pay off the balance owed on the Credit Agreement with the last remaining warehouse lender from 2007. The Company received net proceeds of $7.4 million. The payoff resulted in the full satisfaction of the Credit Agreement entered into by the Company on October 30, 2009 at a $1.3 million discount to the approximately $6.6 million outstanding

balance. This also resulted in the termination of all covenants, conditions and restrictions associated with that agreement. The payoff was accounted for as an extinguishment of debt and the Company recognized the gain on extinguishment of debt in other non-interest income in the accompanying consolidated statements of operations.

The structured debt agreement is evidenced by an Indenture with Deutsche Bank National Trust Company, as trustee. It bears interest at a fixed rate of 10% per annum and is amortized in equal principal payments over 11 months with all distributions from the underlying residuals being used to make the monthly payments, and was recorded as a note payable in the accompanying consolidated balance sheets. If the cumulative residual payments are not sufficient to pay the required monthly principal and interest the Company would be required to pay the difference to avoid the transfer of the residuals and the rights to the associated future cash flows to the note holder. Any excess cash flows from the residuals are included in a reserve account, which is available to cover future shortfalls. The outstanding balance of the Debt Agreement at December 31, 2010 was $6.7 million and was current as to principal and interest payments.

Note 16.—Warehouse Borrowings

In June 2010, the Company, through IRES and its subsidiaries, entered into a Master Repurchase Agreement with a regional bank providing a $10 million warehouse facility (Repurchase Agreement 1). The warehouse facility is used to fund and is secured by conforming single family residential mortgage loans. The agreement expires June 2011. The rate is one month LIBOR plus 4.00% with a floor of 5.00%. Under the terms of the warehouse facility, IRES and its subsidiaries are required to maintain various financial and other covenants. At December 31, 2010, the Company was not in compliance with these financial covenants, although the Company has received a waiver. In March 2011, the maximum borrowing capacity of the warehouse facility was increased to $25 million and the maturity was extended to April 2012, as described further in Note 19 Subsequent Events.

In October 2010, as part of the acquisition of AmeriHome Mortgage Corporation (see Note 18. Business Combination), the Company, through its subsidiaries, assumed a Master Repurchase Agreement with a regional bank providing a $3.5 million warehouse facility (Repurchase Agreement 2). The warehouse facility is used to fund and is secured by conforming single family residential mortgage loans that are held for sale. The agreement expires January 2011. The rate range is the greater of the loan note rate or 4.50%. In December 2010, the lender temporarily increased the maximum borrowing capacity of the facility to $7.0 million. Under the terms of the warehouse facility, IRES and its subsidiaries are required to maintain various financial and other covenants. At December 31, 2010, the Company was in compliance with these financial covenants. In March 2011, the maturity of the facility was extended to April 2011, as described further in Note 19. Subsequent Events.

In December 2010, the Company, through IRES and its subsidiaries, entered into a Master Repurchase Agreement with an additional regional bank providing a $25 million warehouse facility (Repurchase Agreement 3). The warehouse facility is used to fund and is secured by conforming single family residential mortgage loans that are held for sale. The agreement expires June 2011. The rate is one month LIBOR plus 4.00% with a floor of 4.75%. Under the terms of the warehouse facility, IRES and

(dollars in thousands, except per share data or as otherwise indicated)

its subsidiaries are required to maintain various financial and other covenants. At December 31, 2010, the Company was in compliance with these financial covenants.

	Maximum Borrowing Capacity	Allowable Advance Rates (%)	Balance Outstanding	Maturity Date
December 31, 2010				
Short-term borrowings:				
Repurchase agreement 1 (1)	$ 10,000	95	$ 477	June 30, 2011
Repurchase agreement 2 (2)	7,000	97	1,800	January 25, 2011
Repurchase agreement 3 (3)	25,000	98	1,780	June 30, 2011
Total short-term borrowings	$ 42,000		$ 4,057(4)	

1. Rate range is one-month LIBOR plus 4%, with a floor of 5%. The maximum borrowing capacity increased to $25 million in March 2011.
2. Rate range is the greater of the mortgage note rate or 4.5%. In March 2011, the maturity was extended to April 2011.
3. Rate range is one-month LIBOR plus 4%, with a floor of 4.75%
4. Amount included in other liabilities within the consolidated balance sheet at December 31, 2010.

Note 17.—Income Taxes

Effective January 1, 2009, the Company revoked its election to be taxed as a real estate investment trust (REIT). As a result of revoking this election, the Company is subject to income taxes as a regular (Subchapter C) corporation.

Income taxes for the years ended December 31, 2010 and 2009 were as follows:

	For the year ended December 31,	
	2010	2009
Current income taxes:		
Federal	$ -	$ 1,997
State	205	20
Total current income taxes	205	2,017
Deferred income taxes:		
Federal	-	-
State	-	-
Total deferred income taxes	-	-
Total income tax expense	$ 205	$ 2,017

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

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

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

	For the year ended December 31,	
	2010	2009
Deferred tax assets:		
Fair value and REMIC transactions	$ 407,328	$ 421,241
Federal and state net operating losses	117,752	236,151
Derivative liabilities	24,162	53,952
REO—net realizable value	20,718	14,331
Depreciation and amortization	714	2,090
Other	1,952	575
Total gross deferred tax assets	572,626	728,340
Deferred tax liabilities:		
Non-accrual loans	(2,529)	(185)
Valuation allowance	(570,097)	(728,155)
Total net deferred tax asset	$ -	$ -

The following is a reconciliation of income taxes to the expected statutory federal corporate income tax rates for the years ended December 31, 2010 and 2009:

	For the year ended December 31,	
	2010	2009
Expected income tax	$ 2,891	$ 3,793
State tax, net of federal benefit	133	764
Change in valuation allowance	(2,826)	(5,887)
Deferred charge	-	2,017
Other permanent items	7	1,330
Total income tax expense	$ 205	$ 2,017

As of December 31, 2010, the Company had estimated federal and California net operating loss carryforwards of approximately $490.6 million and $492.1 million, respectively, of which $271.7 million (federal) relate to discontinued operations. During the year ended December 31, 2010, estimated net operating loss carryforwards were reduced as a result of the Company generating taxable income from cancellation of debt for approximately $426.2 million of securitized mortgage borrowings. Federal and state net operating loss carryforwards begin to expire in 2020 and 2017, respectively. California losses have been suspended by the state, thus the expiration begins in 2017.

The Company has recorded a full valuation allowance against its deferred tax assets as management believes that as of December 31, 2010 and 2009, it is more likely than not that the deferred tax assets will not be recoverable.

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

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

During the year ended December 31, 2009, the Company received $15.8 million in tax refunds, including interest, from the utilization of net operating losses (NOL). A Federal refund in the amount of $8.9 million was a result of an election to carryback a NOL five years pursuant to 2009 Federal legislation, *The Worker, Homeownership, and Business Assistance Act of 2009* and is included in the earnings from discontinued operations. At December 31, 2010 discontinued operations had gross deferred tax assets of $117.9 million which had a full valuation allowance.

The Company was examined by the State of California Franchise Tax Broad through tax year 2003 and by the Internal Revenue Service (specifically Impac Funding Corporation and subsidiaries) through 2006, with no significant resulting changes. The Company files numerous tax returns in various jurisdictions. While the Company is subject to examination by various taxing authorities, we believe there are no unresolved issues or claims likely to be material to our financial position. A subsidiary of the Company is currently under examination by the Internal Revenue Service for tax year 2008. Management believes that there are no unresolved issues or claims likely to be material to our financial position. As of December 31, 2010 the Company has no material uncertain tax positions.

Note 18.—Business Combinations

On October 1, 2010, Excel Mortgage Servicing, Inc., a wholly-owned subsidiary of IRES, completed the acquisition of 51% of AmeriHome Mortgage Corporation (AmeriHome) whereby the Company made a $1.1 million cash payment to AmeriHome and entered into a note payable for $720,000. As part of the transaction, the Company was granted an option to purchase an additional 39% of AmeriHome beginning January 1, 2011 for 1.5 times 39% of the lesser of $5 million or Issuer's Book Value (IBV) of AmeriHome plus $550,000 in cash (see call option in Note 2. Fair Value of Financial Instruments). This option has a three-year term. In addition the founder of AmeriHome has a put option to sell his remaining 49% ownership beginning January 1, 2014 to the Company for the lesser of $5 million or IBV (see put option in Note 2. Fair Value of Financial Instruments). The IBV of AmeriHome was approximately $2.3 million at the time the Company purchased its 51% ownership interest.

The transaction has been accounted for using the acquisition method of accounting which requires among other things, the assets and liabilities assumed to be recognized at their fair values as of

IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES

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

the acquisition date. The table below summarizes the fair values of the assets acquired and liabilities assumed as part of the AmeriHome acquisition:

ASSETS:		
Cash	$	734
Mortgage servicing rights		1,321
Loans held-for-sale		819
Other assets		626
Total assets	$	3,500
LIABILITIES:		
Warehouse note	$	979
Other liabilities		200
Total liabilities		1,179
Net assets of AmeriHome	$	2,321
Less attributable to noncontrolling interest		(1,137)
Call option asset		700
Put option liability		(64)
Total purchase price	$	1,820
Note payable		(720)
Cash paid for acquisition	$	1,100

No goodwill was recorded in connection with the acquisition of AmeriHome.

Acquisition costs were expensed as incurred and is included in general and administrative expenses for the Company.

The acquisition was completed in October 2010 and accordingly results of operations from such date have been included in the Company's consolidated statement of operations. For the three months ended December 31, 2010, the AmeriHome acquisition resulted in an additional $355 thousand of consolidated revenue and $77 thousand of consolidated loss before income taxes.

During 2009, the Company made a series of smaller acquisitions which included an asset management company, a mortgage broker and a title and escrow company regulated by the Department of Insurance. The aggregate purchase price totaled $1.6 million and was allocated primarily to intangible assets of $1.0 million and goodwill of $400 thousand.

Note 19.—Discontinued Operations

During 2007, the Company announced plans to exit substantially all of its non-conforming mortgage, commercial, retail, and warehouse lending operations. Consequently, the amounts related to these operations are presented as discontinued operations in the Company's consolidated statements of operations and comprehensive loss and its consolidated statements of cash flows, and the asset

(dollars in thousands, except per share data or as otherwise indicated)

groups to be exited are reported as assets and liabilities of discontinued operations in its consolidated balance sheets for the periods presented.

The following table presents the discontinued operations' condensed balance sheets as of December 31, 2010 and 2009:

	Discontinued Operations December 31,	
	2010	2009
Cash and cash equivalents	$ 113	$ 172
Restricted cash	91	501
Loans held-for-sale	-	2,371
Other assets	169	1,436
Total assets	373	4,480
Total liabilities	13,053	19,152
Total stockholders' deficit	$ (12,680)	$ (14,672)

The following table presents discontinued operations' condensed statement of operations for the years ended December 31, 2010 and 2009.

	Discontinued Operations for the year ended December 31,	
	2010	2009
Net interest income (expense)	$ 61	$ (351)
Other non-interest income (expense)	704	(8,530)
Non-interest expense (income)	1,473	2,331
Net earnings (loss) before income tax benefit	2,238	(6,550)
Income tax benefit	-	8,865
Net earnings	$ 2,238	$ 2,315

Note 20.—Subsequent Events

The Company has evaluated subsequent events through the date this financial statement was issued.

In March 2011, the maximum borrowing capacity of Repurchase Agreement 1 as described in Note 16. Warehouse Borrowings was increased to $25 million and the maturity extended to April 2012.

In March 2011, the maturity of the Company's $3.5 million Repurchase Agreement 2 as described in Note 16. Warehouse Borrowings was extended to April 2011.

In March 2011, the Company entered into a master repurchase agreement with a regional bank providing a $20 million warehouse facility which expires in March 2012.

In March 2011, Excel opened a regional production office in Lake Oswego, Oregon, along with other offices throughout Oregon, Washington, and Idaho.

Exhibit 4.7

LVII 2010-R1

as Issuer

and

DEUTSCHE BANK NATIONAL TRUST COMPANY

as Indenture Trustee

INDENTURE

Dated as of November 26, 2010

TABLE OF CONTENTS

INDENTURE, dated as of November 26, 2010, between LVII 2010-R1, a Delaware statutory trust, as issuer (the "Issuer") and DEUTSCHE BANK NATIONAL TRUST COMPANY, a national banking association, not in its individual capacity, but solely as Indenture Trustee (the "Indenture Trustee") under this Indenture.

PRELIMINARY STATEMENT

The Issuer has duly authorized the execution and delivery of this Indenture to provide for the issuance of the LVII 2010-R1 Notes (the "Notes") to be issued pursuant to this Indenture.

All things necessary to make the Notes, when the Notes are executed by the Issuer and authenticated and delivered by the Indenture Trustee hereunder and duly issued by the Issuer, the valid and legally binding obligations of the Issuer enforceable in accordance with their terms, and to make this Indenture a valid and legally binding agreement of the Issuer enforceable in accordance with its terms, have been done.

Each party agrees as follows for the benefit of the other party and the equal and ratable benefit of the Noteholders.

As security for the payment and performance by the Issuer of its obligations under this Indenture and the Notes, the Issuer has agreed to assign the Trust Estate (as defined below) as collateral to the Indenture Trustee, to be held by the Indenture Trustee, as security for the benefit of the Noteholders.

GRANTING CLAUSE

The Issuer hereby Grants on the Closing Date to the Indenture Trustee, for the benefit of the Holders of the Notes, all of the Issuer's right, title and interest in and to (i) the Underlying Certificates and all distributions thereon after the Closing Date, (ii) the Note Account and all amounts on deposit therein from time to time, (iii) the Reserve Account and all amounts on deposit therein from time to time, (iv) the rights of the Issuer to enforce remedies against the Administrators under the Administration Agreement (provided that the Issuer retains the right to give instructions and directions to the Administrators thereunder) and against the Depositor under the Trust Agreement, (v) all present and future claims, demands, causes and choses in action in respect of the foregoing, including (subject to Section 6.01) the rights of the Issuer under the Underlying Certificates and the Underlying Agreements and (vi) all proceeds of the foregoing of every kind and nature whatsoever, including, without limitation, all proceeds of the conversion thereof, voluntary or involuntary, into cash or other liquid property, all cash proceeds, accounts receivable, notes, drafts, acceptances, chattel paper, checks, deposit accounts, rights to payment of any and every kind and other forms of obligations and receivables, instruments and other property that at any time constitute all or part of or are included in the proceeds of the foregoing ((i) - (vi) collectively, the "Trust Estate").

The foregoing Grant of the Trust Estate is made in trust to secure the payment of principal of, and interest on, and any other amounts owing in respect of, the Notes, and to secure compliance with the provisions of this Indenture, all as provided in this Indenture.

The Indenture Trustee hereby acknowledges the receipt by it of each of the Underlying Certificates, in good faith and without actual notice of any adverse claim, and declares that it holds and will hold such Underlying Certificates and such other documents and instruments, and that it holds and will hold all other assets and documents included in the Trust Estate, in trust for the exclusive use and benefit of all present and future Noteholders.

The Indenture Trustee shall not assign, sell, dispose of or transfer any interest in the Underlying Certificates or any other asset constituting the Trust Estate (except as expressly provided herein) or permit the Underlying Certificates or any other asset constituting the Trust Estate to be subjected to any lien, claim or encumbrance arising by, through or under the Indenture Trustee or any Person claiming by, through or under the Indenture Trustee.

Except to the extent otherwise provided in this Indenture, this Indenture shall constitute a security agreement under the laws of the State of New York as applicable to agreements made and to be performed therein, for the benefit of the Secured Party. Upon occurrence and during the continuation of any Event of Default hereunder, and in addition to any rights available under this Indenture or any other Instruments included in the Collateral held, for the benefit and security of the Secured Party, the Indenture Trustee shall have all rights and remedies of a secured party on default under the laws of the State of New York and other applicable law to enforce the assignments and security interests contained herein and, in addition, shall have the right, subject to compliance with any mandatory requirements of applicable law and the terms of this Indenture, to sell any rights and other interests assigned or pledged hereby in accordance with the terms hereof at public and private sale and apply the cash Proceeds thereof to the Secured Obligations then due and payable.

The Indenture Trustee, on behalf of the Noteholders, acknowledges the foregoing Grant, accepts the trusts hereunder in good faith and without notice of any adverse claim or liens and agrees to perform its duties required in this Indenture pursuant to the terms hereof.

GENERAL COVENANT

AND IT IS HEREBY COVENANTED AND DECLARED that the Notes are to be authenticated and delivered by the Indenture Trustee, that the Trust Estate is to be held by or on behalf of the Indenture Trustee and that monies in the Trust Estate are to be applied by the Indenture Trustee for the benefit of the Noteholders, subject to the further covenants, conditions and trusts hereinafter set forth, and the Issuer does hereby represent and warrant, and covenant and agree, to and with the Indenture Trustee, for the equal and proportionate benefit and security of each Noteholder, as follows:

ARTICLE I

DEFINITIONS AND OTHER PROVISIONS
OF GENERAL APPLICATION

Section 1.01. Definitions.

Whenever used in this Indenture, including in the Preliminary Statement, the Granting Clause and the General Covenant, the following words and phrases, unless the context otherwise requires, shall have the meanings specified in this Section 1.01.

"1939 Act": The Trust Indenture Act of 1939, as amended, and the rules, regulations and published interpretations of the Securities and Exchange Commission promulgated thereunder from time to time.

"1940 Act": The Investment Company Act of 1940, as amended, and the rules, regulations and published interpretations of the Securities and Exchange Commission promulgated thereunder from time to time.

"Accrual Period": With respect to each Payment Date and each Class of Notes, the period from the previous Payment Date (or, in the case of the first Accrual Period, from the Closing Date) to the day prior to the current Payment Date. All payments of interest on the Notes for any Payment Date shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. Notwithstanding the foregoing, each Accrual Period shall be deemed to consist of 30 days; provided that, the Accrual Period for the first Payment Date shall be deemed to be five days; and provided further, that the Accrual Period for the second Payment Date shall be deemed to be 26 days.

"Accrued Interest": With respect to each Payment Date and each Class of Notes, an amount equal to the sum of (i) interest accrued at the Note Rate during the related Accrual Period on the Note Balance of the Notes and (ii) any Accrued Interest with respect to such Notes remaining unpaid from the previous Payment Date (with interest on such unpaid amount at the then applicable Note Rate or for the most recently ended Accrual Period). For so long as there is no Event of Default, on each Payment Date, Accrued Interest shall be the amount of the Scheduled Interest Payment Amount for such Payment Date.

"Act": As defined in Section 10.04 hereof.

"Administration Agreement": The administration agreement, dated as of November 26, 2010, between the Issuer and the Administrators, pursuant to which each Administrator shall perform various obligations of the Issuer hereunder and of the Issuer and the Owner Trustee under the Trust Agreement.

"Administrator": Each Person acting as an Administrator from time to time under the Administration Agreement, which shall initially be Deutsche Bank National Trust Company and IMH Assets Corp.

"Affiliate": With respect to any specified Person, for purposes of this Indenture only, any other Person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Person specified. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities or other beneficial

interest, by contract or otherwise; and the terms "controlling" and "controlled" have the meanings correlative to the foregoing.

"Aggregate Note Balance": The aggregate of the Note Balances of the Notes.

"Amended and Restated Trust Agreement": The amended and trust agreement, dated as of November 26, 2010, among the Depositor, the Owner Trustee and Deutsche Bank National Trust Company, as certificate registrar and certificate paying agent.

"Authenticating Agent": As defined in Section 2.02(b) .

"Authorized Officer": With respect to the Owner Trustee, any officer or signatory of the Owner Trustee who is authorized to act for the Owner Trustee in matters relating to the Issuer and who is identified on the list of authorized officers and signatories delivered by the Owner Trustee to the Indenture Trustee on the Closing Date (as such list may be modified or supplemented from time to time thereafter), with respect to the Issuer, any authorized officer of the Owner Trustee or of the Administrators and with respect to the Administrators, any officer or signatory of either Administrator who is authorized to act for such Administrator in matters relating to the Issuer.

"Available Funds": With respect to any Payment Date and any Class of Securities an amount equal to the sum (i) the sum of the amount of distributions in respect of the Underlying Certificates received by the Indenture Trustee on the Underlying Distribution Date immediately preceding such Payment Date and (ii) the Reserve Account Withdrawal Amount for such Payment Date.

"Basic Documents": The Trust Agreement, the Certificate of Trust, the Indenture, the Administration Agreement, the Notes, the Owner Trust Certificates and the other documents and certificates delivered in connection with any of the above, in each case, as may be amended, restated, or supplemented from time to time.

"Book-Entry Notes": Any Notes for which ownership and transfers of beneficial ownership interests in such Notes shall be made through book entries by the Depository provided, however, that after the occurrence of a condition whereupon book-entry registration is no longer permitted, Definitive Notes shall be issued to the Note Owners of such Notes and such Notes shall no longer be "Book-Entry Notes." On the Closing Date, each of the Notes shall be Book-Entry Notes.

"Business Day": Any day other than (i) a Saturday or a Sunday or (ii) a day on which the New York Stock Exchange or Federal Reserve is closed or a day on which banking institutions in the State of New York, the State of Delaware, or the city in which the Corporate Trust Office of the Indenture Trustee is located are authorized or obligated by law or executive order to be closed.

"Cash": Coin or currency of the United States or immediately available federal funds, including such funds delivered by wire transfer.

"Certificateholder" or "Holder": With respect to any Owner Trust Certificates, the Person in whose name such Owner Trust Certificates is registered on the Certificate Register maintained pursuant to the Trust Agreement.

"Certificate Distribution Account": The segregated trust account established in the name of the Certificate Paying Agent pursuant to Section 3.10 of the Trust Agreement.

"Certificate Owner": Any Person acquiring a beneficial ownership interest in an Owner Trust Certificate.

"Class": All of the Notes or Owner Trust Certificates bearing the same class designation.

"Class A Notes": Any of the Issuer's Resecuritization Trust Notes, Series 2010-R1, executed by the Issuer, authenticated by the Indenture Trustee or the Authenticating Agent, if any, and delivered hereunder, substantially in the form of Exhibit A attached hereto.

"Closing Date": November 26, 2010.

"Code": The Internal Revenue Code of 1986, as amended.

"Collateral": Individually and collectively, the assets constituting the Trust Estate from time to time.

"Corporate Trust Office": With respect to (i) the Indenture Trustee, the Certificate Registrar, or the Certificate Paying Agent, the designated office of the Indenture Trustee where at any particular time its corporate trust business with respect to this Indenture shall be administered, which office at the date of the execution of this Indenture is located at (x) for Security transfer and surrender purposes, Deutsche Bank National Trust Company, c/o DB Services Americas, Inc., 5022 Gate Parkway, Suite 200, Jacksonville, Florida 32256, Attention: Transfer Unit; and (y) for all other purposes, Deutsche Bank National Trust Company, 1761 East St. Andrew Place, Santa Ana, California 92705, Attention: Trust Administration: IM10R1 and (ii) the Trust or the Owner Trustee, the office of the Owner Trustee in the State of Delaware, which as of the date hereof is located at 1314 King Street, Wilmington, Delaware 19801.

"Cut-off Date": With respect to each Underlying Certificate, October 25, 2010 (after giving effect to distributions on the Underlying Certificates on or prior to such date).

"Definitive Note": As defined in Section 2.13 hereof.

"Depositor": IMH Assets Corp., a Delaware corporation, or its successor in interest.

"Depository" or "DTC": The Depository Trust Company and any successor thereto appointed by the Issuer as a Depository; provided that the Depository shall at all times be a "clearing corporation" as defined in Section 8-102(5) of the Uniform Commercial Code of the State of New York and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended; and provided, further, that no entity shall be a successor Depository unless the Notes held through such entity or its nominees are treated for U.S. Federal income tax purposes as being in "registered form" within the meaning of Section 163(f) of the Code.

"Depository Participant": A broker, dealer, bank or other financial institution or other Person for whom from time to time the Depository effects book-entry transfers and pledges of securities deposited with the Depository.

"DOL": The United States Department of Labor or any successor in interest.

"Eligible Account": Either (1) an account or accounts maintained with a federal or state-chartered depository institution or trust company and shall (or its parent company shall) have: (a) commercial paper, short-term debt obligation, or other short-term deposits rated at least "A-2" by S&P if the deposits

are to be held in the account for less than 30 days; or (b) long term unsecured debt obligations rated at least "AA-" by S&P if the deposits are to be held in the account more than 30 days; following a downgrade, withdrawal, or suspension of such institution's rating, each account should promptly (and in any case within not more than 30 calendar days) be moved to a qualifying institution or to one or more segregated trust accounts in the trust department of such institution, if permitted; or (2) a segregated trust account or accounts maintained with the corporate trust department of a federal depository institution or state-chartered depository institution subject to regulations regarding fiduciary funds on deposit similar to Title 12 of the Code of Federal Regulation Section 9.10(b), which, in either case, has corporate trust powers, acting in its fiduciary capacity. Eligible Accounts may bear interest.

Each Eligible Account shall be separate and identifiable, segregated from all other accounts maintained with the holding institution. Such Eligible Account shall not be evidenced by a certificate of deposit, a passbook, or other instrument.

"Entitlement Order": The meaning specified in Section 8-102(a)(8) of the UCC.

"ERISA": The Employee Retirement Income Security Act of 1974, as amended.

"Event of Default": As defined in Section 4.01 hereof.

"Extraordinary Expense": Unanticipated expenses of the Issuer consisting of amounts payable or reimbursable to the Indenture Trustee, the Certificate Registrar, the Certificate Paying Agent, the Administrators, the Securities Intermediary or the Owner Trustee by the Issuer pursuant to the terms of this Indenture (including but not limited to any indemnification payments to the Indenture Trustee, the Owner Trustee, the Certificate Registrar or the Certificate Paying Agent pursuant to Section 5.04 hereof or pursuant to Section 7.02 of the Trust Agreement) and any other unanticipated costs, expenses, liabilities, taxes and losses borne by the Issuer for which the Issuer has not and, in the reasonable good faith judgment of the Indenture Trustee, the Certificate Registrar, the Certificate Paying Agent or the Owner Trustee, as applicable, shall not, obtain reimbursement or indemnification from any other Person. Extraordinary Expenses, however, do not include expenses payable or paid by any Underlying Trust to the Underlying Trustee, or other transaction parties of any Underlying Transaction. Extraordinary Expenses shall be paid in accordance with Section 2.09(e) .

"Final Maturity Date": With respect to the Notes, the date specified in the Notes and Section 2.03(a) as the fixed date on which the final payment of principal of and interest on the Notes becomes finally due and payable. With respect to the Owner Trust Certificates, the final distribution date shall be the Payment Date in May 2037.

"Final Payment Date": The Payment Date on which the final payment on the Notes is made hereunder by reason of all principal, interest and other amounts due and payable on the Notes having been paid or the related Collateral having been exhausted.

"GAAP": Such accounting principles as are generally accepted in the United States.

"Grant": To mortgage, pledge, bargain, sell, warrant, alienate, demise, convey, assign, transfer, create and grant a security interest in and right of setoff against, deposit, set over and confirm. A Grant of Collateral shall include all rights, powers and options (but none of the obligations) of the granting party thereunder, including without limitation the immediate and continuing right to claim for, collect, receive and give receipt for principal and interest payments in respect of the Collateral and all other monies and proceeds payable thereunder, to give and receive notices and other communications, to make waivers or other agreements, to exercise all rights and options, to bring Proceedings in the name of the granting party

or otherwise, and generally to do and receive anything which the granting party is or may be entitled to do or receive thereunder or with respect thereto.

"Indenture": This instrument as originally executed or as it may be supplemented or amended from time to time by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof.

"Indenture Trustee": Deutsche Bank National Trust Company, a national banking association, in its capacity as indenture trustee under this Indenture, or its successor in interest, or any successor trustee appointed as provided in this Indenture.

"Independent": When used with respect to any specified Person, any such Person who (i) is in fact independent of the Indenture Trustee, the Issuer, the Administrators and the Depositor and any and all Affiliates thereof, (ii) does not have any direct financial interest in or any material indirect financial interest in any of the Indenture Trustee, the Issuer, the Administrators or the Depositor or any Affiliate thereof, and (iii) is not connected with the Indenture Trustee, the Issuer, the Administrators or the Depositor or any Affiliate thereof as an officer, employee, promoter, underwriter, trustee, partner, director or Person performing similar functions; provided, however, that a Person shall not fail to be Independent of the Indenture Trustee, the Issuer, the Administrators or the Depositor or any Affiliate thereof merely because such Person is the beneficial owner of 1% or less of any class of securities issued by the Indenture Trustee, the Issuer, the Administrators or the Depositor or any Affiliate thereof, as the case may be. The Indenture Trustee may rely, in the performance of any duty hereunder, upon the statement of any Person contained in any certificate or opinion that such Person is Independent according to this definition.

"Instrument": The meaning specified in Section 9-105(1)(i) of the UCC.

"Interest Determination Date": With respect to the Class A Notes and each Accrual Period, the second LIBOR Business Day preceding the commencement of such Accrual Period.

"Interested Person": As of any date of determination, the Issuer, the Administrators or, in each such case, any of their respective Affiliates.

"IRS": The Internal Revenue Service.

"Issuer": LVII 2010-R1, or its successor in interest.

"Issuer Accounts": The Note Account, the Certificate Distribution Account and the Reserve Account.

"Issuer Owner": Any Person that directly holds the Owner Trust Certificates issued under the Trust Agreement.

"Issuer Request" or "Issuer Order": A written request or order signed in the name of the Issuer by an Authorized Officer of the Owner Trustee or an Authorized Officer of an Administrator.

"Maturity": With respect to the Notes, the date as of which the principal of, and interest on, the Notes has become due and payable as herein provided, whether on the Final Maturity Date, by acceleration or otherwise.

"Mortgage Loan": Any of the mortgage loans in which an Underlying Certificate evidences a direct or indirect beneficial ownership interest.

"Note": Any of the Class A Notes.

"Note Account": The segregated trust account established in the name of the Indenture Trustee pursuant to Section 2.08 hereof.

"Note Balance": With respect to the Notes and any date of determination, the Note Balance thereof on the Closing Date reduced by the aggregate of all amounts actually paid in respect of principal on all prior Payment Dates. Notwithstanding the foregoing, the Note Balance of the Notes will be subject to increase in the event the certificate principal balance of the related Underlying Certificate is increased as a result of the receipt by the related Underlying Trust of any subsequent recoveries, as further described in the related Underlying Agreement.

"Note Owner": Any Person acquiring a beneficial ownership interest in a Book-Entry Note.

"Note Rate": With respect to each Payment Date and the Notes, 10.00% per annum.

"Note Register": As defined in Section 2.04(a) hereof.

"Note Registrar": As defined in Section 2.04(a) hereof.

"Note Representative": As defined in Section 6.01(c) hereof.

"Noteholder" or "Holder": With respect to the Notes, the Person in whose name such Note is registered on the Note Register maintained pursuant to Section 2.04 hereof.

"Notice of Default": As defined in Section 4.01 hereof.

"Officer's Certificate": A certificate signed by any Responsible Officer of the Indenture Trustee and, in any other case, a certificate signed by a person of similar authority and responsibility.

"Opinion of Counsel": A written opinion of counsel, who shall be selected by the Issuer (and reasonably acceptable to the Indenture Trustee).

"Outstanding": When used with respect to the Notes, means, as of the date of determination, any Note theretofore authenticated and delivered under this Indenture, except:

(i) Notes theretofore canceled by the Note Registrar or delivered to the Note Registrar for cancellation (other than any Note as to which any amount that has become due and payable in respect thereof has not been paid in full); and

(ii) Notes in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to this Indenture, other than any such Notes in respect of which there shall have been presented to the Note Registrar proof satisfactory to it that such Notes are held by a bona fide purchaser in whose hands such Notes are valid obligations of the Issuer.

"Owner Trust Certificates: Any of the Issuer's Resecuritization Trust Certificates, Series 2010-R1, issued under the Trust Agreement and evidencing a beneficial ownership interest in the Issuer.

"Owner Trustee": Christiana Bank & Trust Company, not in its individual capacity but solely as owner trustee under the Trust Agreement.

"Ownership Interest": As to any Security, any ownership or security interest in such Security as the Noteholder or Certificateholder, as applicable, thereof and any other interest therein, whether direct or indirect, legal or beneficial, as owner or as pledgee.

"Payment Date": Payments on the Securities shall be made on (i) with respect to the first payment date, December 1, 2010, (ii) for any Accrual Period after the first payment date during which the Notes are outstanding, the second Business Day immediately following the Underlying Distribution Date, and (iii) after the Note Balance on the Notes has been reduced to zero, the same day as the Underlying Distribution Date, beginning in December 2010.

"Payment Date Statement": As defined in Section 6.04(a) hereof.

"Permitted Investments": Any one or more of the following obligations or securities and which may include investments for which the Indenture Trustee or any of its affiliates serves as investment manager or advisor:

(i) direct obligations of, or obligations fully guaranteed as to timely payment of principal and interest by, the United States or any agency or instrumentality thereof, provided such obligations are backed by the full faith and credit of the United States;

(ii) demand and time deposits in, certificates of deposit of, banker's acceptances issued by or federal funds sold by any depository institution or trust company incorporated under the laws of the United States of America or any state thereof and subject to supervision and examination by federal and/or state authorities, so long as such depository institution or trust company has a short-term unsecured debt rating of "A-1+" from S&P, and provided that each such investment has an original maturity of no more than 365 days;

(iii) repurchase obligations with respect to any security described in clause (i) above entered into with a depository institution (acting as principal);

(iv) securities bearing interest or sold at a discount that are issued by any corporation incorporated under the laws of the United States of America or any state thereof and that are rated in the highest long-term unsecured rating categories at the time of such investment or contractual commitment providing for such investment;

(v) commercial paper (including both non-interest-bearing discount obligations and interest-bearing obligations payable on demand or on a specified date not more than 30 days after the date of acquisition thereof) that is rated in the highest short-term unsecured debt rating available at the time of such investment;

(vi) units of money market funds, including money market funds managed or advised by the Indenture Trustee or an Affiliate thereof, that have been rated in the highest short-term unsecured rating categories (if so rated); and

(vii) if previously confirmed in writing to the Indenture Trustee, any other demand, money market or time deposit, or any other obligation, security or investment, as may be acceptable to the Issuer;

provided, however, that no instrument described hereunder shall evidence either the right to receive (a) only interest with respect to the obligations underlying such instrument or (b) both principal and interest payments derived from obligations underlying such instrument and the interest and principal payments

with respect to such instrument provide a yield to maturity at par greater than 120% of the yield to maturity at par of the underlying obligations; provided, further, that any investment shall mature no later than the Business Day prior to the next Payment Date.

"Person": Any individual, corporation, partnership, limited liability company, joint venture, estate, trust, unincorporated association, or any federal, state, county or municipal government or any political subdivision thereof.

"Plan": An employee benefit plan as defined in Section 3(3) of ERISA or a plan or other arrangement subject to Section 4975 of the Code.

"Proceeding": Any suit in equity, action at law or other judicial or administrative proceeding.

"Proceeds": (i) Any property (including but not limited to Cash and securities) received as a distribution on any Collateral or any portion thereof, (ii) any property (including but not limited to Cash and securities) received in connection with the sale, liquidation, exchange or other disposition of any Collateral or any portion thereof and (iii) all proceeds (as such term is defined in the UCC) of any Collateral or any portion thereof.

"QIB": A "qualified institutional buyer" as defined in Rule 144A under the Securities Act.

"Record Date": With respect to any Payment Date and any Security, the business day immediately preceding the related Payment Date.

"Required Reserve Account Amount": For any Payment Date, an amount equal to the sum of (i) all anticipated Extraordinary Expenses for each remaining Payment Date, (ii) the Accrued Interest on the Notes for each remaining Payment Date, and (iii) the Schedule Principal Payment Amount for each remaining Payment Date.

"Reserve Account": The account established and maintained pursuant to Section 2.15 hereof.

"Reserve Account Withdrawal Amount": For any Payment Date, an amount equal to the excess of (i) the sum of the Accrued Interest on the Notes for such Payment Date, the Schedule Principal Payment Amount of the Notes for such Payment Date and any Extraordinary Expenses for such Payment Date over (y) all amounts received with respect to the Underlying Certificates with respect to such Payment Date.

"Resolution": A copy of a resolution certified by an Authorized Officer of the Owner Trustee to have been duly adopted by the Owner Trustee and to be in full force and effect on the date of such certification.

"Responsible Officer": With respect to the Indenture Trustee, the Certificate Paying Agent and the Certificate Registrar, any officer of the Indenture Trustee, the Certificate Paying Agent or the Certificate Registrar customarily performing functions with respect to corporate trust matters and having direct responsibility for the administration of this Indenture and the Trust Agreement and, with respect to a particular corporate trust matter under this Indenture or the Trust Agreement, any other officer to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject. With respect to the Owner Trustee, any officer of the Owner Trustee customarily performing functions with respect to corporate trust matters and having direct responsibility for the administration of the Trust Agreement and, with respect to a particular corporate trust matter under the Trust Agreement, any other

officer to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject.

"Rule 144A": Rule 144A under the Securities Act.

"Scheduled Interest Payment Amount": With respect to any Payment Date, as set forth in the chart below.

Payment Date	Note Balance	Scheduled Interest Payment Amount
December 1, 2010	$ 7,333,333.33	$ 11,111.11
December 2010	$ 6,666,666.66	$ 52,962.96
January 2011	$ 5,999,999.99	$ 55,555.56

February 2011	$	5,333,333.32	$	50,000.00
March 2011	$	4,666,666.65	$	44,444.44
April 2011	$	3,999,999.98	$	38,888.89
May 2011	$	3,333,333.31	$	33,333.33
June 2011	$	2,666,666.64	$	27,777.78
July 2011	$	1,999,999.97	$	22,222.22
August 2011	$	1,333,333.30	$	16,666.67
September 2011	$	666,666.63	$	11,111.11
October 2011	$	0.00	$	5,555.56

"Scheduled Principal Payment Amount": With respect to any Payment Date, as set forth in the chart below.

Payment Date		Note Balance		Scheduled Principal Payment Amount
December 1, 2010	$	7,333,333.33	$	666,666.67
December 2010	$	6,666,666.66	$	666,666.67
January 2011	$	5,999,999.99	$	666,666.67
February 2011	$	5,333,333.32	$	666,666.67
March 2011	$	4,666,666.65	$	666,666.67
April 2011	$	3,999,999.98	$	666,666.67
May 2011	$	3,333,333.31	$	666,666.67
June 2011	$	2,666,666.64	$	666,666.67
July 2011	$	1,999,999.97	$	666,666.67
August 2011	$	1,333,333.30	$	666,666.67
September 2011	$	666,666.63	$	666,666.67
October 2011	$	0.00	$	666,666.63

"Secured Obligations": Collectively, all of the indebtedness, liabilities and obligations owed from time to time by the Issuer to the Secured Party, whether for principal, interest, fees, costs, expenses or otherwise (including all amounts which would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code and the operation of Sections 502(b) and 506(b) thereof or any analogous provisions of any similar laws).

"Secured Party": Deutsche Bank National Trust Company, as indenture trustee on behalf of the Noteholders.

"Securityholder": With respect to any Security, the Person in whose name such Security is registered on the Note Register or the Certificate Register, as applicable.

"Securities": Together, the Notes and the Owner Trust Certificates.

"Securities Act": The Securities Act of 1933, as amended, and the rules, regulations and published interpretations of the Securities and Exchange Commission promulgated thereunder from time to time.

"Securities Intermediary": The meaning specified in Section 8-102(a)(14) of the UCC.

"Short Form Trust Agreement" The trust agreement, dated November 24, 2010, between the Depositor and the Owner Trustee, pursuant to which the Issuer was created.

"Successor Person": As defined in Section 9.08(a).

"Trust": The trust established pursuant to the Trust Agreement.

"Trust Agreement": The Short Form Trust Agreement, as amended and restated by the Amended and Restated Trust Agreement.

"Trust Estate": As defined in the Granting Clause.

"UCC": The Uniform Commercial Code.

"UCC Financing Statement": A financing statement executed and in form sufficient for filing pursuant to the Uniform Commercial Code, as in effect in the relevant jurisdiction.

"Underlying Agreement": Any of the Underlying Agreements set forth on Schedule A attached hereto, as the context may require.

"Underlying Distribution Date": With respect to any of the Underlying Certificates, the 25th day of each month, or if such 25th day is not a business day on the next business day thereafter.

"Underlying Certificate": Any of the Underlying Certificates set forth on Schedule A attached hereto, as the context may require.

"Underlying Certificate Reports": As defined in Section 6.01(a) hereof.

"Underlying Transaction": Any of the Underlying Transactions set forth on Schedule A attached hereto, as the context may require.

"Underlying Trust": The trust established pursuant to each of the Underlying Agreements.

"Underlying Trustee": The trustee of an Underlying Trust.

"Uniform Commercial Code" or "UCC": The Uniform Commercial Code as in effect in any applicable jurisdiction.

Section 1.02. Rules of Construction.

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(1) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;

(2) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles in the United States, and, except as otherwise herein expressly provided, the term "generally accepted accounting principles" with respect to any computation required or permitted hereunder means such accounting principles as are generally accepted in the United States;

(3) the word "including" shall be construed to be followed by the words "without limitation";

(4) article and section headings are for the convenience of the reader and shall not be considered in interpreting this Indenture or the intent of the parties hereto;

(5) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular article, section or other subdivision; and

(6) the pronouns used herein are used in the masculine and neuter genders but shall be construed as feminine, masculine or neuter, as the context requires.

ARTICLE II

THE NOTES

Section 2.01. Forms; Denominations.

The Notes shall be issued in registered form only in denominations corresponding to initial Note Balances as of the Closing Date of not less than $500,000 and in integral multiples of $1.00 in excess thereof; provided that in accordance with Section 2.13, beneficial ownership interests in Book-Entry Notes shall initially be held and transferred through the book-entry facilities of the Depository. The Notes will be substantially in the form attached hereto as Exhibit A; provided that any of the Notes may be issued with appropriate insertions, omissions, substitutions and variations, and may have imprinted or otherwise reproduced thereon such legend or legends, not inconsistent with the provisions of this Indenture, as may be required to comply with any law or with rules or regulations pursuant thereto, or with the rules of any securities market in which the Notes are admitted to trading, or to conform to general usage.

Section 2.02. Execution, Authentication, Delivery and Dating.

(a) The Notes shall be executed by manual or facsimile signature on behalf of the Issuer by any Authorized Officer of the Owner Trustee. Notes bearing the manual or facsimile signatures of individuals who were at any time the Authorized Officers of the Owner Trustee shall be entitled to all benefits under this Indenture, subject to the following sentence, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Notes or did not hold such offices at the date of such Notes. No Note shall be entitled to any benefit under this Indenture, or be valid for any purpose, however, unless there appears on such Note a certificate of authentication substantially in the form provided for herein executed by the Indenture Trustee by manual signature, and such certificate of authentication upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly authenticated and delivered hereunder. All Notes shall be dated the date of their authentication.

(b) The Indenture Trustee may appoint one or more agents (each an "Authenticating Agent") with power to act on its behalf and subject to its direction in the authentication of Notes in connection with transfers and exchanges under Sections 2.04 and 2.05, as fully to all intents and purposes as though each such Authenticating Agent had been expressly authorized by those Sections to authenticate the Notes. For all purposes of this Indenture, the authentication of Notes by an Authenticating Agent shall be deemed to be the authentication of Notes "by the Indenture Trustee".

Any corporation, bank, trust company or association into which any Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation, bank, trust company or association resulting from any merger, consolidation or conversion to which any Authenticating Agent shall be a party, or any corporation, bank, trust company or association succeeding to the corporate trust business of any Authenticating Agent, shall be the successor of such Authenticating Agent hereunder, without the execution or filing of any further act on the part of the parties hereto or such Authenticating Agent or such successor corporation, bank, trust company or association.

Any Authenticating Agent may at any time resign by giving written notice of resignation to the Indenture Trustee and the Issuer. The Indenture Trustee may at any time terminate the agency of any Authenticating Agent by giving written notice of termination to such Authenticating Agent and the Issuer. Upon receiving such notice of resignation or upon such a termination, the Indenture Trustee may, or at the

direction of the Issuer shall, promptly appoint a successor Authenticating Agent, give written notice of such appointment to the Issuer and give notice of such appointment to the Noteholders.

Each Authenticating Agent shall be entitled to all limitations on liability, rights of reimbursement and indemnities that the Indenture Trustee is entitled to hereunder as if it were the Indenture Trustee.

Section 2.03. The Notes Generally.

(a) The Aggregate Note Balance of the Class A Notes that may be authenticated and delivered under this Indenture (except for Notes authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Notes pursuant to Sections 2.04 and 2.05 below) is $8,000,000. The Final Maturity Date for the Notes is the Payment Date in October 2011.

(b) Each Note of the same Class shall rank *pari passu* with each other Note of the same Class and, subject to Section 2.09(e), be equally and ratably secured by the Trust Estate. All Notes of the same Class shall be substantially identical except as to denominations and as expressly permitted in this Indenture.

(c) This Indenture shall evidence a continuing lien on and security interest in the Trust Estate to secure the full payment of the principal, interest and other amounts on the Notes which shall in all respects be equally and ratably secured hereby without preference, priority or distinction on account of the actual time or times of the authentication and delivery of the Notes.

Section 2.04. Registration of Transfer and Exchange of Notes.

(a) At all times during the term of this Indenture, there shall be maintained at the office of a registrar (the "Note Registrar") appointed by the Issuer a register (the "Note Register") in which, subject to such reasonable regulations as the Note Registrar may prescribe, the Note Registrar shall provide for the registration of Notes and of transfers and exchanges of Notes as herein provided. The Indenture Trustee is hereby initially appointed (and hereby agrees to act in accordance with the terms hereof) as Note Registrar for the purpose of registering Notes and transfers and exchanges of Notes as herein provided. The Indenture Trustee may appoint, by a written instrument delivered to the Issuer, any other bank or trust company to act as Note Registrar under such conditions as the Indenture Trustee may prescribe, provided that the Indenture Trustee shall not be relieved of any of its duties or responsibilities hereunder as Note Registrar by reason of such appointment. If the Indenture Trustee resigns or is removed in accordance with the terms hereof, the successor indenture trustee shall immediately succeed to its predecessor's duties as Note Registrar. Deutsche Bank National Trust Company, in its capacity as Note Registrar, shall be afforded all of the rights, powers, immunities and indemnities of the Indenture Trustee set forth in this Indenture.

(b) No transfer, sale, pledge or other disposition of any Note or interest therein shall be made unless that transfer, sale, pledge or other disposition is exempt from the registration and/or qualification requirements of the Securities Act and any applicable state securities laws, or is otherwise made in accordance with the Securities Act and such state securities laws. If a transfer of any Note is to be made without registration under the Securities Act (other than in connection with the initial issuance thereof), then the Note Registrar shall refuse to register such transfer unless it receives (and upon receipt, may conclusively rely upon) a certificate from the Noteholder desiring to effect such transfer in the form attached as Exhibit C-1 hereto and a certificate from such Noteholder's prospective transferee in the form attached as Exhibit C-2 hereto (which in the case of the Book-Entry Notes, the Noteholder and the Noteholder's prospective transferee will be deemed to have represented such certification) to the effect

that, among other things, the transfer is being made to a transferee that is a QIB in accordance with Rule 144A. None of the Issuer, the Depositor, the Indenture Trustee, the Owner Trustee, the Administrators or the Note Registrar is obligated to register or qualify any Notes under the Securities Act or any other securities law or to take any action not otherwise required under this Indenture to permit the transfer of any Note or interest therein without registration or qualification. Any Noteholder desiring to effect a transfer of Notes or interests therein shall, and does hereby agree to, indemnify the Issuer, the Depositor, the Indenture Trustee, the Owner Trustee, the Administrators and the Note Registrar against any liability that may result if the transfer is not so exempt or is not made in accordance with such federal and state laws.

(c) No Note may be sold or transferred to a Person unless such Person certifies in the form of Exhibit C-2 to this Agreement (which in the case of Notes which are Book-Entry Notes, such Person will be deemed to have represented such certification), which certification the Indenture Trustee may rely upon without further inquiry or investigation, that such Person is not a Plan trustee or is acting on behalf of a Plan, or using assets of a Plan (within the meaning of 29 C.F.R. 2510.3 -101, as modified by Section 3(42) of ERISA) to effect such transfer.

(d) If a Person is acquiring any Note or interest therein as a fiduciary or agent for one or more accounts, such Person shall be required to deliver to the Note Registrar a certification (which in the case of the Book-Entry Notes, the prospective transferee will be deemed to have represented such certification) to the effect that it has (i) sole investment discretion with respect to each such account and (ii) full power to make the foregoing acknowledgments, representations, warranties, certifications and agreements with respect to each such account as set forth in this Section 2.04.

(e) Subject to the preceding provisions of this Section 2.04, upon surrender for registration of transfer of any Note at the offices of the Note Registrar maintained for such purpose, the Owner Trustee on behalf of the Issuer shall execute, and the Indenture Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Notes of the same Class and the same Note Balance.

(f) At the option of any Noteholder, its Notes may be exchanged for other Notes of authorized denominations of the same Class in a like Aggregate Note Balance, upon surrender of the Notes to be exchanged at the offices of the Note Registrar maintained for such purpose. Whenever any Notes are so surrendered for exchange, the Owner Trustee on behalf of the Issuer shall execute, and the Indenture Trustee shall authenticate and deliver, the Notes which the Noteholder making the exchange is entitled to receive.

(g) Every Note presented or surrendered for transfer or exchange shall (if so required by the Note Registrar) be duly endorsed by, or be accompanied by a written instrument of transfer in the form satisfactory to the Note Registrar duly executed by, the Holder thereof or his attorney duly authorized in writing.

(h) No service charge shall be imposed for any transfer or exchange of Notes, but the Indenture Trustee or the Note Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Notes.

(i) All Notes surrendered for transfer and exchange shall be physically canceled by the Note Registrar, and the Note Registrar shall dispose of such canceled Notes in accordance with its standard procedures.

(j) The Note Registrar or the Indenture Trustee shall provide to each of the Issuer, the Administrators, the Owner Trustee and the Depositor, upon reasonable written request, and at the expense of the requesting party, an updated copy of the Note Register. The Issuer, the Administrators, the Owner Trustee and the Depositor shall have the right to inspect the Note Register or to obtain a copy thereof at all reasonable times, and to rely conclusively upon a certificate of the Note Registrar as to the information set forth in the Note Register.

(k) The Indenture Trustee on behalf of the Depositor shall provide to any Holder of a Note (or Note Owner) and any prospective transferee designated by any such Holder (or Note Owner), information regarding the Notes and the Underlying Certificates and such other information as shall be necessary to satisfy the condition to eligibility set forth in Rule 144A(d)(4) for transfer of any such Note without registration thereof under the Securities Act pursuant to the registration exemption provided by Rule 144A to the extent such information is in the Indenture Trustee's possession. Each Holder of a Note (or Note Owner) desiring to effect such a transfer shall, and does hereby agree to, indemnify the Issuer, the Owner Trustee, the Indenture Trustee, the Note Registrar and the Depositor against any liability that may result if the transfer is not so exempt or is not made in accordance with federal and state securities laws and any other restrictions specified in this Section 2.04.

Section 2.05. Mutilated, Destroyed, Lost or Stolen Notes.

If any mutilated Note is surrendered to the Note Registrar, the Owner Trustee on behalf of the Issuer shall execute, and the Indenture Trustee shall authenticate and deliver, in exchange therefor, a new Note of the same Class and same Note Balance and bearing a number not contemporaneously outstanding.

If there shall be delivered to the Issuer, the Indenture Trustee and the Note Registrar (i) evidence to their satisfaction of the destruction (including mutilation tantamount to destruction), loss or theft of any Note and the ownership thereof and (ii) such security or indemnity as may be reasonably required by them to hold each of them, and any agent of any of them harmless, then, in the absence of notice to the Issuer or the Note Registrar that such Note has been acquired by a bona fide purchaser, the Owner Trustee on behalf of the Issuer shall execute, and the Indenture Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Note, a new Note of the same Class, tenor and denomination registered in the same manner, dated the date of its authentication and bearing a number not contemporaneously outstanding.

Upon the issuance of any new Note under this Section 2.05, the Owner Trustee, the Indenture Trustee and the Note Registrar may require the payment by the Noteholder of an amount sufficient to pay or discharge any tax or other governmental charge that may be imposed in relation thereto and any other reasonable expenses (including the reasonable fees and expenses of the Authenticating Agent and the Indenture Trustee) in connection therewith.

Every new Note issued pursuant to this Section 2.05 in lieu of any destroyed, mutilated, lost or stolen Note shall constitute an original additional contractual obligation of the Issuer, whether or not the destroyed, mutilated, lost or stolen Note shall be at any time enforceable by any Person, and, subject to the provisions of Section 2.09(e), such new Note shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Notes of the same Class duly issued hereunder.

The provisions of this Section 2.05 are exclusive and shall preclude (to the extent permitted by applicable law) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes.

Section 2.06. Noteholder Lists.

The Note Registrar shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Noteholders, which list, upon request, will be made available to the Issuer and the Indenture Trustee insofar as the Indenture Trustee is no longer the Note Registrar. Upon written request of any Noteholder or Note Owner made for purposes of communicating with other Noteholders or Note Owners with respect to their rights under this Indenture, the Note Registrar shall promptly furnish such Noteholder or Note Owner with a list of the other Noteholders of record identified in the Note Register at the time of the request. Every Noteholder, by receiving such access, agrees with the Note Registrar that the Note Registrar will not be held accountable in any way by reason of the disclosure of any information as to the names and addresses of any Noteholder regardless of the source from which such information was derived.

Section 2.07. Persons Deemed Owners.

The Owner Trustee, the Issuer, the Indenture Trustee, the Note Registrar and any agents of any of them, may treat the Person in whose name a Note is registered as the owner of such Note for the purpose of receiving payments of principal, interest and other amounts in respect of such Note and for all other purposes, whether or not such Note shall be overdue, and none of the Owner Trustee, the Issuer, the Indenture Trustee, the Note Registrar or any agents of any of them, shall be affected by notice to the contrary.

Section 2.08. Note Account.

(a) On or prior to the date hereof, the Indenture Trustee shall establish a segregated, non-interest bearing trust account (the "Note Account") at Deutsche Bank National Trust Company (or such other financial institution as necessary to ensure that the Note Account is at all times an Eligible Account) in its name, as Indenture Trustee, bearing a designation clearly indicating that such account and all funds deposited therein are held for the exclusive benefit of the Noteholders and the Issuer. The Indenture Trustee shall deposit or cause to be deposited in the Note Account, upon receipt, all distributions and other collections received on or in respect of the Underlying Certificates. Except as provided in this Indenture, the Indenture Trustee, in accordance with the terms of this Indenture, shall have exclusive control and sole right of withdrawal with respect to the Note Account. Funds in the Note Account shall not be commingled with any other monies. All monies deposited from time to time in the Note Account shall be held by and under the control of the Indenture

Trustee in the Note Account for the benefit of the Noteholders and the Issuer as herein provided. All of the funds on deposit in the Note Account shall remain uninvested.

(b) The Indenture Trustee is authorized to make withdrawals from the Note Account (the order set forth hereafter not constituting an order of priority, for such withdrawals) (i) to make payments on the Notes in accordance with the priorities set forth in Section 2.09(e), (ii) to remit to the Owner Trust Certificate Paying Agent for the purpose of making distributions on the Owner Trust Certificates in accordance with the priorities set forth in Section 2.09(e) hereof and the Trust Agreement, (iii) to pay or reimburse to the Indenture Trustee and Deutsche Bank National Trust Company, as Certificate Registrar, Certificate Paying Agent, the Securities Intermediary and an Administrators and the Owner Trustee, all Extraordinary Expenses and (iv) withdraw any amounts deposited in the Note Account in error each in accordance with the terms of this Indenture.

(c) Upon the satisfaction and discharge of this Indenture pursuant to Section 3.01, the Indenture Trustee shall pay to the Issuer all amounts, if any, held by it remaining as part of the Trust Estate.

Section 2.09. Payments on the Notes.

(a) Subject to Section 2.09(e), the Issuer agrees to pay:

(i) with respect to the Notes, on each Payment Date prior to the Final Maturity Date, but only to the extent of the Available Funds, interest on, and principal of, the Notes in the amounts and in accordance with the priorities set forth in Section 2.09(e); and

(ii) with respect to the Notes, on the Final Maturity Date, the entire Note Balance of the Notes, together with all accrued and unpaid interest thereon through the end of the related Accrual Period.

Amounts properly withheld under the Code by any Person from a payment to any Holder of a Note of interest, principal or other amounts, or any such payment set aside on the Final Payment Date for such Note as provided in Section 2.09(b), shall be considered as having been paid by the Issuer to such Noteholder for all purposes of this Indenture.

(b) With respect to each Payment Date, any interest, principal and other amounts payable on the Notes shall be paid to the Person that is the registered Holder thereof at the close of business on the related Record Date; provided, however, that interest, principal and other amounts payable on the Final Payment Date of any Note shall be payable only against surrender thereof at the Corporate Trust Office of the Indenture Trustee. Payments of interest, principal and other amounts on the Notes shall be made on the applicable Payment Date other than the Final Payment Date, subject to applicable laws and regulations, on or before the Payment Date to the Person entitled thereto by wire transfer to such account as such Noteholder shall designate by written instruction received by the Indenture Trustee not later than five Business Days prior to the Record Date related to the applicable Payment Date or, if no such instructions are received, then by check to the Person entitled thereto at such Person's address appearing on the Note Register. The Indenture Trustee shall pay each Note in whole or in part, to the extent funds are available therefor in the Note Account, as provided herein on its Final Payment Date in immediately available funds from funds in the Note Account as promptly as possible after presentation to the Indenture Trustee of such Note at its Corporate Trust Office.

Except as provided in the following sentence, if a Note is issued in exchange for any other Note during the period commencing at the close of business at the office or agency where such exchange occurs on any Record Date and ending before the opening of business at such office or agency on the related Payment Date, no interest, principal or other amounts will be payable on such Payment Date in respect of such new Note, but will be payable on such Payment Date only in respect of the prior Note. Interest, principal and other amounts payable on any Note issued in exchange for any other Note during the period commencing at the close of business at the office or agency where such exchange occurs on the Record Date immediately preceding the Final Payment Date for such Notes and ending on the Final Payment Date for such Notes, shall be payable to the Person that surrenders the new Note as provided in this Section 2.09(b).

All payments of interest, principal and other amounts made with respect to the Notes of each Class will be allocated *pro rata* among the Outstanding Notes of such Class based on the respective Note Balances thereof.

If any Note on which the final payment was due is not presented for payment on its Final Payment Date, then the Indenture Trustee shall set aside such payment in a non-interest bearing account separate from the Note Account but which constitutes an Eligible Account, and the Indenture Trustee and the Issuer shall act in accordance with Section 5.10 in respect of the unclaimed funds.

(c) During each Accrual Period from and after the Closing Date, the Notes will accrue interest at the Note Rate on their Note Balance outstanding immediately prior to the related Payment Date. Interest on the Notes for any Accrual Period shall be payable in accordance with Section 2.09(e) . Interest accrued during the related Accrual Period on the Note Balance at the Note Rate will be paid to Noteholders on each Payment Date, subject to Available Funds for such Payment Date. Amounts not paid on any Payment Date in respect of interest accrued on the Notes for the related Accrual Period will be carried forward and paid (with additional interest on the amount so carried forward through the Accrual Period prior to payment) on the next succeeding Payment Date on which the Available Funds for such Payment Date is sufficient to pay interest accrued on such Payment Date plus the amount of interest accrued thereon carried over from prior Payment Dates. Failure to pay all accrued and unpaid interest on any Payment Date in respect of the Notes through the end of the related Accrual Period shall constitute an Event of Default under this Indenture. In no event shall any Note earn interest after any applicable Payment Date on which principal is fully paid or set aside and available for payment in reduction of the Note Balance as provided in Section 2.09(b) hereof.

(d) Unless the Notes have been declared due and payable following an Event of Default and such declaration and its consequences have not been rescinded and annulled, principal payments due on the Notes on each Payment Date prior to the Final Maturity Date shall be made (to the extent there are sufficient Available Funds for such purpose in the Note Account) in accordance with Section 2.09(e). Failure to pay Scheduled Principal Payment Amount on any Payment Date in respect of the Notes through the end of the related Accrual Period shall constitute an Event of Default under this Indenture. Subject to Section 2.09(e), the Note Balance of the Notes shall be paid in full by its Final Maturity Date.

(e) On each Payment Date, the Indenture Trustee shall make the following disbursements and transfers from the Available Funds in the following order of priority:

(i) first, to any party under the Basic Documents, any Extraordinary Expenses due and payable to such party under this Indenture or any other Basic Document, to the extent not previously paid; provided however, until the Note Balance of the Notes has been reduced to zero, Extraordinary Expenses payable pursuant to this paragraph shall in no event exceed $150,000 in the aggregate;

(ii) second, to the holders of the Notes, the Accrued Interest for such Payment Date;

(iii) third, to the holders of the Notes, the Scheduled Principal Payment Amount for such Payment Date;

(iv) fourth, to the Reserve Account, all remaining amounts, until the amount on deposit therein is equal to the Required Reserve Account Amount; and

(v) fifth, any remaining amounts, to the Certificate Paying Agent for distribution to the holder of the Owner Trust Certificates.

Section 2.10. Final Payment Notice.

(a) Notice of final payment of the Notes under Section 2.09(b) shall be given by the Indenture Trustee by facsimile or by first-class mail, postage prepaid, transmitted or mailed no later than three (3) days prior to the Final Payment Date, to each Noteholder, as of the close of business on the Record Date preceding the Final Payment Date, at such Noteholder's address appearing in the Note Register and to the Administrators and the Issuer.

(b) All notices of final payment shall state (i) the Final Payment Date for the Notes, (ii) the amount of the final payment for the Notes and (iii) the place where the Notes are to be surrendered for payment, which shall be the Corporate Trust Office of the Indenture Trustee.

(c) Notice of final payment of the Notes shall be given by the Indenture Trustee in the name and at the expense of the Indenture Trustee. Failure to give notice of final payment, or any defect therein, to any Noteholder shall not impair or affect the validity of the final payment of any other Note.

Section 2.11. Compliance with Withholding Requirements.

Notwithstanding any other provision of this Indenture, the Indenture Trustee shall comply with all federal withholding requirements with respect to payments to Noteholders of interest, original issue discount, or other amounts that the Indenture Trustee reasonably believes are applicable under the Code. The consent of Noteholders shall not be required for any such withholding.

Section 2.12. Cancellation.

The Issuer may at any time deliver to the Note Registrar for cancellation any Notes previously authenticated and delivered hereunder which the Issuer may have acquired in any manner whatsoever, and all Notes so delivered shall be promptly canceled by the Note Registrar.

All Notes delivered to the Indenture Trustee for payment shall be forwarded to the Note Registrar. All such Notes and all Notes surrendered for transfer and exchange in accordance with the terms hereof shall be canceled and disposed of by the Note Registrar in accordance with its customary procedures.

Section 2.13. Book-Entry Notes.

(a) The Book-Entry Notes shall be issued as one or more Notes held by a custodian on behalf of the Depository (the "Book-Entry Custodian") or, if appointed to hold such Notes as provided below, the Depository and registered in the name of the Depository or its nominee and, except as provided in Section 2.13(c), transfer of the Notes may not be registered by the Note Registrar unless such transfer is to a successor Depository that agrees to hold such Notes for the respective Note Owners with Ownership Interests therein. Such Note Owners shall hold and transfer their respective Ownership Interests in and to such Notes through the book-entry facilities of the Depository and, except as provided in Section 2.13(c), shall not be entitled to physical, fully registered Notes (each a "Definitive Note") in respect of such Ownership Interests. All transfers by Note Owners of their respective Ownership Interests in the Book-Entry Notes shall be made in accordance with the procedures established by the Depository Participant or brokerage firm representing each such Note Owner. Each Depository Participant shall only transfer the Ownership Interests in the Book-Entry Notes of Note Owners it represents or of brokerage firms for which it acts as agent in accordance with the Depository's normal procedures. The Indenture Trustee is hereby initially appointed as the Book-Entry Custodian and hereby agrees to act as such in accordance herewith and in accordance with the agreement that it has with the Depository authorizing it to act as such. The Book-Entry Custodian may, and, if it is no longer qualified to act as such, the Book-Entry Custodian shall, appoint, by a written instrument delivered to the Issuer and, if the Indenture Trustee is not the Book-Entry Custodian, the Indenture Trustee, any other transfer agent (including the Depository or any successor Depository) to act as Book-Entry Custodian under such conditions as the predecessor Book-Entry Custodian and the Depository or any successor Depository may prescribe, provided that the predecessor Book-Entry Custodian shall not be relieved of any of its duties or responsibilities by reason of any such appointment of other than the Depository. If the Indenture Trustee resigns or is removed in accordance with the terms hereof, the successor trustee or, if it so elects, the Depository shall immediately

succeed to its predecessor's duties as Book-Entry Custodian. The Depositor, the Administrators and the Issuer shall have the right to inspect, and to obtain copies of, any Notes held as Book-Entry Notes by the Book-Entry Custodian.

(b) The Issuer, the Indenture Trustee and the Administrators and any of their respective agents may for all purposes, including the making of payments due on the Book-Entry Notes, deal with the Depository as the authorized representative of the Note Owners with respect to such Notes for the

purposes of exercising the rights of Note Owners hereunder. The rights of Note Owners with respect to the Book-Entry Notes shall be limited to those established by law and agreements between such Note Owners and the Depository Participants and brokerage firms representing such Note Owners. Multiple requests and directions from, and votes of, the Depository as Holder of the Book-Entry Notes with respect to any particular matter shall not be deemed inconsistent if they are made with respect to different Note Owners. The Indenture Trustee may establish a reasonable record date in connection with solicitations of consents from or voting by Note Owners and shall give notice to the Depository of such record date.

(c) If (i) the Issuer advises the Indenture Trustee and the Note Registrar in writing that the Depository is no longer willing or able to properly discharge its responsibilities with respect to the Book-Entry Notes, and the Issuer is unable to locate a qualified successor, or (ii) the Issuer at its option or after an Event of Default, Noteholders representing a majority of the Aggregate Note Balance advise the Book-Entry Custodian, the Administrators and the Note Registrar in writing that they elect to terminate the book-entry system through the Depository with respect to the Book-Entry Notes (or any portion thereof), the Note Registrar shall notify all affected Note Owners, through the Depository, of the occurrence of any such event and of the availability of Definitive Notes to such Note Owners requesting the same. Upon surrender to the Note Registrar of any Book-Entry Notes (or any portion thereof) by the Book-Entry Custodian or the Depository, as applicable, accompanied by registration instructions from the Depository for registration of transfer, the Issuer shall execute, and the Indenture Trustee shall authenticate and deliver, the Definitive Notes in respect of such Class (or portion thereof) to the Note Owners identified in such instructions. None of the Issuer, the Administrators, the Indenture Trustee, the Owner Trustee or any agent thereof shall be liable for any delay in delivery of such instructions and may conclusively rely on, and shall be protected in relying on, such instructions. Upon the issuance of Definitive Notes for purposes of evidencing ownership of any Book-Entry Notes, the registered holders of such Definitive Notes shall be recognized as Note Owners hereunder and, accordingly, shall be entitled directly to all benefits associated with such Definitive Notes and to transfer and exchange such Definitive Notes.

(d) If the Indenture Trustee is required for any reason to obtain a list of Note Owners from the Depository, the costs of obtaining that list shall be an expense of the Indenture Trustee, and such expense shall be reimbursable to the Indenture Trustee as an Extraordinary Expense.

Section 2.14. Limited Recourse; No Petition.

(a) Notwithstanding any other provision hereof, the obligations of the Issuer under this Indenture and the Notes are non-recourse obligations solely of the Issuer and will be payable only from the related Collateral and proceeds thereof. The Indenture Trustee shall agree, and the Noteholders will be deemed to have agreed, that they each have no rights or claims against the Issuer directly and may only look to the related Collateral and proceeds thereof to satisfy the Issuer's obligations hereunder and under the Notes. In the event that the related Collateral and proceeds thereof should be insufficient to satisfy all claims whose recourse is limited thereto, such claims shall thereupon be extinguished and no further assets of the Issuer will be available to meet such claims. Notwithstanding the provisions of this Section 2.14(a), the Issuer or another entity may, subject to Section 9.06, at any time advance funds to the Indenture Trustee for the purpose of allowing the Indenture Trustee to make required payments on the

Notes. If the Issuer or another entity makes such an advance, it shall be entitled to be reimbursed from the Note Account on any Payment Date the amount so advanced.

(b) Notwithstanding the provisions of Section 2.14(a) hereof, to the extent that the Noteholders are deemed to have any interest in any assets of the Issuer dedicated to other debt obligations of the Issuer, the Noteholders, by acceptance of their Notes, will be deemed to have agreed that their interest in such assets are subordinate to claims or rights of other debtholders of the Issuer with more senior interests in such assets, such agreement of the Noteholders constituting the "subordination agreement" for purposes of Section 510(a) of Title 11 of the United States Code.

(c) The Indenture Trustee shall agree, and the Noteholders, by acceptance of their Notes, will be deemed to have agreed, not to file or join in filing any petition in bankruptcy or commence any similar proceeding in any jurisdiction in respect of the Issuer for a period of one year and one day (or any longer preference period applicable) following the first date on which no Notes remain outstanding or, if any other notes have been issued by the Issuer, for a period of one year and one day (or any longer preference period applicable) following the first date on which no such notes remain outstanding.

(d) The provisions of this Section 2.14 shall survive termination of this Indenture.

Section 2.15. Reserve Account.

(a) No later than the Closing Date, the Indenture Trustee shall establish and maintain with itself a separate, segregated trust account titled, "Reserve Account, Deutsche Bank National Trust Company, as Indenture Trustee, in trust for the Indenture Trustee, the Owner Trustee and the Noteholders of LVII 2010-R1, Resecuritization Trust Securities, Series 2010-R1". Upon written instruction by the Depositor, amounts on deposit in the Reserve Account shall be invested and reinvested in Permitted Investments, for the benefit of the Reserve Account. If such amounts are invested in Permitted Investments, any and all investment earnings from any such Permitted Investments shall be for the benefit of the Trust, and the risk of loss of moneys on deposit in the Note Account resulting from such investments shall be borne by the Trust.

The Indenture Trustee or its affiliates are permitted to receive additional compensation that could be deemed to be in the Indenture Trustee's economic self-interest for (i) serving as investment adviser, administrator, shareholder servicing agent, custodian or sub-custodian with respect to certain of the Permitted Investments, (ii) using affiliates to effect transactions in certain Permitted Investments and (iii) effecting transactions in certain Permitted Investments. Such compensation shall not be an amount that is reimbursable or payable pursuant to the Indenture.

(b) On each Payment Date, amounts shall be deposited in the Reserve Account pursuant to Section 2.09 of this Indenture until the amounts on deposit in the Reserve Account shall equal the Required Reserve Account Amount. The Certificateholder may in its sole and absolute discretion, deposit cash from its own funds into the Reserve Account at any time.

(c) On any Payment Date, the Indenture Trustee shall withdraw the Reserve Account Withdrawal Amount from funds in the Reserve Account and deposit such amount into the Note Account to be included in Available Funds to make payments pursuant to Section 2.09 of this Indenture.

(d) In addition, if following payments on any Payment Date the amount in the Reserve Account is greater than the Required Reserve Account Amount, such excess shall be distributed to the holders of the Owner Trust Certificates. On any Payment Date on which the Note Balance of the Notes has been reduced to zero and the Indenture has been discharged pursuant to Article III, the Indenture

Trustee shall, to the extent available, withdraw any remaining amounts on deposit in the Reserve Account and shall release such amounts to the Certificate Paying Agent for distribution to the Certificateholder.

(e) At any time after the amount in the Reserve Account is equal to the Required Reserve Account Amount, the Indenture Trustee shall, at the direction of the Certificateholder, deliver or cause to be delivered to the Certificateholders, the physical certificates evidencing the then remaining Underlying Certificates that are held in fully registered, certificated form, endorsed to the Certificateholder or its designee.

ARTICLE III

SATISFACTION AND DISCHARGE

Section 3.01. Satisfaction and Discharge of Indenture.

(a) This Indenture shall cease to be of further effect except as to (i) any surviving rights herein expressly provided for, including any rights of transfer or exchange of Notes herein expressly provided for, (ii) in the case of clause (1)(B) below, the rights of the Noteholders hereunder to receive payment of the Note Balance of, and interest on, such Notes and any other rights of the Noteholders hereunder and (iii) the provisions of Section 3.02, when

(1) either (A) all Notes theretofore authenticated and delivered to Noteholders (other than (i) Notes which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.05, and (ii) Notes for which payment of money has theretofore been deposited in the Note Account by the Indenture Trustee and thereafter repaid to the Issuer or discharged from such trust, as provided in Section 5.10) have been delivered to the Note Registrar for cancellation; or (B) all such Notes not theretofore delivered to the Note Registrar for cancellation (i) have become due and payable, or (ii) will become due and payable, on the next Payment Date, and in the case of clause (B)(i) or (B)(ii) above, cash in an amount sufficient to pay and discharge the entire indebtedness on such Notes not theretofore delivered to the Note Registrar for cancellation or sufficient to pay the Note Balance thereof and any interest thereon accrued to the date of such deposit (in the case of Notes which have become due and payable) or to the end of the Accrual Period for the next Payment Date has been deposited with the Indenture Trustee as trust funds in trust for these purposes;

(2) the Issuer has paid or caused to be paid all other sums payable hereunder or any other Basic Document or reasonably expected to become payable hereunder by the Issuer to the Indenture Trustee, the Note Registrar, the Administrators and each of the Noteholders (in each case, if any); and

(3) IMH Assets Corp. as an Administrator on behalf of the Issuer has delivered to the Indenture Trustee an Opinion of Counsel stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

Notwithstanding the foregoing, the obligations of the Issuer to the Indenture Trustee under Section 5.04 hereof and the obligations of the Indenture Trustee to the Noteholders under Section 3.02 hereof shall survive satisfaction and discharge of this Indenture.

Upon (a) the delivery of all Notes theretofore authenticated and delivered from Noteholders to the Note Registrar for cancellation or (b) payment of all the Outstanding Notes in full, the Indenture Trustee shall (i) deliver or cause to be delivered to the Owner Trustee physical certificates evidencing the then remaining Underlying Certificates that are held in fully registered, certificated form, endorsed to the Issuer or its designee, (ii) deliver or cause to be delivered to the Issuer, any remaining amounts in the Note Account, (iii) deliver or cause to be delivered to the Issuer, any releases or termination statements prepared by the Issuer which the Issuer reasonably requests to evidence discharge of the lien hereof and (iv) deliver or cause to be delivered all other items reasonably requested by the Issuer, and take all other actions reasonably requested by the Issuer, in order to cause registration of transfer of the Underlying Certificates to be made (on the books and records of the registrar for such Underlying Certificates) to the Issuer or its designee.

Section 3.02. Application of Trust Money.

Subject to the provisions of Section 2.08(b), Section 2.09 and Section 5.10, all Cash deposited with the Indenture Trustee pursuant to Section 3.01 shall be held in the Note Account and applied by the Indenture Trustee, in accordance with the provisions of the Notes and this Indenture to pay the Persons entitled thereto, the interest, principal and other amounts payable on the Notes.

ARTICLE IV

EVENTS OF DEFAULT; REMEDIES

Section 4.01. Events of Default.

“Event of Default,” wherever used herein with respect to the Notes, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(i) the Accrued Interest or Scheduled Principal Payment Amount due on the Notes shall not have been paid on any Payment Date and such non-payment shall have continued for a period of three Business Days following such Payment Date;

(ii) any failure of the Issuer to pay all interest on and principal of any Note in full by its Final Maturity Date;

(iii) any default in the observance or performance of any covenant or agreement of the Issuer made in this Indenture (other than a covenant or agreement, a default in the observance or performance of which is specifically dealt with elsewhere in this Section), which default shall continue unremedied for a period of 30 days after there shall have been given, to the Issuer by the Indenture Trustee or to the Issuer and the Indenture Trustee by the Noteholders holding at least 25% of the Aggregate Note Balance of the Outstanding Notes, a written notice specifying such default and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder;

(iv) the entry by a court having jurisdiction over the Issuer of (A) a decree or order for relief in respect of the Issuer in an involuntary case or proceeding under any applicable federal or state delinquency, bankruptcy, insolvency, reorganization or other similar law or (B) a decree or order adjudging the Issuer as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of or for the Issuer under any applicable federal or state law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Issuer or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order for relief or any such other decree or order not stayed or dismissed and in effect for a period of more than ninety (90) consecutive days;

(v) the commencement by the Owner Trustee on behalf of the Issuer of a voluntary case or proceeding under any applicable federal or state delinquency, bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by the Issuer to the entry of a decree or order for relief in respect of the Issuer in an involuntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against the Issuer, or the filing by the Owner Trustee on behalf of the Issuer of a petition or answer or consent seeking reorganization or relief under any applicable federal or state law, or the consent by the Owner Trustee on behalf of the Issuer to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of or for the Issuer or of any substantial part of the Issuer's property, or the making by the Owner Trustee on behalf of the

Issuer of an assignment for the benefit of creditors, or the admission by the Owner Trustee on behalf of the Issuer in writing of the Issuer's inability to pay its debts generally as they become due, or the taking of corporate action by the Owner Trustee on behalf of the Issuer in furtherance of any such action;

(vi) the impairment of the validity or effectiveness of this Indenture or any Grant hereunder, or the subordination or, except as permitted hereunder, termination or discharge of the lien hereof, or the creation of any lien, charge, security interest, mortgage or other encumbrance with respect to any part of the Trust Estate or any interest in or proceeds of the Trust Estate, or the failure of the lien of this Indenture to constitute a valid first-priority security interest in the Trust Estate, provided, that if such impairment, subordination, creation of such lien, or failure of the lien on the Trust Estate to constitute such a security interest shall be susceptible of cure, no Event of Default shall arise until the continuation of any such default unremedied for a period of 30 days after receipt of notice thereof; or

(vii) a breach of the representations and warranties of the Issuer contained in Section 9.04 or Section 9.11 hereof.

Section 4.02. Acceleration of Maturity; Rescission and Annulment.

If an Event of Default should occur and be continuing, then and in every such case the Indenture Trustee shall declare all of the Notes to be immediately due and payable, by a notice in writing to the Issuer, and upon any such declaration the unpaid Note Balance of the Notes, together with accrued and unpaid interest thereon through the date of acceleration, shall become immediately due and payable unless such Event of Default has been waived at the written direction of the Noteholders representing 100% of the Aggregate Note Balance of the Notes.

At any time after such declaration of acceleration has been made and before a judgment or decree for payment of the money due in respect of the Notes has been obtained by the Indenture Trustee as hereinafter provided in this Article IV, the Noteholders representing more than 50% of the Aggregate Note Balance of all Notes, by written notice to the Issuer and the Indenture Trustee, may rescind and annul such declaration and its consequences.

No such rescission and annulment shall affect any subsequent default or impair any right consequent thereto.

Section 4.03. Collection of Indebtedness and Suits for Enforcement by Indenture Trustee.

(a) If the Issuer fails to pay all amounts due upon an acceleration of the Notes under Section 4.02 forthwith upon demand, the Indenture Trustee, in its capacity as Indenture Trustee and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Issuer or any other obligor upon such Notes and collect the monies adjudged or decreed to be payable in the manner provided by law out of the Trust Estate, wherever situated, or may institute and prosecute such non-judicial proceedings in lieu of judicial proceedings as are then permitted by applicable law.

(b) If an Event of Default occurs and is continuing, the Indenture Trustee may, in its discretion, proceed to protect and enforce its rights and the rights of the Holders of the Notes by such appropriate proceedings as the Indenture Trustee shall deem most effective to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid

of the exercise of any power granted herein or to enforce any other proper remedy or legal or equitable right vested in the Indenture Trustee by this Indenture or by law.

(c) In case (i) there shall be pending, relative to the Issuer or any Person having or claiming an ownership interest in the Trust Estate, proceedings under Title 11 of the United States Code or any other applicable Federal or state bankruptcy, insolvency or other similar law, (ii) a receiver, assignee or trustee in bankruptcy or reorganization, liquidator, sequestrator or similar official shall have been appointed for or shall have taken possession of the Issuer or its respective property or such Person or (iii) there shall be pending a comparable judicial proceeding brought by creditors of the Issuer or affecting the property of the Issuer, the Indenture Trustee, irrespective of whether the principal of or interest on any Notes shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Indenture Trustee shall have made any demand pursuant to the provisions of this Section, shall be entitled and empowered, by intervention in such proceedings or otherwise:

(i) to file and prove a claim or claims for the whole amount of principal and interest owing and unpaid in respect of the Notes and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Indenture Trustee (including any claim for reasonable compensation to the Indenture Trustee and each predecessor Indenture Trustee, and their respective agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, and all advances made, by the Indenture Trustee and each predecessor Indenture Trustee, except as a result of willful misconduct, negligence or bad faith) and of the Noteholders allowed in such proceedings;

(ii) unless prohibited by applicable law and regulations, to vote on behalf of the Noteholders in any election of a trustee, a standby trustee or Person performing similar functions in any such proceedings;

(iii) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute all amounts received with respect to the claims of the Noteholders and of the Indenture Trustee on their and its behalf; and

(iv) to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Indenture Trustee or the Noteholders allowed in any judicial proceedings relative to the Issuer, its creditors and its property;

and any trustee, receiver, liquidator, custodian or other similar official in any such proceeding is hereby authorized by each of such Noteholders to make payments to the Indenture Trustee, and, in the event that the Indenture Trustee shall consent to the making of payments directly to such Noteholders, to pay to the Indenture Trustee such amounts as shall be sufficient to cover reasonable compensation to the Indenture Trustee, each predecessor Indenture Trustee and their respective agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Indenture Trustee and each predecessor Indenture Trustee except as a result of willful misconduct, negligence or bad faith of the Indenture Trustee or predecessor Indenture Trustee.

(d) Nothing herein contained shall be deemed to authorize the Indenture Trustee to authorize or consent to or vote for or accept or adopt on behalf of any Noteholder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Noteholder or to authorize the Indenture Trustee to vote in respect of the claim of any Noteholder in any such proceeding except, as aforesaid, to vote for the election of a trustee in bankruptcy or similar Person.

(e) In any proceedings brought by the Indenture Trustee (and also any proceedings involving the interpretation of any provision of this Indenture to which the Indenture Trustee shall be a party), the Indenture Trustee shall be held to represent all the Noteholders, and it shall not be necessary to make any Noteholder a party to any such proceedings.

(f) In the event that the Indenture Trustee, following an Event of Default hereunder institutes proceedings to foreclose on the Trust Estate, the Indenture Trustee shall promptly give a notice to that effect to each of the Issuer, the Administrators, the Noteholders and the Depositor.

(g) All rights of action and claims under this Indenture or the Notes may be prosecuted and enforced by the Indenture Trustee without the possession of any of the Notes or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Indenture Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Indenture Trustee, its agents and counsel, be for the ratable benefit of the Noteholders in respect of which such judgment has been recovered, subject to the payment priorities of Section 2.09.

Section 4.04. Remedies.

If an Event of Default has occurred and is continuing, and the Notes have been declared due and payable pursuant to Section 4.02 hereof and such declaration and its consequences have not been rescinded and annulled, the Indenture Trustee may do one or more of the following:

(a) institute Proceedings for the collection of all amounts then payable on or under this Indenture with respect to the Notes, whether by declaration of acceleration or otherwise, enforce any judgment obtained, and collect from the Trust Estate monies adjudged due;

(b) sell or cause to be sold the Trust Estate or any portion thereof or rights or interest therein, at one or more public or private sales called and conducted in any manner permitted by law and in accordance with Section 4.15 hereof; provided, however, that the Indenture Trustee shall give the Issuer written notice of any private sale called by or on behalf of the Indenture Trustee pursuant to this Section 4.04(b), at least 10 days prior to the date fixed for such private sale;

(c) institute Proceedings from time to time for the complete or partial foreclosure with respect to the Trust Estate; and

(d) exercise any remedies of a secured party under the Uniform Commercial Code and take any other appropriate action to protect and enforce the rights and remedies of the Indenture Trustee or the Holders of the Notes hereunder;

provided, however, that the Indenture Trustee shall not, unless required by law, sell or otherwise liquidate the Trust Estate following any Event of Default unless (and shall do so if) Holders of Notes representing more than 50% of the Aggregate Note Balance of the Notes so direct.

Section 4.05. Application of Money Collected.

Any money collected by the Indenture Trustee pursuant to this Article shall be deposited in the Note Account and, on each Payment Date, such amount shall be applied in accordance with Section 2.09(e) hereof and, in case of the distribution of such money on account of the principal of or interest on the Notes, upon presentation and surrender of the Notes if fully paid.

Section 4.06. Limitation on Suits.

Except as provided in Section 4.07, no Noteholder shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(1) such Noteholder has previously given written notice to the Indenture Trustee of a continuing Event of Default;

(2) the Noteholders holding more than 50% in Aggregate Note Balance of the Notes shall have made written request to the Indenture Trustee to institute proceedings in respect of such Event of Default in its own name as Indenture Trustee hereunder;

(3) such Noteholders have offered to the Indenture Trustee adequate indemnity or security satisfactory to the Indenture Trustee against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Indenture Trustee for 30 days after its receipt of such notice, request and offer of indemnity or security has failed to institute any such proceeding;

(5) no direction inconsistent with such written request has been given to the Indenture Trustee during such 30-day period by the Noteholders holding more than 50% in Aggregate Note Balance of the Notes; and

(6) an Event of Default shall have occurred and be continuing;

it being understood and intended that no one or more of the Noteholders shall have any right in any manner whatever by virtue of, or by availing itself or themselves of, any provision of this Indenture to affect, disturb or prejudice the rights of any other of such Noteholders of Notes of the same Class, or to obtain or to seek to obtain priority or preference over any other of such Noteholders of Notes of the same Class or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all of such Noteholders of Notes of the same Class. Subject to the foregoing restrictions, the Noteholders may exercise their rights under this Section 4.06 independently.

Section 4.07. Unconditional Right of the Noteholders to Receive Principal and Interest.

Notwithstanding any other provision in this Indenture, the Holder of any Note at Maturity shall have the right, which is absolute and unconditional, to receive payments of interest, principal and other amounts then due on such Note (subject to Section 2.09) and to institute suit for the enforcement of any such payment (subject to Section 4.06), and such rights shall not be impaired without the consent of such Noteholder, unless a non-payment has been cured pursuant to the next to last paragraph of Section 4.02. The Issuer shall, however, be subject to only one consolidated lawsuit by the Noteholders, or by the Indenture Trustee on behalf of the Noteholders, for any one cause of action arising under this Indenture or otherwise.

Section 4.08. Restoration of Rights and Remedies.

If the Indenture Trustee or any Noteholder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued, waived, rescinded or abandoned for any reason, or has been determined adversely to the Indenture Trustee or to such Noteholder, then and in every such case, subject to any determination in such proceeding, the Issuer, the Indenture Trustee and

the Noteholders shall be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Indenture Trustee and the Noteholders shall continue as though no such proceeding had been instituted.

Section 4.09. Rights and Remedies Cumulative.

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes in Section 2.05, no right or remedy herein conferred upon or reserved to the Indenture Trustee or to the Noteholders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 4.10. Delay or Omission Not Waiver.

No delay or omission of the Indenture Trustee, or any Noteholder to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Indenture or by law to the Indenture Trustee or to the Noteholders may be exercised from time to time, and as often as may be deemed expedient, to the extent permitted by applicable law, by the Indenture Trustee or the Noteholders, as the case may be.

Section 4.11. Control by the Noteholders.

The Noteholders holding more than 50% in Aggregate Note Balance of the Notes shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee, or exercising any trust or power conferred on the Indenture Trustee, provided,

that such direction shall not be in conflict with any rule of law or with this Indenture or involve the Indenture Trustee in personal liability and provided, further, that the Indenture Trustee may take any other action deemed proper by the Indenture Trustee which is not inconsistent with such direction.

Section 4.12. Waiver of Past Defaults.

Prior to the acceleration of the maturity of the Notes, the Noteholders of greater than 50% in Aggregate Note Balance of the Notes may on behalf of the Noteholders of all the Notes waive any past default hereunder and its consequences, except a default:

(1) in the payment of principal of or interest on any Note, which waiver shall require the waiver by Noteholders holding 100% in Aggregate Note Balance of the Notes; or

(2) in respect of a covenant or provision hereof which under Article VIII cannot be modified or amended without the consent of the Holder of each Note, which waiver shall require the waiver by each Holder of a Note; or

(3) depriving the Indenture Trustee or any Noteholder of a lien or the benefit of a lien, as the case may be, upon any part of the Trust Estate, which waiver shall require the consent of the Indenture Trustee or such Noteholder, as the case may be; or

(4) depriving the Indenture Trustee of any fee, reimbursement for any expense incurred, or any indemnification to which the Indenture Trustee is entitled.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture, but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 4.13. Undertaking for Costs.

All parties to this Indenture agree, and each Noteholder by its acceptance of a Note or any interest therein, shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Indenture Trustee for any action taken, suffered or omitted by it as Indenture Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Issuer, or to any suit instituted by the Indenture Trustee, or to any suit instituted by any Noteholder, or group of Noteholders, holding in the aggregate at least 25% in Aggregate Note Balance of Outstanding Notes or to any suit instituted by any Noteholder for the enforcement of the payment of the principal of or interest on any Note on or after the Maturity of such Note.

Section 4.14. Waiver of Stay or Extension Laws.

The Issuer covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim to take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture, and the Issuer (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of such law and covenants that they will not hinder, delay or impede the exercise of any power herein granted to the Indenture Trustee, but will suffer and permits the exercise of every such power as though no such law had been enacted.

Section 4.15. Sale of the Trust Estate.

(a) Any sale or other liquidation of the Trust Estate shall be carried out only in accordance with the direction of Holders of Notes representing more than 50% of the Aggregate Note Balance of the Notes. The power to effect any public or private sale of any portion of the Trust Estate pursuant to Section 4.04 hereof shall not be exhausted by any one or more sales as to any portion of the Trust Estate remaining unsold, but shall continue unimpaired until either the entire Trust Estate shall have been sold or all amounts payable on the Notes and under this Indenture with respect thereto shall have been paid. The Issuer shall reimburse the Indenture Trustee for all costs and expenses incurred in connection with the sale of the Trust Estate in a commercially reasonable manner, including the fees of any broker or financial advisor engaged to assist in such sale. The Indenture Trustee may from time to time postpone any sale by public announcement made at the time and place of such sale. The Indenture Trustee hereby expressly waives its right to any amount fixed by law as compensation for any such sale but such waiver does not apply to any amounts to which the Indenture Trustee is otherwise entitled under Section 5.04 of this Indenture.

(b) The Indenture Trustee shall execute and deliver an appropriate instrument of conveyance (without recourse against the Indenture Trustee) transferring its interest in any portion of the Trust Estate in connection with a sale thereof pursuant to Section 4.04. In addition, the Indenture Trustee is hereby irrevocably appointed an agent and attorney-in-fact of the Issuer to transfer and convey the Issuer's interest in any portion of the Trust Estate in connection with a sale thereof pursuant to Section 4.04, and to take all action necessary to effect such sale. No purchaser or transferee at such a sale shall have any

obligation to ascertain the Indenture Trustee's authority, inquire into the satisfaction of any conditions precedent or see to the application of any monies.

(c) Any sale or other transfer of an Underlying Certificate shall be made in compliance with all applicable laws and the terms of the related Underlying Agreement.

Section 4.16. Action on Notes.

The Indenture Trustee's right to seek and recover judgment on the Notes under this Indenture shall not be affected by the seeking, obtaining or application of any other relief under or with respect to this Indenture. Neither the lien of this Indenture nor any rights or remedies of the Indenture Trustee or the Noteholders shall be impaired by the recovery of any judgment by the Indenture Trustee against the Issuer or by the levy of any execution under such judgment upon any portion of the Trust Estate.

ARTICLE V

THE INDENTURE TRUSTEE

Section 5.01. Certain Duties and Responsibilities.

The Issuer hereby irrevocably constitutes and appoints the Indenture Trustee and any Responsible Officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in place and stead of the Issuer, and in the name of the Issuer or in its own name or in the name of a nominee, from time to time in the Indenture Trustee's discretion, for the purpose of enforcing the rights, powers and remedies of the Issuer under the Trust Agreement and taking any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Indenture, all as set forth in this Section.

(a) The rights, duties and liabilities of the Indenture Trustee in respect of this Indenture and the Trust Agreement shall be as follows:

(i) The Indenture Trustee shall have the full power and authority to do all things not inconsistent with the provisions of this Indenture that it may deem advisable in order to enforce the provisions hereof or to take any action with respect to a default or an Event of Default hereunder, or to institute, appear in or defend any suit or other proceeding with respect hereto, or to protect the interests of the Noteholders. The Indenture Trustee shall not be answerable or accountable except for its own bad faith, willful misconduct or negligence. The Issuer shall prepare and file or cause to be filed, at the Issuer's expense, a UCC Financing Statement, describing the Issuer as debtor, the Indenture Trustee as secured party and the Trust Estate as the collateral, in all appropriate locations in the State of Delaware promptly following the initial issuance of the Notes, and the Issuer shall prepare and file at each such office, and the Indenture Trustee shall execute (to the extent provided to the Indenture Trustee by the Issuer), continuation statements with respect thereto, in each case within six months prior to each fifth anniversary of the original filing. The Issuer is hereby authorized and obligated to make, at the expense of the Issuer, all required filings and re-filings of which the Issuer becomes aware, necessary to preserve the liens created by this Indenture to the extent not done by the Issuer as provided herein. The Indenture Trustee shall not be required to take any action to exercise or enforce the trusts hereby created which, in the opinion of the Indenture Trustee, shall be likely to involve expense or liability to the Indenture Trustee, unless the Indenture Trustee shall have received an agreement satisfactory to it in its sole discretion to indemnify it against such liability and expense. Except as otherwise expressly provided herein, the Indenture Trustee shall not be required to ascertain or inquire as to the performance or observance of any of the covenants or agreements contained herein or the Trust Agreement or in any other instruments to be performed or observed by the Issuer or any party to the Trust Agreement.

(ii) Subject to the other provisions of this Article V, the Indenture Trustee, upon receipt of all resolutions, certificates, statements, opinions, reports, documents, orders, or other instruments furnished to the Indenture Trustee that are specifically required to be furnished pursuant to any provisions of this Indenture, shall examine them to determine whether they are on their face in the form required by this Indenture. If any such instrument is found on its face not to conform to the requirements of this Indenture in a material manner, the Indenture Trustee shall take such action as it deems appropriate to have the instrument corrected, and if the instrument is not corrected to the Indenture Trustee's reasonable satisfaction, the Indenture Trustee will provide notice thereof to the Noteholders. The Indenture Trustee shall not incur any liability in

acting upon any signature, notice, request, consent, certificate, opinion, or other instrument reasonably believed by it to be genuine. In administering the trusts hereunder, the Indenture Trustee may execute any of the trusts or powers hereunder directly or through its agents or attorneys. The Indenture Trustee shall not be liable for the acts or omissions of its agents or attorneys so long as the Indenture Trustee chose such Persons with due care. The Indenture Trustee may, at the Issuer's expense, payable out of the Trust Estate pursuant to Section 5.04, consult with counsel, accountants and other skilled Persons to be selected and employed by it, and the Indenture Trustee shall not be liable for anything done, suffered or omitted in good faith by it in accordance with the advice of any such Person nor for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Indenture Trustee was negligent in ascertaining the pertinent facts.

(iii) Except as expressly set forth herein, the Indenture Trustee shall not have any duty to make, arrange or ensure the completion of any recording, filing or registration of any instrument of further assurance, or any amendments or supplements to any of said instruments, and the Indenture Trustee shall not have any duty to make, arrange or ensure the completion of the payment of any fees, charges or taxes in connection therewith.

(iv) Whenever in performing its duties hereunder, the Indenture Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Indenture Trustee may, in the absence of bad faith on the part of the Indenture Trustee, conclusively rely upon (unless other evidence in respect thereof be specifically prescribed herein) an Officer's Certificate of the Issuer, and such Officer's Certificate shall be full warrant to the Indenture Trustee for any action taken, suffered or omitted by it on the faith thereof.

(v) The Indenture Trustee shall not have any obligations to see to the payment or discharge of any liens (other than the liens hereof) upon the Trust Estate, or to see to the application of any payment of the principal of or interest on any Note secured thereby or to the delivery or transfer to any Person of any property released from any such lien, or to give notice to or make demand upon any mortgagor, mortgagee, trustor, beneficiary or other Person for the delivery or transfer of any such property. The Indenture Trustee nevertheless agrees that it will, at its own cost and expense, promptly take all action as may be necessary to discharge any liens or encumbrances on the Trust Estate arising by, through or under the Indenture Trustee when acting in its individual capacity.

(vi) The Indenture Trustee shall not be concerned with or accountable to any Person for the use or application of any deposited monies or of any property or securities or the proceeds thereof that shall be released or withdrawn in accordance with the provisions hereof or of any

property or securities or the proceeds thereof that shall be released from the lien hereof or thereof in accordance with the provisions hereof or thereof, and the Indenture Trustee shall not have any liability for the acts of other parties that are not in accordance with the provisions hereof.

(b) The rights, duties and liabilities of the Indenture Trustee in respect of the Trust Estate and this Indenture, in addition to those set forth in Section 5.01(a), shall be as follows:

(i) except during the continuance of an Event of Default with respect to the Notes, the Indenture Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Indenture Trustee; and

(ii) the Indenture Trustee may request and may, in the absence of bad faith on its part, conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, and shall be fully protected in acting or refraining to act upon requests, instruments, statements, resolutions, reports, notices, consents, orders, approvals certificates or opinions furnished to the Indenture Trustee and conforming to the requirements of this Indenture; but in the case of any such documents which by any provision hereof are specifically required to be furnished to the Indenture Trustee, the Indenture Trustee shall be under a duty to examine the same to determine whether or not they conform on their face to the requirements of this Indenture.

(c) Subject to Section 4.12 hereof, in case an Event of Default of which a Responsible Officer of the Indenture Trustee has actual knowledge with respect to the Notes has occurred and is continuing, the Indenture Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(d) No provision of this Indenture shall be construed to relieve the Indenture Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) this subsection shall not be construed to limit the effect of subsections (a), (b) or (c) of this Section;

(ii) the Indenture Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Indenture Trustee was negligent in ascertaining the pertinent facts;

(iii) the Indenture Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the directions of the Noteholders of more than 50% (unless a lower or higher percentage of Noteholders is expressly permitted or required to authorize such action hereunder, in which case such lower or higher percentage) in Aggregate Note Balance of Outstanding Notes, relating to the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee, or exercising any trust or power conferred upon the Indenture Trustee, under this Indenture with respect to the Notes; and

(iv) the Indenture Trustee shall not be charged with knowledge of a default in the observance of any covenant contained in Section 9.06 unless either (i) a Responsible Officer of the Indenture Trustee assigned to its Corporate Trust Office shall have actual knowledge of such default or (ii) written notice of such default shall have been given by the Issuer or any Noteholder to and received by the Indenture Trustee at its Corporate Trust Office.

(v) The Indenture Trustee does not guarantee the performance of any Eligible Account or Permitted Investment and shall not be liable for the selection of investments or for investment losses incurred thereon and shall have no obligation to invest any funds held in any accounts under this Indenture in the absence of timely written direction..

(vi) In order to comply with laws, rules, regulations and executive orders in effect from time to time applicable to banking institutions, including those relating to the funding of terrorist activities and money laundering (“Applicable Law”), the Indenture Trustee is required to

obtain, verify and record certain information relating to individuals and entities which maintain a business relationship with Indenture Trustee. Accordingly, each of the parties agrees to provide to Indenture Trustee upon its request from time to time such identifying information and documentation as may be available for such party in order to enable Indenture Trustee to comply with Applicable Law.

Section 5.02. Notice of Defaults.

The Indenture Trustee, promptly but no later than five (5) Business Days after a Responsible Officer of the Indenture Trustee acquires actual knowledge or written notice of the occurrence of any default under this Indenture, shall notify the Issuer, the Noteholders and the Administrators of any such default, unless all such defaults known to the Indenture Trustee shall have been cured before the giving of such notice or unless the same is rescinded and annulled, or waived by the Noteholders pursuant to Section 4.02 or Section 4.12; provided that, except in the case of a default in the payment of the principal of or interest on any of the Notes, the Indenture Trustee shall be protected in withholding such notice from the Noteholders for a period of no longer than 30 days if and so long as the board of directors, the executive committee or a trust committee composed of directors and/or Responsible Officers of the Indenture Trustee reasonably and in good faith determines that the withholding of such notice is in the best interest of the Noteholders. For the purpose of this subsection (a), the term “default” means any event which is, or after notice or lapse of time or both would become, an Event of Default with respect to the Notes.

The Indenture Trustee will not be charged with knowledge of a default or an Event of Default unless either (i) a Responsible Officer of the Indenture Trustee assigned respect to its Corporate Trust Office shall have actual knowledge of such default or Event of Default or (ii) written notice of such default shall have been received by the Indenture Trustee in the manner set for in this Section 5.02(a).

Section 5.03. Certain Rights of Indenture Trustee.

Subject to the provisions of Section 5.01, in connection with this Indenture:

(a) the Indenture Trustee may request and rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Issuer mentioned herein shall be sufficiently evidenced by an Issuer Request or Issuer Order;

(c) whenever in the administration of this Indenture the Indenture Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Indenture Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officer's Certificate;

(d) the Indenture Trustee may consult with counsel and the advice of such counsel or any Opinion of Counsel rendered thereby shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Indenture Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Noteholders pursuant to this Indenture, unless such Noteholders shall have offered to the Indenture Trustee security or indemnity

satisfactory to it against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction;

(f) the Indenture Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, coupon, other evidence of indebtedness or other paper or document, but the Indenture Trustee in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Indenture Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Issuer, personally or by agent or attorney;

(g) the Indenture Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys of the Indenture Trustee. The Indenture Trustee shall not be liable for the acts or omissions of its agents or attorneys so long as the Indenture Trustee chose such Persons with due care;

(h) the Indenture Trustee shall not be required to provide any surety or bond of any kind in respect of the Trust or in connection with the execution or performance of its duties hereunder;

(i) the Indenture Trustee shall not make any representations as to the validity or sufficiency of this Indenture; and

(j) the Indenture Trustee shall not at any time have any responsibility or liability other than as may be expressly set forth in this Indenture for or with respect to the legality, validity or enforceability of the Underlying Certificates or for any acts or omissions of the Depositor.

Section 5.04. Compensation and Reimbursement.

(a) In consideration for its services hereunder, the Indenture Trustee shall be paid pursuant to a separate fee schedule between the Indenture Trustee and the Depositor. The assets of the Trust Estate shall not be used to satisfy the compensation payable to the Indenture Trustee.

(b) Subject to Section 5.04(c), the Issuer hereby agrees:

to reimburse, indemnify, defend and hold harmless the Indenture Trustee (in each of its various capacities) and any director, officer, employee, representative, agent or Affiliate of the Indenture Trustee (in each of its various capacities) for any and all losses, liabilities, damages, penalties, taxes, actions, suits, judgments and reasonable costs and expenses (including attorney's fees and expenses) of whatever kind or nature regardless of their merit, demanded, asserted or claimed against the Indenture Trustee directly or indirectly relating to or incurred in connection with, or arising from, any act or omission on the part of the Indenture Trustee with respect to this Indenture, the Underlying Certificates or the Notes, or any document or transaction contemplated herewith or therewith (other than any loss, liability or expense incurred by reason of the Indenture Trustee's willful misfeasance, bad faith or negligence) in the performance of its duties. The provisions of this Section 5.04(b) shall survive the termination of this Indenture or the earlier of the resignation or removal of the Indenture Trustee.

With respect to any third party claim:

(i) the Indenture Trustee shall give the Issuer and the Noteholders written notice thereof promptly after the Indenture Trustee shall have actual knowledge thereof;

(ii) while maintaining control over its own defense, the Indenture Trustee shall cooperate and consult fully with the Issuer in preparing such defense; and

(iii) notwithstanding the foregoing provisions of this Section 5.04(b), the Indenture Trustee shall not be entitled to reimbursement out of the Note Account for settlement of any such claim by the Indenture Trustee entered into without the prior consent of the Issuer, which consent shall not be unreasonably withheld or delayed.

The Indenture Trustee agrees to fully perform its duties under this Indenture notwithstanding any failure on the part of the Issuer to make any payments, reimbursements or indemnifications to the Indenture Trustee or Deutsche Bank National Trust Company pursuant to this Section 5.04(b); provided, however, that (subject to Sections 5.04(c) and 5.04(d)) nothing in this Section 5.04 shall be construed to limit the exercise by the Indenture Trustee of any right or remedy permitted under this Indenture in the event of the Issuer's failure to pay any sums due the Indenture Trustee pursuant to this Section 5.04.

(c) The obligations of the Issuer set forth in Section 5.04(b) are non-recourse obligations solely of the Issuer and will be payable only from the Trust Estates with respect to the Notes. The Indenture Trustee hereby agrees that it has no rights or claims against the Issuer directly and shall only look to the Trust Estate to satisfy the Issuer's obligations under Section 5.04(b). The Indenture Trustee also hereby agrees not to file or join in filing any petition in bankruptcy or commence any similar proceeding in respect of the Issuer; provided, however, the Indenture Trustee shall not be prohibited from filing proofs of claim in any such bankruptcy or similar proceeding.

(d) Extraordinary Expenses shall be paid pursuant to Section 2.09(e) of the Indenture. On any Payment Date on which Available Funds are not sufficient to pay both Deutsche Bank National Trust Company (in each of its various capacities) and Christiana Bank & Trust Company (in its capacity as Owner Trustee) for their Extraordinary Expenses (subject to the limitations above), such Extraordinary Expenses shall be paid on a pro rata basis. None of the Indenture Trustee, the Owner Trustee or the Administrators will have any obligation or liability to incur additional expenses in excess of such capped amount unless it receives additional security or indemnity reasonably satisfactory to it for such expenses. The Holders shall hold the Indenture Trustee, the Owner Trustee and the Administrators harmless from any consequences resulting from any failure to incur any such expenses in excess of such cap.

(e) Upon the occurrence of an Event of Default resulting in an acceleration of maturity of the Notes, the Indenture Trustee shall have, as security for the performance of the Issuer under this Section 5.04, a lien ranking senior to the lien of the Notes upon all property and funds held or collected as part of the Trust Estate. The Indenture Trustee shall not institute any proceeding seeking the enforcement of such lien against the Trust Estate unless (i) such proceeding is in connection with a proceeding in accordance with Article IV hereof for enforcement of the lien of this Indenture for the benefit of the Noteholders after the occurrence of an Event of Default (other than an Event of Default due solely to a breach of this Section 5.04) and a resulting declaration of acceleration of maturity of such Notes that has not been rescinded and annulled, or (ii) such proceeding does not and will not result in or cause a sale or other disposition of the Trust Estate.

Section 5.05. Corporate Indenture Trustee Required, Eligibility.

The Issuer hereby agrees, for the benefit of the Noteholders, that there shall at all times be an Indenture Trustee hereunder which shall be a bank (within the meaning of Section 2(a)(5) of the 1940 Act) organized and doing business under the laws of the United States or any State thereof, authorized under such laws to exercise corporate trust powers, having aggregate capital, surplus and undivided profits of at least $50,000,000, and subject to supervision or examination by Federal or State authority. If

such bank publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital, surplus and undivided profits of such bank shall be deemed to be its combined capital, surplus and undivided profits as set forth in its most recent report of condition so published. The Indenture Trustee shall in no event be an Affiliate of the Issuer or an Affiliate of any Person involved in the organization or operation of the Issuer or be directly or indirectly Affiliated with the Issuer. If at any time the Indenture Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 5.06. Authorization of Indenture Trustee.

The Indenture Trustee represents and warrants as to itself that it is duly authorized under applicable law, its charter and its by-laws to execute and deliver this Indenture, and to perform its obligations hereunder, including, without limitation, that it is duly authorized to accept the Grant to it for the benefit of the Noteholders of the Trust Estate and is authorized to authenticate the Notes, and that all corporate action necessary or required therefor has been duly and effectively taken or obtained and all federal and state governmental consents and approvals required with respect thereto have been obtained.

Section 5.07. Merger, Conversion, Consolidation or Succession to Business.

Any corporation, bank, trust company or association into which the Indenture Trustee may be merged or converted or with which it may be consolidated, or any corporation, bank, trust company or association resulting from any merger, conversion or consolidation to which the Indenture Trustee shall be a party, or any corporation, bank, trust company or association succeeding to all or substantially all the corporate trust business of the Indenture Trustee, shall be the successor of the Indenture Trustee hereunder, provided such corporation, bank, trust company or association shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto, except to the extent that assumption of its duties and obligations, as such, is not effected by operation of law.

Section 5.08. Resignation and Removal, Appointment of Successor.

(a) No resignation or removal of the Indenture Trustee and no appointment of a successor Indenture Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Indenture Trustee in accordance with the applicable requirements of Section 5.09.

(b) The Indenture Trustee may resign at any time by giving written notice thereof to the Issuer. Written notice of resignation under this Indenture shall also constitute notice of resignation as Certificate Paying Agent and Certificate Registrar under the Trust Agreement and as an Administrator under the Administration Agreement. If the instrument of acceptance by a successor Indenture Trustee required by Section 5.09 shall not have been delivered to the Indenture Trustee within 30 days after the giving of such notice of resignation, the resigning Indenture Trustee may petition any court of competent jurisdiction for the appointment of a successor indenture trustee.

(c) The Indenture Trustee may be removed at any time, with cause, with respect to the Notes by the Noteholders of a majority in Aggregate Note Balance of the Outstanding Notes and notice of such action by the Noteholders shall be delivered to the Indenture Trustee and the Issuer. For purposes of this Section 5.08, "cause" shall include any material breach of the Indenture Trustee's obligations under this Indenture or any material breach of the obligations of the Indenture Trustee in its capacity as Certificate Paying Agent or Certificate Registrar under the Trust Agreement or as an Administrator under the Administration Agreement.

(d) If at any time:

(i) the Indenture Trustee shall cease to be eligible under Section 5.05, or the representations of the Indenture Trustee in Section 5.06 shall prove to be untrue, and the Indenture Trustee shall fail to resign after written request therefor by the Issuer or Noteholders of 50% of the Aggregate Note Balance of the Outstanding Notes; or

(ii) the Indenture Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Indenture Trustee or of its property shall be appointed or any public officer shall take charge or control of the Indenture Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation;

then, in any such case, (i) the Owner Trustee on behalf of the Issuer may (and, subject to the Owner Trustee's rights under the Trust Agreement) remove the Indenture Trustee, or (ii) subject to Section 4.13, any Noteholder may, on its own behalf and on behalf of all others similarly situated, petition any court of competent jurisdiction for the removal of the Indenture Trustee and the appointment of a successor indenture trustee or indenture trustees.

(e) If the Indenture Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of the Indenture Trustee for any cause, the Issuer shall promptly appoint a successor indenture trustee who shall comply with the applicable requirements of Section 5.09. If, within 60 days after such resignation, removal or incapacity, or the occurrence of such vacancy, a successor indenture trustee shall not have been appointed by the Issuer and shall not have accepted such appointment in accordance with the applicable requirements of Section 5.09, then a successor indenture trustee shall be appointed by act of the Noteholders of more than 50% in Aggregate Note Balance of the Outstanding Notes delivered to the Issuer and the retiring Indenture Trustee, and the successor indenture trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 5.09, become the successor indenture trustee with respect to the Notes.

If within 90 days after such resignation, removal or incapacity, or the occurrence of such vacancy, no successor indenture trustee shall have been so appointed and accepted appointment in the manner required by Section 5.09, any bona fide Noteholder may, on its own behalf and on behalf of all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor indenture trustee.

(f) The Issuer shall give notice of any resignation or removal of the Indenture Trustee and the appointment of a successor indenture trustee by giving notice of such event to the Noteholders. Each notice shall include the name of the successor indenture trustee and the address of its Corporate Trust Office.

Section 5.09. Acceptance by Successor of Appointment.

In case of the appointment hereunder of a successor indenture trustee, the successor indenture trustee so appointed shall execute, acknowledge and deliver to the Issuer and to the retiring Indenture Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Indenture Trustee shall become effective and such successor indenture trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Indenture Trustee; but, on the request of the Issuer or the successor indenture trustee, such retiring Indenture Trustee shall execute and deliver an instrument transferring to such successor indenture trustee all the rights, powers and trusts of the retiring Indenture Trustee, shall duly assign, transfer and deliver to such successor indenture trustee all property and money held by such retiring Indenture Trustee

hereunder, shall take such action as may be requested by the Issuer to provide for the appropriate interest in each of the Trust Estates to be vested in such successor indenture trustee, but shall not be responsible for the recording of such documents and instruments as may be necessary to give effect to the foregoing.

Upon request of any such successor indenture trustee, the Issuer shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor indenture trustee all such rights, powers and trusts referred to in this Section.

No successor indenture trustee shall accept its appointment unless at the time of such acceptance such successor indenture trustee shall be qualified and eligible under this Article.

Section 5.10. Unclaimed Funds.

The Indenture Trustee is required to hold any payments received by it with respect to the Notes that are not paid to the Noteholders in trust for the Noteholders. Notwithstanding the foregoing, at the expiration of two years following the Final Payment Date for the Notes, if any monies set aside in accordance with Section 2.09(b) for payment of principal, interest and other amounts on such Notes remain unclaimed by any lawful owner thereof, such unclaimed funds and, to the extent required by applicable law, any accrued interest thereon shall be remitted to the Issuer to be held in trust by the Issuer for the benefit of the applicable Noteholder until distributed in accordance with applicable law, and all liability of the Indenture Trustee with respect to such money shall thereupon cease; provided, that the Indenture Trustee, before being required to make any such repayment, may, at the expense of the applicable Noteholder, payable out of such unclaimed funds, to the extent permitted by applicable law, and otherwise at the expense of the Issuer, cause to be published at least once but not more than three times in two newspapers in the English language customarily published on each Business Day and of general circulation, in New York, New York, a notice to the effect that such monies remain unclaimed and have not been applied for the purpose for which they were deposited, and that after a date specified therein, which shall be not less than 30 days after the date of first publication of said notice, any unclaimed balance of such monies then remaining in the hands of the Indenture Trustee will be paid to the Issuer upon its written directions to be held in trust for the benefit of the applicable Noteholder until distributed in accordance with applicable law. Any successor to the Issuer through merger, consolidation or otherwise or any recipient of substantially all the assets of the Issuer in a liquidation of the Issuer shall remain liable for the amount of any unclaimed balance paid to the Issuer pursuant to this Section 5.10.

Section 5.11. Illegal Acts.

No provision of this Indenture or any amendment or supplement hereto shall be deemed to impose any duty or obligation on the Indenture Trustee to do any act in the performance of its duties hereunder or to exercise any right, power, duty or obligation conferred or imposed on it, which under any present or future law shall be unlawful, or which shall be beyond the corporate powers, authorization or qualification of the Indenture Trustee.

Section 5.12. Communications by the Indenture Trustee.

The Indenture Trustee shall send to the Issuer and the Administrators, within one Business Day after the Maturity thereof, if any principal of or interest on the Notes due and payable hereunder is not paid, a written demand for payment thereof.

Section 5.13. Separate Indenture Trustees and Co-Trustees.

(a) Notwithstanding any other provisions hereof, at any time, for the purpose of meeting legal requirements applicable to it in the performance of its duties hereunder, the Indenture Trustee shall have the power to, and shall execute and deliver all instruments to, appoint one or more Persons to act as separate trustees or co-trustees hereunder, jointly with the Indenture Trustee, of the Trust Estate subject to this Indenture, and any such Persons shall be such separate trustee or co-trustee, with such powers and duties consistent with this Indenture as shall be specified in the instrument appointing such Person but without thereby releasing the Indenture Trustee from any of its duties hereunder. If the Indenture Trustee shall request the Issuer to do so, the Issuer shall join with the Indenture Trustee in the execution of such instrument, but the Indenture Trustee shall have the power to make such appointment without making such request. A separate trustee or co-trustee appointed pursuant to this Section 5.13 need not meet the eligibility requirements of Section 5.05.

(b) Every separate trustee and co-trustee shall, to the extent not prohibited by law, be subject to the following terms and conditions:

(i) the rights, powers, duties and obligations conferred or imposed upon such separate or co-trustee shall be conferred or imposed upon and exercised or performed by the Indenture Trustee and such separate or co-trustee jointly, as shall be provided in the appointing instrument, except to the extent that under any law of any jurisdiction in which any particular act is to be performed any nonresident trustee shall be incompetent or unqualified to perform such act, in which event such rights, powers, duties and obligations shall be exercised and performed by such separate trustee or co-trustee;

(ii) all powers, duties, obligations and rights conferred upon the Indenture Trustee, in respect of the custody of all cash deposited hereunder shall be exercised solely by the Indenture Trustee; and

(iii) the Indenture Trustee may at any time by written instrument accept the resignation of or remove any such separate trustee or co-trustee, and, upon the request of the Indenture Trustee, the Issuer shall join with the Indenture Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to make effective such resignation or removal, but the Indenture Trustee shall have the power to accept such resignation or to make such removal without making such request. A successor to a separate trustee or co-trustee so resigning or removed may be appointed in the manner otherwise provided herein.

(c) Such separate trustee or co-trustee, upon acceptance of such trust, shall be vested with the estates or property specified in such instrument, jointly with the Indenture Trustee, and the Indenture Trustee shall take such action as may be necessary to provide for (i) the appropriate interest in the Trust Estate to be vested in such separate trustee or co-trustee and (ii) the execution and delivery of any transfer documentation or bond powers that may be necessary to give effect to the transfer of any assets of the Trust Estate to the co-trustee. Any separate trustee or co-trustee may, at any time, by written instrument constitute the Indenture Trustee, its agent or attorney in fact with full power and authority, to the extent permitted by law, to do all acts and things and exercise all discretion authorized or permitted by it, for and on behalf of it and in its name. If any separate trustee or co-trustee shall be dissolved, become incapable of acting, resign, be removed or die, all the estates, property, rights, powers, trusts, duties and obligations of said separate trustee or co- trustee, so far as permitted by law, shall vest in and be exercised by the Indenture Trustee, without the appointment of a successor to said separate trustee or co-trustee, until the appointment of a successor to said separate trustee or co- trustee is necessary as provided in this

Indenture. The appointment of a separate or co-trustee shall in no way release the Indenture Trustee from any of its duties or responsibilities hereunder.

(d) Any notice, request or other writing, by or on behalf of any Noteholder, delivered to the Indenture Trustee shall be deemed to have been delivered to all separate trustees and co-trustees.

(e) Although co-trustees may be jointly liable, no co-trustee or separate trustee shall be severally liable by reason of any act or omission of the Indenture Trustee or any other such trustee hereunder.

Section 5.14. Undertakings of the Indenture Trustee.

(a) The Indenture Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture. Any permissive right of the Indenture Trustee enumerated in this Indenture shall not be construed as a duty.

(b) Except to the extent expressly provided herein, no provision in this Indenture shall require the Indenture Trustee to expend or risk its own funds or otherwise incur any personal financial liability in the performance of any of its duties as Indenture Trustee, hereunder, or in the exercise of any of its rights or powers, if the Indenture Trustee shall have reasonable grounds for believing that repayment of funds or indemnity reasonably satisfactory to it against such risk or liability is not reasonably assured to it.

(c) Except with respect to the collection of payments on the Underlying Certificates as provided in Section 3.01, in exercising any right or power solely as holder of the Underlying Certificates (other than any right or power specifically conferred upon the Indenture Trustee under this Indenture), the Indenture Trustee shall request the direction of the Noteholders, or if the Note Balance of the Notes have been reduced to zero, the direction of the

Certificateholders and shall be fully protected in acting in good faith in accordance with the written directions of a majority of such Noteholders of each Affected Class.

(d) The rights, privileges, protections, immunities and benefits given to the Indenture Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Indenture Trustee in each of its capacities hereunder.

(e) Anything in this Indenture to the contrary notwithstanding, in no event shall the Indenture Trustee be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Indenture Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

Section 5.15. Indenture Trustee Not Liable for Notes or Underlying Certificates.

(a) The recitals contained herein and in the Notes (other than the signature of the Indenture Trustee, the authentication of the Indenture Trustee on the Notes, the acknowledgments of the Indenture Trustee contained in the Granting Clause of this Indenture and the representations and warranties of the Indenture Trustee in Section 9.12) shall be taken as the statements of the Issuer and the Indenture Trustee assumes no responsibility for their correctness. The Indenture Trustee makes no representations or warranties as to the validity or sufficiency of this Indenture (other than as specifically set forth in Section 9.12) or of the Notes (other than the signature of the Indenture Trustee and authentication of the Indenture Trustee on the Notes). The Indenture Trustee shall not be accountable for the use or application by the Depositor of any of the Notes or of the proceeds of such Notes, or for the use or application of any funds, other than any funds held by or on behalf of the Indenture Trustee in accordance with Section 3.01.

(b) The Indenture Trustee shall not, at any time, have any responsibility or liability for or with respect to the legality, validity and enforceability of the Underlying Certificates or with respect to the sufficiency of the Trust Estate or its ability to generate the payments to be made to Noteholders under this Indenture, including, without limitation, the compliance by the Issuer with any warranty or representation made under this Indenture or in any related document or the accuracy of any such warranty or representation, any investment of monies by or at the direction of the Issuer or any loss resulting therefrom or the acts or omissions of the Issuer. The Indenture Trustee shall not have any responsibility for filing any financing or continuation statement in any public office at any time or otherwise to perfect or maintain the perfection of any security interest or lien granted to it hereunder.

(c) In entering into this Indenture the Indenture Trustee acts solely as Indenture Trustee hereunder and not in its individual capacity; and all persons having any claim under this Indenture or under the Trust Agreement by reason of the transactions contemplated hereby shall look only to the Trust for payment or satisfaction thereof. The Indenture Trustee shall not be responsible for the validity or sufficiency of any Underlying Certificate, the Trust Estate, any assignment or registration, or for any depreciation in the value of the Trust Estate. The Indenture Trustee shall have no liability for the acts or omissions of the Issuer, the Owner Trustee, the Depositor or any other Person.

ARTICLE VI

ADMINISTRATION OF THE TRUST ESTATE; AND REPORTS TO NOTEHOLDERS

Section 6.01. Administration of the Trust Estate.

(a) Whenever the Indenture Trustee, as registered holder of the Underlying Certificates, is requested in such capacity, whether by the Issuer, a Noteholder or a party to the related Underlying Agreement to take any action or to give any consent, approval or waiver that it is entitled to take or give in such capacity, including, without limitation, in connection with an amendment of such Underlying Agreement or the occurrence of a default thereunder, the Indenture Trustee shall promptly notify the Issuer, the Administrators and, if applicable, all of the Noteholders, of such request in such detail as is available to it and, shall, on behalf of the Issuer and the Noteholders, take such action in connection with the exercise and/or enforcement of any rights and/or remedies available to it in such capacity with respect to such request as the Issuer or, if an Event of Default has occurred and is continuing, the Note Representative shall direct in writing; provided that if no such direction is received prior to the date that is established for taking such action or giving such consent, approval or waiver (notice of which date shall be given by the Indenture Trustee to the Issuer, the Administrators and, if applicable, the Noteholders), the Indenture Trustee shall abstain from taking such action or giving such consent, approval or waiver; and provided, further, that if the Issuer (or, if an Event of Default has occurred and is continuing, the Note Representative) is authorized pursuant to such Underlying Agreement to take any of the actions or give any of the consents, approvals or waivers referred to above; then the Issuer (or, if an Event of Default has occurred and is continuing, the Note Representative) shall take such actions and/or give such consents, approvals or waivers directly, and the Indenture Trustee shall not be required to act or give any of the consents, approvals or waivers specified above, and provided, further, that the Indenture Trustee shall in no event be required to expend or risk its own funds or otherwise incur financial liability in connection with exercising such rights and/or remedies and may require indemnity satisfactory to it against such expense or liability as a condition to taking any action at the direction of the Issuer or the Note Representative; and provided, further, that the Indenture Trustee shall not be liable for any action taken by it in good faith without negligence at the direction of the Issuer or, if an Event of Default has occurred and is continuing, the Note Representative (or for any action taken directly by such party) in accordance with this Section 6.01(a); and provided, further, that any amendment to any Underlying Agreement shall be agreed to by the Indenture Trustee only with the consent of the Issuer and the Holders of the Notes representing greater than 50% of the Aggregate Note Balance of such Notes (or, if such amendment would affect the payment terms of the related Underlying Certificates only with the consent of the Issuer and all the Noteholders). The Indenture Trustee, upon written request, shall make available to the Issuer, the Administrators and any Noteholder, on the Payment Date following its receipt thereof (or, in connection with a written request by a Noteholder, at any time thereafter), copies of any and all notices, statements, reports and/or other material communications and information (collectively, "Underlying Certificate Reports") that it receives in connection with the Underlying Certificates, the Mortgage Loans, the Underlying Agreements and the parties thereto. Notwithstanding the foregoing, if the Note Balance of the Notes has been reduced to zero, the Indenture Trustee shall take written direction from the Certificateholder instead of the Noteholders with respect this Article VI.

(b) Except as expressly provided in Articles III and IV hereof, the Indenture Trustee shall not assign, sell, dispose of or transfer any asset of the Trust Estate or permit any asset of the Trust Estate to be subjected to any lien, claim or encumbrance arising by, through or under the Indenture Trustee or any Person claiming by, through or under the Indenture Trustee; provided that the Indenture Trustee is

authorized and obligated to surrender an Underlying Certificate in accordance with the terms of the related Underlying Agreement in connection with receiving the final distribution thereon.

(c) For purposes of exercising any rights and/or remedies under any Underlying Certificate at such time as an Event of Default has occurred and is continuing, the Holders of Outstanding Notes representing greater than 50% of the Aggregate Note Balance of the Notes shall appoint, and shall designate in writing to the Indenture Trustee, a representative (the "Note Representative"). Notes held by interested Persons shall be deemed to be Outstanding for purposes of this Section 6.01.

Section 6.02. Collection of Monies.

All amounts received by the Indenture Trustee on or in respect of the Underlying Certificates, including amounts received on the Underlying Distribution Date in November 2010 and thereafter, shall be deposited in the Note Account upon receipt. In connection with its receipt of any distribution on an Underlying Certificate on any Underlying Distribution Date, the Indenture Trustee may conclusively rely on the Underlying Certificate Reports and, absent manifest error, the Indenture Trustee shall have no obligation to re-compute, recalculate or verify the information contained therein. If the Indenture Trustee shall not have received a distribution on an Underlying Certificate by the close of business on the date on which such distribution or payment was to be received by the Indenture Trustee, the Indenture Trustee shall notify the trustee or other party responsible for effectuating distributions under the related Underlying Agreement, and (i) if such distribution or payment shall not have been received by the Indenture Trustee one Business Day following such notice or (ii) a Responsible Officer of the Indenture Trustee shall gain actual knowledge of any event of default under any of the Underlying Agreements, the Indenture Trustee shall promptly notify the Noteholders in writing and such parties shall proceed in accordance with the terms and conditions of Section 6.01. Notwithstanding the foregoing, notice shall not be required to be given pursuant to this Section 6.02 in the case of any payments made by check unless such check is not received within one Business Day of the related Underlying Distribution Date.

Section 6.03. [Reserved].

Section 6.04. Reports to Noteholders and Others.

(a) Based on information provided in the Underlying Certificate Reports received from time to time, the Indenture Trustee shall prepare and provide or make available, on each Payment Date, to each Noteholder, the Issuer and the Administrators, a statement (the "Payment Date Statement") detailing payments on the Securities on such Payment Date. The Payment Date Statement shall include the following:

(i) the amount of the payment or distribution to be made on such Payment Date to the Holders of the Securities allocable to principal for such Payment Date;

(ii) the amount of the payment or distribution to be made on such Payment Date to the Holders of the Securities allocable to interest for such Payment Date;

(iii) the Note Balance of the Notes after giving effect to payments and distributions allocable to principal, if any, on such Payment Date;

(iv) the Available Funds, the Available Interest Funds, the Available Principal Funds and the Accrued Interest for such Payment Date;

(v) the Accrued Interest for the Notes for such Payment Date;

(vi) the amount of any Extraordinary Expenses incurred for such Payment Date; and

(vii) the amount of any Extraordinary Expenses allocated to each Class of Securities.

The Indenture Trustee will make the Payment Date Statement (and, at its option, any additional files containing the same information in an alternative format) available each month to any interested parties via the Indenture Trustee's internet website. The Indenture Trustee's internet website shall initially be located at "https://tss.sfs.db.com/investpublic/". Assistance in using the website can be obtained by calling the Indenture Trustee's investor relations desk at 1-800-735-7777. Parties that are unable to use the above distribution option are entitled to have a paper copy mailed to them via first class mail by calling the investor relations desk and indicating such. The Indenture Trustee shall have the right to change the way the Payment Date Statements are distributed in order to make such distribution more convenient and/or more accessible to the above parties and the Indenture Trustee shall provide timely and adequate notification to all above parties regarding any such changes.

As a condition to access to the Indenture Trustee's internet website, the Indenture Trustee may require registration and the acceptance of a disclaimer. The Indenture Trustee will not be liable for the dissemination of information in accordance with this Indenture. The Indenture Trustee shall also be entitled to rely on but shall not be responsible for the content or accuracy or any information provided by third parties for purposes or preparing any reports or statements and may affix thereto any disclaimer it deems appropriate in its reasonable discretion (without suggesting liability on the part of any other party hereto).

(b) Within 60 days after the end of each calendar year, the Indenture Trustee shall furnish to each Person (upon reasonable written request of such Person), who at any time during the calendar year was a Securityholder a statement containing information regarding payments of principal, interest and other amounts on such Person's Securities, aggregated for such calendar year or the applicable portion thereof during which such person was a Securityholder. Such obligation shall be deemed to have been satisfied to the extent that substantially comparable information is provided pursuant to any requirements of the Code as are from time to time in force. The Indenture Trustee shall prepare and provide to each Securityholder any information reports required under federal income tax law to be so provided, including without limitation Form 1099.

Section 6.05. [Reserved].

Section 6.06. Access to Certain Documentation and Information.

(a) The Indenture Trustee shall provide to the Issuer, the Administrators and the Noteholders access to the Underlying Certificates and all reports, statements, certificates, documents and records maintained by the Indenture Trustee in respect of its duties hereunder, such access being afforded without charge but only upon reasonable prior written request and during normal business hours at offices designated by the Indenture Trustee. Upon the written request of any Noteholder, the Indenture Trustee shall promptly seek to obtain (and, upon obtaining, shall promptly deliver to the requesting Noteholder) any reports, statements, certificates, documents, records and/or other information available to it as owner of the Underlying Certificates under the Underlying Agreements; provided that if it must pay any fee or other charge under the Underlying Agreements in connection therewith, it may in turn require the requesting Noteholder to pay such fee or other charge.

(b) Promptly following the first sale of a Note to an Independent third party, the Issuer shall provide to the Indenture Trustee three copies of any private placement memorandum or other disclosure document used by the Issuer or its Affiliates in connection with the offer and sale of such Notes. In

addition, if any such private placement memorandum or disclosure document is revised, amended or supplemented at any time following the delivery thereof to the Indenture Trustee, the Issuer promptly shall inform the Indenture Trustee of such event and shall deliver to the Indenture Trustee three copies of the private placement memorandum or disclosure document, as revised, amended or supplemented. Upon the written request of the Issuer or any Noteholder or prospective purchaser of a Note or interest therein identified to the Indenture Trustee by a Noteholder, the Indenture Trustee as soon as reasonably practicable, shall provide such Person with copies (at their expense) of (i) this Indenture and the related Underlying Agreement(s) and any supplements or amendments hereto or thereto, (ii) all Payment Date Statements, Underlying Certificate Reports and other information items required (or, upon request, available) to be forwarded to Noteholders since the Closing Date pursuant to Section 6.01 and/or Section 6.05, and (iii) any private placement memoranda or other disclosure documents relating to the Notes, in each such case in the form most recently provided to the Indenture Trustee, accompanied by any appropriate written disclaimers relating to the Indenture Trustee's lack of responsibility for the information contained therein and relating to the potential staleness of the information contained therein.

(c) The Indenture Trustee will make available, upon reasonable written advance notice and at the expense of the requesting party, copies of the items referred to in Section 6.07(b) to any Noteholder and to prospective purchasers of Notes or interests therein; provided that the Indenture Trustee will require in the case of a prospective purchaser, confirmation from the Issuer that it has received a confirmation executed by the requesting Person in form reasonably acceptable to the Issuer generally to the effect that such Person is a prospective purchaser of Notes or interests therein, is requesting the information solely for use in evaluating a possible investment in the Notes and will otherwise keep such information confidential. Noteholders, by their acceptance thereof, will be deemed to have agreed to keep such information confidential.

Section 6.07. Certain Tax Matters.

The Issuer has entered into this Indenture, and the Notes will be issued, with the intention that, for federal, state and local income, single business and franchise tax purposes, the Notes will qualify as indebtedness. The Issuer, the Indenture Trustee and each Noteholder, by its purchase thereof, agrees to treat the Notes as indebtedness for federal, state and local income, single business and franchise tax purposes. The Issuer, by entering into this Indenture, and each Noteholder, by its acceptance of its Note, agree to treat the Notes for federal, state and local income, single business and franchise tax purposes as indebtedness and agree, so long as the Owner Trust Certificates are owned by one person for federal income tax purposes, to disregard the Trust Estate as an entity separate from its 100% owner. However, in the event the Trust Estate is treated as a partnership, then the Indenture Trustee shall, as set forth in the Trust Agreement, for federal income tax information and reporting purposes, treat the Trust Estate as a partnership and shall file such tax returns relating to a partnership (including the partnership information return on IRS Form 1065). All of the parties hereto and each Noteholder agrees to appoint the Indenture Trustee as agent to the "tax matters person" for federal income tax purposes, if necessary.

ARTICLE VII

NO REDEMPTION

Section 7.01. No Redemption of the Notes.

The Issuer shall not have the right to redeem the Notes.

ARTICLE VIII

SUPPLEMENTAL INDENTURES; AMENDMENTS

Section 8.01. Supplemental Indentures or Amendments Without Consent of Noteholders.

Without the consent of any Noteholders, the Issuer and the Indenture Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, or one or more amendments hereto, or to the Notes, in form satisfactory to the Indenture Trustee, for any of the following purposes:

(1) to convey, transfer, assign, mortgage or pledge any property to the Indenture Trustee so long as the interests of the Noteholders would not be adversely affected;

(2) to correct any manifestly incorrect description, or amplify the description, of any property subject to the lien of this Indenture;

(3) to modify the Indenture as required by applicable law, so long as the interests of the Noteholders would not be adversely affected;

(4) to add to the covenants of the Issuer for the benefit of the Noteholders or to surrender any right or power herein conferred upon the Issuer;

(5) to add any additional Events of Default, provided such action shall not adversely affect the interests of the Noteholders;

(6) to evidence and provide for the acceptance of appointment hereunder by a successor Indenture Trustee; or

(7) to (i) correct any typographical error, (ii) cure any mistake or (iii) make or amend any other provisions with respect to matters or questions arising under this Indenture which are not inconsistent with the provisions thereof; provided, that such action shall not materially adversely affect the interests of any Noteholders or affect in any material respect the permitted activities of the Indenture Trustee hereunder.

For any supplemental indenture or amendment pursuant to (1)-(7) above, no such supplemental indenture or amendment shall be effective unless the party requesting such supplemental indenture or amendment furnishes to the Indenture Trustee and the Issuer, at such party's expense (unless requested by the Indenture Trustee, then at the expense of the Issuer as an Extraordinary Expense), (i) an opinion of Independent counsel that, where required above, such action will not adversely affect or materially adversely affect, as the case may be, the interests of any Noteholders, or (ii) solely as to an amendment pursuant to (7)(ii) above, an Officer's Certificate of the Depositor identifying the mistake, stating that the amendment is needed to correct the mistake and describing the basis for such conclusion.

Section 8.02. Supplemental Indentures With Consent of Noteholders.

With the consent of the Noteholders of not less than 66 2/3% in Aggregate Note Balance of the Outstanding Notes affected thereby, the Issuer and the Indenture Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the

Noteholders under this Indenture; provided that no such supplemental indenture shall, without the prior written consent of the Noteholders of 100% in Aggregate Note Balance of the Outstanding Notes affected thereby,

(1) change the Final Maturity Date or the Payment Date of any principal, interest or other amount on any Note, or reduce the Note Balance thereof or the Note Rate thereon, or authorize the Indenture Trustee to agree to delay the timing of, or reduce the payments to be made on, the Underlying Certificates except as provided herein, or change the coin or currency in which the principal of any Note or interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Final Maturity Date thereof;

(2) reduce the percentage of the then Aggregate Note Balance of the Outstanding Notes, the consent of whose Noteholders is required for any such supplemental indenture, or the consent of whose Noteholders is required for any waiver of defaults hereunder and their consequences provided for in this Indenture, or for any other reason under this Indenture (including for actions taken by the Indenture Trustee pursuant to Section 5.01(a) hereof);

(3) change any obligation of the Issuer to maintain an office or agency in the places and for the purposes specified in Section 9.01;

(4) except as otherwise expressly provided in this Indenture, deprive any Noteholder of the benefit of a first priority security interest in the Trust Estate as provided in this Indenture;

(5) modify Section 2.09 or Section 9.06; or

(6) release from the lien of the Indenture (except as specifically permitted hereby on the date of execution hereof) all or any part of the Trust Estate.

It shall not be necessary for the consent of the Noteholders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Section 8.03. Delivery of Supplements and Amendments.

Promptly after the execution by the Issuer and the Indenture Trustee of any supplemental indenture or amendment pursuant to the provisions hereof, the Indenture Trustee, at the expense of the Person requesting such supplemental indenture or amendment, shall mail, first class postage prepaid, a notice setting forth in general terms the substance of such supplemental indenture or amendment to each Noteholder affected thereby at the address for such Noteholder set forth in the Note Register.

Section 8.04. Execution of Supplemental Indentures, etc.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or in accepting the modifications thereby of the trusts created by this Indenture or in giving any consent to any modification of any Underlying Certificate under Section 5.01(a) hereunder, the Indenture Trustee shall be entitled to receive, at the expense of the Person requesting such additional trusts, and shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture or modification is authorized or permitted by this Indenture and an Officer's

Certificate or an Opinion of Counsel stating that all conditions precedent herein provided for relating to such supplemental indenture have been complied with. The Indenture Trustee may, but shall not be

obligated to, enter into any such supplemental indenture or consent to any such modification which affects the Indenture Trustee's own rights, duties or immunities under this Indenture or otherwise.

ARTICLE IX

COVENANTS; WARRANTIES

Section 9.01. Maintenance of Office or Agency.

The Issuer shall maintain or cause to be maintained an office or agency in the continental United States where notices and demands to or upon the Issuer in respect of the Notes and this Indenture may be delivered. The Issuer shall give prompt written notice to the Indenture Trustee and the Noteholders of the location, and any change in the location, of such office or agency.

The Issuer may also from time to time designate one or more other offices or agencies outside the United States where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Issuer of its obligation to maintain an office or agency in accordance with the requirements set forth in the preceding paragraph. The Issuer shall give prompt written notice to the Indenture Trustee and Noteholders of any such designation or rescission and of any change in the location of such office or agency.

Section 9.02. Existence.

Subject to Section 9.08, the Issuer will keep in full effect its existence, rights and franchises as a corporation under the laws of its jurisdiction of organization.

Section 9.03. Payment of Taxes and Other Claims.

The Issuer shall pay or discharge or cause to be paid or discharged, before the same shall become delinquent, all taxes, assessments and governmental charges levied or imposed upon the Issuer or upon the income, profits or property of the Issuer, or shown to be due on the tax returns filed by the Issuer, except any such taxes, assessments, governmental charges or claims which the Issuer is in good faith contesting in appropriate proceedings and with respect to which reserves are established if required in accordance with GAAP, provided, that such failure to pay or discharge will not cause a forfeiture of, or a lien to encumber, any property included in the Trust Estate. The Owner Trustee, in its individual capacity, shall not be liable for any such taxes, assessments, governmental charges or claims.

The Indenture Trustee is authorized to pay out of the Note Account, prior to making payments on the Notes, any such taxes, assessments, governmental charges or claims which, if not paid, would cause a forfeiture of, or a lien to encumber, any property included in the Trust Estate.

Section 9.04. Validity of the Notes; Title to the Trust Estates, Lien.

(a) The Issuer represents and warrants that it is duly authorized under applicable law to create and issue the Notes, to execute and deliver this Indenture, the other documents referred to herein to which it is a party and all instruments included in each Trust Estate which it has executed and delivered, and that all corporate action and governmental consents, authorizations and approvals necessary or required therefor have been duly and effectively taken or obtained. The Notes, when issued, will be, and this Indenture and such other documents are, valid and legally binding obligations of the Issuer enforceable in accordance with their terms.

(b) The Issuer represents and warrants that, immediately prior to its Grant of the Trust Estate provided for herein, it had good title to, and was the sole owner of, each Underlying Certificate, free and clear of any pledge, lien, encumbrance or security interest.

(c) The Issuer represents and warrants that the Indenture Trustee has a valid and enforceable first priority security interest in the Trust Estate, subject only to exceptions permitted hereby.

(d) The Issuer represents and warrants that the Indenture is not required to be qualified under the 1939 Act and that the Issuer is not required to be registered as an "investment company" under the 1940 Act.

Section 9.05. Protection of Trust Estates.

The Issuer and, to the extent directed by the Issuer or the Noteholders representing greater than 50% of the Aggregate Note Balance of the Notes affected thereby, the Indenture Trustee will from time to time execute and deliver all such amendments and supplements hereto (subject to Sections 8.01 and 8.02) and all such financing statements, continuation statements, instruments of further assurance and other instruments, and will take such other action necessary or advisable to:

(a) Grant more effectively all or any portion of the Trust Estate securing the Notes;

(b) maintain or preserve the lien (and the priority thereof) of this Indenture or carry out more effectively the purposes hereof;

(c) perfect, publish notice of, or protect the validity of any Grant made or to be made by this Indenture;

(d) enforce any of the items of Collateral or other instruments or agreements included in the Trust Estate; or

(e) preserve and defend title to the Trust Estate securing Notes and the rights of the Indenture Trustee, and of Noteholders, in the Trust Estate against the claims of all Persons and parties.

The Issuer hereby designates the Indenture Trustee, its agent and attorney-in-fact, to execute any financing statement, continuation statement or other instrument required pursuant to this Section 9.05; provided that, subject to and consistent with Sections 5.01 and 5.15(b), the Indenture Trustee will not be obligated to prepare or file any such statements or instruments.

Section 9.06. Negative Covenants.

The Issuer shall not:

(a) sell, transfer, exchange or otherwise dispose of any of the Collateral, except as expressly permitted by this Indenture;

(b) dissolve or liquidate in whole or in part, except as provided in Section 9.08;

(c) engage, directly or indirectly, in any business other than that arising out of the issue of the Notes, and the actions contemplated or required to be performed under this Indenture or the documents constituting part of the Trust Estate;

(d) incur, create or assume any indebtedness for borrowed money other than the Notes;

(e) make or permit to remain outstanding, any loan or advance to, or own or acquire any stock or securities of, any Person other than (i) the Underlying Certificates and (ii) any other instruments constituting part of the Trust Estate;

(f) voluntarily file a petition for bankruptcy, reorganization, assignment for the benefit of creditors or similar proceeding;

(g) permit transfers of Owner Trust Certificates except as provided in the Trust Agreement; or

(h) permit transfers of Owner Trust Certificates (i) to any Person other than QIBs or (ii) to any Person that would require the Issuer or any such trust fund to be registered as an investment company under the 1940 Act.

Section 9.07. [Reserved].

Section 9.08. Issuer May Consolidate. Etc., only on Certain Terms.

(a) The Issuer shall not consolidate or merge with or into any other Person or convey or transfer the Trust Estate to any Person without the consent of Noteholders with an Aggregate Note Balance of not less than 66 2/3% of the Aggregate Note Balance of the Outstanding Notes affected thereby and unless:

(i) the Person (if other than the Issuer) formed by or surviving such consolidation or merger or that acquires by conveyance or transfer the Trust Estate (the "Successor Person"), shall have expressly assumed, executed and delivered to the Indenture Trustee, the obligation (to the same extent as the Issuer was so obligated) to make payments of principal, interest and other amounts on all of the Notes, and the obligation to perform every covenant of this Indenture on the part of the Issuer to be performed or observed, all as provided herein;

(ii) immediately after giving effect to such transaction, no default or Event of Default shall have occurred and be continuing;

(iii) the Issuer shall have delivered to the Indenture Trustee an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance or transfer comply with and satisfy all conditions precedent relating to the transactions set forth in this Section 9.08; and

(iv) the Successor Person shall have delivered to the Indenture Trustee an Officer's Certificate and an Opinion of Counsel each stating that, with respect to a Successor Person that is a corporation, limited liability company, partnership or trust, such Successor Person shall be duly organized, validly existing and in good standing in the jurisdiction in which such Successor Person is organized; that the Successor Person has sufficient power and authority to assume the obligations set forth in clause (i) above and to execute and deliver an indenture supplemental hereto for the purpose of assuming such obligation; that the Successor Person has duly authorized the execution, delivery and performance of any indenture supplemental hereto for the purpose of assuming such obligations; that the Successor Person has duly authorized the execution, delivery and performance of an indenture supplemental hereto for the purpose of assuming such obligations and that such supplemental indenture is a valid, legal and binding obligation of the

Successor Person, enforceable in accordance with its terms, subject only to bankruptcy, reorganization, insolvency and other laws affecting the enforcement of creditor's rights generally and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or law); and that, immediately following the event which causes the Successor Person to become the Successor Person, (A) the Successor

Person has good and marketable title, free and clear of any lien, security interest or charge other than the lien and security interest of this Indenture and any other lien permitted hereby to the Collateral and (B) the Indenture Trustee continues to have a perfected first priority security interest in the Collateral.

(b) Upon any consolidation or merger, or any conveyance or transfer of the Trust Estate securing Notes, the Successor Person shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under this Indenture with the same effect as if such Successor Person had been named as the Issuer herein. In the event of any such conveyance or transfer of the Trust Estate permitted by this Section 9.08, the Person named as the "Issuer" in the first paragraph of this Indenture, or any successor that shall theretofore have become such in the manner prescribed in this Article and that has thereafter effected such a conveyance or transfer, may be dissolved, wound-up and liquidated at any time thereafter, and such Person thereafter shall be released from its liabilities as obligor and maker on all of the then Outstanding Notes and from its obligations under this Indenture.

Section 9.09. [Reserved].

Section 9.10. Performance of Issuer's Duties by the Owner Trustee and the Administrators.

(a) The Indenture Trustee hereby acknowledges and agrees that certain duties of the Issuer will be performed on behalf of the Issuer by the Administrators pursuant to the Administration Agreement and hereby acknowledges and accepts the terms of each such agreement as of the date hereof.

(b) Any successor to the Owner Trustee appointed pursuant to the terms of the Trust Agreement (or any corporation into which the Owner Trustee may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Owner Trustee shall be a party) shall be the successor Owner Trustee under the Trust Agreement for purposes of this Indenture without the execution or filing of any paper, instrument or further act to be done on the part of the parties hereto.

Section 9.11. Certain Representations Regarding the Trust Estate.

(a) With respect to that portion of the Collateral described in clause (i) of the Granting Clause, the Issuer, represents to the Indenture Trustee that:

(i) This Indenture creates a valid and continuing security interest (as defined in the applicable UCC) in the Collateral in favor of the Indenture Trustee, which security interest is prior to all other liens, and is enforceable as such as against creditors of and purchasers from the Issuer.

(ii) The portion of the Collateral described in clause (i) of the definition of Trust Estate constitutes "certificated securities" within the meaning of the applicable UCC.

(iii) The Issuer owns and has good and marketable title to the Collateral free and clear of any lien, claim or encumbrance of any Person.

(iv) All original executed copies of each Underlying Certificate that constitute or evidence the Collateral have been delivered to the Indenture Trustee and each such Underlying Certificate has been registered in the name of the Indenture Trustee.

(v) Other than the security interest granted to the Indenture Trustee pursuant to this Indenture, the Issuer has not pledged, assigned, sold, granted a security interest in, or otherwise conveyed any of the Collateral. The Issuer has not authorized the filing of and is not aware of any financing statements against the Issuer that include a description of collateral covering the Collateral other than any financing statement relating to the security interest granted to the Indenture Trustee hereunder or that has been terminated. The Issuer is not aware of any judgment or tax lien filings against the Issuer.

(vi) None of the Underlying Certificates has any marks or notations indicating that they have been pledged, assigned or otherwise conveyed to any Person other than the Indenture Trustee.

(vii) The Issuer has received all consents and approvals required by the terms of the Collateral to the pledge hereunder to the Indenture Trustee of its interests and rights in the Collateral.

(viii) The Issuer has caused or will have caused, within ten days of the Closing Date, the filing of all appropriate financial statements in the proper office in the appropriate jurisdictions under applicable law in order to perfect the security interest in the Collateral granted to the Indenture Trustee, for the benefit and security of the Secured Party hereunder.

(b) With respect to that portion of the Collateral described in clause (ii) and (iii) of the definition of Trust Estate, the Issuer, represents to the Indenture Trustee that:

(i) This Indenture creates a valid and continuing security interest (as defined in the applicable UCC) in the Collateral in favor of the Indenture Trustee, which security interest is prior to all other liens, and is enforceable as such as against creditors of and purchasers from the Issuer.

(ii) The Collateral constitutes "deposit accounts" within the meaning of the applicable UCC.

(iii) The Issuer owns and has good and marketable title to the Collateral free and clear of any lien, claim or encumbrance of any Person.

(iv) The Issuer has taken all steps necessary to cause the Indenture Trustee to become the account holder of the Collateral.

(v) Other than the security interest granted to the Indenture Trustee pursuant to this Indenture, the Issuer has not pledged, assigned, sold, granted a security interest in, or otherwise conveyed any of the Collateral.

(vi) The Collateral is not in the name of any Person other than the Issuer or the Indenture Trustee. The Issuer has not consented to the bank maintaining the Collateral to comply with instructions of any Person other than the Indenture Trustee.

(vii) The Issuer has caused or will have caused, within ten days, the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect the security interest in the Collateral granted to the Indenture Trustee hereunder.

(c) With respect to that portion of the Collateral described in clauses (iv), (v) and (vi), the Issuer, represents to the Indenture Trustee that:

(i) This Indenture creates a valid and continuing security interest (as defined in the applicable UCC) in the Collateral in favor of the Indenture Trustee, which security interest is prior to all other liens, and is enforceable as such as against creditors of and purchasers from the Issuer.

(ii) The Collateral constitutes "general intangibles" within the meaning of the applicable UCC.

(iii) The Issuer owns and has good and marketable title to the Collateral free and clear of any lien, claim or encumbrance of any Person.

(iv) The Issuer has caused or will have caused, within ten days, the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect the security interest in the Collateral granted to the Indenture Trustee hereunder.

(v) Other than the security interest granted to the Indenture Trustee pursuant to this Indenture, the Issuer has not pledged, assigned, sold, granted a security interest in, or otherwise conveyed any of the Collateral. The Issuer has not authorized the filing of and is not aware of any financing statements against the Issuer that include a description of collateral covering the Collateral other than any financing statement relating to the security interest granted to the Indenture Trustee hereunder or that has been terminated. The Issuer is not aware of any judgment or tax lien filings against the Issuer.

(d) The foregoing representations may not be waived and shall survive the issuance of the Notes.

Section 9.12. Certain Representations Regarding the Indenture Trustee.

The Indenture Trustee represents that:

(i) The Indenture Trustee is a "securities intermediary," as such term is defined in Section 8-102(a)(14)(B) of the New York UCC, that in the ordinary course of its business maintains "securities accounts" for others, as such term is used in Section 8-501 of the New York UCC;

(ii) The local law of the jurisdiction of the Indenture Trustee applicable to the maintaining of its securities accounts is the law of the State of New York. Further, pursuant to Section 10.10, the "securities intermediary's jurisdiction" as defined in the New York UCC shall be the State of New York;

(iii) The Indenture Trustee is not a "clearing corporation", as such term is defined in Section 8-102(a)(5) of the New York UCC; and

(iv) The Indenture Trustee will credit each book-entry Underlying Certificate, if any, to the appropriate account, pursuant to and as required by the Indenture.

ARTICLE X

MISCELLANEOUS

Section 10.01. Execution Counterparts.

This instrument may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 10.02. Compliance Certificates and Opinions, etc.

Upon any application or request by the Issuer to the Indenture Trustee to take any action under any provision of this Indenture, the Issuer shall furnish to the Indenture Trustee (i) an Officer's Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with, and (ii) an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that, in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(i) a statement that each signatory of such certificate or opinion has read or has caused to be read such covenant or condition and the definitions herein relating thereto;

(ii) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(iii) a statement that, in the opinion of each such signatory, such signatory has made such examination or investigation as is necessary to enable such signatory to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(iv) a statement as to whether, in the opinion of each such signatory, such condition or covenant has been complied with.

Section 10.03. Form of Documents Delivered to Indenture Trustee.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an Authorized Officer of the Issuer may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate of an Authorized Officer or Opinion of Counsel may be based, insofar as it relates to factual

matters, upon a certificate or opinion of, or representations by, an officer or officers of the Issuer stating that the information with respect to such factual matters is in the possession of the Issuer or in the possession of any other Person upon which such factual matter was based, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Whenever in this Indenture, in connection with any application or certificate or report to the Indenture Trustee, it is provided that any Person shall deliver any document as a condition of the granting of such application, or as evidence of such Person's compliance with any term hereof, it is intended that the truth and accuracy, at the time of the granting of such application or at the effective date of such certificate or report (as the case may be), of the facts and opinions stated in such document shall in such case be conditions precedent to the right of such Person to have such application granted or to the sufficiency of such certificate or report. The foregoing shall not, however, be construed to affect the Indenture Trustee's right to rely upon the truth and accuracy of any statement or opinion contained in any such document as provided in Article V.

Section 10.04. Acts of Noteholders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Noteholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Noteholders in person or by agents duly appointed in writing; and except as herein otherwise expressly provided such action shall become effective when such instrument or instruments are delivered to the Indenture Trustee, and, where it is hereby expressly required, to the Owner Trustee. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Noteholders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 5.01) conclusive in favor of the Indenture Trustee and the Owner Trustee, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved in any manner that the Indenture Trustee deems sufficient.

(c) The Note Balance and serial numbers of Notes held by any Person, and the date of holding the same, shall be proved by the Note Register.

(d) Any request, demand, authorization, direction, notice, consent, election, declaration, waiver or other act of any Noteholder shall bind every future Noteholder of the same Note and the Noteholder of every Note issued upon the transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, suffered or omitted to be done by the Indenture Trustee or the Issuer in reliance thereon, whether or not notation of such action is made upon such Note.

Section 10.05. Computation of Percentage of Noteholders.

Whenever this Indenture states that any action may be taken by a specified percentage of the Noteholders, such statement shall mean that such action may be taken by the Noteholders of such specified percentage of the Aggregate Note Balance of the Outstanding Notes.

Section 10.06. Notice to the Indenture Trustee, the Issuer and Certain Other Persons.

Any communication provided for or permitted hereunder shall be in writing and (including facsimile), unless otherwise expressly provided herein, shall be deemed to have been duly given when delivered to: (i) in the case of the Issuer, LVII 2010-R1, c/o Christiana Bank & Trust Company, 1314 King Street, Wilmington, Delaware 19801, (with a copy to IMH Assets Corp., 19500 Jamboree Road, Irvine, CA 92612, Attention: Legal); and (ii) in the case of

the Indenture Trustee, at the Corporate Trust Office; or as to each such Person such other address and/or facsimile number as may hereafter be furnished by such Person to the parties hereto in writing.

Section 10.07. Notices to Noteholders; Notification Requirements and Waiver.

Where this Indenture provides for notice to Noteholders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, registered mail, postage prepaid to each Noteholder, at its address as it appears on the Note Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Noteholders is given by mail, neither the failure to mail such notice nor any defect in any notice so mailed to any particular Noteholder shall affect the sufficiency of such notice with respect to other Noteholders, and any notice that is mailed in the manner herein provided shall conclusively be presumed to have been duly given.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by any Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Noteholders shall be filed with the Indenture Trustee but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such a waiver.

In case, by reason of the suspension of regular mail service as a result of a strike, work stoppage or similar activity, it shall be impractical to mail notice of any event to Noteholders when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be satisfactory to the Indenture Trustee shall be deemed to be a sufficient giving of such notice.

Section 10.08. Successors and Assigns.

All covenants and agreements in this Indenture by the Owner Trustee on behalf of the Issuer shall bind their successors and permitted assigns, whether so expressed or not. Other than as contemplated in Section 3.01 in connection with the discharge of this Indenture, the Issuer shall not transfer or assign its rights or obligations under this Indenture without prior written confirmation from the Noteholders.

Section 10.09. Separability Clause.

In case any provision of this Indenture or of the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall, to the extent permitted by law, not in any way be affected or impaired thereby.

Section 10.10 Governing Law.

(a) This Indenture and the Notes shall be governed by and construed in accordance with the laws of the State of New York without regard to the conflicts of laws provisions thereof.

(b) Any action or proceeding against any of the parties hereto relating in any way to this Indenture or any Note or the Trust Estate may be brought and enforced in the courts of the State of New York sitting in the borough of Manhattan or of the United States District Court for the Southern District of New York and the Issuer irrevocably submits to the jurisdiction of each such court in respect of any such action or proceeding. The Issuer hereby waives, to the fullest extent permitted by law, any right to remove any such action or proceeding by reason of improper venue or inconvenient forum. As long as any of the Notes remain Outstanding, service of process upon the Owner Trustee on behalf of the Issuer shall, to the fullest extent permitted by law, be deemed in every respect effective service upon the Issuer in any such legal action or proceeding.

Section 10.11. Non-Business Days.

In any case where any day which would otherwise be a Payment Date shall not be a Business Day, then (notwithstanding any other provision of this Indenture or of the Notes) payment of principal of and interest on such Note need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the day that would otherwise have been the Payment Date.

Section 10.12. Effect of Headings and Table of Contents.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 10.13. Benefits of Indenture.

Nothing in this Indenture or in the Notes, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, the Noteholders and any other party secured hereunder, any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 10.14. Recording of Indenture.

If this Indenture is subject to recording in any appropriate public recording offices, such recording is to be effected by and at the expense of the Issuer upon its receipt of an Opinion of Counsel to the effect that such recording is necessary either for the protection of the Noteholders or any other Person secured hereunder or for the enforcement of any right or remedy granted to the Indenture Trustee under this Indenture.

Section 10.15. Trust Obligation.

No recourse may be taken, directly or indirectly, with respect to the obligations of the Issuer on the Notes or under this Indenture or any certificate or other writing delivered in connection herewith or therewith, against (i) the Owner Trustee, the Indenture Trustee or an Administrator in its individual capacity, (ii) any owner of a beneficial interest in the Issuer or (iii) any partner, owner, beneficiary, agent, officer, director, employee or agent of the Owner Trustee, the Indenture Trustee or an Administrator in its individual capacity, any holder of a beneficial interest in the Owner Trustee, the Indenture Trustee or an Administrator or of any successor or assignee of the Owner Trustee, the Indenture Trustee or an Administrator in its individual capacity, except as any such Person may have expressly agreed (it being understood that none of the Owner Trustee, the Indenture Trustee or an Administrator has any such obligations in its individual capacity).

Section 10.16. Inspection.

The Issuer agrees that, on reasonable prior notice, it will permit any representative of the Indenture Trustee during an Administrator's or the Owner Trustee's normal business hours, to examine all the books of account, records, reports, and other papers of the Administrators or the Owner Trustee relating to the Issuer, to make copies and extracts therefrom, to cause such books to be audited by independent certified public accountants, and to discuss the Issuer's affairs, finances and accounts with the Owner Trustee's officers, employees, and independent certified public accountants, all at such reasonable times and as often as may be reasonably requested. The Indenture Trustee shall and shall cause its respective representatives to hold in confidence all such information except to the extent disclosure may be required by law (and all reasonable applications for confidential treatment are unavailing) or the Indenture Trustee may reasonably determine that such disclosure by it is consistent with its obligations hereunder.

Section 10.17. Method of Payment.

Except as otherwise provided in Section 2.09(b), all amounts payable or to be remitted pursuant to this Indenture shall be paid or remitted or caused to be paid or remitted in immediately available funds by wire transfer to an account specified in writing by the recipient thereof.

Section 10.18. Limited Recourse; Non-Petition.

It is expressly understood and agreed by the parties hereto that (a) this Indenture is executed and delivered by Christiana Bank & Trust Company, not individually or personally, but solely as Owner Trustee of LVII 2010-R1, in the exercise of the powers and authority conferred and vested in it, (b) each of the representations, undertakings and agreements herein made on the part of the Issuer is made and intended not as personal representations, undertakings and agreements by Christiana Bank & Trust Company but is made and intended for the purpose for binding only the Issuer, (c) nothing herein contained shall be construed as creating any liability on Christiana Bank & Trust Company, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the parties hereto and by any Person claiming by, through or under the parties hereto and (d) under no circumstances shall Christiana Bank & Trust Company be personally liable for the payment of any indebtedness or expenses of the Issuer or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Issuer under this Indenture or any other related documents.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, all as of the day and year first above written.

LVII 2010-R1,

By: Christiana Bank & Trust Company, not in its individual capacity but solely as Owner Trustee

By: /s/ Raye D. Goldsborough
Name: Raye D. Goldsborough
Title: Assistant Vice President

DEUTSCHE BANK NATIONAL TRUST COMPANY, as Indenture Trustee

By: /s/ Karlene Benvenuto
Name: Karlene Benvenuto
Title: Authorized Signer

By: /s/ Mei Nghia
Name: Mei Nghia
Title: Authorized Signer

STATE OF)
): ss.
COUNTY OF)

On this 23 day of November, 2010, before me, the undersigned officer, personally appeared Raye D. Goldsborough, and acknowledged himself to me to be the Assistant Vice President of Christiana Bank & Trust Company, the Owner Trustee of LVII 2010-R1, and that as such officer, being duly authorized to do so pursuant to such entity's by-laws or a resolution of its board of directors, executed and acknowledged the foregoing instrument for the purposes therein contained, by signing the name of such entity by himself or herself as such officer as his or her free and voluntary act and deed and the free and voluntary act and deed of said entity.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

/s/ Deborah L. Lutes
Notary Public

Notarial Seal

DEBORAH L.LUTES
NOTARY PUBLIC
STATE OF DELAWARE
My commission expires Dec. 2, 2011

STATE OF CALIFORNIA
COUNTY OF ORANGE

On November 22, 2010, before me, Tuan Quach, a Notary Public in and for said state, personally appeared Karlene Benvenuto and Mei Nghia, who proved to me on the basis of satisfactory evidence to be the persons whose names are subscribed to the within instrument and acknowledged to me that they executed that same in their authorized capacities, and that by their signatures on the instrument the persons, or the entity upon behalf of which the persons acted and executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.
(SEAL)

/s/ Tuan Quach
Notary Public, State of California

TUAN QUACH
Commission # 1838344
Notary Public - California
Orange County
My Comm. Expires Feb 26, 2013

SCHEDULE A

Underlying Certificate No.	Underlying Transaction	Underlying Agreement	Underlying Certificate	Percentage Interest
1.	Impac CMB Trust Series 2003-1	Amended and Restated Trust Agreement, dated as of January 30, 2003, among IMH Assets Corp., as depositor, Wilmington Trust Company, as owner trustee and Deutsche Bank National Trust Company, as certificate registrar and certificate paying agent	Trust Certificates	100%
2.	Impac CMB Trust Series 2003-4	Amended and Restated Trust Agreement, dated as of March 31, 2003, among IMH Assets Corp., as depositor, Wilmington Trust Company, as owner trustee and Deutsche Bank National Trust Company, as certificate registrar and certificate paying agent	Trust Certificates	100%
3.	Impac CMB Trust Series 2003-8	Amended and Restated Trust Agreement, dated as of July 31, 2003, among IMH Assets Corp., as depositor, Wilmington Trust Company, as owner trustee and Deutsche Bank National Trust Company, as certificate registrar and certificate paying agent	Trust Certificates	100%
4.	Impac CMB Trust Series 2003-9F	Amended and Restated Trust Agreement, dated as of July 30, 2003, among IMH Assets Corp., as depositor, Wilmington Trust Company, as owner trustee and Deutsche Bank National Trust Company, as certificate registrar and certificate paying agent	Trust Certificates	100%
5.	Impac CMB Trust Series 2003-11	Amended and Restated Trust Agreement, dated as of November 6, 2003, among IMH Assets Corp., as depositor, Wilmington Trust Company, as owner trustee and Deutsche Bank National Trust Company, as certificate registrar and certificate paying agent	Trust Certificates	100%
6.	Impac CMB Trust Series 2004-3	Amended and Restated Trust Agreement, dated as of March 30, 2004, among IMH Assets Corp., as depositor, Wilmington Trust Company, as owner trustee and Deutsche Bank National Trust Company, as certificate registrar and certificate paying agent	Trust Certificates	100%
7.	Impac CMB Trust Series 2007-A	Amended and Restated Trust Agreement, dated as of June 29, 2007, among IMH Assets Corp., as depositor, Christiana Bank & Trust Company, as	Trust Certificates	100%

	owner trustee and Deutsche Bank National Trust Company, as certificate registrar and certificate paying agent

Exhibit 10.6

IMPAC MORTGAGE HOLDINGS, INC.
OMNIBUS INCENTIVE PLAN

NON-EMPLOYEE DIRECTOR
DEFERRED STOCK UNIT AWARD PROGRAM
Effective December 1, 2010

ARTICLE I

THE PROGRAM

1.1. Deferred Unit Program. Impac Mortgage Holdings, Inc. hereby adopts the Non-Employee Director Deferred Stock Unit Award Program, subject to and in compliance with the terms of the Impac Mortgage Holdings, Inc. Omnibus Incentive Plan. The Program is intended to provide for certain Awards to members of the Board of Directors of the Company who are neither officers nor employees of the Company or any of its subsidiaries. Awards will consist of grants of Deferred Stock Units subject to the vesting and settlement provisions set forth herein.

1.2. Effective Date and Term. This Program was approved by the Board and the initial grants under the Program are hereby made as of December 1, 2010 (the "Effective Date"). The Program shall remain in effect during the term of the Plan, unless amended or terminated by action of the Board.

ARTICLE II

DEFINITIONS

As used herein, the following terms have the meanings hereinafter set forth unless the context clearly indicates to the contrary. Capitalized terms not defined herein shall have the meanings ascribed to such terms in the Plan.

(a) "Award" shall mean an award to an Eligible Director of Deferred Stock Units under Article IV of the Plan.

(b) "Award Agreement" shall mean a written agreement between the Company and an Eligible Director or a written acknowledgment from the Company to an Eligible Director specifically setting forth the terms and conditions of an Award granted under the Plan.

(c) "Date of Grant" shall mean the date the Board approves an Award of Deferred Stock Units or, if later, the date designated by the Board for such Award to be granted.

(d) "Deferred Stock Unit Award" shall mean an award of Stock Units, subject to certain forfeiture provisions, granted to an Eligible Director pursuant to Section 4.1 of the Plan.

(e) "Effective Date" for the Plan shall have the meaning set forth in Section 1.2.

(f) "Eligible Director" shall mean any director of the Company who is not an employee of the Company or any of its subsidiaries.

(g) "Plan" shall mean the Impac Mortgage Holdings, Inc. Omnibus Incentive Plan, the terms of which are incorporated herein, as amended from time to time.

(h) "Program" shall mean the Non-Employee Director Deferred Stock Unit Award Program, the terms of which are set forth herein, as amended from time to time.

(i) "Separation from Service" shall mean any termination of a director's Board service with the Company. The occurrence of a Separation from Service is determined by the Board under the facts and circumstances and in accordance with Section 409A of the Code.

(j) "Stock Account" means the bookkeeping account established by the Company in respect to each director pursuant to Section 4.2 and to which shall be credited Stock Units representing the director's Deferred Stock Unit Awards pursuant to the Plan.

(k) "Stock Unit" shall mean a hypothetical share of Stock which shall have a value on any date equal to the Fair Market Value of one share of Common Stock on that date.

ARTICLE III

ADMINISTRATION

The Board shall have the power and authority to grant Awards, determine the terms of any Award, including the Eligible Directors receiving such Awards and the number of Stock Units granted under such Award, and shall make all other determinations with respect to the Program. The Board's determinations under the Program shall be final and binding on all parties.

ARTICLE IV

DEFERRED STOCK UNITS

4.1. Grants of Deferred Stock Units. The Board may grant to any Eligible Director an Award of Deferred Stock Units consisting of a specified number of Stock Units and subject to the terms and conditions set forth herein. Subject to Section 4.4 of this Program, each Deferred Stock Unit Grant shall vest in three (3) substantially equal annual installments, commencing with the first anniversary of the Date of Grant with respect to such Award, subject to the Eligible Director's continued service on the Board through such anniversary date and any additional conditions imposed by the Board and set forth in an Award Agreement. Upon vesting,

such Stock Units shall continue to be held in the director's Stock Account until payment becomes due in accordance with Section 4.6. In the event of an Eligible Director's Separation from Service as a member of the Board for any reason prior to vesting of all of an Award, all Stock Units that remain unvested under such Award as of the date of such Separation from Service shall terminate and be forfeited and shall be subtracted from such director's Stock Account.

4.2. Stock Accounts. A Stock Account shall be established for each Eligible Director. Deferred Stock Unit Grants shall be credited as Stock Units directly to the Stock Account as of the Date of Grant. An Eligible Director's Stock Account shall also be credited with dividends and other distributions pursuant to Section 4.3. Fractional shares shall be credited to a director's Stock Account cumulatively but the balance of shares of Stock Units in a director's Stock Account shall be rounded to the next highest whole share for any payment to such director pursuant to Section 4.6.

4.3 Dividends Equivalents on Stock Units. Dividends and other distributions on Stock Units credited to an Eligible Director's Stock Account shall be deemed to have been paid as if such Stock Units were actual shares of Common Stock issued and outstanding as of the respective record or distribution dates. No interest shall be credited on such amounts. Such dividends and distributions shall be converted into Stock Units and credited to the Eligible Director's Stock Account as of the respective record or distribution dates. The conversion of such dividends and distributions into Stock Units shall be based on the Fair Market Value of the Common Stock as of the date of conversion.

4.4 Acceleration of Vesting. Notwithstanding anything contained in this Article IV to the contrary, the Board may, in its sole discretion, waive the vesting and forfeiture conditions set forth in Section 4.1 and any Award Agreement under appropriate circumstances (including the death, disability or retirement of an Eligible Director 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 Deferred Stock Units constituting an Award) as the Board shall deem appropriate. In addition, notwithstanding anything contained in this Article IV or an individual Award Agreement to the contrary, in the event a Change in Control of the Company, all outstanding Deferred Stock Unit Awards shall be deemed fully vested.

4.5 Shareholder Rights and Statement of Accounts. Until settlement of an Award of Deferred Stock Units under Section 4.6 hereof, no shares of Common Stock shall be issued in respect of such Awards and no Eligible Director shall have any rights as a shareholder of the Company with respect to the shares of Common Stock covered by such Award of Deferred Stock Units. A statement will be sent to each Eligible Director as to the balance of his or her Stock Account at least once each calendar year.

4.6 Payment of Accounts. Subject to Section 4.7, an Eligible Director shall receive a distribution of his or her Stock Account within thirty (30) days after the date of his or her Separation from Service as a director. Such distribution shall consist of one share of Common Stock for each Stock Unit credited to such director's Stock Account as of the date of

distribution. Any shares of Common Stock issued with respect to a distribution of an Eligible Director's Stock Account shall be deemed issued under the Plan and shall be counted against the number of shares of Common Stock reserved for issuance under Section 4.01 of the Plan.

4.7 Accelerated Payment. Payment of a director's Stock Account may be accelerated if at any time the Plan fails to meet the requirements of Section 409A of the Code and regulations and other guidance promulgated thereunder; provided, however, that any such payment shall not exceed the amount required to be included in income as a result of the failure to comply with the requirements of Section 409A of the Code and the regulations and other guidance.

4.8 Designation of Beneficiary; Payments to a Deceased Director's Estate. An Eligible Director may designate a beneficiary on a form approved by the Board. In the event of a director's death before the balance of his or her Stock Account is fully paid to the director, payment of the balance of the director's Stock Account shall then be made to his or her designated beneficiary or, if no valid designation has been made, to his or her estate in the time and manner selected by the Board. The Board may take into account the application of any duly appointed administrator or executor of an Eligible Director's estate and direct that the balance of the director's Stock Account be paid to his or her estate in the manner requested by such application.

4.9 Limitation on Transfer. No Stock Units or an Eligible Director's rights with respect to any Stock Units may be assigned or transferred other than by will or the laws of descent and distribution, and during the lifetime of an Eligible Director, only the Eligible Director personally (or the Eligible Director's personal representative) may exercise rights under the Program.

ARTICLE V

TERMINATION, AMENDMENT AND MODIFICATION OF THE PROGRAM

The Board, in its sole discretion, may at any time terminate the Program and may, at any time, and from time to time and in any respect, amend or modify the Plan. The Board may amend the terms of any Award granted under the Program; provided, however, that no such amendment may be made by the Board that, in any material respect, impairs the rights of a participant without the participant's consent.

Upon termination of the Program, amounts accrued and vested in a director's Stock Account as of the date of termination of the Program shall be held, administered and distributed in accordance with the terms and conditions of the Program and the individual Award Agreements as in effect on the date of termination of the Program, except that:

(a) Amounts credited to the director's Stock Account under the Plan may be distributed prior to the time required under Article IV if all nonqualified deferred compensation arrangements sponsored by the Company and any company required to be aggregated with the Company under Section 414(b) and (c) of the Code that are treated, together with Awards under

the Program, as one arrangement under Section 409A of the Code, are terminated, subject to the following requirements: (i) no payments other than payments that would be payable under the terms of the Program and such other arrangements if the termination had not occurred are made within 12 months of the termination of the Program and such other arrangements, (ii) all payments under the Program and such other arrangements are made within 24 months of the date of such termination, and (iii) neither the Company nor any company required to be aggregated with the Company under Section 414(b) or (c) of the Code adopts a new arrangement that would, with the Program or any such other terminated arrangement, be treated as a single arrangement under Section 409A of the Code, at any time within three (3) years following the date of termination of the Program and such other arrangements.

(b) The Program may be terminated at any time within 12 months of a dissolution of the Company taxed under Section 331 of the Code, or with the approval of a bankruptcy court pursuant to 11 U.S.C. Section 503(b)(1)(A), in which case the amounts deferred under the Program shall be distributed and included in a director's gross income in the latest of (i) the calendar year in which the termination occurs, or (ii) the first calendar year in which the payment is administratively practicable.

ARTICLE VI

MISCELLANEOUS

6.1 Plan Binding on Successors. The Program shall be binding upon the successors and assigns of the Company.

6.2 Issuance of Shares. The Company shall not be required to issue or deliver any shares of Common Stock upon expiration of the deferral period applicable to any Deferred Stock Units unless, in the opinion of counsel to the Company, there has been compliance with all applicable legal requirements. The Company's obligation to deliver shares of Common Stock with respect to any Award under this Program may be conditioned upon the receipt by the Company of a representation as to the investment intention of the recipient in such form as the Company shall determine to be necessary or advisable solely to comply with the provisions of the Securities Act of 1933, as amended, or any other federal, state or local securities laws. All certificates for shares of Common Stock delivered under the Plan shall be subject to such stop transfer orders and other restrictions as the Company may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Common Stock is then listed, any federal, state or local securities laws and applicable corporate law, and the Company may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

6.3 Director's Rights Unsecured. The Program is unfunded. The right of any Eligible Director to receive payments of Common Stock under the provisions of the Program shall be an unsecured claim against the general assets of the Company.

6.4 Taxes. The Company shall have the right to deduct from all payments hereunder any taxes required by law to be withheld from such payments. The recipients of such

payments shall bear all taxes on amounts paid under the Program and with respect to any Awards granted hereunder.

6.5 Governing Law. The Program and each Award Agreement shall be governed by the laws of the State of California and construed in accordance therewith.

6.6 Application of Plan Provisions. In addition to the specific provisions of the Plan referred to herein, Awards of Deferred Stock Units shall be subject to all applicable provisions of Article XI of the Plan.

Exhibit 10.6(a)

IMPAC MORTGAGE HOLDINGS, INC.
OMNIBUS INCENTIVE PLAN

NOTICE OF GRANT UNDER NON-EMPLOYEE DIRECTOR
DEFERRED STOCK UNIT AWARD PROGRAM

Impac Mortgage Holdings, Inc. (the "Company") hereby grants, pursuant to the provisions of the Non-Employee Director Deferred Stock Unit Award Program under the Company's Omnibus Incentive Plan (the "Program"), to the Grantee designated in this Notice of Grant (the "Notice"), which Grantee is an Eligible Director as defined in the Program, the number of Deferred Stock Units of the Company set forth in this Notice, subject to certain vesting and forfeiture restrictions as outlined in this Notice and the additional provisions set forth in the Non-Employee Director Deferred Stock Unit Program, a copy of which is attached.

Participant: <NAME>
Date of Grant:

Type of Equity: Deferred Stock Unit
Number of Deferred Stock Units: **<#RSUs>**

Vesting Schedule: Subject to the Grantee's continued Service as a member of the Board and all other provisions contained in the Program, this Deferred Stock Unit Award shall vest, and the applicable forfeiture restrictions set forth in the Program shall lapse, in three substantially equal installments as of the first, second and third anniversaries of the Date of Grant.

Change in Control: Notwithstanding the foregoing vesting schedule, the Deferred Stock Unit Award will be deemed fully vested and no longer subject to forfeiture in the event of a Change in Control of the Company (as defined in the Plan).

Deferral and Settlement of Award on Separation from Service: Vested Deferred Stock Units under this Award, and any dividend equivalent Stock Units credited under Section 4.3 of the Program with respect to this Award, shall be credited to the Grantee's Stock Account. Only upon the event of the Grantee's separation from Service as a member of the Company's Board of Directors, Grantee's Stock Account shall be settled within thirty (30) days after the Grantee's Separation from Service in accordance with the provisions of Section 4.6 of the Program.

This Deferred Stock Unit Award is granted under and governed by the terms and conditions of the Non-Employee Director Deferred Stock Unit Award Program and the Company's Omnibus Incentive Plan.

IMPAC MORTGAGE HOLDINGS, INC.

By: _____

Title: _____

Date: _____

Exhibit 10.10

IMH ASSETS CORP.

as Depositor

CHRISTIANA BANK & TRUST COMPANY

as Owner Trustee

and

DEUTSCHE BANK NATIONAL TRUST COMPANY

as Certificate Registrar and Certificate Paying Agent

AMENDED AND RESTATED TRUST AGREEMENT

Dated as of November 26, 2010

Resecuritization Trust Certificates,
Series 2010-R1

TABLE OF CONTENTS

This Amended and Restated Trust Agreement, dated as of November 26, 2010 (as amended from time to time, this "Trust Agreement"), among IMH Assets Corp., a California corporation, as depositor (the "Depositor"), Christiana Bank & Trust Company, a Delaware banking corporation, as owner trustee (the "Owner Trustee" and in its individual capacity, "Christiana Bank"), and Deutsche Bank National Trust Company, as certificate registrar (in such capacity, the "Certificate Registrar") and certificate paying agent (in such capacity, the "Certificate Paying Agent").

WITNESSETH THAT:

WHEREAS, the Depositor intends to sell, assign and transfer the Underlying Certificates set forth in Schedule A attached hereto to the Trust;

WHEREAS, in exchange for the conveyance of the Underlying Certificates to the Trust pursuant to the terms hereof, the Trust shall issue the Owner Trust Certificates, which shall evidence the beneficial ownership interest in the Trust and shall entitle the Certificateholders to distributions from payments received on the Underlying Certificates (as set forth on Schedule A attached hereto);

In consideration of the mutual agreements herein contained, the Depositor, the Owner Trustee, the Certificate Registrar and the Certificate Paying Agent agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01 Definitions. For all purposes of this Trust Agreement, except as otherwise expressly provided herein or unless the context otherwise requires, capitalized terms not otherwise defined herein shall have the meanings assigned to such terms in the Indenture, dated November 26, 2010 between LVII 2010-R1, as issuer and Deutsche Bank National Trust Company, as indenture trustee, which definitions are incorporated by reference herein. All other capitalized terms used herein shall have the meanings specified herein.

Section 1.02 Other Definitional Provisions.

(a) All terms defined in this Trust Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein.

(b) As used in this Trust Agreement and in any certificate or other document made or delivered pursuant hereto or thereto, accounting terms not defined in this Trust Agreement or in any such certificate or other document, and accounting terms partly defined in this Trust Agreement or in any such certificate or other document to the extent not defined, shall have the respective meanings given to them under generally accepted accounting principles. To the extent that the definitions of accounting terms in this Trust Agreement or in any such certificate or other document are inconsistent with the meanings of such terms under generally accepted accounting principles, the definitions contained in this Trust Agreement or in any such certificate or other document shall control.

(c) The words "hereof," "herein," "hereunder" and words of similar import when used in this Trust Agreement shall refer to this Trust Agreement as a whole and not to any particular provision of this Trust Agreement; Article, Section and Exhibit references contained in this Trust Agreement are references to Articles, Sections and Exhibits in or to this Trust Agreement unless otherwise specified; and the term "including" shall mean "including without limitation".

(d) The definitions contained in this Trust Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such terms.

(e) Any agreement, instrument or statute defined or referred to herein or in any instrument or certificate delivered in connection herewith means such agreement, instrument or statute as from time to time amended, modified or supplemented and includes (in the case of agreements or instruments) references to all attachments thereto and instruments incorporated therein; references to a Person are also to its permitted successors and assigns.

ARTICLE II

ORGANIZATION

Section 2.01 Name. The trust continued hereby (the "Trust") shall be known as "LVII 2010-R1", in which name the Owner Trustee may conduct the business of the Trust, make and execute contracts and other instruments on behalf of the Trust and sue and be sued. The Trust was created pursuant to a Short Form Trust Agreement, dated as of November 24, 2010, between the Depositor and the Owner Trustee.

Section 2.02 Office. The office of the Trust shall be in care of the Owner Trustee at its Corporate Trust Office or at such other address in Delaware as the Owner Trustee may designate by written notice to the holders of the Owner Trust Certificates (the "Certificateholders") and the Depositor.

Section 2.03 Purposes and Powers. The purpose of the Trust is to engage in the following activities and the Trust shall have the power and authority:

(i) to issue the Notes pursuant to the Indenture and the Owner Trust Certificates pursuant to this Trust Agreement and to sell the Notes and the Owner Trust Certificates;

(ii) to pay the organizational, start-up and transactional expenses of the Trust;

(iii) to acquire, hold, manage and dispose of the Owner Trust Estate (as defined in Section 2.5), to assign, grant, transfer, pledge and convey the Underlying Certificates pursuant to the Indenture and to hold, manage and distribute to the Certificateholders pursuant to Section 5.01 herein, any portion of the Underlying Certificates released from the lien of, and remitted to the Trust pursuant to the Indenture and any other Owner Trust Estate pursuant to the terms hereof;

(iv) to enter into and perform its obligations under the Basic Documents to which it is to be a party;

(v) if directed by a majority of the Holders of the Owner Trust Certificates, sell the Trust Estate subsequent to the discharge of the Indenture, all for the benefit of the holders of the Owner Trust Certificates;

(vi) to conduct the affairs of the Trust so that the Notes are treated as indebtedness for income tax purposes pursuant to the Indenture;

(vii) to engage in those activities, including entering into agreements, that are necessary, suitable or convenient to accomplish the foregoing or are incidental thereto or connected therewith; and

(viii) subject to compliance with the Basic Documents, to engage in such other activities as may be required in connection with conservation of the Owner Trust Estate and the making of distributions to the Certificateholders and the Noteholders.

The Trust is hereby authorized to engage in the foregoing activities. The Trust shall not engage in any activity other than in connection with the foregoing or other than as required or authorized by the terms of this Trust Agreement or the Basic Documents.

Section 2.04 Appointment of Owner Trustee. The Depositor hereby appoints Christiana Bank as trustee of the Trust effective as of the date hereof, to have all the rights, powers and duties set forth herein.

Section 2.05 Initial Capital Contribution of Owner Trust Estate. The Depositor hereby sells, assigns, transfers, conveys and sets over to the Trust, as of the date hereof, the sum of $1. The Owner Trustee hereby acknowledges receipt in trust from the Depositor, as of the date hereof, of the foregoing contribution, which shall constitute the initial corpus of the Trust and shall be deposited in the Certificate Distribution Account (as defined in Section 3.10(c)) . The Owner Trustee also acknowledges on behalf of the Trust the receipt in trust pursuant to Section 3.01 of the Underlying Certificates and the rights with respect to the representations and warranties made by the Depositor hereunder which shall constitute the owner trust estate (collectively, the "Owner Trust Estate").

Section 2.06 Declaration of Trust. The Owner Trustee hereby declares that it shall hold the Owner Trust Estate in trust upon and subject to the conditions set forth herein for the use and benefit of the Certificateholders, subject to the obligations of the Trust under the Basic Documents. It is the intention of the parties hereto that the Trust constitute a "statutory trust" under the Delaware Statutory Trust Act, 12 Del. Code § 3801, et. seq. (the "Statutory Trust Statute") and that this Trust Agreement constitute the governing instrument of such statutory trust. No later than the Closing Date, the Owner Trustee shall cause the filing of the Certificate of Trust with the Secretary of State of the State of Delaware (the "Secretary of State"). It is the intention of the parties hereto that, for federal, state and local income and franchise tax purposes, (A) the Trust Estate, for federal income tax purposes, shall be treated as either an entity that is disregarded as separate from the beneficial owner of the equity of the Trust Estate if there is only one such owner, or as a partnership (other than an association or publicly traded partnership that is taxable as a corporation) if there are two or more such owners, with the assets of the partnership being the Underlying Certificates and other assets held as part of the Trust Estate, the partners of the partnership being the Certificateholders and any holders of the Notes that are required by the IRS to be treated as equity in the Trust Estate and (B) the Notes (other than Notes the beneficial ownership of which is held by a sole owner of the Owner Trust Certificates) shall be treated as indebtedness and the provisions of this Trust Agreement shall be interpreted to further this intention. It is the intention of the parties hereto that, for federal, state and local tax purposes, the Depositor shall at no time be treated as an owner of the Underlying Certificates or as the Issuer of or obligor on indebtedness secured by the Underlying Certificates and evidenced by the Notes, and the parties hereto mutually covenant to take all pertinent tax reporting positions consistent with that intent. The parties agree that, unless otherwise required by appropriate tax authorities, the Trust Estate will file or cause to be filed annual or other necessary

returns, reports and other forms consistent with the foregoing characterization of the Trust Estate (as described in (A) above) for such tax purposes. The Trust Estate shall not elect to be treated as an association under Treasury Regulations Section 301.7701-3(a) for federal income tax purposes. Except as otherwise provided in this Trust Agreement, the rights of the Certificateholder will be those of equity owners of the Trust Estate. Effective as of the date hereof, the Owner Trustee shall have all rights, powers and duties set forth herein and in the Statutory Trust Statute with respect to accomplishing the purposes of the Trust.

Section 2.07 Liability of the Certificateholders. The Certificateholders shall be jointly and severally liable directly to and shall indemnify any injured party for all losses, claims, damages, liabilities and expenses of the Trust and the Owner Trustee (including Expenses (as defined in Section 7.02), to the extent not paid out of the Owner Trust Estate); provided, however, that the Certificateholders shall not be liable for payments required to be made on the Notes or the Owner Trust Certificates, or for any losses incurred by a Certificateholder in the capacity of an investor in the Owner Trust Certificates or a Noteholder in the capacity of an investor in the Notes. The Certificateholders shall be liable for and shall promptly pay any entity level taxes imposed on the Trust. In addition, any third party creditors of the Trust (other than in connection with the obligations described in the second preceding sentence for which

the Certificateholders shall not be liable) shall be deemed third party beneficiaries of this paragraph. The obligations of the Certificateholders under this paragraph shall be evidenced by the Owner Trust Certificates.

Section 2.08 Title to Trust Property. Except with respect to the Underlying Certificates, which will be assigned of record to the Indenture Trustee pursuant to the Indenture, legal title to the Owner Trust Estate shall be vested at all times in the Trust as a separate legal entity except where applicable law in any jurisdiction requires title to any part of the Owner Trust Estate to be vested in a trustee or trustees, in which case title shall be deemed to be vested in the Owner Trustee, a co-trustee and/or a separate trustee, as the case may be.

Section 2.09 Situs of Trust. The Trust will be located in the State of Delaware. All bank accounts maintained by the Owner Trustee on behalf of the Trust shall be located in the State of Delaware or New York. The Trust shall not have any employees in any state other than Delaware; provided, however, that nothing herein shall restrict or prohibit the Owner Trustee from having employees within or without the State of Delaware or taking actions outside the State of Delaware in order to comply with Section 2.03. Payments will be received by the Trust only in Delaware, California or New York, and payments will be made by the Trust only from Delaware, California or New York. The only office of the Trust will be at the Corporate Trust Office in Delaware.

Section 2.10 Representations and Warranties of the Depositor. The Depositor hereby represents and warrants to the Owner Trustee that:

(i) The Depositor has been duly formed and is validly existing as a corporation in good standing under the laws of the State of Delaware, with full power and authority to own its assets and conduct its business as presently being conducted and to

execute and deliver this Trust Agreement and perform its obligations hereunder in accordance herewith.

(ii) The Depositor is not in violation of its formation documents or in default in the performance or observance of any material obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, loan agreement, note, lease or other instrument to which the Depositor is a party or by which it or its properties may be bound, which default might result in any material adverse changes in the financial condition, earnings, affairs or business of the Depositor or which might materially and adversely affect the properties or assets, taken as a whole, of the Depositor.

(iii) The Depositor has the power and authority to execute and deliver this Trust Agreement and to carry out its terms; the Depositor has full power and authority to convey and assign the property to be conveyed and assigned to and deposited with the Trust as part of the Owner Trust Estate and the Depositor has duly authorized such conveyance and assignment and deposit to the Trust by all necessary action; and the execution, delivery and performance of this Trust Agreement have been duly authorized by the Depositor by all necessary corporate action.

(iv) The consummation of the transactions contemplated by this Trust Agreement and the fulfillment of the terms hereof do not conflict with, result in any breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time) a default under, the certificate of incorporation or by-laws of the Depositor, or any indenture, agreement or other instrument to which the Depositor is a party or by which it is bound; nor result in the creation or imposition of any lien upon any of its properties pursuant to the terms of any such indenture, agreement or other instrument (other than pursuant to the Basic Documents); nor violate any law or, to the best of the Depositor's knowledge, any order, rule or regulation applicable to the Depositor of any court or of any federal or state regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the Depositor or its properties.

(v) The Trust is not required to register as an investment company under the Investment Company Act and is not under the control of a Person required to so register.

Section 2.11 Reserved.

Section 2.12 Investment Company. Neither the Depositor nor any holder of an Owner Trust Certificate shall take any action which would cause the Trust to become an "investment company" which would be required to register under the Investment Company Act.

Section 2.13 Transfer of Trust Estate to Trust.

(a) Effective as of the date hereof, the Depositor does hereby assign, transfer, and otherwise convey to, and deposit with, the Trust, the Trust Estate, such conveyance to be made in exchange for the Notes and cash proceeds from the sale of the Owner Trust Certificates. Such assignment includes, without limitation, all amounts payable to and all rights of the holder of the Underlying Certificates pursuant to the Underlying Agreements. Pursuant to the Indenture, the

Trust shall pledge the Trust Estate consisting of the Underlying Certificates identified on Schedule A attached hereto as collateral for the Class A Notes issued pursuant to the Indenture.

(b) The conveyance of the Underlying Certificates and all other assets constituting the Trust Estate by the Depositor as contemplated hereby is absolute and is intended by the parties, other than for federal, state and local income and franchise tax purposes, to constitute a sale of the Underlying Certificates and all other assets constituting the Trust Estate by the Depositor to the Trust. It is, further, not intended that such conveyance be deemed a pledge of security for a loan. If such conveyance is deemed to be a pledge of security for a loan, however, the Depositor intends that the rights and obligations of the parties to such loan shall be established pursuant to the terms of this Trust Agreement. The Depositor also intends and agrees that, in such event:

(i) this Trust Agreement shall constitute a security agreement under applicable law and shall be deemed to create valid and continuing security interest (as defined in the applicable UCC) in the Trust Estate (including, without limitation, the Underlying Certificates, the Certificate Distribution Account and any proceeds thereof) in favor of the Trust, which security interest is prior to all other liens, and is enforceable as such as against creditors of and purchasers from the Depositor;

(ii) other than the security interest granted to the Trust pursuant to this Trust Agreement, the Depositor has not pledged, assigned, sold, granted a security interest in, or otherwise conveyed the Trust Estate, has not authorized the filing of and is not aware of any financing statements against the Trust Estate that includes a description of collateral covering the Trust Estate other than any financing statements relating to the security interest granted to the Trust hereunder or that has been terminated. The Depositor is not aware of any judgment or tax lien filings against Depositor;

(iii) the Depositor owns and has good and marketable title to the Trust Estate free and clear of any lien, claim or encumbrance of any Person;

(iv) the Certificate Distribution Account constitutes a "deposit account" within the meaning of the applicable UCC. The Depositor has directed the bank where the Certificate Distribution Account is held to take all steps necessary to cause the Certificate Paying Agent to become the account holder of the Certificate Distribution Account. The Certificate Distribution Account is not in the name of any Person other than as provided in Section 3.10 of this Trust Agreement. The Depositor has not consented to the maintenance of the Certificate Distribution Account in compliance with instructions of any Person other than the Certificate Paying Agent;

(v) the Trust Estate (excluding the Certificate Distribution Account and any proceeds thereof) constitutes "deposit accounts," "general intangibles" and "instruments" within the meaning of the applicable UCC). The Depositor has received all required consents and approvals to the pledge of the portions of the Trust Estate (excluding the Certificate Distribution Account and any proceeds thereof) constituting payment intangibles;

(vi) the Depositor has caused or will have caused, within ten days, the filing of all appropriate financing statements in the appropriate filing offices under applicable law in order to perfect the security interest in the Trust Estate granted to the Trust hereunder. All financing statements filed or to be filed against the Depositor in favor of the Trust (or any subsequent assignee, including, without limitation, the Indenture Trustee) in connection herewith describing the Trust Estate contain a statement to the following effect, "A purchase of, or security interest in, any collateral described in this financing statement will violate the rights of the secured party;" and

(vii) the Depositor shall, to the extent consistent with this Trust Agreement, take such additional reasonable actions as may be necessary to ensure that, if this Trust Agreement were deemed to create a security interest in the Underlying Certificates and the other assets of the Trust Estate, such security interest would be a perfected security interest of first priority under applicable law and will be maintained as such throughout the life of this Trust Agreement. Notifications to, and acknowledgments, receipts or confirmations from, Persons holding such property, shall be deemed to be notifications to, or acknowledgments, receipts or confirmations from, financial intermediaries, bailees or agents (as applicable) of the Owner Trustee on behalf of the Trust (or any subsequent assignee, including, without limitation, the Indenture Trustee) for the purpose of perfecting such security interest under applicable law.

(c) The Owner Trustee declares that it holds and will hold such Trust Estate and such documents and instruments and that it holds and will hold all other assets and documents to be included in the Owner Trust Estate, in trust for the exclusive use and benefit of all present and future Certificateholders for the Owner Trust Estate.

(d) Except as expressly provided in Section 8.01, neither the Depositor nor any Certificateholder shall be able to revoke the Trust established hereunder. Except as provided in Sections 2.03, 4.01, 4.02, 4.03, 5.01 and 8.01 hereof, the Owner Trustee or Certificate Paying Agent (as applicable) shall not assign, sell, dispose of or transfer any interest in, nor may the Depositor or any Certificateholder withdraw from the Trust, the Underlying Certificates or other asset constituting the Trust Estate.

ARTICLE III

CONVEYANCE OF THE UNDERLYING CERTIFICATES; OWNER TRUST CERTIFICATES

Section 3.01 Conveyance of the Underlying Certificates. The Depositor, concurrently with the execution and delivery hereof, does hereby contribute, transfer, convey and assign to the Trust, without recourse, all its right, title and interest in and to the Underlying Certificates, including all interest and principal due on or with respect to the Underlying Certificates from and after the Cut-off Date (other than payments of principal and interest due on the Underlying Certificates before the Cut-off Date). If the Depositor receives any distributions in respect of the Underlying Certificates after the Cut-off Date, it shall promptly remit such distributions to the Indenture Trustee.

Section 3.02 Initial Beneficial Ownership. Upon the initial contribution by the Depositor pursuant to Section 2.05 and until the conveyance of the Underlying Certificates pursuant to Section 3.01 and the issuance of the Owner Trust Certificates, and thereafter except as otherwise permitted hereunder, the Depositor shall be the sole beneficial owner.

Section 3.03 The Owner Trust Certificates. The Trust shall issue Owner Trust Certificates representing the beneficial ownership interest in the Trust. On the Closing Date, the Issuer shall cause the Owner Trust Certificates to be issued in the name of Impac Mortgage Holdings, Inc. in exchange for cash proceeds, which proceeds shall be remitted to the Depositor as part of the purchase price for the Underlying Certificates. The Owner Trust Certificates shall be issued in registered form with 100% of the Percentage Interests of the Trust to be executed on behalf of the Trust, authenticated and delivered to Impac Mortgage Holdings, Inc. The Owner Trust Certificates shall be issued in definitive, fully registered form and shall be held by a single Certificateholder at all times.

The Owner Trust Certificates shall be executed on behalf of the Trust by manual or facsimile signature of an Authorized Officer of the Owner Trustee and authenticated by the Certificate Registrar in the manner provided in Section 3.04. An Owner Trust Certificate bearing the manual or facsimile signatures of individuals who were, at the time when such signatures shall have been affixed, authorized to sign on behalf of the Trust, shall be validly issued and entitled to the benefit of this Trust Agreement, notwithstanding that such individuals or any of them shall have ceased to be so authorized prior to the authentication and delivery of such Owner Trust Certificates or did not hold such offices at the date of authentication and delivery of such Owner Trust Certificates. A transferee of an Owner Trust Certificate shall become a Certificateholder and shall be entitled to the rights and subject to the obligations of a

Certificateholder hereunder upon such transferee's acceptance of an Owner Trust Certificate duly registered in such transferee's name pursuant to and upon satisfaction of the conditions set forth in Section 3.05.

Section 3.04 Authentication of Owner Trust Certificates. All Certificates issued hereunder shall be executed by the Owner Trustee on behalf of the Trust, authenticated by the Certificate Registrar and delivered to or upon the written order of the Depositor, signed by its

chairman of the board, its president or any vice president, without further corporate action by the Depositor, in authorized denominations. No Certificate shall entitle its holder to any benefit under this Trust Agreement or be valid for any purpose unless there shall appear on such Owner Trust Certificate a certificate of authentication substantially in the form set forth in Exhibit A-1, executed by the Certificate Registrar by manual signature; such authentication shall constitute conclusive evidence that such Owner Trust Certificate shall have been duly authenticated and delivered hereunder. All Owner Trust Certificates shall be dated the date of their authentication.

Section 3.05 Registration of and Limitations on Transfer and Exchange of Owner Trust Certificates.

(a) The Certificate Registrar shall keep or cause to be kept, a certificate register (the "Certificate Register") in which, subject to such reasonable regulations as it may prescribe, the Certificate Registrar shall provide for the registration of the Owner Trust Certificates and of transfers and exchanges of Owner Trust Certificates as herein provided. Deutsche Bank National Trust Company shall be the initial Certificate Registrar. If the Certificate Registrar resigns or is removed, the Depositor shall appoint a successor Certificate Registrar.

(b) Subject to satisfaction of the conditions set forth below with respect to the Owner Trust Certificates, upon surrender for registration of transfer of 100% of the Percentage Interests in the Owner Trust Certificates at the office or agency maintained pursuant to Section 3.09, the Owner Trustee or the Certificate Registrar shall execute, authenticate and deliver in the name of the designated transferee, a new Owner Trust Certificate evidencing no less than a 100% Percentage Interest dated the date of authentication by the Owner Trustee or the Certificate Registrar. At the option of a Certificateholder, Owner Trust Certificates may be exchanged for other Owner Trust Certificates evidencing no less than a 100% Percentage Interest, upon surrender of the Owner Trust Certificates to be exchanged at the office or agency maintained pursuant to Section 3.09. Notwithstanding the foregoing and to the fullest extent permitted by law, no transfer of the Owner Trust Certificates shall be made to any entity other than to an affiliate of the initial holder (other than the Depositor) unless the Note Balance of the Notes has been reduced to zero or the amount on deposit in the Reserve Account is equal to the Required Reserve Amount Target.

Every Owner Trust Certificate presented or surrendered for registration of transfer or exchange shall be accompanied by a written instrument of transfer in form satisfactory to the Certificate Registrar duly executed by the Certificateholder or such Certificateholder's attorney duly authorized in writing. Each Owner Trust Certificate surrendered for registration of transfer or exchange shall be cancelled and subsequently disposed of by the Certificate Registrar in accordance with its customary practice.

No service charge shall be made for any registration of transfer or exchange of Owner Trust Certificates, but the Owner Trustee or the Certificate Registrar may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer or exchange of Owner Trust Certificates.

Except for the initial issuance of the Owner Trust Certificates on the Closing Date, no Person shall become a Certificateholder of the Owner Trust Certificates until the requirements of Section 3.05(g) shall have been complied with.

(c) The Owner Trust Certificates shall be assigned, transferred, exchanged, pledged, financed, hypothecated or otherwise conveyed (collectively, for purposes of this Section 3.05 and any other Section referring to the Owner Trust Certificates, "transferred" or a "transfer") only in accordance with this Section 3.05.

(d) Except in connection with the initial transfer of the Owner Trust Certificates, no transfer of an Owner Trust Certificate shall be made unless such transfer is made pursuant to an effective registration statement under the Securities Act and any applicable state securities laws or is exempt from the registration requirements under the Securities Act and such state securities laws. In the event that a transfer is to be made in reliance upon an exemption from the Securities Act and such laws, in order to assure compliance with the Securities Act and such laws, the Certificateholder desiring to effect such transfer and such Certificateholder's prospective transferee shall each certify to the Certificate Registrar in writing the facts surrounding the transfer by (x) the delivery to the Certificate Registrar by the Certificateholder desiring to effect such transfer of a certificate substantially in the form set forth in Exhibit D (the "Transferor Certificate") and the delivery by the Certificateholder's prospective transferee of a letter in substantially the form of Exhibit F (the "Transferee Certificate") stating that the prospective transferee is a "qualified institutional buyer" as defined in Rule 144A under the Securities Act of 1933, as amended (the "Securities Act") or (y) there shall be delivered to the Certificate Registrar an Opinion of Counsel addressed to the Indenture Trustee that such transfer may be made pursuant to an exemption from the Securities Act and the 1940 Act, which Opinion of Counsel shall not be an expense of the Depositor, the Certificate Registrar, the Owner Trustee, the Trust or the Indenture Trustee. Each Certificateholder desiring to effect such transfer shall, and does hereby agree to, indemnify the Indenture Trustee, the Certificate Registrar, the Certificate Paying Agent, the Depositor and the Owner Trustee against any liability that may result if the transfer is not so exempt or is not made in accordance with such federal and state laws.

(e) With respect to the transfer of an Owner Trust Certificate such Person shall comply with the provisions of Section 3.12 relating to the ERISA restrictions with respect to the acceptance or acquisition of such Owner Trust Certificate.

(f) For so long as any of the Owner Trust Certificates are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Certificate Registrar agrees to cooperate with, and act in accordance with the direction of, the Depositor in providing to any Certificateholders and to any prospective purchaser of Owner Trust Certificates designated by such Certificateholder, upon the request of such Certificateholder or prospective purchaser, any information in the Certificate Registrar's possession and required to be provided to such holder or prospective purchaser to satisfy the condition set forth in Rule 144A(d)(4) under the Securities Act. Any reasonable, out-of-pocket expenses incurred by the Certificate Registrar in providing such information shall be reimbursed by the Depositor.

(g) By its acceptance of an Owner Trust Certificate, each prospective Certificateholder agrees and acknowledges that no legal or beneficial interest in all or any portion of any Owner Trust Certificate may be transferred directly or indirectly to an individual, corporation, partnership or other Person unless such transferee provides the Certificate Registrar with a properly completed IRS Form W-9 or IRS Form W-8BEN and/or such other form and information satisfactory to the Certificate Registrar that no federal income tax withholding is required on payments to the Trust or the Certificateholders; and if such form or other information is not provided, then any such purported transfer shall be void and of no effect.

Section 3.06 Mutilated, Destroyed, Lost or Stolen Owner Trust Certificates. If (a) any mutilated Owner Trust Certificate shall be surrendered to the Certificate Registrar, or if the Certificate Registrar shall receive evidence to its satisfaction of the destruction, loss or theft of any Owner Trust Certificate and (b) there shall be delivered to the Certificate Registrar and the Owner Trustee such security or indemnity as may be required by them to save each of them harmless, then in the absence of notice to the Certificate Registrar or the Owner Trustee that such Owner Trust Certificate has been acquired by a bona fide purchaser, the Owner Trustee shall execute on behalf of the Trust and the Certificate Registrar shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Owner Trust Certificate, a new Owner Trust Certificate of like tenor and denomination. In connection with the issuance of any new Owner Trust Certificate under this Section 3.06, the Owner Trustee or the Certificate Registrar may require the payment of a sum sufficient to cover any expenses of the Owner Trustee or the Certificate Registrar (including fees and expenses of counsel) and any tax or other governmental charge that may be imposed in connection therewith. Any duplicate Owner Trust Certificate issued pursuant to this Section 3.06 shall constitute conclusive evidence of ownership in the Trust, as if originally issued, whether or not the lost, stolen or destroyed Owner Trust Certificate shall be found at any time.

Section 3.07 Persons Deemed Certificateholders. Prior to due presentation of an Owner Trust Certificate for registration of transfer, the Owner Trustee, the Certificate Registrar or any Certificate Paying Agent may treat the Person in whose name any Certificate is registered in the Certificate Register as the owner of such Certificate for the purpose of receiving distributions pursuant to Section 5.02 and for all other purposes whatsoever, and none of the Trust, the Owner Trustee, the Certificate Registrar or any Certificate Paying Agent shall be bound by any notice to the contrary.

Section 3.08 Access to List of Certificateholders' Names and Addresses. The Certificate Registrar shall furnish or cause to be furnished to the Depositor, the Certificate Paying Agent or the Owner Trustee, within 15 days after receipt by the Certificate Registrar of a written request therefor from the Depositor, the Certificate Paying Agent or the Owner Trustee, a list, in such form as the Depositor, the Certificate Paying Agent or the Owner Trustee, as the case may be, may reasonably require, of the names and addresses of the Certificateholders as of the most recent Record Date. Each Certificateholder, by receiving and holding an Owner Trust Certificate, shall be deemed to have agreed not to hold any of the Trust, the Depositor, the Certificate Paying Agent, the Certificate Registrar or the Owner Trustee accountable by reason of the disclosure of its name and address, regardless of the source from which such information was derived.

Section 3.09 Maintenance of Office or Agency. The Trust shall maintain an office or offices or agency or agencies where Owner Trust Certificates may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Trust or the Owner Trustee in respect of the Owner Trust Certificates may be served. The Trust initially designates the Corporate Trust Office of the Certificate Registrar for purposes of such surrender and for service of notices or demands. The Owner Trustee, on behalf of the Trust, shall give prompt written notice to the Depositor, the Certificate Paying Agent, the Certificate Registrar and the Certificateholders of any change in the location of the Certificate Register or any such office or agency.

Section 3.10 Certificate Paying Agent.

(a) The Certificate Paying Agent shall make distributions to Certificateholders from the Certificate Distribution Account on behalf of the Trust in accordance with the provisions of the Owner Trust Certificates and Section 5.01 hereof from payments remitted to the Certificate Paying Agent by the Indenture Trustee pursuant to Section 2.09(e) of the Indenture. The Trust hereby appoints Deutsche Bank National Trust Company, as Certificate Paying Agent, and Deutsche Bank National Trust Company, hereby accepts such appointment and further agrees that it will be bound by the provisions of this Trust Agreement relating to the Certificate Paying Agent and shall:

(i) hold all sums held by it for the payment of amounts due with respect to the Owner Trust Certificates in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(ii) give the Owner Trustee notice of any default by the Trust of which a Responsible Officer of the Certificate Paying Agent has actual knowledge in the making of any payment required to be made with respect to the Owner Trust Certificates;

(iii) at any time during the continuance of any such default, upon the written request of the Owner Trustee forthwith pay to the Owner Trustee on behalf of the Trust all sums so held in trust by such Certificate Paying Agent;

(iv) not resign from its position as Certificate Paying Agent so long as it is Indenture Trustee except that it shall immediately resign as Certificate Paying Agent and forthwith pay to the Owner Trustee on behalf of the Trust all sums held by it in trust for the payment of Owner Trust Certificates if at any time it ceases to meet the standards under this Section 3.10 required to be met by the Certificate Paying Agent at the time of its appointment;

(v) comply with all requirements of the Code with respect to the withholding from any payments made by it on any Owner Trust Certificates of any applicable withholding taxes imposed thereon and with respect to any applicable reporting requirements in connection therewith; and

(vi) not institute bankruptcy proceedings against the Issuer in connection with this Trust Agreement.

(b) The Trust may revoke the power of the Certificate Paying Agent and remove the Certificate Paying Agent if it determines in its sole discretion that the Certificate Paying Agent shall have failed to perform its obligations under this Trust Agreement in any material respect. In the event that Deutsche Bank National Trust Company, shall no longer be the Certificate Paying Agent under this Trust Agreement and Paying Agent under the Indenture, the Depositor shall appoint a successor to act as Certificate Paying Agent (which shall be a bank or trust company) and which shall also be the successor Paying Agent under the Indenture. The Depositor shall cause such successor Certificate Paying Agent or any additional Certificate Paying Agent hereunder to execute and deliver to the Owner Trustee an instrument to the effect set forth in Section 3.10(a) as it relates to the Certificate Paying Agent. The Certificate Paying Agent shall return all unclaimed funds to the Trust and upon removal of a Certificate Paying Agent such Certificate Paying Agent shall also return all funds in its possession to the Trust. The provisions of Sections 6.01, 6.04, 6.05, 6.06, 6.07, 6.08 and 7.01 shall apply to the Certificate Paying Agent to the extent applicable. Any reference in this Trust Agreement to the Certificate Paying Agent shall include any co-paying agent unless the context requires otherwise.

(c) The Certificate Paying Agent shall establish and maintain with itself a segregated, non-interest bearing trust account (the "Certificate Distribution Account") in which the Certificate Paying Agent shall deposit, on the same day as it is received from the Indenture Trustee, each remittance received by the Certificate Paying Agent with respect to payments made pursuant to the Indenture. The Certificate Paying Agent shall make all distributions to Certificateholders, from moneys on deposit in the Certificate Distribution Account, in accordance with Section 5.01 hereof. The funds in the Certificate Distribution Account shall be held uninvested.

Section 3.11 Distributions on the Owner Trust Certificates. The Certificateholders will be entitled to distributions on each Payment Date as provided in Section 2.09(e) of the Indenture.

Section 3.12 ERISA Restrictions. The Owner Trust Certificates may not be acquired or transferred to a transferee for or on behalf of a Plan. Each prospective transferee, other than the Depositor or its Affiliates, shall represent and warrant to the Certificate Registrar that it is not a Plan or any person acting on behalf of, or purchasing such Owner Trust Certificate with assets of, a Plan, in accordance with Exhibit F hereto.

Section 3.13 Representations and Warranties Relating to the Underlying Certificates. The Depositor represents, warrants and covenants to the Trust as of the Closing Date or as of such other date specifically provided herein:

(a) The Depositor has duly authorized the execution, delivery and performance of this Agreement, has duly executed and delivered this Agreement and this Agreement, assuming due authorization, execution and delivery by the Owner Trustee, constitutes a legal, valid and binding obligation of the Depositor, enforceable against it in accordance with its terms except as the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect affecting the enforcement of creditors' rights in general and except as such enforceability may be limited by general principles of equity (whether considered in a proceeding at law or in

equity). At the time of the sale of the Underlying Certificates by the Depositor, the Depositor had the full power and authority to hold the Underlying Certificates and to sell the Underlying Certificates;

(b) The Depositor does not believe, nor does it have any reason or cause to believe, that it cannot perform each and every covenant contained in this Agreement;

(c) To the best of the Depositor's knowledge, there are no actions or proceedings against, or investigations known to it of, the Depositor before any court, administrative or other tribunal (A) that might prohibit its entering into this Agreement, (B) seeking to prevent the sale of the Underlying Certificates or the consummation of the transactions contemplated by this Agreement or (C) that might prohibit or materially and adversely affect the performance by the Depositor of its obligations under, or validity or enforceability of, this Agreement;

(d) No consent, approval, authorization or order of any court or governmental agency or body is required for the execution, delivery and performance by the Depositor of, or compliance by the Depositor with, this Agreement or the consummation of the transactions contemplated by this Agreement, except for such consents, approvals, authorizations or orders, if any, that have been obtained;

(e) The consummation of the transactions contemplated by this Agreement are in the ordinary course of business of the Depositor, and the transfer, assignment and conveyance of the Underlying Certificates by the Depositor pursuant to this Agreement are not subject to bulk transfer or any similar statutory provisions;

(f) The Depositor has not transferred the Underlying Certificates with any intent to hinder, delay or defraud any of its creditors; and

(g) The Underlying Certificates have not been assigned or pledged by the Depositor, and immediately prior to the transfer and assignment herein contemplated, the Depositor held good, marketable and indefeasible title to, and was the sole owner and holder of, the Underlying Certificates subject to no liens; the Depositor has full right and authority under all governmental and regulatory bodies having jurisdiction over the Depositor, subject to no interest or participation of, or agreement with, any party, to sell and assign the same pursuant to this Agreement; and immediately upon the transfers and assignments herein contemplated, the Depositor shall have transferred all of its right, title and interest in and to the Underlying Certificates and the Trust will hold good, marketable and indefeasible title to, and be the sole owner of, the Underlying Certificates subject to no liens.

Section 3.14 Remedies for Breach of Representations and Warranties.

(a) It is understood and agreed that the representations and warranties set forth in Section 3.13 shall survive the sale of the Underlying Certificates from the Depositor to the Trust and shall inure to the benefit of the Trust. Upon discovery by any of the Depositor, the Trust or the Indenture Trustee of a breach of any of the foregoing representations and warranties that materially and adversely affects the value of the Underlying Certificates or the interest of the

Trust, the party discovering such breach shall give prompt written notice to the other. Promptly following the earlier of either discovery by or notice to the Depositor of any breach of a representation or warranty made by the Depositor that materially and adversely affects the value of the Underlying Certificates or the interest therein of the Trust, the Depositor shall cure such breach in all material respects.

(b) It is understood and agreed that the representations and warranties set forth in Section 3.13 shall survive delivery of the Underlying Certificates to the Indenture Trustee by the Trust.

(c) It is understood and agreed that the obligations of the Depositor set forth in this Section 3.14 to cure any breach of the representations and warranties contained in Section 3.13 that materially and adversely affects the value of the Underlying Certificates or the interest of the Trust constitutes the sole remedy of the Trust respecting any breach of such representations and warranties.

(d) Upon any failure by the Depositor to cure in all material respects any breach of representation or warranty that materially and adversely affects the value of the Underlying Certificates pursuant to this Section 3.14, Impac Mortgage Holdings, Inc., hereby agrees with the Trust, for the sole and exclusive benefit of the Trust, to cure such breach in all material respects.

ARTICLE IV

AUTHORITY AND DUTIES OF OWNER TRUSTEE

Section 4.01 General Authority. The Owner Trustee is authorized and directed to execute and deliver the Basic Documents to which the Trust is to be a party and each certificate or other document attached as an exhibit to or contemplated by the Basic Documents to which the Trust is to be a party and any amendment or other agreement or instrument described herein all as approved by the Depositor, as evidenced conclusively by the Owner Trustee's execution thereof. In addition to the foregoing, the Owner Trustee is authorized, but shall not be obligated, except as otherwise provided in this Trust Agreement, to take all actions required of the Trust pursuant to the Basic Documents. The Owner Trustee is further authorized to take such actions as the Administrator or the Certificateholders direct in writing with respect to the Basic Documents. The Owner Trustee shall not be liable for any action taken pursuant to the direction of an Administrator or the Certificateholders.

Section 4.02 General Duties.

(a) It shall be the duty of the Owner Trustee to discharge (or cause to be discharged) all of its responsibilities pursuant to the terms of this Trust Agreement in the interest of the Certificateholders, subject to the Basic Documents and in accordance with the provisions of this Trust Agreement. The Owner Trustee shall have no duty to monitor or perform the obligations of the Trust except as expressly agreed pursuant to this Trust Agreement.

(b) Notwithstanding the foregoing, the Owner Trustee shall be deemed to have discharged its duties and responsibilities hereunder to the extent an Administrator has agreed to perform any act or discharge any duty of the Trust or the Owner Trustee hereunder or under the other Basic Documents and the Owner Trustee shall not be liable for the default or failure of such Administrator to carry out its obligations.

Section 4.03 Action upon Instruction.

(a) Subject to Article IV and in accordance with the terms of the Basic Documents, the Certificateholders may by written instruction direct the Owner Trustee in the management of the Trust. Such direction may be exercised at any time by written instruction of the Certificateholders pursuant to Article IV.

(b) Notwithstanding the foregoing, the Owner Trustee shall not be required to take any action hereunder or under any Basic Document if the Owner Trustee shall have reasonably determined, or shall have been advised by counsel, that such action is likely to result in liability on the part of the Owner Trustee or is contrary to the terms hereof or of any Basic Document or is otherwise contrary to law.

(c) Whenever the Owner Trustee is required to decide between alternative courses of action permitted or required by the terms of this Trust Agreement or under any Basic Document, or in the event that the Owner Trustee is unsure as to the application of any provision of this Trust Agreement or any Basic Document or any such provision is ambiguous as to its

application, or is, or appears to be, in conflict with any other applicable provision, or in the event that this Trust Agreement permits any determination by the Owner Trustee or is silent or is incomplete as to the course of action that the Owner Trustee is required to take with respect to a particular set of facts, the Owner Trustee shall promptly give notice (in such form as shall be appropriate under the circumstances) to the Certificateholders requesting instruction as to the course of action to be adopted, and to the extent the Owner Trustee acts in good faith in accordance with any written instruction of the Certificateholders, the Owner Trustee shall not be liable on account of such action to any Person. If the Owner Trustee shall not have received appropriate instruction within 10 days of such notice (or within such shorter period of time as reasonably may be specified in such notice or may be necessary under the circumstances) it may, but shall be under no duty to, take or refrain from taking such action not inconsistent with this Trust Agreement or the Basic Documents, as it shall deem to be in the best interests of the Certificateholders, and the Owner Trustee shall have no liability to any Person for such action or inaction.

Section 4.04 No Duties Except as Specified under Specified Documents or in Instructions. The Owner Trustee shall not have any duty or obligation to manage, make any payment with respect to, register, record, sell, dispose of, or otherwise deal with the Owner Trust Estate, or to otherwise take or refrain from taking any action under, or in connection with, any document contemplated hereby to which the Owner Trustee or the Trust is a party, except as expressly provided (i) in accordance with the powers granted to and the authority conferred upon the Owner Trustee pursuant to this Trust Agreement, (ii) in accordance with the Basic Documents and (iii) in accordance with any document or instruction delivered to the Owner Trustee pursuant to Section 4.03; and no implied duties or obligations shall be read into this Trust Agreement or any Basic Document against the Owner Trustee. The provisions of this Trust Agreement, to the extent that they restrict or eliminate the duties (including fiduciary duties) and liabilities of the Owner Trustee otherwise

existing at law or in equity, replace such other duties and liabilities of the Owner Trustee. The Owner Trustee shall have no responsibility to prepare or file any financing or continuation statement in any public office at anytime or to otherwise perfect or maintain the perfection of any security interest or lien granted to it or the Trust hereunder or to prepare or file any Securities and Exchange Commission filing for the Trust or to record this Trust Agreement or any Basic Document. Notwithstanding any provision herein or in any other Basic Document, the Owner Trustee shall not be obligated to prepare, file or execute any documents or certifications required to be filed by the Trust pursuant to the Sarbanes-Oxley Act of 2002, as amended. The Owner Trustee nevertheless agrees that it will, at its own cost and expense, promptly take all action as may be necessary to discharge any liens on any part of the Owner Trust Estate that result from actions by, or claims against, the Owner Trustee in its individual capacity that are not related to the ownership or the administration of the Owner Trust Estate.

Section 4.05 Restrictions.

(a) Neither the Owner Trustee nor the Depositor (nor an Affiliate thereof) shall take any action (x) that is inconsistent with the purposes of the Trust set forth in Section 2.03, (y) that, to the actual knowledge of the Owner Trustee based on an Opinion of Counsel rendered at the expense of the Person requesting such action by a law firm generally recognized to be qualified

to opine concerning the tax aspects of asset securitization, would result in a Trust Estate becoming taxable as a corporation for federal income tax purposes or otherwise subject to federal income taxes at the entity level or (z) that to the actual knowledge of the Owner Trustee would result in the amendment or modification of this Trust Agreement except as permitted by Section 10.01 hereof. Neither the Certificateholders nor the Administrator shall direct the Owner Trustee to take action that would violate the provisions of this Section 4.05 and the Owner Trustee shall have no obligation to follow any such instruction in violation of this Section. The Owner Trustee shall not be charged with actual knowledge unless a Responsible Officer of the Owner Trustee has received written notice of such fact, issue or event at the Corporate Trust Office of the Owner Trustee.

(b) Except as otherwise permitted by the Basic Documents, the Owner Trustee shall not convey or transfer any of the Trust's properties or assets, including those included in the Trust Estate, to any person or accept any further contribution to the Owner Trust Estate, unless it shall have received an Opinion of Counsel (which Opinion of Counsel shall not be at the expense of the Owner Trustee) rendered by a law firm generally recognized to be qualified to opine concerning the tax aspects of asset securitization to the effect that such transaction will not have any material adverse tax consequence to the Trust Estate or any Certificateholder or any Noteholder.

Section 4.06 Prior Notice to Certificateholders with Respect to Certain Matters. With respect to the following matters, the Owner Trustee shall not take action unless, at least 10 days before the taking of such action, the Owner Trustee shall have notified the Certificateholders in writing of the proposed action and the Certificateholders shall not have notified the Owner Trustee in writing prior to the 10th day after such notice is given that such Certificateholders have withheld consent or provided alternative direction:

(a) the initiation of any claim or lawsuit by the Trust (except claims or lawsuits brought in connection with the collection of cash distributions due and owing under the Underlying Certificates) and the compromise of any action, claim or lawsuit brought by or against the Trust (except with respect to the aforementioned claims or lawsuits for collection of cash distributions due and owing under the Underlying Certificates);

(b) the election by the Trust to file an amendment to the Certificate of Trust (unless such amendment is required to be filed under the Statutory Trust Statute);

(c) the amendment of the Indenture by a supplemental indenture in circumstances where the consent of any Noteholder is required;

(d) the amendment of the Indenture by a supplemental indenture in circumstances where the consent of any Noteholder is not required and such amendment materially adversely affects the interest of the Certificateholders; and

(e) the appointment pursuant to the Indenture of a successor Note Registrar, Paying Agent or Indenture Trustee or pursuant to this Trust Agreement of a successor Certificate Registrar or Certificate Paying Agent or the consent to the assignment by the Note Registrar,

Paying Agent, Indenture Trustee, Certificate Registrar or Certificate Paying Agent of its obligations under the Indenture or this Trust Agreement, as applicable.

Section 4.07 Action by Certificateholders with Respect to Certain Matters.

(a) The Owner Trustee shall not have the power, except upon the direction of the Certificateholders to sell the Underlying Certificates after the termination of the Indenture (except as expressly provided in the Basic Documents). The Owner Trustee shall take the actions referred to in the preceding sentence only upon written instructions signed by the Certificateholders and in accordance with Section 4.05(b) hereof.

(b) At any time after the amount in the Reserve Account is equal to the Required Reserve Account Amount pursuant to Section 2.15 of the Indenture, the Certificateholder shall have the right to direct each of the Indenture Trustee to release the Underlying Certificates from the lien of the Indenture and to deliver or cause to be delivered to the Certificateholders, the physical certificates evidencing the then remaining Underlying Certificates that are held in fully registered, certificated form, endorsed to the Certificateholder or its designee.

Section 4.08 Action by Certificateholders with Respect to Bankruptcy. The Owner Trustee shall not have the power to commence a voluntary proceeding in bankruptcy relating to the Trust without the unanimous prior approval of all Certificateholders and the delivery to the Owner Trustee by each such Certificateholder of a certificate certifying that such Certificateholder reasonably believes that the Trust is insolvent. This paragraph shall survive for one year following termination of this Trust Agreement.

Section 4.09 Restrictions on Certificateholders' Power. The Certificateholders shall not direct the Owner Trustee to take or to refrain from taking any action if such action or inaction would be contrary to any obligation of the Trust or the Owner Trustee under this Trust Agreement or any of the Basic Documents or would be contrary to Section 2.03 or any applicable law, nor shall the Owner Trustee be obligated to follow any such direction, if given.

Section 4.10 Majority Control. Except as expressly provided herein, any action that may be taken by the Certificateholders under this Trust Agreement may be taken by the Certificateholders, except as expressly provided in the Basic Documents, evidencing not less than a majority percentage interest of the Owner Trust Certificates. Except as expressly provided herein, any written notice of the Certificateholders delivered pursuant to this Trust Agreement shall be effective if signed by Certificateholders evidencing not less than a majority percentage interest of the Owner Trust Certificates at the time of the delivery of such notice.

ARTICLE V

APPLICATION OF TRUST FUNDS

Section 5.01 Distributions.

(a) On each Payment Date, the Certificate Paying Agent shall distribute to the Certificateholders all funds on deposit in the Certificate Distribution Account and available therefor in accordance with Section 3.11 for such Payment Date.

(b) In the event that any withholding tax is imposed on the distributions (or allocations of income) to a Certificateholder, such tax shall reduce the amount otherwise distributable to the Certificateholder in accordance with this Section 5.01. The Certificate Paying Agent is hereby authorized and directed to retain or cause to be retained (and remit or cause to be remitted to the Indenture Trustee) amounts otherwise distributable to the Certificateholders sufficient funds for the payment of any tax that is legally owed by the Trust (but such authorization shall not prevent the Owner Trustee from contesting any such tax in appropriate proceedings, and withholding payment of such tax, if permitted by law, pending the outcome of such proceedings) upon receipt of written notice by the Certificate Paying Agent of the amount and due date of any such tax. The amount of any withholding tax imposed with respect to a Certificateholder shall be treated as cash distributed to such Certificateholder at the time it is withheld by the Certificate Paying Agent and remitted to the appropriate taxing authority. If there is a possibility that withholding tax is payable with respect to a distribution (such as a distribution to a non-U.S. Certificateholder), the Certificate Paying Agent may in its sole discretion withhold such amounts in accordance with this paragraph (b).

(c) Distributions to Certificateholders shall be subordinated to the creditors of the Trust, including the Noteholders.

Section 5.02 Method of Payment. Subject to Section 8.01(c), distributions required to be made to Certificateholders on any Payment Date as provided in Section 3.11 and Section 5.01 shall be made to each Certificateholder of record on the preceding Record Date by wire transfer, in immediately available funds, to the account of such Certificateholder at a bank or other entity having appropriate facilities therefor, if such Certificateholder shall have provided to the Certificate Registrar appropriate written instructions at least five Business Days prior to such Payment Date or, if not, by check mailed to such Certificateholder at the address of such Certificateholders appearing in the Certificate Register.

Section 5.03 [Reserved].

Section 5.04 Tax Matters and Tax Returns.

(a) The Certificateholders acknowledge that it is their intent and that they understand it is the intent of the other parties to this Trust Agreement that, for U.S. federal, state and local income and franchise tax and any other income taxes, the Trust Estate will be treated as an entity that is disregarded as separate from the beneficial owner of the equity in the Trust Estate and not as an association taxable as a corporation, a publicly traded partnership, taxable as a corporation

or a taxable mortgage pool. In the event that the Owner Trust Certificates are beneficially owned by more than one holder for federal income tax purposes, or is in any event successfully recharacterized by the IRS as a partnership, the Certificateholders shall be subject to all of the provisions of subchapter K of chapter 1 of subtitle A of the Code. If the Trust Estate is characterized as a partnership, the Certificate Paying Agent shall establish and maintain capital accounts for each Certificateholder (or beneficial owner thereof) in accordance with the Treasury Regulations under Section 704(b) of the Code reflecting each such Certificateholder's (or beneficial owner's) *pro rata* share of the income, gains, deductions and losses of the Trust and/or insurance made by or on behalf of the Trust Estate and contributions to, and distributions from, the Trust Estate.

(b) If the Trust Estate is characterized as a partnership for U.S. federal income tax purposes, the Certificateholder shall be (i) designated as the "tax matters partner" for such partnership and (ii) shall instruct the Indenture Trustee to file an application with the IRS for a taxpayer identification number with respect to the Trust Estate and to prepare or cause to be prepared and file partnership tax returns including the partnership information return on Form 1065 in connection with the transactions contemplated hereby (the "Tax Return"); provided, however, that the Indenture Trustee shall not be required to prepare and file partnership tax returns in respect of any partnership unless it receives additional reasonable compensation for the preparation of such filings and only to the extent it receives written notification from the Certificateholder recognizing the creation of a partnership agreement or comparable documentation evidencing a partnership, it being understood that the Indenture Trustee shall have no obligation to monitor whether a partnership has been created. Upon transfer of a beneficial ownership interest in an Owner Trust Certificate by a holder thereof to a Person (other than to a Person disregarded as an entity separate from the transferor), the transferor shall provide written notice to the Indenture Trustee of such transfer and shall provide the Indenture Trustee, upon request, any information reasonably required by the Indenture Trustee, for purposes of preparing any Tax Return; provided, however, that the Indenture Trustee shall send or cause to be sent a copy of the completed Tax Return, to the Certificateholders by the due date of the Tax Return, including any extensions. The Depositor and the Certificateholders shall each, upon request by the Indenture Trustee, furnish the Indenture Trustee with all such information as may be reasonably required from the Depositor or the Certificateholders in connection with the preparation of such Tax Return. The Indenture Trustee shall keep copies of the Tax Returns delivered to or filed by it. No party to this Trust Agreement is authorized to make an election under Treasury Regulation Section 301.7701-3 to treat a Trust Estate as an association taxable as a corporation for federal income tax purposes.

(c) Pursuant to the Indenture, the Indenture Trustee will maintain (or cause to be maintained) the books of the Trust Estate on a calendar year basis using the accrual method of accounting and will prepare and file or cause to be prepared and filed such tax returns relating to the Trust Estate as may be required by the Code and applicable Treasury Regulations (making such elections as may from time to time be required or appropriate under any applicable state or federal statutes, rules or regulations). Pursuant to the Indenture and solely with respect to filing Form 1099 tax returns, the Indenture Trustee has agreed that it shall (a) deliver (or cause to be delivered) to each Noteholder and Certificateholder as may be required by the Code and applicable Treasury Regulations, such information as may be required to enable such Noteholder

and Certificateholder to prepare its federal and state income tax returns and (b) collect or cause to be collected any withholding tax as described in and in accordance with Section 5.01 of this Trust Agreement with respect to income or distributions to the Certificateholder and prepare or cause to be prepared the appropriate forms relating thereto. The Owner Trustee shall sign all tax and information returns prepared or caused to be prepared by the Indenture Trustee pursuant to this Section 5.04 at the request of the Indenture Trustee, and in doing so shall rely entirely upon, and shall have no liability for information or calculations provided by, the Indenture Trustee.

Section 5.05 Statements to Certificateholders. On each Payment Date, the Certificate Paying Agent shall make available via its website to each Certificateholder the statement or statements prepared by the Indenture Trustee pursuant to Section 6.04 of the Indenture with respect to such Payment Date.

ARTICLE VI

CONCERNING CHRISTIANA BANK

Section 6.01 Acceptance of Trusts and Duties. Christiana Bank accepts the trusts hereby created and agrees to perform its duties hereunder with respect to such trusts but only upon the terms of this Trust Agreement. Christiana Bank and the Certificate Paying Agent also agree to disburse all moneys actually received by it constituting part of the Owner Trust Estate upon the terms of the Basic Documents and this Trust Agreement. Christiana Bank shall not be answerable or accountable hereunder or under any Basic Document under any circumstances, except (i) for its own willful misconduct, gross negligence or bad faith or grossly negligent failure to act or (ii) in the case of the inaccuracy of any representation or warranty contained in Section 6.03 expressly made by Christiana Bank. In particular, but not by way of limitation (and subject to the exceptions set forth in the preceding sentence):

(a) Christiana Bank shall not be liable with respect to any action taken or omitted to be taken by it in accordance with the instructions of the Certificateholders or an Administrator permitted under this Trust Agreement;

(b) No provision of this Trust Agreement or any Basic Document shall require Christiana Bank to expend or risk funds or otherwise incur any financial liability in the performance of any of its rights, duties or powers hereunder or under any Basic Document if Christiana Bank shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured or provided to it;

(c) Under no circumstances shall Christiana Bank be liable for any representation, warranty, covenant, obligation or indebtedness evidenced by or arising under any of the Basic Documents, including the principal of and interest on the Notes;

(d) Christiana Bank shall not be responsible for or in respect of the validity or sufficiency of this Trust Agreement or for the due execution hereof by the Depositor or for the form, character, genuineness, sufficiency, value or validity of the Owner Trust Estate, or for or in respect of the validity or sufficiency of the Basic Documents, the Notes, the Owner Trust Certificates, other than the certificate of authentication on the Owner Trust Certificates, if executed and authenticated by Christiana Bank and Christiana Bank shall in no event assume or incur any liability, duty, or obligation to any Noteholder or to any Certificateholder, other than as expressly provided for herein;

(e) Christiana Bank shall not be liable for the default or misconduct of the Depositor, Administrators, Indenture Trustee, Certificate Registrar or Certificate Paying Agent under any of the Basic Documents or otherwise and Christiana Bank shall have no obligation or liability to perform the obligations of the Trust under this Trust Agreement or the Basic Documents that are required to be performed by the Indenture Trustee under the Indenture, any Administrator under the Administration Agreement, the Certificate Paying Agent, the Certificate Registrar, the Depositor or any other Person;

(f) Christiana Bank shall be under no obligation to exercise any of the rights or powers vested in it or duties imposed by this Trust Agreement, or to institute, conduct or defend any litigation under this Trust Agreement or otherwise or in relation to this Trust Agreement or any Basic Document, at the request, order or direction of any of the Certificateholders, unless such Certificateholders have offered to Christiana Bank security or indemnity satisfactory to it against the costs, expenses and liabilities that may be incurred by Christiana Bank therein or thereby. The right of Christiana Bank to perform any discretionary act enumerated in this Trust Agreement or in any Basic Document shall not be construed as a duty, and Christiana Bank shall not be answerable for other than its gross negligence or willful misconduct in the performance of any such act;

(g) Christiana Bank shall not be personally liable for (x) special, consequential or punitive damages, however styled, including without limitation, lost profits or (y) any losses due to forces beyond the control of Christiana Bank, including, without limitation, strikes, work stoppages, acts of war or terrorism, insurrection, revolution, nuclear or natural catastrophes or acts of God and interruptions, loss or malfunctions of utilities, communications or computer (software or hardware) services; and

(h) Christiana Bank shall not be personally liable for any error of judgment made in good faith by any of its officers or employees.

Section 6.02 Furnishing of Documents. Christiana Bank shall furnish to the Noteholders and Certificateholders promptly upon receipt of a written reasonable request therefor, duplicates or copies of all reports, notices, requests, demands, certificates, financial statements and any other instruments furnished to Christiana Bank under the Basic Documents.

Section 6.03 Representations and Warranties. Christiana Bank hereby represents and warrants to the Depositor, for the benefit of the Certificateholders, that:

(a) It is a Delaware banking corporation duly organized and validly existing in good standing under the laws of the State of Delaware. It has all requisite power and authority to execute, deliver and perform its obligations under this Trust Agreement;

(b) It has taken all corporate action necessary to authorize the execution and delivery by it of this Trust Agreement, and this Trust Agreement will be executed and delivered by one of its officers who is duly authorized to execute and deliver this Trust Agreement on its behalf;

(c) Neither the execution nor the delivery by it of this Trust Agreement, nor the consummation by it of the transactions contemplated hereby nor compliance by it with any of the terms or provisions hereof will contravene any federal or Delaware law, governmental rule or regulation governing the banking or trust powers of Christiana Bank or any judgment or order binding on it, or constitute any default under its charter documents or bylaws or any indenture, mortgage, contract, agreement or instrument to which it is a party or by which any of its properties may be bound;

(d) This Trust Agreement assuming due authorization, execution and delivery by the Depositor, the Certificate Registrar and the Certificate Paying Agent, constitutes a valid, legal

and binding obligation of Christiana Bank, enforceable against it in accordance with the terms hereof subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting the enforcement of creditors' rights generally and to general principles of equity, regardless of whether such enforcement is considered in a proceeding in equity or at law;

(e) The execution, delivery, authentication and performance by it of this Trust Agreement will not require the authorization, consent or approval of, the giving of notice to, the filing or registration with, or the taking of any other action with respect to, any governmental authority or agency other than the filing of the Certificate of Trust with the Secretary of State;

(f) Christiana Bank is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or governmental agency, which default might have consequences that would materially and adversely affect the condition (financial or other) or operations of Christiana Bank or its properties or might have consequences that would materially adversely affect its performance hereunder; and

(g) No litigation is pending or, to the best of Christiana Bank's knowledge, threatened against Christiana Bank which would prohibit its entering into this Trust Agreement or performing its obligations under this Trust Agreement.

Section 6.04 Reliance; Advice of Counsel.

(a) Christiana Bank shall incur no liability to anyone in acting upon any signature, instrument, notice, resolution, request, consent, order, certificate, report, opinion, note, or other document or paper believed by it to be genuine and believed by it to be signed by the proper party or parties. Christiana Bank may accept a certified copy of a resolution of the board of directors or other governing body of any corporate party as conclusive evidence that such resolution has been duly adopted by such body and that the same is in full force and effect. As to any fact or matter the method of determination of which is not specifically prescribed herein, Christiana Bank may for all purposes hereof rely on a certificate, signed by the president or any vice president or by the treasurer or other authorized officers of the relevant party, as to such fact or matter and such certificate shall constitute full protection to Christiana Bank for any action taken or omitted to be taken by it in good faith in reliance thereon.

(b) In the exercise or administration of the Trust hereunder and in the performance of its duties and obligations under this Trust Agreement or the Basic Documents, Christiana Bank (i) may act directly or through its agents, attorneys, custodians or nominees (including persons acting under a power of attorney) pursuant to agreements entered into with any of them, and Christiana Bank shall not be liable for the conduct or misconduct of such agents, attorneys, custodians or nominees (including persons acting under a power of attorney) if such persons have been selected in good faith by Christiana Bank and (ii) may consult with counsel, accountants and other skilled persons to be selected in good faith and employed by it at the expense of the Trust. Christiana Bank shall not be liable for anything done, suffered or omitted in good faith by it in accordance with the opinion or advice of any such counsel, accountants or other such Persons and not contrary to this Trust Agreement or any Basic Document.

Section 6.05 Not Acting in Individual Capacity. Except as provided in this Article VI, in accepting the trusts hereby created Christiana Bank acts solely as Owner Trustee hereunder and not in its individual capacity, and all Persons having any claim against Christiana Bank by reason of the transactions contemplated by this Trust Agreement or any Basic Document shall look only to the Owner Trust Estate for payment or satisfaction thereof.

Section 6.06 Christiana Bank Not Liable for Certificates or Related Documents. The recitals contained herein and in the Owner Trust Certificates (other than the signatures of Christiana Bank on the Owner Trust Certificates) shall be taken as the statements of the Depositor, and Christiana Bank assumes no responsibility for the correctness thereof. Christiana Bank makes no representations as to the validity or sufficiency of this Trust Agreement, of any Basic Document or of the Owner Trust Certificates (other than the signatures of Christiana Bank on the Owner Trust Certificates) or the Notes, or of any Related Documents. Christiana Bank shall at no time have any responsibility or liability with respect to the sufficiency of the Owner Trust Estate or its ability to generate the payments to be distributed to Certificateholders under this Trust Agreement or the Noteholders under the Indenture, including compliance by the Depositor with any warranty or representation made under any Basic Document or in any related document or the accuracy of any such warranty or representation, or any action of the Certificate Paying Agent, the Certificate Registrar or the Indenture Trustee taken in the name of the Owner Trustee.

Section 6.07 Christiana Bank May Own Owner Trust Certificates and Notes. Christiana Bank in its individual or any other capacity may, subject to Section 3.05, become the owner or pledgee of Owner Trust Certificates or Notes and may deal with the Depositor, the Certificate Paying Agent, the Certificate Registrar and the Indenture Trustee in transactions with the same rights as it would have if it were not Owner Trustee.

Section 6.08 Payments from Owner Trust Estate. All payments, if any, to be made by the Owner Trustee under this Trust Agreement or any of the Basic Documents to which Christiana Bank is a party shall be made only from the income and proceeds of the Owner Trust Estate or from other amounts required to be provided by the Certificateholders and only to the extent that the Owner Trustee shall have received income or proceeds from the Owner Trust Estate or the Certificateholders to make such payments in accordance with the terms hereof. Christiana Bank, in its individual capacity, shall not be liable for any amounts payable under this Trust Agreement or any of the Basic Documents to which the Owner Trustee is a party.

Section 6.09 Doing Business in Other Jurisdictions. Notwithstanding anything contained herein to the contrary, neither Christiana Bank nor the Owner Trustee shall be required to take any action in any jurisdiction if the taking of such action will (i) require the consent or approval or authorization or order of or the giving of notice to, or the registration with or the taking of any other action in respect of, any state or other governmental authority or agency of any jurisdiction other than the State of Delaware; (ii) result in any fee, tax or other governmental charge under the laws of any such jurisdiction other than the State of Delaware becoming payable by Christiana Bank or (iii) subject Christiana Bank to personal jurisdiction in any jurisdiction other than the State of Delaware for causes of action arising from acts unrelated to the consummation of the transactions by Christiana Bank or the Owner Trustee, as the case may

be, contemplated hereby. The Owner Trustee shall be entitled to seek the opinion of counsel as to such matters and, based on such advice of counsel appoint a co-trustee or separate trustee in accordance with Section 9.05 of this Trust Agreement to proceed with such actions in such jurisdiction.

Section 6.10 Liability of Certificate Registrar and Certificate Paying Agent. All provisions affording protection or rights to or limiting the liability of the Owner Trustee, including but not limited to the provisions of this Trust Agreement permitting the Owner Trustee to resign, merge or consolidate, shall inure as well to the Certificate Registrar and Certificate Paying Agent. In addition, Deutsche Bank National Trust Company, in its capacities as Certificate Registrar and Certificate Paying Agent hereunder shall be afforded all the rights, protections, immunities and indemnities afforded to it in its capacity as Indenture Trustee under the Indenture as if specifically set forth herein.

ARTICLE VII

COMPENSATION OF OWNER TRUSTEE

Section 7.01 Owner Trustee Fees and Expenses. The Owner Trustee shall be entitled to receive, as compensation for its services hereunder, the owner trustee fee and reimbursement of any expenses incurred by it in the performance of its duties hereunder (including, but not limited to, reasonable fees and expenses of counsel) as set forth in a separate agreement between the Depositor or an Affiliate thereof and the Owner Trustee.

Section 7.02 Indemnification. The Trust shall, subject to the terms of the Indenture, indemnify, defend and hold harmless the Owner Trustee, the Certificate Registrar, the Certificate Paying Agent, and their respective successors, assigns, agents and servants (collectively, the "Indemnified Parties") from and against, any and all liabilities, obligations, losses, damages, taxes, claims, actions and suits, and any and all reasonable costs, expenses and disbursements (including reasonable legal fees and expenses) of any kind and nature whatsoever (collectively, "Expenses") which may at any time be imposed on, incurred by, or asserted against any Indemnified Party in any way relating to or arising out of this Trust Agreement, the Basic Documents, the Owner Trust Estate, the administration of the Owner Trust Estate or the action or inaction of the Owner Trustee, the Certificate Registrar and the Certificate Paying Agent hereunder; provided, that with respect to the Trust:

(i) the Trust shall not be liable for or required to indemnify an Indemnified Party from and against Expenses arising or resulting from the Owner Trustee's, the Certificate Registrar's or the Certificate Paying Agent's, as applicable, willful misconduct, gross negligence or bad faith or as a result of any inaccuracy of a representation or warranty of the Owner Trustee contained in Section 6.03 expressly made by the Owner Trustee;

(ii) with respect to any such claim, the Indemnified Party shall have given the Trust written notice thereof promptly after the Indemnified Party shall have actual knowledge thereof,

(iii) while maintaining control over its own defense, the Trust shall consult with the Indemnified Party in preparing such defense; and

(iv) notwithstanding anything in this Trust Agreement to the contrary, the Trust shall not be liable for settlement of any claim by an Indemnified Party entered into without the prior consent of the Trust which consent shall not be unreasonably withheld.

The indemnities contained in this Section shall survive the resignation or termination of the Owner Trustee, the Certificate Registrar or the Certificate Paying Agent or the termination of this Trust Agreement. In the event of any claim, action or proceeding for which indemnity will be sought pursuant to this Section 7.02, the Owner Trustee's, the Certificate Registrar's or the Certificate Paying Agent's choice of legal counsel, if other than the legal counsel retained by the Owner Trustee, the Certificate Registrar or the Certificate Paying Agent in connection with the

execution and delivery of this Trust Agreement, shall be subject to the approval of the Trust, which approvals shall not be unreasonably withheld. In addition, upon written notice to the Owner Trustee, the Certificate Registrar or the Certificate Paying Agent and with the consent of the Owner Trustee, the Certificate Registrar or the Certificate Paying Agent, as applicable, which consent shall not be unreasonably withheld, the Trust has the right to assume the defense of

any claim, action or proceeding against the Owner Trustee, the Certificate Registrar or the Certificate Paying Agent. Any amounts paid to the Owner Trustee pursuant to this Article VII shall be deemed not to be a part of the Owner Trust Estate immediately after such payment.

On any Payment Date on which there are no Available Funds with which to make any payments pursuant to Section 2.09(e) of the Indenture and Owner Trustee is owed any indemnification amounts pursuant to this Section 7.01, such amounts shall be paid by the Depositor within 60 days' request from the Owner Trustee.

ARTICLE VIII

TERMINATION OF TRUST AGREEMENT

Section 8.01 Termination of Trust Agreement.

(a) The Trust shall dissolve immediately prior to the earliest of (i) the final distribution of all moneys or other property or proceeds of the Owner Trust Estate in accordance with the terms of the Indenture and (ii) the distribution of all of the assets of the Owner Trust Estate, in accordance with written instructions provided to the Certificate Paying Agent by the Certificateholder; provided in each case that all amounts owing to the Noteholders to the extent payable from the Owner Trust Estate or proceeds thereof have been paid in full and that all obligations under the Indenture have been discharged. The bankruptcy, liquidation, dissolution, death or incapacity of any Certificateholder shall not (x) operate to terminate this Trust Agreement or the Trust or (y) entitle such Certificateholder's legal representatives or heirs to claim an accounting or to take any action or proceeding in any court for a partition or winding up of all or any part of the Trust or the Owner Trust Estate or (z) otherwise affect the rights, obligations and liabilities of the parties hereto.

(b) Except as provided in Section 8.01(a), neither the Depositor nor any Certificateholder shall be entitled to revoke or terminate the Trust.

(c) Notice of any dissolution of the Trust, specifying the Payment Date upon which Certificateholders shall surrender their Owner Trust Certificates to the Certificate Paying Agent for payment of the final distribution and cancellation, shall be given by the Certificate Paying Agent by letter to Certificateholders mailed within five Business Days of receipt of notice of the final payment on the Notes from the Indenture Trustee, stating (i) the Payment Date upon or with respect to which final payment of the Owner Trust Certificates shall be made upon presentation and surrender of the Owner Trust Certificates at the office of the Certificate Paying Agent therein designated, (ii) the amount of any such final payment and (iii) that the Record Date otherwise applicable to such Payment Date is not applicable, payments being made only upon presentation and surrender of the Owner Trust Certificates at the office of the Certificate Paying Agent therein specified. The Certificate Paying Agent shall give such notice to the Owner Trustee and the Certificate Registrar at the time such notice is given to Certificateholders. Upon presentation and surrender of the Owner Trust Certificates, the Certificate Paying Agent shall cause to be distributed to Certificateholders amounts distributable on such Payment Date pursuant to Section 5.01.

In the event that all of the Certificateholders shall not surrender their Owner Trust Certificates for cancellation within six months after the date specified in the above mentioned written notice, the Certificate Paying Agent shall give a second written notice to the remaining Certificateholders to surrender their Owner Trust Certificates for cancellation and receive the final distribution with respect thereto. Subject to applicable laws with respect to escheat of funds, if within one year following the Payment Date on which final payment of the Certificates was to have been made pursuant to Section 3.03 of the Indenture, all the Owner Trust Certificates shall not have been surrendered for cancellation, the Certificate Paying Agent may take appropriate

steps, or may appoint an agent to take appropriate steps, to contact the remaining Certificateholders concerning surrender of their Owner Trust Certificates, and the cost thereof shall be paid out of the funds and other assets that shall remain subject to this Trust Agreement. Any funds remaining in the Certificate Distribution Account after exhaustion of such remedies shall be distributed by the Certificate Paying Agent to the Depositor.

(d) Upon the winding up of the Trust and compliance with Section 3808(e), the Depositor as Administrator shall provide written notice thereof to the Owner Trustee and shall direct the Owner Trustee to, and the Owner Trustee shall, at the expense of the Depositor, cause the Certificate of Trust to be cancelled by filing a certificate of cancellation with the Secretary of State in accordance with the provisions of Section 3810(c) of the Statutory Trust Statute. Upon the filing of the certificate of cancellation, the Trust and this Trust Agreement (other than Article VII) shall terminate and be of no further force or effect.

ARTICLE IX

SUCCESSOR OWNER TRUSTEES AND ADDITIONAL OWNER TRUSTEES

Section 9.01 Eligibility Requirements for Owner Trustee. The Owner Trustee shall at all times be a corporation or banking association satisfying the provisions of Section 3807(a) of the Statutory Trust Statute; authorized to exercise corporate trust powers; having a combined capital and surplus of at least $50,000,000 and subject to supervision or examination by federal or state authorities. If such corporation or banking association shall publish reports of condition at least annually pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purpose of this Section, the combined capital and surplus of such corporation or banking association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Owner Trustee shall cease to be eligible in accordance with the provisions of this Section 9.01, the Owner Trustee shall resign immediately in the manner and with the effect specified in Section 9.02.

Section 9.02 Replacement of Owner Trustee. The Owner Trustee may at any time resign and be discharged from the trusts hereby created by giving 30 days prior written notice thereof to the Depositor. Upon receiving such notice of resignation, the Depositor shall promptly appoint a successor

Owner Trustee, by written instrument, in duplicate, one copy of which instrument shall be delivered to the resigning Owner Trustee and to the successor Owner Trustee. If no successor Owner Trustee shall have been so appointed and have accepted appointment within 30 days after the giving of such notice of resignation, the resigning Owner Trustee may petition any court of competent jurisdiction for the appointment of a successor Owner Trustee.

If at any time the Owner Trustee shall cease to be eligible in accordance with the provisions of Section 9.01 and shall fail to resign after written request therefor by the Depositor, or if at any time the Owner Trustee shall be legally unable to act, or shall be adjudged bankrupt or insolvent, or a receiver of the Owner Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Owner Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then the Depositor may remove the Owner Trustee.

Any resignation or removal of the Owner Trustee and appointment of a successor Owner Trustee pursuant to any of the provisions of this Section shall not become effective until acceptance of appointment by the successor Owner Trustee pursuant to Section 9.03 and payment of all fees and expenses owed to the outgoing Owner Trustee.

Section 9.03 Successor Owner Trustee. Any successor Owner Trustee appointed pursuant to Section 9.02 shall execute, acknowledge and deliver to the Indenture Trustee and to its predecessor Owner Trustee an instrument accepting such appointment under this Trust Agreement, and thereupon the resignation or removal of the predecessor Owner Trustee shall become effective, and such successor Owner Trustee, without any further act, deed or conveyance, shall become fully vested with all the rights, powers, duties and obligations of its predecessor under this Trust Agreement, with like effect as if originally named as Owner

Trustee. The predecessor Owner Trustee shall, upon payment of its fees and expenses, deliver to the successor Owner Trustee all documents and statements and monies held by it under this Trust Agreement; and the predecessor Owner Trustee shall execute and deliver such instruments and do such other things as may reasonably be required for fully and certainly vesting and confirming in the successor Owner Trustee all such rights, powers, duties and obligations.

No successor Owner Trustee shall accept appointment as provided in this Section 9.03 unless at the time of such acceptance such successor Owner Trustee shall be eligible pursuant to Section 9.01. Any successor Owner Trustee shall file an amendment to the Certificate of Trust with the Secretary of State if required by the Statutory Trust Statute.

Upon acceptance of appointment by a successor Owner Trustee pursuant to this Section 9.03, the Owner Trustee shall mail notice thereof to all Certificateholders, the Indenture Trustee and the Noteholders.

Section 9.04 Merger or Consolidation of Owner Trustee. Any Person into which the Owner Trustee may be merged or converted or with which it may be consolidated, or any Person resulting from any merger, conversion or consolidation to which the Owner Trustee shall be a party, or any Person succeeding to all or substantially all of the corporate trust business of the Owner Trustee, shall be the successor of the Owner Trustee hereunder, without the execution or filing of any instrument or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding; provided, that such Person shall be eligible pursuant to Section 9.01. Any successor Owner Trustee resulting from a merger or consolidation shall file an amendment to the Certificate of Trust with the Secretary of State if required by the Statutory Trust Statute.

Section 9.05 Appointment of Co-Trustee or Separate Trustee. Notwithstanding any other provisions of this Trust Agreement, at any time, for the purpose of meeting any legal requirements of any jurisdiction in which any part of the Owner Trust Estate may at the time be located, the Owner Trustee shall have the power and shall execute and deliver all instruments to appoint one or more Persons to act as co-trustee, jointly with the Owner Trustee, or as separate trustee or trustees, of all or any part of the Owner Trust Estate, and to vest in such Person, in such capacity, such title to a Trust Estate or any part thereof and, subject to the other provisions of this Section, such powers, duties, obligations, rights and trusts as the Owner Trustee may consider necessary or desirable. No co-trustee or separate trustee under this Trust Agreement shall be required to meet the terms of eligibility as a successor Owner Trustee pursuant to Section 9.01 and no notice of the appointment of any co-trustee or separate trustee shall be required pursuant to Section 9.03.

Each separate trustee and co-trustee shall, to the extent permitted by law, be appointed and act subject to the following provisions and conditions:

(a) All rights, powers, duties and obligations conferred or imposed upon the Owner Trustee shall be conferred upon and exercised or performed by the Owner Trustee and such separate trustee or co-trustee jointly (it being understood that such separate trustee or co-trustee is not authorized to act separately without the Owner Trustee joining in such act), except to the

extent that under any law of any jurisdiction in which any particular act or acts are to be performed, the Owner Trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights, powers, duties and obligations (including the holding of title to the Owner Trust Estate or any portion thereof in any such jurisdiction) shall be exercised and performed singly by such separate trustee or co-trustee, but solely at the direction of the Owner Trustee;

(b) No trustee under this Trust Agreement shall be personally liable by reason of any act or omission of any other trustee under this Trust Agreement; and

(c) The Owner Trustee may at any time accept the resignation of or remove any separate trustee or co-trustee.

Any notice, request or other writing given to the Owner Trustee shall be deemed to have been given to each of the then separate trustees and co-trustees, as effectively as if given to each of them. Every instrument appointing any separate trustee or co-trustee shall refer to this Trust Agreement and the conditions of this Article IX. Each separate trustee and co-trustee, upon its acceptance of the trusts conferred, shall be vested with the estates or property specified in its instrument of appointment, either jointly with the Owner Trustee or separately, as may be provided therein, subject to all the provisions of this Trust Agreement, specifically including every provision of this Trust Agreement relating to the conduct of, affecting the liability of, or affording protection to, the Owner Trustee. Each such instrument shall be filed with the Owner Trustee.

Any separate trustee or co-trustee may at any time appoint the Owner Trustee as its agent or attorney-in-fact with full power and authority, to the extent not prohibited by law, to do any lawful act under or in respect of this Trust Agreement on its behalf and in its name. If any separate trustee or co-trustee shall die, become incapable of acting, resign or be removed, all of its estates, properties, rights, remedies and trusts shall vest in and be exercised by the Owner Trustee, to the extent permitted by law, without the appointment of a new or successor co-trustee or separate trustee.

ARTICLE X

MISCELLANEOUS

Section 10.01 Amendments.

(a) This Trust Agreement may be amended from time to time by the parties hereto as specified in this Section, provided that any amendment, except as provided in subparagraph (e) below, be accompanied by an Opinion of Counsel addressed to the Owner Trustee, the Certificate Registrar and the Certificate Paying Agent and obtained by the Depositor to the effect that such amendment (i) complies with the provisions of this Section and (ii) would not cause the Trust Estate to be subject to an entity level tax for federal income tax purposes.

(b) If the purpose of the amendment (as detailed therein) is to correct any mistake, eliminate any inconsistency, cure any ambiguity or deal with any matter not covered (i.e., to give effect to the intent of the parties and, if applicable, to the expectations of the Certificateholders), it shall not be necessary to obtain the consent of any Certificateholders, and the Owner Trustee, the Certificate Registrar and the Certificate Paying Agent shall be furnished with an Opinion of Counsel obtained by the Depositor to the effect that such action will not adversely affect in any material respect the interests of any Certificateholders.

(c) If the purpose of the amendment is to prevent the imposition of any federal or state taxes or to comply with any requirements imposed by the Code at any time that any Security is outstanding, it shall not be necessary to obtain the consent of any Certificateholder. In connection with such an amendment, the Owner Trustee, the Certificate Registrar and the Certificate Paying Agent shall be furnished with an Opinion of Counsel obtained by the Depositor that such amendment is necessary or helpful to prevent the imposition of such taxes and is not materially adverse to any Noteholder or Certificateholder.

(d) If the purpose of the amendment is to add or eliminate or change any provision of the Trust Agreement other than as contemplated in (b) and (c) above, the amendment shall require (A) an Opinion of Counsel obtained by the Depositor to the effect that such action will not adversely affect in any material respect the interests of any Noteholders and Certificateholders and (B) the consent of Certificateholders evidencing a majority percentage interest of the Owner Trust Certificates and the Indenture Trustee; provided, however, that no such amendment shall (i) reduce in any manner the amount of, or delay the timing of, payments received that are required to be distributed on any Owner Trust Certificate without the consent of the Certificateholder, or (ii) reduce the aforesaid percentage of Certificateholders of which are required to consent to any such amendment, without the consent of such Certificateholders then outstanding.

(e) If the purpose of the amendment is to provide for the issuance of additional certificates representing an interest in the Trust, it shall not be necessary to obtain the consent of any Certificateholder and the Owner Trustee and the Indenture Trustee shall be furnished with (A) an Opinion of Counsel obtained by the Depositor to the effect that such action will not adversely affect in any material respect the interests of any Certificateholders and (B) an Opinion

of Counsel obtained by the Depositor to the effect that such action will not cause the Trust Estate to be (i) treated as an association taxable as a corporation for U.S. federal income tax purposes, (ii) treated as a “publicly traded partnership” as defined in Treasury Regulation section 1.7704 -1 that is taxable as a corporation for U.S. federal income tax purposes or (iii) otherwise subject to entity level taxation for federal income tax purposes.

(f) Promptly after the execution of any such amendment or consent, the Depositor shall furnish written notification of the substance of such amendment or consent to each Certificateholder and the Indenture Trustee. It shall not be necessary for the consent of Certificateholders or the Indenture Trustee pursuant to this Section 10.01 to approve the particular form of any proposed amendment or consent, but it shall be sufficient if such consent shall approve the substance thereof. The manner of obtaining such consents (and any other consents of Certificateholders provided for in this Trust Agreement or in any other Basic Document) and of evidencing the authorization of the execution thereof by Certificateholders shall be subject to such reasonable requirements as the Owner Trustee may prescribe.

(g) In connection with the execution of any amendment to any agreement to which the Trust is a party, the Owner Trustee shall be entitled to receive and conclusively rely upon an Opinion of Counsel to the effect that such amendment is authorized or permitted by the documents subject to such amendment and that all conditions precedent in the Basic Documents for the execution and delivery thereof by the Trust or the Owner Trustee, as the case may be, have been satisfied.

(h) No amendment or agreement affecting the rights or duties of the Owner Trustee, the Certificate Registrar or the Certificate Paying Agent may be entered into without the consent of the affected party.

Promptly after the execution of any amendment to the Certificate of Trust, the Owner Trustee shall cause the filing of such amendment with the Secretary of State.

Section 10.02 No Legal Title to Owner Trust Estate. The Certificateholders shall not have legal title to any part of the Owner Trust Estate solely by virtue of their status as a Certificateholder. The Certificateholders shall be entitled to receive distributions with respect to their undivided beneficial interest therein only in accordance with Articles V and VIII. No transfer, by operation of law or otherwise, of any right, title or interest of the Certificateholders to and in their ownership interest in the Owner Trust Estate shall operate to terminate this Trust Agreement or the trusts hereunder or entitle any transferee to an accounting or to the transfer to it of legal title to any part of the Owner Trust Estate.

Section 10.03 Limitations on Rights of Others. Except for Section 2.07, the provisions of this Trust Agreement are solely for the benefit of the Owner Trustee, the Depositor, the Certificateholders and, to the extent expressly provided herein, the Indenture Trustee and the Noteholders, and nothing in this Trust Agreement (other than Section 2.07), whether express or implied, shall be construed to give to any other Person any legal or equitable right, remedy or claim in the Owner Trust Estate or under or in respect of this Trust Agreement or any covenants, conditions or provisions contained herein.

Section 10.04 Notices.

(a) Unless otherwise expressly specified or permitted by the terms hereof, all notices shall be in writing and shall be deemed given upon receipt, to the Owner Trustee at: Christiana Bank & Trust Company, 1314 King Street, Wilmington, Delaware 19801, facsimile number: 302-421-9137, Attention: Corporate Trust Administration; to the Depositor at: IMH Assets Corp., 19500 Jamboree Road, Irvine, California 92612, Attention: Legal; to the Indenture Trustee, the Certificate Registrar and the Certificate Paying Agent at the Corporate Trust Office; or, as to each party, at such other address as shall be designated by such party in a written notice to each other party.

(b) Any notice required or permitted to be given to a Certificateholder shall be given by first-class mail, postage prepaid, at the address of such Certificateholder as shown in the Certificate Register. Any notice so mailed within the time prescribed in this Trust Agreement shall be conclusively presumed to have been duly given, whether or not the Certificateholder receives such notice.

(c) A copy of any notice delivered to the Owner Trustee or the Trust shall also be delivered to the Depositor.

Section 10.05 Severability. Any provision of this Trust Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 10.06 Separate Counterparts. This Trust Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 10.07 Successors and Assigns. All representations, warranties, covenants and agreements contained herein shall be binding upon, and inure to the benefit of, each of the Depositor, the Certificate Registrar, the Certificate Paying Agent, the Administrators, the Owner Trustee and its successors, and each Certificateholder and its successors and permitted assigns, all as herein provided. Any request, notice, direction, consent, waiver or other instrument or action by a Certificateholder shall bind the successors and assigns of such Certificateholder.

Section 10.08 No Petition. To the fullest extent permitted by applicable law, the Owner Trustee, by entering into this Trust Agreement and each Certificateholder, by accepting an Owner Trust Certificate, hereby covenant and agree that they will not at any time institute against the Depositor or the Trust, or join in any institution against the Depositor or the Trust of, any bankruptcy proceedings under any United States federal or state bankruptcy or similar law in connection with any obligations to the Owner Trust Certificates, the Notes, this Trust Agreement or any of the Basic Documents. This Section shall survive for one year following the termination of this Trust Agreement.

Section 10.09 No Recourse. Each Certificateholder by accepting an Owner Trust Certificate acknowledges that such Certificateholder's Owner Trust Certificates represent beneficial interests in the Trust only and do not represent interests in or obligations of the Depositor, the Owner Trustee, the Indenture Trustee, the Certificate Registrar, the Certificate Paying Agent or any Affiliate thereof and no recourse may be had against such parties or their assets, except as may be expressly set forth or contemplated in this Trust Agreement, the Owner Trust Certificates or the Basic Documents.

Section 10.10 Headings. The headings of the various Articles and Sections herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

Section 10.11 GOVERNING LAW. THIS TRUST AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

Section 10.12 Integration. This Trust Agreement constitutes the entire agreement among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements and understandings pertaining thereto.

ARTICLE XI

MANAGEMENT OF THE TRUST

Notwithstanding any other provision in this Trust Agreement and any other provision of law to the contrary, the Trust at all times shall:

(a) maintain its books, records, and bank accounts separate and apart from those of all other Persons;

(b) not commingle any of its assets with those of any other Person;

(c) pay its own liabilities out of its own funds;

(d) maintain financial statements separate and apart from those of all other Persons;

(e) observe all corporate formalities, organizational formalities, and other applicable or customary formalities;

(f) not guarantee or become obligated for the debts of any other Person or hold out its credit as being available to satisfy the obligations of any other Person;

(g) not pledge its assets for the benefit of any other Person or make any loans or advances to any other Person;

(h) not acquire the direct obligations of, or securities issued by, its shareholders or any Affiliate;

(i) allocate fairly and reasonably any overhead for expenses that are shared with an Affiliate, including paying for the office space and services performed by any employee of any Affiliate;

(j) conduct business in its own name, promptly correct any known misunderstandings regarding its separate identity, hold all of its assets in its own name, and not identify itself as a division of any other Person;

(k) maintain adequate capital in light of its contemplated business operations;

(l) maintain an arm's length relationship with its Affiliates and to enter into transactions with Affiliates only on a commercially reasonable basis;

(m) use separate stationery, invoices, and checks bearing its own name;

(n) not to hold out its credit as being available to satisfy the obligations of others;

(o) file separate tax returns from those of each Person and entity except as may be required by law; and

(p) maintain its assets in a manner that it will not be costly or difficult to segregate ascertain, or identify from those of any other Person.

Notwithstanding the foregoing, the Owner Trustee shall not be responsible for monitoring or maintaining the compliance of the Trust with this Article XI or Section 9.06 of the Indenture.

IN WITNESS WHEREOF, the Depositor, the Owner Trustee, and the Certificate Registrar and the Certificate Paying Agent have caused their names to be signed hereto by their respective officers thereunto duly authorized, all as of the day and year first above written.

IMH ASSETS CORP.,
as Depositor

By: /s/ Ronald Morrison
Name: Ronald Morrison
Title: EVP General Counsel

CHRISTIANA BANK & TRUST COMPANY,
as Owner Trustee

By: /s/ Raye D Goldsborough
Name: Raye D. Goldsborough
Title: Assistant Vice President

DEUTSCHE BANK NATIONAL TRUST COMPANY,
as Certificate Registrar and Certificate Paying Agent

By: /s/ Karlene Benvenuto
Name: Karlene Benvenuto
Title: Authorized Signer

By: /s/ Mei Nghia
Name: Mei Nghia
Title: Authorized Signer

FOR PURPOSES OF SECTION 3.14 ONLY:

IMPAC MORTGAGE HOLDINGS, INC.

By: /s/ Ronald Morrison
Name: Ronald Morrison
Title: EVP General Counsel

SCHEDULE A

Underlying Certificate No.	Underlying Transaction	Underlying Agreement	Underlying Certificate	Percentage Interest
1.	Impac CMB Trust Series 2003-1	Amended and Restated Trust Agreement, dated as of January 30, 2003, among IMH Assets Corp., as depositor, Wilmington Trust Company, as owner trustee and Deutsche Bank National Trust Company, as certificate registrar and certificate paying agent	Trust Certificates	100%
2.	Impac CMB Trust Series 2003-4	Amended and Restated Trust Agreement, dated as of March 31, 2003, among IMH Assets Corp., as depositor, Wilmington Trust Company, as owner trustee and Deutsche Bank National Trust Company, as certificate registrar and certificate paying agent	Trust Certificates	100%
3.	Impac CMB Trust Series 2003-8	Amended and Restated Trust Agreement, dated as of July 31, 2003, among IMH Assets Corp., as depositor, Wilmington Trust Company, as owner trustee and Deutsche Bank National Trust Company, as certificate registrar and certificate paying agent	Trust Certificates	100%
4.	Impac CMB Trust Series 2003-9F	Amended and Restated Trust Agreement, dated as of July 30, 2003, among IMH Assets Corp., as depositor, Wilmington Trust Company, as owner trustee and Deutsche Bank National Trust Company, as certificate registrar and certificate paying agent	Trust Certificates	100%
5.	Impac CMB Trust Series 2003-11	Amended and Restated Trust Agreement, dated as of November 6, 2003, among IMH Assets Corp., as depositor, Wilmington Trust Company, as owner trustee and Deutsche Bank National Trust Company, as certificate registrar and certificate paying agent	Trust Certificates	100%
6.	Impac CMB Trust Series 2004-3	Amended and Restated Trust Agreement, dated as of March 30, 2004, among IMH Assets Corp., as depositor, Wilmington Trust Company, as owner trustee and Deutsche Bank National Trust Company, as certificate registrar and certificate paying agent	Trust Certificates	100%
7.	Impac CMB Trust Series 2007-A	Amended and Restated Trust Agreement, dated as of June 29, 2007, among IMH Assets Corp., as depositor, Christiana Bank & Trust Company, as owner trustee and Deutsche Bank National Trust Company, as certificate registrar and certificate paying agent	Trust Certificates	100%

EXHIBIT A-1

FORM OF OWNER TRUST CERTIFICATES

LVII 2010-R1

THIS OWNER TRUST CERTIFICATE DOES NOT REPRESENT AN INTEREST IN, OR OBLIGATION OF, THE DEPOSITOR, THE OWNER TRUSTEE, THE CERTIFICATE PAYING AGENT, THE CERTIFICATE REGISTRAR, ANY OF THEIR RESPECTIVE AFFILIATES, OR ANY OTHER PERSON.

THIS OWNER TRUST CERTIFICATE IS SUBORDINATED IN RIGHT OF PAYMENTS TO THE NOTES AS DESCRIBED IN THE AGREEMENT (AS DEFINED BELOW).

THIS OWNER TRUST CERTIFICATE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR UNDER ANY STATE SECURITIES LAWS. THE CERTIFICATEHOLDER HEREOF, BY PURCHASING THIS OWNER TRUST CERTIFICATE, AGREES THAT THIS OWNER TRUST CERTIFICATE MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH SECTION 3.05 OF THE AGREEMENT.

NO TRANSFER OF THIS OWNER TRUST CERTIFICATE MAY BE MADE TO ANY PERSON, UNLESS THE TRANSFEREE PROVIDES A CERTIFICATION PURSUANT TO SECTION 3.12 OF THE AGREEMENT.

Certificate No. 1

Percentage interest of
this Owner Trust Certificate: 100%

Closing Date: November 26, 2010

Date of Trust Agreement:
November 26, 2010

First Payment Date:
December 1, 2010

Class:

LVII 2010-R1

Evidencing a fractional undivided beneficial interest in the Owner Trust Estate, the property of which consists of the Underlying Certificates in LVII 2010-R1 (the "Trust"), a Delaware statutory trust formed by IMH Assets Corp., as depositor, pursuant to the Trust Agreement referred to below. This Owner Trust Certificate shall correspond to, and be solely entitled to the benefits of, the corresponding Trust Estate allocated thereto as set forth on Schedule A attached to the Trust Agreement.

This certifies that [ ] is the registered owner of the percentage interest represented hereby.

The Trust was created pursuant to a Short Form Trust Agreement, dated as of November 24, 2010, between the Depositor and Christiana Bank & Trust Company, as owner trustee (the "Owner Trustee", which term includes any successor entity under the Trust Agreement) (the "Short Form Trust Agreement") as amended and restated by the Amended and Restated Trust Agreement dated as of November 26, 2010, by and among the Depositor, the Owner Trustee and Deutsche Bank National Trust Company, as certificate registrar ("Certificate Registrar") and certificate paying agent ("Certificate Paying Agent") (as amended and supplemented from time to time, together with the Short Form Trust Agreement, the "Trust Agreement" or the "Agreement"), a summary of certain of the pertinent provisions of which is set forth hereinafter. This Owner Trust Certificate (the "Certificate" or "Certificates") is issued under and is subject to the terms, provisions and conditions of the Trust Agreement, to which Trust Agreement the Certificateholder by virtue of the acceptance hereof assents and by which such Certificateholder is bound.

This Owner Trust Certificate is issued under the Trust Agreement to which reference is hereby made for a statement of the respective rights thereunder of the Depositor, the Certificate Registrar, the Certificate Paying Agent, the Owner Trustee and the Certificateholders and the terms upon which the Owner Trust Certificates are executed and delivered.

All terms used in this Owner Trust Certificate which are defined in the Trust Agreement shall have the meanings assigned to them in the Trust Agreement. The rights of the Certificateholders are subordinated to the rights of the Noteholders, as set forth in the Indenture.

There will be distributions on (i) in case of the first distribution date, on December 1, 2010, (ii) and at any time thereafter, will be made on the second Business Day immediately following the Underlying Distribution Date (each, a "Payment Date"), commencing in December 2010, to the Person in whose name this Owner Trust Certificate is registered on the business day immediately preceding the related Payment Date (the "Record Date"), such Certificateholder's percentage interest in the amount to be distributed to Certificateholders on such Payment Date.

The Certificateholder, by its acceptance of this Owner Trust Certificate, agrees that it will look solely to the funds on deposit in the Certificate Distribution Account for payment hereunder and that none of the Owner Trustee, Christiana Bank, in its individual capacity, the Certificate Paying Agent, the Certificate Registrar or the Depositor is personally liable to the Certificateholder for any amount payable under this Owner Trust Certificate or the Trust Agreement or, except as expressly provided in the Trust Agreement, subject to any liability under the Trust Agreement.

The Certificateholder acknowledges and agrees that its rights to receive distributions in respect of this Owner Trust Certificate are subordinated to the rights of the Noteholders as described in the Indenture, dated as of November 26, 2010, between the Trust and Deutsche Bank National Trust Company, as Indenture Trustee (the "Indenture").

The Depositor and the Certificateholder, by acceptance of the Owner Trust Certificate, agree to treat, and to take no action inconsistent with the treatment of, the Owner Trust Certificates for federal, state and local income tax purposes as an equity interest in the Trust.

The Certificateholder, by its acceptance of the Owner Trust Certificate, covenants and agrees that such Certificateholder will not at any time institute against the Depositor, or join in any institution against the Depositor or the Trust of, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings under any United States federal or state bankruptcy or similar law in connection with any obligations relating to the Owner Trust Certificate, the Notes, the Trust Agreement or any of the Basic Documents.

By its acceptance of the Owner Trust Certificate, the Certificateholder agrees and acknowledges that no legal or beneficial interest in all or any portion of the Owner Trust Certificate may be transferred directly or indirectly to an individual, corporation, partnership or other Person unless such transferee provides the Certificate Registrar with a properly completed IRS Form W-9 or IRS Form W-8BEN and/or such other form and information satisfactory to the Certificate Registrar that no federal income tax withholding is required on payments to the Trust or the Certificateholders; and if such form or other information is not provided, then any such purported transfer shall be void and of no effect.

Distributions on this Owner Trust Certificate will be made as provided in the Trust Agreement by the Certificate Paying Agent by wire transfer or check mailed to the Certificateholder of record in the Certificate Register without the presentation or surrender of this Owner Trust Certificate or the making of any notation hereon. Except as otherwise provided in the Trust Agreement and notwithstanding the above, the final distribution on this Owner Trust Certificate will be made after due notice by the Certificate Paying Agent of the pendency of such

distribution and only upon presentation and surrender of this Owner Trust Certificate at the office or agency maintained by the Certificate Registrar for that purpose by the Trust, as provided in Section 3.09 of the Trust Agreement.

Notwithstanding the above, the final distribution on this Owner Trust Certificate will be made after due notice of the pendency of such distribution and only upon presentation and surrender of this Owner Trust Certificate at the office or agency specified in such notice.

Except in connection with the initial transfer of this Owner Trust Certificate, no transfer of this Owner Trust Certificate shall be made unless such transfer is made pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "Securities Act") and any applicable state securities laws or is exempt from the registration requirements under the Securities Act and such state securities laws. In the event that a transfer is to be made in reliance upon an exemption from the Securities Act and such laws, in order to assure compliance with the Securities Act and such laws, the Certificateholder desiring to effect such transfer and such Certificateholder's prospective transferee shall each certify to the Certificate Registrar in writing the facts surrounding the transfer by (a)(i) the delivery to the Certificate Registrar by the Certificateholder desiring to effect such transfer of a certificate substantially in the form set forth in Exhibit D of the Agreement (the "Transferor Certificate") and (ii) the delivery by the Certificateholder's prospective transferee of a letter in substantially the form of Exhibit F of the Agreement (the "Transferee Certificate") stating that the prospective transferee is a QIB in accordance with Rule 144A or (b) there shall be delivered to the Certificate Registrar an Opinion of Counsel addressed to the Indenture Trustee that such transfer may be made pursuant to an exemption from the Securities Act and the 1940 Act, which Opinion of Counsel shall not be an expense of the Depositor, the Certificate Registrar, the Certificate Paying Agent, the Owner Trustee, the Trust or the Indenture Trustee. Neither the Depositor nor the Indenture Trustee is obligated to register or qualify the Class of Certificates specified on the face hereof under the 1933 Act or any other securities law or to take any action not otherwise required under the Agreement to permit the transfer of such Certificates without registration or qualification. Any Certificateholder desiring to effect a transfer of this Owner Trust Certificate shall be required to indemnify the Owner Trustee, the Indenture Trustee and the Depositor and against any liability that may result if the transfer is not so exempt or is not made in accordance with such federal and state laws.

No transfer of this Owner Trust Certificate will be made unless the Certificate Registrar and the Indenture Trustee shall have received a representation letter, in the form as described in Section 3.12 of the Agreement, stating that the transferee is not an employee benefit or other plan subject to the prohibited transaction provisions of ERISA or Section 4975 of the Code (a "Plan"), or any other person (including an investment manager, a named fiduciary or a trustee of any Plan) acting, directly or indirectly, on behalf of or purchasing any Certificate with "plan assets" of any Plan pursuant to 29 C.F.R. 2510.3-101, as modified by Section 3(42) of ERISA.

No certification will be required in connection with the initial transfer of any such Certificate.

Reference is hereby made to the further provisions of this Owner Trust Certificate set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon shall have been executed by an authorized officer of the Owner Trustee, or an authenticating agent by manual signature, this Owner Trust Certificate shall not entitle the Certificateholder hereof to any benefit under the Trust Agreement or be valid for any purpose.

THIS OWNER TRUST CERTIFICATE SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

IN WITNESS WHEREOF, the Issuer has caused this Owner Trust Certificate to be duly executed.

LVII 2010-R1

BY: CHRISTIANA BANK & TRUST COMPANY,
not in its individual capacity but solely in its
capacity as Owner Trustee

By: _____
Name:
Title:

Dated: November , 2010

CERTIFICATE OF AUTHENTICATION

This is one of the Owner Trust Certificates referred to in the within mentioned Agreement.

DEUTSCHE BANK NATIONAL TRUST COMPANY,
not in its individual capacity but solely in its
capacity as Certificate Registrar

By: _____
Authorized Signatory

[REVERSE OF CERTIFICATE]

The Owner Trust Certificate does not represent an obligation of, or an interest in, the Depositor, the Indenture Trustee, the Certificate Paying Agent, the Certificate Registrar, the Owner Trustee or any Affiliates of any of them and no recourse may be had against such parties or their assets, except as expressly set forth or contemplated herein or in the Trust Agreement or the Basic Documents. In addition, this Owner Trust Certificate is not guaranteed by any governmental agency or instrumentality and is limited in right of payment to certain collections and recoveries with respect to the related Underlying Certificate, all as more specifically set forth herein and in the Trust Agreement. A copy of the Trust Agreement may be examined by any Certificateholder upon written request during normal business hours at the principal office of the Depositor and at such other places, if any, designated by the Depositor.

The Trust Agreement permits the amendment thereof as set forth in Section 10.01 of the Trust Agreement.

As provided in the Trust Agreement and subject to certain limitations therein set forth, the transfer of this Owner Trust Certificate is registerable in the Certificate Register upon surrender of this Owner Trust Certificate for registration of transfer at the offices or agencies of the Certificate Registrar maintained by the Trust, as provided in the Trust Agreement, accompanied by a written instrument of transfer in form satisfactory to the Certificate Registrar duly executed by the Certificateholder hereof or such Certificateholder's attorney duly authorized in writing, and thereupon one or more new Certificates of authorized denominations evidencing the same aggregate interest in the Trust will be issued to the designated transferee. The initial Certificate Registrar appointed under the Trust Agreement is Deutsche Bank National Trust Company.

As provided in the Trust Agreement and subject to certain limitations therein set forth, Certificates are exchangeable for new Certificates of authorized denominations evidencing the same aggregate denomination, as requested by the Certificateholder surrendering the same. No service charge will be made for any such registration of transfer or exchange, but the Owner Trustee or the Certificate Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

The Owner Trustee, the Certificate Paying Agent, the Certificate Registrar and any agent of the Owner Trustee, the Certificate Paying Agent, or the Certificate Registrar may treat the Person in whose name this Owner Trust Certificate is registered as the owner hereof for all purposes, and none of the Owner Trustee, the Certificate Paying Agent, the Certificate Registrar or any such agent shall be affected by any notice to the contrary.

The obligations and responsibilities created by the Trust Agreement and the Trust created thereby shall terminate as and when provided in accordance with the terms of the Trust Agreement.

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

PLEASE INSERT SOCIAL SECURITY OR
OTHER IDENTIFYING NUMBER OF ASSIGNEE

_____

(Please print or type name and address, including postal zip code, of assignee)

_____

the within Certificate, and all rights thereunder, hereby irrevocably constituting and appointing to transfer said Certificate on the books of the Certificate Registrar, with full power of substitution in the premises.

Dated: _____ */

Signature Guaranteed:

_____ */

*/ NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Certificate in every particular, without alteration, enlargement or any change whatever. Such signature must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

DISTRIBUTION INSTRUCTIONS

The assignee should include the following for the information of the Certificate Paying Agent:

Distribution shall be made by wire transfer in immediately available funds to _____ for the account of _____, account number _____, or, if mailed by check, to _____.

Applicable statements should be mailed to _____.

_____

Signature of assignee or agent
(for authorization of wire transfer only)

EXHIBIT B

FORM OF CERTIFICATE OF TRUST
OF LVII 2010-R1

THIS Certificate of Trust of LVII 2010-R1 (the "Trust"), is being duly executed and filed by the undersigned, as trustee, to form a statutory trust under the Delaware Statutory Trust Act (12 Del. Code, § 3801 et seq., as amended from time to time) (the "Act").

1. Name. The name of the statutory trust formed hereby is LVII 2010-R1.

2. Delaware Trustee. The name and business address of the trustee of the Trust in the State of Delaware are Christiana Bank & Trust Company, 1314 King Street, Wilmington, Delaware 19801, Attn: Corporate Trust Administration.

3. Effective Date. This Certificate of Trust shall be effective upon filing.

IN WITNESS WHEREOF, the undersigned, being the sole trustee of the Trust, has executed this Certificate of Trust in accordance with Section 3811(a) of the Act.

CHRISTIANA BANK & TRUST COMPANY,
not in its individual capacity but solely as
Owner Trustee

By:

Name:
Title:

EXHIBIT C

[RESERVED]

C-1

EXHIBIT D

FORM OF TRANSFEROR CERTIFICATE

,200

IMH Assets Corp.
19500 Jamboree Road
Irvine, California 92612

Deutsche Bank National Trust Company
1761 East St. Andrew Place
Santa Ana, California 92705
Attention: Trust Administration—1M10R1

Re: LVII 2010-R1 Certificates (the "Certificates")

Ladies and Gentlemen:

In connection with the sale by (the "Seller") to (the "Purchaser") of % percentage interest of the LVII 2010-R1 Certificates, Series 2010-R1, Class (the "Certificates"), issued pursuant to a Trust Agreement, dated as of November 26, 2010 among IMH Assets Corp., as depositor (the "Depositor"), Christiana Bank & Trust Company, as owner trustee (the "Owner Trustee") and Deutsche Bank National Trust Company, as Certificate Registrar and Certificate Paying Agent (together, the "Certificate Registrar"). The Seller hereby certifies, represents and warrants to, and covenants with, the Depositor, the Certificate Registrar and the Indenture Trustee that:

Neither the Seller nor anyone acting on its behalf has (a) offered, pledged, sold, disposed of or otherwise transferred any Certificate, any interest in any Certificate or any other similar security to any person in any manner, (b) has solicited any offer to buy or to accept a pledge, disposition or other transfer of any Certificate, any interest in any Certificate or any other similar security from any person in any manner, (c) has otherwise approached or negotiated with respect to any Certificate, any interest in any Certificate or any other similar security with any person in any manner, (d) has made any general solicitation by means of general advertising or in any other manner, or (e) has taken any other action, that (as to any of (a) through (e) above) would constitute a distribution of the Owner Trust Certificates under the Securities Act of 1933 (the "Act"), that would render the disposition of any Certificate a violation of Section 5 of the Act or any state securities law, or that would require registration or qualification pursuant thereto. The Seller will not act in any manner set forth in the foregoing sentence with respect to any Certificate. The Seller has not and will not sell or otherwise transfer any of the Owner Trust Certificates, except in compliance with the provisions of the Trust Agreement.

Very truly yours,

_____
(Seller)

By: _____
Name: _____
Title: _____

EXHIBIT E

[RESERVED]

EXHIBIT F

FORM OF TRANSFEREE CERTIFICATE

IMH Assets Corp.
19500 Jamboree Road
Irvine, California 92612

Deutsche Bank National Trust Company
1761 East St. Andrew Place
Santa Ana, California 92705
Attention: Trust Administration—1M10R1

Re: LVII 2010-R1 Certificates (the "Certificates")

Ladies and Gentlemen:

In connection with our purchase of Certificates, the undersigned certifies to each of the parties to whom this letter is addressed that it is a qualified institutional buyer (as defined in Rule 144A under the Securities Act of 1933, as amended (the "Act")), as follows:

For Transferees relying on Rule 144A:

1. It owned and/or invested on a discretionary basis eligible securities (excluding affiliate's securities, bank deposit notes and CD's, loan participations, repurchase agreements, securities owned but subject to a repurchase agreement and swaps), as described below:

Date: , 20 (must be on or after the close of its most recent fiscal year)

Amount: $; and

2. The dollar amount set forth above is:

a. greater than $100 million and the undersigned is one of the following entities:

(x) [ ] an insurance company as defined in Section 2(13) of the Act(1); or

(y) [ ] an investment company registered under the Investment Company Act or any business development company as defined in Section 2(a)(48) of the Investment Company Act of 1940; or

(z) [ ] a Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; or

(1) A purchase by an insurance company for one or more of its separate accounts, as defined by Section 2(a)(37) of the Investment Company Act of 1940, which are neither registered nor required to be registered thereunder, shall be deemed to be a purchase for the account of such insurance company.

(aa) [ ] a plan (i) established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, the laws of which permit the purchase of securities of this type, for the benefit of its

employees and (ii) the governing investment guidelines of which permit the purchase of securities of this type; or

(bb) [ ] a business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940; or

(cc) [ ] a corporation (other than a U.S. bank, savings and loan association or equivalent foreign institution), partnership, Massachusetts or similar business trust, or an organization described in Section 501(c)(3) of the Internal Revenue Code; or

(dd) [ ] a U.S. bank, savings and loan association or equivalent foreign institution, which has an audited net worth of at least $25 million as demonstrated in its latest annual financial statements; or

(ee) [ ] an investment adviser registered under the Investment Advisers Act; or

b. [ ] greater than $10 million, and the undersigned is a broker-dealer registered with the SEC; or

c. [ ] less than $10 million, and the undersigned is a broker-dealer registered with the SEC and will only purchase Rule 144A securities in transactions in which it acts as a riskless principal (as defined in Rule 144A); or

d. [ ] less than $100 million, and the undersigned is an investment company registered under the Investment Company Act of 1940, which, together with one or more registered investment companies having the same or an affiliated investment adviser, owns at least $100 million of eligible securities; or

e. [ ] less than $100 million, and the undersigned is an entity, all the equity owners of which are qualified institutional buyers.

The undersigned further certifies that it is purchasing the Owner Trust Certificates for its own account or for the account of others that independently qualify as "Qualified Institutional Buyers" as defined in Rule 144A. It is aware that the sale of the Owner Trust Certificates is being made in reliance on its continued compliance with Rule 144A. It is aware that the transferor may rely on the exemption from the provisions of Section 5 of the Act provided by Rule 144A. The undersigned understands that the Owner Trust Certificates may be resold, pledged or transferred only to a person reasonably believed to be a Qualified Institutional Buyer that purchases for its own account or for the account of a Qualified Institutional Buyer to whom notice is given that the resale, pledge or transfer is being made in reliance in Rule 144A.

The undersigned agrees that if at some future time it wishes to dispose of or exchange any of the Owner Trust Certificates, it will not transfer or exchange any of the Owner Trust Certificates to a Qualified Institutional Buyer without first obtaining a Transferee Certificate in the form hereof from the transferee and delivering such certificate to the addressees hereof.

The undersigned certifies that it is not acquiring the Owner Trust Certificate directly or indirectly by, or on behalf of, an employee benefit plan or other retirement arrangement which is subject to Title I of the Employee Retirement Income Security Act of 1974, as amended, and/or Section 4975 of the Internal Revenue Code of 1986 (each, a "Plan"), or with "plan assets" of a Plan

If the Purchaser proposes that its Certificates be registered in the name of a nominee on its behalf, the Purchaser has identified such nominee below, and has caused such nominee to complete the Nominee Acknowledgment at the end of this letter.

Name of Nominee (if any): _____

IN WITNESS WHEREOF, this document has been executed by the undersigned who is duly authorized to do so on behalf of the undersigned Eligible Purchaser on the day of , 20 .

Very truly yours,

[PURCHASER]

By: _____
(Authorized Officer)

By: _____
(Attorney-in-fact)

Nominee Acknowledgment

The undersigned hereby acknowledges and agrees that as to the Owner Trust Certificates being registered in its name, the sole beneficial owner thereof is and shall be the Purchaser identified above, for whom the undersigned is acting as nominee.

[NAME OF NOMINEE]

By: _____
(Authorized Officer)

By: _____
(Attorney-in-fact)

Exhibit 10.15

EXECUTION COPY

MASTER REPURCHASE AGREEMENT

Dated as of December 3, 2010

Between

NEW CENTURY BANK d/b/a CUSTOMERS BANK, as Buyer,

and

EXCEL MORTGAGE SERVICING, INC., as Seller,

and

AMERIHOME MORTGAGE CORPORATION, as Seller

TABLE OF CONTENTS

MASTER REPURCHASE AGREEMENT

THIS MASTER REPURCHASE AGREEMENT ("**Agreement**") is made December 3, 2010, by and between **EXCEL MORTGAGE SERVICING, INC.**, a California corporation, with an address at 19500 Jamboree Road #400, Irvine, California 92612, as a seller ("Excel"), **AmeriHome Mortgage Corporation**, a Michigan corporation, with an address at 2141 W. Bristol Road, Flint, Michigan 48507, as a seller ("AmeriHome") (Excel and AmeriHome are individually and collectively referred to herein as "Seller"), and **New Century Bank d/b/a Customers Bank**, a Pennsylvania state-chartered bank, with an address at 99 Bridge Street, Phoenixville, Pennsylvania (the "Buyer"), under the following circumstances:

RECITAL

Seller seeks a source of funding for use in originating and closing Mortgage Loans and Buyer is willing to provide such funds to Seller for use in the closing of Mortgage Loans upon the terms contained in this Agreement. To accomplish this goal, from time to time the parties hereto may enter into transactions in which Seller agrees to transfer to Buyer Mortgage Loans against the transfer of funds by Buyer, with a simultaneous agreement by Buyer to transfer to Seller such Mortgage Loans at a date certain not later than sixty (60) days after the date of transfer, against the transfer of funds by Seller. Each such transaction shall be referred to herein as a "Transaction" and shall be governed by this Agreement, unless otherwise agreed upon in writing. At any time during the term of this Agreement, the total outstanding principal balance of all Mortgage Loans then owned by Buyer shall not exceed the Maximum Aggregate Purchase Price.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are acknowledged, the parties agree:

1. Definitions. For purposes of this Agreement, the terms set forth below shall have the following meanings.

(a) "Accepted Servicing Practices" means, with respect to any Mortgage Loan, those accepted and prudent mortgage servicing practices (including collection procedures) of prudent mortgage lending institutions that service mortgage loans of the same type as the Mortgage Loans in the jurisdiction where the related Mortgaged Property is located, and in a manner at least equal in quality to the servicing Seller or Seller's designee provides to mortgage loans which it owns in its own portfolio.

(b) "Adjusted Tangible Net Worth" means, at any date, Tangible Net Worth minus all receivables from directors, officers, shareholders and Affiliates of Seller (including, without limitation, receivables arising from or related to loans made by Seller to such directors, officers, shareholders or Affiliates) to the extent such receivables are not otherwise eliminated in consolidation.

(c) "Affiliate" means, as to any Person, any other Person directly or indirectly controlling, controlled by or under direct or indirect common control with, such Person. "Control" as used herein means possession, directly or indirectly, of the power (a) to

---

vote 10% or more of the securities (on a fully diluted basis) having ordinary voting power for the directors or managing general partners (or their equivalent) of such Person, or (b) to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by contract, or otherwise.

(d) "Agency" means Fannie Mae, Freddie Mac, FHA, Ginnie Mae and VA.

(e) "Appraised Value" shall mean the value set forth in an appraisal made in connection with the origination of the related Loan as the value of the Mortgaged Property.

(f) "Average Monthly Deposits" shall mean the monthly average of free collected balances in non-interest bearing accounts in the name of Seller (or held by Seller in trust for third parties) with Buyer, deducting any unpaid service charges or float required by Buyer under its normal practices to compensate Buyer for the maintenance of such accounts and taking into consideration reserve requirements and other costs of complying with applicable law (including but not limited to any FDIC premium applicable to such accounts.

(g) "Balance Funded Amount" means the Average Monthly Deposits minus One Million and 00/100 Dollars ($1,000,000).

(h) "Best's" shall mean Best's Key Rating Guide, as the same shall be amended from time to time.

(i) "Business Day" means any day other than a Saturday, a Sunday or a day on which banks in Pennsylvania or California are authorized or obligated to close their regular banking business. For purposes of any rescission period required by the Real Estate Settlement Procedures Act, Saturday shall be a Business Day.

(j) "Code" means the Internal Revenue Code of 1986, as amended.

(k) "Collateral" means the Purchased Items.

(l) "Commitment Fee" means 0.0% of the Maximum Aggregate Purchase Price.

(m) "Confirmation" has the meaning provided in Section 3(a) hereof.

(n) "Contractual Obligations" means, as to any Person, the provisions of any security issued by such Person, or of any agreement, instrument or undertaking to which such Person is a party or by which it or any of its properties is bound.

(o) "Default Rate" means the Pricing Rate plus three percent (3%) per annum.

(p) "Dry Mortgage Loan" means any Mortgage Loan that is not a Wet-Ink Mortgage Loan.

(q) "Electronic Tracking Agreement" means the Electronic Tracking Agreement dated as of December 3, 2010 among Buyer, Seller, MERSCORP, Inc. and MERS, as the same may be amended, supplemented or modified from time to time provided, if no Mortgage Loans are or will be MERS Mortgage Loans, all references herein to the Electronic Tracking Agreement shall be disregarded.

(r) "Electronic Transmission" shall mean the delivery of information in an electronic format acceptable to the applicable recipient thereof.

(s) "ERISA" means the Employee Retirement Income Security Act of 1974, as the same may be from time to time supplemented or amended.

(t) "ERISA Affiliates" means any corporation or trade or business that is a member of any group of organizations (i) described in Section 414(b) or (c) of the Code of which Seller is a member and (ii) solely for purposes of potential liability under Section 302(c)(11) of ERISA and Section 412(c)(11) of the Code and the lien created under Section 302(f) of ERISA and Section 412(n) of the Code, described in Section 414(m) or (o) of the Code of which Seller is a member.

(u) "Event of Default" has the meaning provided in Section 8 hereof.

(v) "Existing Indebtedness" has the meaning set forth in Section 2(a)(17).

(w) "Fannie Mae" means Fannie Mae or any successor thereto.

(x) "FHA" means the Federal Housing Administration, an agency within the United States Department of Housing and Urban Development, or any successor thereto.

(y) "FHA Approved Mortgagee" shall mean an institution which is approved by FHA to act as mortgagee of record pursuant to FHA Regulations.

(z) "Freddie Mac" means Freddie Mac or any successor thereto.

(aa) "GAAP" means generally accepted accounting principles in the United States of America in effect from time to time. All financial data used in financial calculations called for in this Agreement, including without limitation, all financial covenants and all financial statements, shall be determined and presented in accordance with GAAP.

(bb) "Ginnie Mae" means the Government National Mortgage Association or any successor thereto.

(cc) "Governmental Authority" means any nation or governments, any state or other political subdivision thereof, or any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

(dd) "Guarantor" means the guarantor listed in the Guaranty.

(ee) "Guaranty" means the guaranty of the Guarantor dated as of the date hereof as the same may be amended from time to time, pursuant to which the Guarantor fully and unconditionally guarantees the obligations of the Seller hereunder.

(ff) "Indebtedness" means, as to any Person, (a) obligations created, issued or incurred by such Person for borrowed money (whether by loan, the issuance and sale of debt securities or the sale of property to another Person subject to an understanding or agreement, contingent or otherwise, to repurchase such property from such Person); (b) obligations of such Person to pay the deferred purchase or acquisition price of property or services, other than trade accounts payable arising, and accrued expenses incurred, in the ordinary course of business, so long as such trade accounts payable are payable within 90 days after the date the respective goods are delivered or the respective services are rendered; (c) obligations of others secured by a Lien on the property of such Person, whether or not the respective obligation so secured has been assumed by such Person; (d) obligations (contingent or otherwise) of such Person in respect of letters of credit or similar instruments issued or accepted by banks and other financial institutions for the account of such Person; (e) capital lease obligations of such Person (determined in accordance with GAAP); (f) obligations of such Person under repurchase agreements, sale/buy-back agreements or like arrangements; (g) Indebtedness of others guaranteed by such Person; (h) obligations of limited partnerships of which such Person is a general partner; and (i) obligations evidenced by bonds, debentures, notes or similar instruments.

(gg) "LIBOR" means, as of any day, the rate per annum (rounded upward, if necessary to the nearest 1/16th of 1%) obtained by dividing (1) one-month interest period London Interbank Offered Rate fixed by the British Bankers Association for United States dollar deposits in the London interbank market at approximately 11:00 a.m. London, England time (or as soon thereafter as practicable) on such day as determined by the Buyer for such day from any broker, quoting service or commonly available source utilized by the Buyer by (2) a percentage equal to 100% minus the stated maximum rate of all reserves required to be maintained against "Eurocurrency Liabilities" as specified in Regulation D (or against any other applicable category of liabilities) on such date to any member bank of the Federal Reserve System. Notwithstanding any provision above, the practice of rounding to determine LIBOR may be discontinued at any time in the Lender's sole discretion. In the event LIBOR is ever less than 0.75%, the LIBOR rate used to calculate the Pricing Rate shall be 0.75%.

(hh) "Lien" means any security interest, mortgage, pledge, lien, claim on property, charge or encumbrance (including any conditional sale or other title retention agreement), any lease in the nature thereof, or the filing of or agreement to give any financing statement under the Uniform Commercial Code of any jurisdiction.

(ii) "Material Adverse Effect" means a material adverse effect on (a) the property, business, operations or financial condition of Seller, (b) the ability of Seller to perform its obligations under any of the Purchase Documents to which it is a party, (c) the validity or enforceability of any of the Purchase Documents, (d) the rights and remedies of Buyer under any of the Purchase Documents, or (e) the timely repurchase of the Mortgage Loans or payment of other amounts payable in connection therewith.

(jj) "Maximum Aggregate Purchase Price" means Twenty Five Million and 00/100 Dollars ($25,000,000.00).

(kk) "Maximum Funding Capacity" means the Maximum Aggregate Purchase Price plus the maximum amount available to Seller from all other loan repurchase facilities, warehouse facilities or similar facilities to which Seller is a party.

(ll) "MERS" means Mortgage Electronic Registration Systems, Inc., a Delaware corporation, or any successor in interest thereto.

(mm) "MERS Mortgage Loan" means any Mortgage Loan as to which the related Mortgage or Assignment of Mortgage has been recorded in the name of MERS, as agent for the holder from time to time of the Note, and which is identified as a MERS Mortgage Loan on the Mortgage.

(nn) "MIN" means the MERS identification number permanently assigned to each MERS Mortgage Loan.

(oo) "Minimum Maintenance Account Balance" means the minimum amount required to be maintained in a non-interest bearing account at Buyer.

(pp) "Mortgage" means, with respect to a Mortgage Loan, the mortgage, deed of trust or other instrument, which creates a first lien on a fee simple estate which secures the Note.

(qq) "Mortgage Loan" means a residential real estate secured loan and the entire corresponding file therefore purchased by Buyer hereunder and including, without limitation: (1) the Note, any reformation thereof, and a related Mortgage and security agreement (if applicable); (2) all guaranties and insurance policies, including, without limitation, all mortgage and title insurance policies and all fire and extended coverage insurance policies and rights of Seller to return premiums or payments with respect thereto; and (3) all right, title and interest of Seller in the Mortgaged Property.

(rr) "Mortgaged Property" means the real property securing repayment of the debt evidenced by a Note (including all improvements, buildings, fixtures, building equipment and personal property thereon and all additions, alterations and replacements made at any time with respect to the foregoing) but excludes any leasehold estates.

(ss) "Mortgagor" means the obligor on a Note or a person who has executed a Mortgage.

(tt) "Multiemployer Plan" means a multiemployer plan defined as such in Section 3(37) of ERISA to which contributions have been or are required to be made by Seller or any ERISA Affiliate and that is covered by Title IV of ERISA.

(uu) "Non-Utilization Fee" has the meaning provided in Section 3(o) hereof.

(vv) "Note" means, with respect to any Mortgage Loan, the related promissory note together with all riders thereto and amendments thereof or other evidence of indebtedness of the related Mortgagor.

(ww) "Obligations" means any and all debts, obligations and liabilities of Seller to Buyer (whether now existing or hereafter arising, voluntary or involuntary, whether or not jointly owed with others, direct or indirect, absolute or contingent, liquidated or unliquidated, and whether or not from time to time decreased or extinguished and later increased, created or incurred), arising out of or related to the Purchase Documents.

(xx) "Obligor" means the Person or Persons obligated to pay the indebtedness which is the subject of a Mortgage Loan.

(yy) "Permitted Other Debt" means that Indebtedness approved by Buyer as permitted other debt.

(zz) "Person" means any corporation, natural person, firm, joint venture, partnership, limited liability company, limited liability partnership, trust, unincorporated organization, Governmental Authority or other entity.

(aaa) "Plan" means an employee benefit or other plan established or maintained by either Seller or any ERISA Affiliate that is covered by Title IV of ERISA, other than a Multiemployer Plan.

(bbb) "Price Differential" means, with respect to any Transaction hereunder as of any date, the aggregate amount obtained by daily application of the Pricing Rate for such Transaction to the Purchase Price for such Transaction on a 360 day per year basis for the actual number of days during the period commencing on (and including) the Purchase Date for such Transaction and ending on (but excluding) the Repurchase Date (reduced by any amount of such Price Differential previously paid by Seller to Buyer with respect to such Transaction).

(ccc) "Pricing Rate" means LIBOR plus:

(1) 4.0% with respect to Transactions from the Purchase Date through thirty (30) days after the Purchase Date;

(2) 5.0% with respect to Transactions from the thirty-first (31st) day through the forty-fifth (45th) day after the Purchase Date;

(3) 6.0% with respect to Transactions from the forty-sixth (46th) day through the sixtieth (60th) day after the Purchase Date;

(4) the rate determined in the sole discretion of Buyer with respect to any other Transactions so identified by Buyer in agreeing to enter into such Transaction.

The Pricing Rate shall change in accordance with LIBOR.

(ddd) "Purchased Items" has the meaning provided in Section 4(a) hereof.

(eee) "Purchase Date" means the date on which Mortgage Loans are transferred by Seller to Buyer.

(fff) "Purchase Documents" means this Agreement, guaranty, if any, each Purchase Request and each other document, instrument or agreement executed by Seller in connection herewith, as any of the same may be amended, extended or replaced from time to time.

(ggg) "Purchase Price" means on each Purchase Date, the price at which Mortgage Loans are transferred by Seller to Buyer. The Purchase Price Percentage shall be applied against the principal amount of the Mortgage Loan to determine the Purchase Price.

(hhh) "Purchase Price Percentage" means, except as otherwise provided in Section 6(k) of this Agreement, within respect to each Mortgage Loan, ninety-eight percent (98%).

(iii) "Purchase Request" means a request for a Mortgage Loan purchase conveyed to Buyer from a duly authorized officer of Seller, in a form similar to Exhibit II attached hereto. Any such Purchase Request made orally shall be confirmed in writing upon the request of Buyer.

(jjj) "Qualified Insurer" means an insurance company duly qualified as such under the laws of each state in which any Mortgaged Property is located, duly authorized and licensed in each such state to transact the applicable insurance business and to write the insurance provided, and approved as an insurer by the applicable Agency.

(kkk) "Reportable Event" means a reportable event as defined in Title IV of ERISA, except actions of general applicability by the Secretary of Labor under Section 110 of ERISA.

(lll) "Repurchase Date" shall mean the date on which Seller is to repurchase the Mortgage Loans from Buyer provided that in no event shall the Repurchase Date be in excess of sixty (60) days after the Purchase Date.

(mmm) "Repurchase Obligations" has the meaning provided in Section 4(b) hereof.

(nnn) "Repurchase Price" means the price at which Mortgage Loans are to be transferred from Buyer to Seller upon termination of a Transaction, which will be determined in each case (including Transactions terminable upon demand) as the sum of the Purchase Price and the Price Differential as of the date of such determination decreased by all cash, income and late fees actually received by Buyer related to such Mortgage Loans.

(ooo) "Required Documents" means for any Mortgage Loan, those items described on Exhibit I attached hereto. At Buyer's reasonable discretion, Buyer may change the

Required Documents by delivering a new Exhibit I to Seller which shall be effective three (3) Business Days after delivery of the new Exhibit I to Seller.

(ppp) "Requirements of Law" means, as to any Person, all requirements and prohibitions contained in the Certificate of Incorporation, Bylaws, Certificates of Formation and Operating Agreement, or other organizational or governing documents of such Person, and of any law, treaty, rule or regulation, or of any final and binding determination of an arbitrator or a determination of a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property, or to which such Person or any of its property is subject.

(qqq) "Settlement Agent" means, unless such entity is disapproved by prior written notice of the Buyer, the title company, escrow company or attorney in accordance with local law and practice in the jurisdiction where the related Mortgage Loan is being originated, to which the proceeds of such Transaction are to be wired.

(rrr) "Subsidiary" means any Person, more than fifty percent (50%) of the stock or other ownership interest of which, having by the terms thereof, ordinary voting power to elect the board of directors, managers or trustees of such corporation, partnership or joint venture (irrespective of whether or not at the time stock of any other class or classes of such corporation, partnership or joint venture shall have or might have voting power by reason of the happening of any contingency) shall, at the time as of which any determination is being made, be owned, either directly by Seller or through Seller's Subsidiaries.

(sss) "Take-out Investor" means Fannie Mae, Freddie Mac, Ginnie Mae or any non-agency investor approved in advance by Buyer.

(ttt) "Tangible Net Worth" means the excess of total assets over total liabilities, less all assets which would be classified as intangible assets under GAAP, including, without limitation, purchased and capitalized value of servicing rights, goodwill (whether representing the excess cost over book value of assets acquired or otherwise), patents, trademarks, trade names, copyrights, franchises and deferred charges (including, without limitation, unamortized debt discount and expense, organization costs and research and product development costs).

(uuu) "Termination Date" means June 30, 2011, or such earlier date on which this Agreement shall terminate in accordance with the provisions hereof or by operation of law.

(vvv) "Third Party Mortgage Loan" means a Mortgage Loan that was acquired by Seller from a third party mortgage loan originator (including Affiliates of Seller).

(www) "Transaction" shall have the meaning set forth in the Recital to this Agreement.

(xxx) "Underwriting Standards" means the underwriting guidelines which comply with the current requirements of Fannie Mae, Freddie Mac or Ginnie Mae (depending upon which agency the Seller will sell the Mortgage Loan) or the underwriting guidelines of any other Take-out Investor (if the Seller will sell the Mortgage Loan to such other Take-out Investor).

(yyy) "UCC" means the Uniform Commercial Code in the applicable jurisdiction.

(zzz) "Unrestricted Minimum Cash Balance" means the combined unrestricted cash and cash equivalents on the balance sheets of Excel and AmeriHome that is free and clear of any liens net of any outstanding checks and in-transit items.

(aaaa) "Utilization Percentage" has the meaning provided in Section 3(o) hereof.

(bbbb) "VA" means the Veterans Administration and any successor agency.

(cccc) "Wet-Ink Mortgage Loan" means a Mortgage Loan which Seller is selling to Buyer simultaneously with the origination thereof and the original Note and other Required Documents are to be delivered to the Buyer pursuant to Section 3(f) hereof.

2. Representations and Warranties.

(a) Corporate Representations and Warranties. Seller represents and warrants to Buyer as of the date hereof and as of each Purchase Date for any Transaction that:

(1) Seller Existence. Excel has been duly organized and is validly existing as a corporation in good standing under the laws of the State of California. AmeriHome has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Michigan.

(2) Licenses. Seller is duly licensed or is otherwise qualified in each jurisdiction in which it transacts business for the business which it conducts and is not in default of any applicable federal, state or local laws, rules and regulations unless, in either instance, the failure to take such action is not reasonably likely (either individually or in the aggregate) to cause a Material Adverse Effect. Seller has the requisite power and authority and legal right to originate the Mortgage Loans and to own, sell and grant a lien on all of its right, title and interest in and to the Mortgage Loans, and to execute and deliver, engage in the Transactions contemplated by, and perform and observe the terms and conditions of, the Purchase Documents.

(3) Power. Seller has all requisite corporate or other power, and has all governmental licenses, authorizations, consents and approvals necessary to own its assets and carry on its business as now being or as proposed to be conducted, except where the lack of such licenses, authorizations, consents and approvals would not be reasonably likely to have a Material Adverse Effect.

(4) Due Authorization. Seller has all necessary corporate or other power, authority and legal right to execute, deliver and perform its obligations under each of the Purchase Documents, as applicable. This Agreement has been, and, in the case of the applicable Purchase Request not yet executed, will, on such Purchase Date, be duly authorized, executed and delivered by Seller, all requisite or other corporate action having been taken, and each is valid, binding and enforceable against Seller in accordance with its

terms except as such enforcement may be affected by bankruptcy, by other insolvency laws, or by general principles of equity.

(5) Financial Statements. Seller has heretofore furnished to Buyer a copy of (a) its consolidated and consolidating balance sheet and the consolidated and consolidating balance sheets of its consolidated Subsidiaries for the fiscal year of Seller ended December 31, 2009 and the related consolidated statements of income and retained earnings and of cash flows for Seller and its consolidated Subsidiaries for such fiscal year, setting forth in each case in comparative form the figures for the previous year, with the opinion thereon of its certified public accountants and (b) its consolidated and consolidating balance sheet and the consolidated and consolidating balance sheets of its consolidated Subsidiaries for the quarterly fiscal period of Seller ended September 30, 2010, and the related consolidated statements of income and retained earnings and of cash flows for Seller and its consolidated Subsidiaries for such quarterly fiscal periods, setting forth in each case in comparative form the figures for the previous year. All such financial statements are complete and correct and fairly present, in all material respects, the consolidated financial condition of Seller and its Subsidiaries and the consolidated results of their operations as at such dates and for such fiscal periods, all in accordance with GAAP applied on a consistent basis. Since September 30, 2010 there has been no material adverse change in the consolidated business, operations or financial condition of Seller and its consolidated Subsidiaries taken as a whole from that set forth in said financial statements nor is Seller aware of any state of facts which (with notice or the lapse of time) would or could result in any such material adverse change. Seller has, on the date of the statements delivered pursuant to this Section 2(a)(5) no material liabilities, direct or indirect, fixed or contingent, matured or unmatured, known or unknown, or liabilities for taxes, long-term leases or unusual forward or long-term commitments not disclosed by, or reserved against in, said balance sheet and related statements, and at the present time there are no material unrealized or anticipated losses from any loans, advances or other commitments of Seller except as heretofore disclosed to Buyer in writing.

(6) Solvency. Seller is solvent and will not be rendered insolvent by any Transaction and, after giving effect to such Transaction, will not be left with an unreasonably small amount of capital with which to engage in its business. Seller does not intend to incur, nor does it believe it has incurred, debts beyond its ability to pay such debts as they mature nor is it contemplating the commencement of insolvency, bankruptcy, liquidation or consolidation proceedings or the appointment of a receiver, liquidator, conservator, trustee or similar official in respect of such entity or any of its assets. Seller is not transferring any Mortgage Loans with any intent to hinder, delay or defraud any of its creditors.

(7) No Conflicts. The execution, delivery and performance by Seller of the Purchase Documents does not conflict with any term or provision of any Requirements of Law, which conflict would have a Material Adverse Effect, and will not result in any violation of any mortgage, instrument, agreement or obligation to which Seller is a party.

(8) True and Complete Disclosure. All information, reports, exhibits, schedules, financial statements or certificates of Seller, the Guarantors, Subsidiaries or any of their officers furnished or to be furnished by Seller to Buyer in connection with the initial

or any ongoing due diligence of Seller, the Guarantors, Subsidiaries or any of their officers, or the negotiation, preparation, or delivery of this Agreement are true and complete and do not omit to disclose any material facts necessary to make the statements herein or therein, in light of the circumstances in which they are made, not misleading.

(9) Approvals. No consent, approval, authorization or order of, registration or filing with, or notice to any governmental authority or court is required under applicable law in connection with the execution, delivery and performance by Seller of the Purchase Documents, except for the filing of financing statements.

(10) Litigation. There is no action, proceeding or investigation pending with respect to which Seller has received service of process or, to the best of Seller's knowledge threatened against it before any court, administrative agency or other tribunal (A) asserting the invalidity of any Purchase Document, (B) seeking to prevent the consummation of any of the transactions contemplated by any Purchase Document, (C) makes a claim individually in an amount greater than $250,000 or in an aggregate amount greater than $500,000, (D) which requires filing with the Securities and Exchange Commission in accordance with the 1934 Act or any rules thereunder, or (E) which might materially and adversely affect the validity of the Mortgage Loans or the performance by it of its obligations under, or the validity or enforceability of, any Purchase Document.

(11) Material Adverse Change. There has been no material adverse change in the business, operations, financial condition or properties of Seller, the Guarantors or Subsidiaries since the date set forth in the most recent financial statements supplied to Buyer by Seller.

(12) Taxes. Seller and its Subsidiaries have timely filed all tax returns that are required to be filed by them and have paid all taxes, except for any such taxes as are being appropriately contested in good faith by appropriate proceedings diligently conducted and with respect to which adequate reserves have been provided. The charges, accruals and reserves on the books of Seller and its Subsidiaries in respect of taxes and other governmental charges are, in the opinion of Seller, adequate.

(13) Investment Company. Neither Seller nor any of its Subsidiaries is an "investment company", or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended.

(14) Chief Executive Office: Jurisdiction of Organization. Excel's chief executive office is located at 19500 Jamboree Road #400, Irvine, California 92612. Excel's jurisdiction of organization is California. AmeriHome's chief executive office is located at 2141 W. Bristol Road, Flint, Michigan 48507. AmeriHome's jurisdiction of organization is Michigan. Seller has no trade name. During the preceding five years, Seller has not been known by or done business under any other name, corporate or fictitious, and has not filed or had filed against it any bankruptcy, receivership or similar petitions nor has it made any assignments for the benefit of creditors.

(15) Location of Books and Records. The location where Seller keeps its books and records, including all computer tapes and records relating to the Mortgage Loans, is its chief executive office.

(16) ERISA. Each Plan to which Seller or its Subsidiaries make direct contributions, and, to the knowledge of Seller, each other Plan and each Multiemployer Plan, is in compliance in all material respects with, and has been administered in all material respects in compliance with, the applicable provisions of ERISA, the Code and any other Federal or State law.

(17) Other Indebtedness. All Indebtedness (other than Indebtedness evidenced by this Agreement) of Seller existing on the date hereof is listed on Exhibit III hereto (the "Existing Indebtedness").

(18) Agency Approvals. AmeriHome is approved by FHA and, to the extent necessary, Seller is approved by the Secretary of Housing and Urban Development pursuant to Sections 203 and 211 of the National Housing Act. In each such case, as applicable, Seller is in good standing, with no event having occurred or Seller having any reasonable basis to believe or suspect will occur, as the case may be, including, without limitation, a change in insurance coverage which would either make Seller unable to comply with the eligibility requirements for maintaining all such applicable approvals or require notification to the FHA or to the Department of Housing and Urban Development. Should Seller for any reason cease to possess all such applicable approvals, or should notification to the FHA or to the Department of Housing and Urban Development be required, Seller shall so notify Buyer immediately in writing.

(19) Plan Assets. Seller is not an employee benefit plan as defined in Section 3 of Title I of ERISA, or a plan described in Section 4975(e)(l) of the Code, and the Purchased Mortgage Loans are not "plan assets" within the meaning of 29 CFR §2510.3-101 in Seller's hands.

(20) No Prohibited Persons. Neither Seller, the Guarantors, Subsidiaries, nor any of their officers, directors, partners, employees or members, is an entity or person (or to Seller's knowledge, owned or controlled by an entity or person): (i) that is listed in the Annex to, or is otherwise subject to the provisions of Executive Order 13224 issued on September 24, 2001 ("EO13224"); (ii) whose name appears on the United States Treasury Department's Office of Foreign Assets Control ("OFAC") most current list of "Specifically Designated National and Blocked Persons" (which list may be published from time to time in various mediums including, but not limited to, the OFAC website, http:www.treas.gov/ofac/tllsdn.pdf); (iii) who commits, threatens to commit or supports "terrorism", as that term is defined in EO13224; or (iv) who is otherwise affiliated with any entity or person listed above.

(b) Representations and Warranties Re: Mortgage Loan. Seller represents and warrants to Buyer, with respect to each Mortgage Loan, that as of the date hereof and as of each day the Mortgage Loan is subject to a Transaction that:

(1) No Outstanding Charges. There are no defaults in complying with the terms of the Mortgage securing the Mortgage Loan, and all taxes, governmental assessments, insurance premiums, water, sewer and municipal charges, leasehold payments or ground rents which previously became due and owing have been paid, or an escrow of funds has been established in an amount sufficient to pay for every such item which remains unpaid and which has been assessed but is not yet due and payable. Seller has not advanced funds, or induced, solicited or knowingly received any advance of funds by a party other than the Mortgagor, directly or indirectly, for the payment of any amount required under the Mortgage Loan, except for interest accruing from the date of the Note or date of disbursement of the proceeds of the Mortgage Loan, whichever is more recent, to the day which precedes by one month the Due Date of the first installment of principal and interest thereunder.

(2) Original Terms Unmodified. The terms of the Note and Mortgage have not been impaired, waived, altered or modified in any respect, from the date of origination, except by a written instrument which has been recorded, if necessary to protect the interests of Buyer. The substance of any such waiver, alteration or modification has been approved by the title insurer, to the extent required by the title insurance policy. No Mortgagor in respect of the Loan has been released, in whole or in part, except in connection with an assumption agreement approved by the title insurer, to the extent required by such policy, and which assumption agreement is part of the Required Documents.

(3) FHA/VA Approval. For any FHA Mortgage Loans or VA Mortgage Loans, all parties which have had any interest in the Mortgage, whether as mortgagee or assignee, are (or, during the period in which they held and disposed of such interest, were) an FHA Approved Mortgagee or VA Approved Lender as the case may be.

(4) FHA Mortgage Insurance; VA Loan Guaranty. Upon the issuance of the related Mortgage Insurance Certificate, with respect to each FHA Mortgage Loan, the FHA Mortgage Insurance Contract is in full force and effect and there exists no impairment to full recovery without indemnity to the Department of Housing and Urban Development or the FHA under FHA Mortgage Insurance. With respect to the VA Mortgage Loans, the VA Mortgage Loan Guaranty Agreement is in full force and effect to the maximum extent stated therein. Upon the Approval Date, with respect to each FHA Mortgage Loan and VA Mortgage Loan, all necessary steps have been taken to keep such guaranty or insurance valid, binding and enforceable and each of such is the binding, valid and enforceable obligation of the FHA and the VA, respectively, to the full extent thereof, without surcharge, set-off or defense. Each FHA Mortgage Loan and VA Mortgage Loan was originated in accordance with the requirements of the applicable Agency.

(5) No Defenses. The Mortgage Loan is not subject to any right of rescission, setoff, counterclaim or defense, including, without limitation, the defense of usury, nor will the operation of any of the terms of the Note or the Mortgage, or the exercise of any right thereunder, render either the Note or the Mortgage unenforceable, in whole or in part and no such right of rescission, set-off, counterclaim or defense has been asserted with respect thereto, and no Mortgagor in respect of the Mortgage Loan was a debtor in any state or Federal bankruptcy or insolvency proceeding at the time the Mortgage Loan was originated.

(6) Hazard Insurance. The Mortgaged Property is insured by a fire and extended perils insurance policy, issued by a Qualified Insurer, and such other hazards as are customary in the area where the Mortgaged Property is located, and to the extent required by Seller as of the date of origination, against earthquake and other risks insured against by Persons operating like properties in the locality of the Mortgaged Property, in an amount not less than the greatest of (i) 100% of the replacement cost of all improvements to the Mortgaged Property, (ii) the outstanding principal balance of the Mortgage Loan with respect to each Mortgage Loan, (iii) the amount necessary to avoid the operation of any co-insurance provisions with respect to the Mortgaged Property, or (iv) the amount necessary to fully compensate for any damage or loss to the improvements that are a part of such property on a replacement cost basis. If any portion of the Mortgaged Property is in an area identified by any federal Governmental Authority as having special flood hazards, and flood insurance is available, a flood insurance policy meeting the current guidelines of the Federal Insurance Administration is in effect with a generally acceptable insurance carrier, in an amount representing coverage not less than the least of (1) the outstanding principal balance of the Mortgage Loan, (2) the full insurable value of the Mortgaged Property, and (3) the maximum amount of insurance available under the Flood Disaster Protection Act of 1973, as amended. All such insurance policies (collectively, the "hazard insurance policy") contain a standard mortgagee clause naming Seller, its successors and assigns (including without limitation, subsequent owners of the Mortgage Loan), as mortgagee, and may not be reduced, terminated or canceled without thirty (30) days' (or such shorter period as may be prescribed by applicable law) prior written notice to the mortgagee. No such notice has been received by Seller. All premiums due and owing on such insurance policy have been paid. The related Mortgage obligates the Mortgagor to maintain all such insurance and, at such Mortgagor's failure to do so, authorizes the mortgagee to maintain such insurance at the Mortgagor's cost and expense and to seek reimbursement therefore from such Mortgagor (as such right to seek reimbursement may be limited by applicable law). Where required by state law or regulation, the Mortgagor has been given an opportunity to choose the carrier of the required hazard insurance, provided the policy is not a "master" or "blanket" hazard insurance policy covering a condominium, or any hazard insurance policy covering the common facilities of a planned unit development. The hazard insurance policy is in full force and effect. Seller has not engaged in, and has no knowledge of the Mortgagor's having engaged in, any act or omission which would impair the coverage of any such policy, the benefits of the endorsement provided for herein, or the validity and binding effect of either including, without limitation, no unlawful fee, commission, kickback or other unlawful compensation or value of any kind has been or will be received, retained or realized by any attorney, firm or other Person, and no such unlawful items have been received, retained or realized by Seller.

(7) Compliance with Applicable Laws. Any and all requirements of any federal, state or local law including, without limitation, usury, truth-in-lending, all applicable predatory and abusive lending, real estate settlement procedures, consumer credit protection, equal credit opportunity, national security/anti-terror, or disclosure laws applicable to the origination and servicing of such Mortgage Loan have been complied with, the consummation of the transactions contemplated hereby will not involve the violation of any such laws or regulations, and Seller shall maintain or shall cause its agent to maintain in its possession, available for the inspection of Buyer, and shall deliver to Buyer, upon five (5) Business Days' prior request, evidence of compliance with all such requirements.

(8) No Satisfaction of Mortgage. The Mortgage has not been satisfied, canceled, subordinated or rescinded, in whole or in part, and the Mortgaged Property has not been released from the lien of the Mortgage, in whole-or in part, nor has any instrument been executed that would effect any such release, cancellation, subordination or rescission except (i) in connection with an assumption agreement which has been approved by the FHA, to the extent required by the applicable FHA Insurance Contract, (ii) in the case of a release of a portion of the land comprising a Mortgaged Property or (iii) a release of a blanket Mortgage which release will not cause the Mortgage Loan to fail to satisfy the Underwriting Standards. Seller has not waived the performance by the Mortgagor of any action, if the Mortgagor's failure to perform such action would cause the Mortgage Loan to be in default, nor has Seller waived any default resulting from any action or inaction by the Mortgagor.

(9) Location and Type of Mortgaged Property. The Mortgaged Property consists of a single parcel of real property with a detached single family residence erected thereon, or a two- to four-family dwelling, or an individual condominium unit in a condominium project, or an individual unit in a planned unit development or a de minimis planned unit development. No residence or dwelling is a mobile home. No portion of the Mortgaged Property is used for commercial purposes; provided that any Mortgaged Property that contains a home office shall not be considered used for commercial purposes so long as the Mortgaged Property has not been altered for commercial purposes.

(10) Valid Lien. The Mortgage is a valid, subsisting, enforceable and perfected first lien and first priority security interest with respect to each Mortgage Loan, on the real property included in the Mortgaged Property, including all buildings on the Mortgaged Property and all installations and mechanical, electrical, plumbing, heating and air conditioning systems located in or annexed to such buildings, and all additions, alterations and replacements made at any time with respect to the foregoing. The lien of the Mortgage is subject only to:

(i) the lien of current real property taxes and assessments not yet due and payable;

(ii) covenants, conditions and restrictions, rights of way, easements and other matters of the public record as of the date of recording acceptable to prudent mortgage lending institutions generally and specifically referred to in the lender's title insurance policy delivered to the originator of the Mortgage Loan and (a) referred to or otherwise considered in the appraisal made for the originator of the Mortgage Loan or (b) which do not adversely affect the Appraised Value of the related Mortgaged Property set forth in such appraisal; and

(iii) other matters to which like properties are commonly subject which do not materially interfere with the benefits of the security intended to be provided by the Mortgage or the use, enjoyment, value or marketability of the related Mortgaged Property.

Any security agreement, chattel mortgage or equivalent document related to and delivered in connection with the Mortgage Loan establishes and creates a valid, subsisting and enforceable first lien and first priority security interest with respect to each Mortgage Loan, on the property described therein and Seller has full right to pledge and assign the same to Buyer. The

Mortgaged Property was not, as of the date of origination of the Mortgage Loan, subject to a mortgage, deed of trust, deed to secure debt or other security instrument creating a lien subordinate to the lien of the Mortgage.

(11) Validity of Mortgage Documents. The Note and the Mortgage and any other agreement executed and delivered by a Mortgagor or guarantor, if applicable, in connection with a Mortgage Loan are genuine, and each is the legal, valid and binding obligation of the maker thereof enforceable in accordance with its terms except as enforceability thereof may be limited by bankruptcy, insolvency or reorganization laws, rules and regulations and by general principles of equity. All parties to the Note, the Mortgage and any other such related agreement had legal capacity to enter into the Mortgage Loan and to execute and deliver the Note, the Mortgage and any such agreement, and the Note, the Mortgage and any other such related agreement have been duly and properly executed by such related parties. No fraud, error, omission, misrepresentation, negligence or similar occurrence with respect to a Mortgage Loan has taken place on the part of any Person, including, without limitation, the Mortgagor, any appraiser, any builder or developer, or any other party involved in the origination of the Mortgage Loan.

(12) Full Disbursement of Proceeds. The proceeds of the Mortgage Loan have been fully disbursed and there is no further requirement for future advances thereunder, and any and all requirements as to completion of any on-site or off-site improvement and as to disbursements of any escrow funds therefor have been complied with. All costs, fees and expenses incurred in making or closing the Mortgage Loan and the recording of the Mortgage were paid, and the Mortgagor is not entitled to any refund of any amounts paid or due under the Note or Mortgage.

(13) Ownership. Seller is the sole owner and holder of the Mortgage Loan. The Mortgage Loan is not assigned or pledged, and Seller has good, indefeasible and marketable title thereto, and has full right to transfer, pledge and assign the Mortgage Loan to Buyer free and clear of any encumbrance, equity, participation interest, lien, pledge, charge, claim or security interest, and has full right and authority subject to no interest or participation of, or agreement with, any other party, to assign, transfer and pledge each Mortgage Loan pursuant to this Agreement and following the pledge of each Mortgage Loan, Buyer will hold such Mortgage Loan free and clear of any encumbrance, equity, participation interest, lien, pledge, charge, claim or security interest except any such security interest created pursuant to the terms of this Agreement.

(14) Doing Business. All parties which have had any interest in the Mortgage Loan, whether as mortgagee, assignee, pledgee or otherwise, are (or, during the period in which they held and disposed of such interest, were) (i) in compliance with any and all applicable licensing requirements of the laws of the state wherein the Mortgaged Property is located, and (ii) either (A) organized under the laws of such state, (B) qualified to do business in such state, (C) a federal savings and loan association, a savings bank or a national bank having a principal office in such state or (D) not doing business in such state.

(15) LTV. No Mortgage Loan has a loan-to-value ratio in excess of 100%. With respect to any Mortgage Loan that has a loan-to-value ratio in excess of eighty percent (80%), the portion of the unpaid principal balance which is in excess of eighty

percent (80%) of the original amount of the Mortgage Loan is and will be insured as to payment defaults under a private mortgage insurance policy issued by a primary mortgage insurer licensed to do business in the state in which the Mortgaged Property is located an acceptable to Fannie Mae or Freddie Mac, so as to reduce the Mortgage Loan holder's exposure, all in accordance with the standards of Fannie Mae or Freddie Mac and applicable law. Notwithstanding the foregoing, however, such a private mortgage insurance policy is not required for a Mortgage Loan that has a loan-to-value ratio in excess of eighty percent (80%) if such Mortgage Loan is an FHA Mortgage Loan or VA Mortgage Loan that meets the requirements of Section 2(b)(4) above. All provisions of such primary mortgage insurance policy have been complied with; such policy is valid and in full force and effort and all premiums due thereunder have been paid.

(16) Title Insurance. The Mortgage Loan is covered by an ALTA lender's title insurance policy or other generally acceptable form of policy or insurance acceptable to FHA, Fannie Mae or Freddie Mac and each such title insurance policy is issued by a title insurer acceptable to FHA, Fannie Mae or Freddie Mac and qualified to do business in the jurisdiction where the Mortgaged Property is located, insuring Seller, its successors and assigns, as to the first priority lien of the Mortgage in the original principal amount of the Mortgage Loan, subject only to the exceptions contained in clauses (i), (ii) and (iii) of paragraph (10) of this Section 2(b), with respect to each Mortgage Loan. Where required by state law or regulation, the Mortgagor has been given the opportunity to choose the carrier of the required mortgage title insurance. Additionally, such lender's title insurance policy affirmatively insures ingress and egress and against encroachments by or upon the Mortgaged Property or any interest therein. The title policy does not contain any special exceptions (other than the standard exclusions or other exclusions customary in the relevant jurisdiction) for zoning and uses and has been

marked to delete the standard survey exception or to replace the standard survey exception with a specific survey reading. Seller, its successors and assigns, are the sole insureds of such lender's title insurance policy, and such lender's title insurance policy is valid and remains in full force and effect and will be in force and effect upon the consummation of the transactions contemplated by this Agreement. No claims have been made under such lender's title insurance policy, and no prior holder or servicer of the related Mortgage, including Seller, has done, by act or omission, anything which would impair the coverage of such lender's title insurance policy, including, without limitation, no unlawful fee, commission, kickback or other unlawful compensation or value of any kind has been or will be received, retained or realized by any attorney, firm or other Person, and no such unlawful items have been received, retained or realized by Seller.

(17) No Defaults. There is no default, breach, violation or event of acceleration existing under the Mortgage or the Note and no event has occurred which, with the passage of time or with notice and the expiration of any grace or cure period, would constitute a default, breach, violation or event of acceleration, and neither Seller nor its predecessors have waived any default, breach, violation or event of acceleration.

(18) No Mechanics' Liens. There are no mechanics' or similar liens or claims which have been filed for work, labor or material (and no rights are outstanding that under the law could give rise to such liens) affecting the Mortgaged Property which are or may be liens prior to, or equal or coordinate with the lien of the Mortgage.

(19) Location of Improvements; No Encroachments. All improvements which were considered in determining the Appraised Value of the Mortgaged Property lie wholly within the boundaries and building restriction lines of the Mortgaged Property, and no improvements on adjoining properties encroach upon the Mortgaged Property. No improvement located on or being part of the Mortgaged Property is in violation of any applicable zoning and building law, ordinance or regulation.

(20) Origination; Payment Terms. The Mortgage Loan was originated by or in conjunction with a mortgage banker licensed under applicable state law, a mortgagee approved by the Secretary of Housing and Urban Development pursuant to Sections 203 and 211 of the National Housing Act, a savings and loan association, a savings bank, a commercial bank, credit union, insurance company or similar banking institution which is supervised and examined by a federal or state authority. Monthly principal and interest payments on the Mortgage Loan commenced or will commence no more than sixty (60) days after funds were disbursed in connection with the Mortgage Loan. The mortgage interest rate is adjusted, with respect to adjustable rate Mortgage Loans, on each interest rate adjustment date to equal the index plus the gross margin (rounded up or down to the nearest .125%), subject to the mortgage interest rate cap. With respect to each Mortgage Loan, the Note is payable on the first day of each month in equal monthly installments of principal and interest, which installments of interest, with respect to an adjustable rate mortgage loan, are subject to change due to the adjustments to the mortgage interest rate on each adjustment date, with interest calculated and payable in arrears, sufficient to amortize the Mortgage Loan fully by the stated maturity date, over an original term of not more than thirty (30) years from commencement of amortization. No Mortgage Loan contains a balloon payment feature or payments of interest only for a period of time.

(21) Customary Provisions. The Note has a stated maturity. The Mortgage contains customary and enforceable provisions such as to render the rights and remedies of the holder thereof adequate for the realization against the Mortgaged Property of the benefits of the security provided thereby, including, (i) in the case of a Mortgage designated as a deed of trust, by trustee's sale, and (ii) otherwise by judicial foreclosure. Upon default by a Mortgagor on a Mortgage Loan and foreclosure on, or trustee's sale of, the Mortgaged Property pursuant to the proper procedures, the holder of the Mortgage Loan will be able to deliver good and merchantable title to the Mortgaged Property. There is no homestead or other exemption available to a Mortgagor which would interfere with the right to sell the Mortgaged Property at a trustee's sale or the right to foreclose the Mortgage.

(22) Conformance with Underwriting Standards and Agency Standards. The Mortgage Loan was underwritten in accordance with the Underwriting Standards in effect at the time of the origination of such Mortgage Loan with any exceptions thereto exercised in a prudent manner based on compensating factors and having no adverse effect upon the value of such Mortgage Loan. The Note and Mortgage are on forms similar to those used by Freddie Mac or Fannie Mae and Seller has not made any representations to a Mortgagor that are inconsistent with the mortgage instruments used.

(23) Occupancy of the Mortgaged Property. As of the Purchase Date the Mortgaged Property is either vacant or lawfully occupied under applicable law. All inspections, licenses and certificates required to be made or issued with respect to all occupied

portions of the Mortgaged Property and, with respect to the use and occupancy of the same, including but not limited to certificates of occupancy and fire underwriting certificates, have been made or obtained from the appropriate authorities. Seller has not received written notification from any Governmental Authority that the Mortgaged Property is in material non-compliance with such laws or regulations, is being used, operated or occupied unlawfully or has failed to have or obtain such inspection, licenses or certificates, as the case may be. Seller has not received notice of any violation or failure to conform with any such law, ordinance, regulation, standard, license or certificate.

(24) No Additional Collateral. The Note is not and has not been secured by any collateral except the lien of the corresponding Mortgage and the security interest of any applicable security agreement or chattel mortgage referred to in clause (10) above.

(25) Deeds of Trust. In the event the Mortgage constitutes a deed of trust, a trustee, authorized and duly qualified under applicable law to serve as such, has been properly designated and currently so serves and is named in the Mortgage, and no fees or expenses are or will become payable by Buyer to the trustee under the deed of trust, except in connection with a trustee's sale after default by the Mortgagor.

(26) Delivery of Mortgage Documents. If the Mortgage Loan is a Dry Mortgage Loan, the Note, a copy of the Mortgage, the Assignment of Mortgage (other than for a MERS Mortgage Loan) and any other documents required to be delivered under this Agreement for each Mortgage Loan have been delivered to Buyer or its custodian and, if the Mortgage Loan is a Wet-Ink Mortgage Loan, the Required Documents shall be delivered pursuant to Section 3(f).

(27) Transfer of Loans. The Assignment of Mortgage is in recordable form and is acceptable for recording under the laws of the jurisdiction in which the Mortgaged Property is located.

(28) Due-On-Sale. The Mortgage contains an enforceable provision for the acceleration of the payment of the unpaid principal balance of the Mortgage Loan in the event that the Mortgaged Property is sold or transferred without the prior written consent of the mortgagee thereunder unless prohibited by applicable state law.

(29) No Buydown Provisions; No Graduated Payments or Contingent Interests. Unless otherwise disclosed to and approved by Buyer in writing, the Mortgage Loan does not contain provisions pursuant to which Monthly Payments are paid or partially paid with funds deposited in any separate account established by Seller, the Mortgagor, or anyone on behalf of the Mortgagor, or paid by any source other than the Mortgagor nor does it contain any other similar provisions which may constitute a "buydown" provision. The Mortgage Loan is not a graduated payment mortgage loan and the Mortgage Loan does not have a shared appreciation or other contingent interest feature.

(30) Consolidation of Advances. Any advances made to the Mortgagor prior to the origination of the Mortgage Loan have been consolidated with the outstanding principal amount secured by the Mortgage, and the secured principal amount, as consolidated, bears a single interest rate and single repayment term. The lien of the Mortgage

securing the consolidated principal amount is expressly insured as having first lien priority with respect to each Mortgage Loan, by a title insurance policy, an endorsement to the policy insuring the mortgagee's consolidated interest or by other title evidence acceptable to Fannie Mae, Freddie Mac and FHA. The consolidated principal amount does not exceed the original principal amount of the Mortgage Loan.

(31) Mortgaged Property Undamaged. The Mortgaged Property is undamaged by waste, fire, earthquake or earth movement, windstorm, flood, tornado or other casualty so as to affect adversely the value of the Mortgaged Property as security for the Mortgage Loan or the use for which the premises were intended and each Mortgaged Property is in good repair. There have not been any condemnation proceedings with respect to the Mortgaged Property and Seller has no knowledge of any such proceedings.

(32) Collection Practices; Escrow Deposits: Interest Rate Adjustments. The origination and collection practices used by Seller with respect to the Mortgage Loan have been in all material respects in compliance with Accepted Servicing Practices and applicable laws and regulations, and have been in all respects legal and proper. With respect to escrow deposits and escrow payments, all such payments are in the possession of, or under the control of, Seller and there exist no deficiencies in connection therewith for which customary arrangements for repayment thereof have not been made. All escrow payments have been collected in full compliance with state and federal law. An escrow of funds is not prohibited by applicable law and has been established in an amount sufficient to pay for every item that remains unpaid and has been assessed but is not yet due and payable. No escrow deposits or escrow payments or other charges or payments due Seller have been capitalized under the Mortgage or the Note. All mortgage interest rate adjustments have been made in strict compliance with state and federal law and the terms of the related Note. Any interest required to be paid pursuant to state, federal and local law has been properly paid and credited.

(33) Other Insurance Policies. As of the related date on which servicing is transferred to the Servicer, no action, inaction or event has occurred and no state of facts exists or has existed that has resulted or will result in the exclusion from, denial of, or defense to coverage under any applicable special hazard insurance policy, PMI Policy or bankruptcy bond. In connection with the placement of any such insurance, no commission, fee, or other compensation has been or will be received by Seller or by any officer, director, or employee of Seller or any designee of Seller or any corporation in which Seller or any officer, director, or employee had a financial interest at the time of placement of such insurance.

(34) Servicepersons' Civil Relief Act. The Mortgagor has not notified Seller, and Seller has no knowledge, of any relief requested or allowed to the Mortgagor under the Servicepersons' Civil Relief Act.

(35) Appraisal. The Seller obtained an appraisal of the related Mortgaged Property signed prior to the approval of the Mortgage Loan application by a qualified appraiser, duly appointed by Seller, who had no interest, direct or indirect in the Mortgaged Property or in any loan made on the security thereof, and whose compensation is not affected by the approval or disapproval of the Mortgage Loan, and the appraisal and appraiser both satisfy the requirements of Fannie Mae, Freddie Mac or the FHA and Title XI of the Federal Institutions

Reform, Recovery, and Enforcement Act of 1989 as amended and the regulations promulgated thereunder, all as in effect on the date the Mortgage Loan was originated.

(36) Disclosure Materials. The Mortgagor has executed a statement to the effect that the Mortgagor has received all disclosure materials required by applicable law with respect to the making of adjustable rate mortgage loans, and Seller maintains such statement in its files.

(37) Construction or Rehabilitation of Mortgaged Property. No Mortgage Loan was made in connection with the construction or rehabilitation of a Mortgaged Property or facilitating the trade-in or exchange of a Mortgaged Property.

(38) No Defense to Insurance Coverage. No action has been taken or failed to be taken, no event has occurred and no state of facts exists or has existed on or prior to the Purchase Date (whether or not known to Seller on or prior to such date) which has resulted or will result in an exclusion from, denial of, or defense to coverage under any private mortgage insurance (including, without limitation, any exclusions, denials or defenses which would limit or reduce the availability of the timely payment of the full amount of the loss otherwise due thereunder to the insured) whether arising out of actions, representations, errors, omissions, negligence, or fraud of Seller, the related Mortgagor or any party involved in the application for such coverage, including the appraisal, plans and specifications and other exhibits or documents submitted therewith to the insurer under such insurance policy, or for any other reason under such coverage, but not including the failure of such insurer to pay by reason of such insurer's breach of such insurance policy or such insurer's financial inability to pay.

(39) Capitalization of Interest. The Note does not by its terms provide for the capitalization or forbearance of interest.

(40) No Equity Participation. No document relating to the Mortgage Loan provides for any contingent or additional interest in the form of participation in the cash flow of the Mortgaged Property or a sharing in the appreciation of the value of the Mortgaged Property. The indebtedness evidenced by the Note is not convertible to an ownership interest in the Mortgaged Property or the Mortgagor and Seller has not financed nor does it own directly or indirectly, any equity of any form in the Mortgaged Property or the Mortgagor.

(41) Mortgage Submitted for Recordation. The Mortgage has been submitted, or will immediately following the closing of the related Mortgage Loan be submitted, for recordation in the appropriate governmental recording office of the jurisdiction where the Mortgaged Property is located.

(42) Acceptable Investment. No specific circumstances or conditions exist with respect to the Mortgage, the Mortgaged Property, the Mortgagor or the Mortgagor's credit standing that should reasonably be expected to (i) cause private institutional investors which invest in loans similar to the Mortgage Loan to regard the Mortgage Loan as an unacceptable investment, (ii) cause the Mortgage Loan to be more likely to become past due in comparison to similar loans, or (iii) adversely affect the value or marketability of the Mortgage Loan in comparison to similar loans.

(43) Environmental Matters. To Seller's knowledge the Mortgaged Property is free from any and all toxic or hazardous substances and there exists no violation of any local, state or federal environmental law, rule or regulation.

(44) HOEPA. No Mortgage Loan is (a) subject to the provisions of the Homeownership and Equity Protection Act of 1994 as amended ("HOEPA"), (b) a "high cost" mortgage loan, "covered" mortgage loan, "high risk home" mortgage loan, or "predatory" mortgage loan or any other comparable term, no matter how defined under any federal, state or local law, (c) subject to any comparable federal, state or local statutes or regulations, or any other statute or regulation providing for heightened regulatory scrutiny or assignee liability to holders of such mortgage loans, or (d) a High Cost Loan or Covered Loan, as applicable (as such terms are defined in the current Standard & Poor's LEVELS® Glossary Revised, Appendix E).

(45) No Predatory Lending. No predatory, abusive or deceptive lending practices, including but not limited to, the extension of credit to a mortgagor without regard for the mortgagor's ability to repay the Mortgage Loan and the extension of credit to a mortgagor which has no tangible net benefit to the mortgagor, were employed in connection with the origination of the Mortgage Loan.

(46) MERS Loans. With respect to each MERS Mortgage Loan, a Mortgage Identification Number has been assigned by MERS and such Mortgage Identification Number is accurately provided on the Mortgage and Seller shall provide Buyer with evidence of such assignment within three (3) Business Days after the closing of such MERS Mortgage Loan. If applicable, the related Assignment of Mortgage to MERS has been duly and properly recorded. With respect to each MERS Mortgage Loan, Seller has not received any notice of liens or legal actions with respect to such Mortgage Loan and no such notices have been electronically posted by MERS.

(c) Remedies for Breach of Section 2(b). The representations and warranties set forth in this Agreement shall survive transfer of the Mortgage Loans to Buyer and shall continue for so long as the Mortgage Loans are subject to this Agreement. Upon discovery by Seller or Buyer of any breach of any of the representations or warranties set forth in Section 2(b) of this Agreement, the party discovering such breach shall promptly give notice of such discovery to the other. Buyer has the right to require, in its reasonable discretion, Seller to repurchase at the Repurchase Price within two (2) Business Days after receipt of notice from Buyer any Mortgage Loan for which a breach of one or more of the representations and warranties referenced in Section 2(b) exists and which breach has a material adverse effect on the value of such Mortgage Loan or the interests of Buyer therein.

3. Purchase Loan Transactions.

(a) (i) Seller shall request a Transaction by delivering to Buyer via Electronic Transmission a Purchase Request at least one (1) Business Day prior to Purchase Date. Buyer shall have the obligation to enter into Transactions up to the Maximum Aggregate Purchase Price.

(ii) In addition, Seller shall provide Buyer with credit information on the Mortgage Loan Obligor sufficient to enable Buyer to perform an independent credit analysis on Obligor, if Buyer decides to perform an independent credit analysis. If Seller submits a substantial quantity of Transactions, Buyer may use sampling techniques to independently verify credit information of the Obligor.

(iii) No later than the Purchase Date, Buyer shall forward to Seller a confirmation (a "Confirmation") by Electronic Transmission setting forth with respect to each Transaction funded on such date, (1) the mortgage loan number, (2) the Purchase Price for such Mortgage Loans, (3) the outstanding principal amount of the related Mortgage Loans, (4) the Repurchase Date, and (5) the Pricing Rate(s). In the alternative, buyer may post the Confirmation on its computer system and provide the Seller with limited on-line access to Buyer's computer system for the purpose of Seller viewing the Confirmation. Buyer shall provide Seller with prior notice and instructions on how to access the system if Buyer elects to implement this alternative Confirmation delivery process.

(iv) In the event Seller disagrees with any terms of the Confirmation, Seller shall notify Buyer in writing of such disagreement within one (1) Business Day after receipt of such Confirmation unless a corrected Confirmation is sent by Buyer. An objection sent by Seller must specify the provision(s) being objected to by Seller, must set forth such provision(s) in the manner that Seller believes they should be stated, and must be received by Buyer no more than one (1) Business Day after the Confirmation was received by Seller.

(v) In connection with the sale of the Mortgage Loan to a Take-Out Investor, the Seller shall request the Buyer deliver to such Take-Out Investor the original Mortgage Note, and, in some cases, other documents contained in the Mortgage Loan file, along with a bailee letter instructing the Take-Out Investor to hold the original Mortgage Note and any other documents as bailee for the Buyer. Prior to such delivery, Seller shall provide Buyer with a copy of the sale agreement, trade confirmation or similar document with such Take-Out Investor or letter of good standing from the Take-Out Investor. As long as Seller meets the requirements contained in the prior two sentences, Buyer shall deliver such documents to the Take-Out Investor within one (1) Business Day of such request by Seller. The bailee letter shall instruct the Take-Out Investor to send the sale proceeds to the

Buyer's collection account. The Seller shall provide Buyer with a copy of the purchase advice from the Take-Out Investor and the Buyer shall match the purchase advice against the Repurchase Price due from Seller related to such Mortgage Loan. Any excess proceeds shall be transferred to the Seller's maintenance account at the Buyer and any shortfall shall be transferred from the Seller's maintenance account to the Buyer's collection account. Upon receipt of the entire Repurchase Price, the Buyer's interest in such Mortgage Loan shall be released. The bailee letter shall provide, in the event the Take-Out Investor does not purchase a Mortgage Loan within thirty (30) Business Days of receipt of the original Mortgage Note, the Take-Out Investor shall immediately return to the Buyer such Mortgage Note and other documents it received related to such Mortgage Loan.

(b) Any Confirmation by Buyer shall be deemed to have been received by Seller on the Business Day actually received by Seller if received by Seller prior to 3 p.m. California time on such Business Day.

(c) Except as set forth in Section 3(a), each Confirmation, together with this Agreement, shall constitute conclusive evidence of the terms agreed between Buyer and Seller with respect to the Transaction to which the Confirmation relates, and Seller's acceptance of the related proceeds shall constitute Seller's agreement to the terms of such Confirmation. It is the intention of the parties that each Confirmation shall not be separate from this Agreement but shall be made a part of this Agreement.

(d) If Seller is requested by Buyer, Mortgage Loan Obligors will be instructed by Seller at the closing of a Mortgage Loan to remit all principal, interest, tax escrow and insurance escrow payments to an account established by Buyer and any such instructions shall constitute a servicing change and shall be completed in accordance with Section 10 of this Agreement. Buyer shall provide Seller with any required notices or disclosures to be delivered by the Seller to the Mortgage Loan Obligors if Buyer makes the request under this Section.

(e) In no event shall a Transaction be entered into when any Event of Default has occurred and is continuing.

(f) For Wet-Ink Mortgage Loans, upon the request of Buyer, Seller shall cause the Settlement Agent to send Buyer a facsimile of the associated escrow instruction letter on each Purchase Date. Subject to the provisions of this Section 3, the Purchase Price for each Mortgage Loan will then be made available to Seller by Buyer transferring the aggregate amount of such Purchase Price in accordance with Seller's wiring instructions. Seller shall deliver the Required Documents (including the original executed Note) for Wet-Ink Mortgage Loans for receipt by Buyer no later than five (5) Business Day following the Purchase Date. Until delivery of the Required Documents is made to Buyer, Seller shall cause the Required Documents to be held in custody for Buyer as its bailee. Seller shall deliver the Required Documents for Dry Mortgage Loans no later than one (1) Business Day prior to the Purchase Date. Buyer shall hold the Required Documents in custody for Seller as its bailee until it purchased such Dry Mortgage Loan.

(g) On the Repurchase Date, Seller shall pay to Buyer a fee of One Hundred and 00/100 Dollars ($100) per loan for each Mortgage Loan purchased pursuant to this Agreement.

(h) On the Repurchase Date, termination of a Transaction will be effected by transfer to Seller or its designee of the Required Documents (and any income in respect thereof received by Buyer not previously credited or transferred to, or applied to the obligations of, Seller) which amount shall be netted against the simultaneous receipt of the Repurchase Price by Buyer. To the extent a net amount is owed to one party, the other party shall pay such amount to such party.

(i) Subject to the terms and conditions of this Agreement, during the term of this Agreement Seller may sell to Buyer, repurchase from Buyer and resell to Buyer Mortgage Loans hereunder, including Third Party Mortgage Loans.

(j) If any change subsequent to the date hereof in any applicable law, order, regulation, treaty or directive issued by any central bank or other Governmental Authority, or in the governmental or judicial interpretation or application thereof, or compliance by Buyer

with any request or directive (whether or not having the force of law) by any central bank or other Governmental Authority:

(1) subjects Buyer to any tax of any kind whatsoever with respect to this Agreement or any Loans made hereunder, or change the basis of taxation of payments to Buyer of principal, fee, interest or any other amount payable hereunder (except for change in the rate of tax on the overall net income of Buyer);

(2) imposes, modifies or holds applicable any reserve, capital requirement, special deposit, compulsory loan or similar requirements against assets held by, or deposits or other liabilities in or for the account of, advances or loans by, or other credit extended by, or any other acquisition of funds by, any office of Buyer which are not otherwise included in the determination of the corporate base rate; or

(3) imposes on Buyer any other condition;

and such change increases the cost to Buyer of purchasing or maintaining any Mortgage, or reduces any amount receivable in respect thereof, or reduces the rate of return on the capital of Buyer or any Person controlling Buyer, then, in any such case, Seller shall promptly pay to Buyer, upon its written demand, any additional amounts necessary to compensate Buyer for such cost increase or reduction in the amounts receivable or rate of return, as determined by Buyer, with respect to this Agreement or Mortgage Loans purchased hereunder. If Buyer becomes entitled to claim any additional amounts pursuant to this Section, it shall promptly notify Seller in writing of the event by reason of which it has become so entitled. Buyer shall provide with such notice a certificate as to any additional amounts payable pursuant to the foregoing sentence, containing the calculation thereof in reasonable detail, and such calculation shall be conclusive in the absence of manifest error. The provisions hereof shall survive the termination of this Agreement.

(k) After either (i) an Event of Default occurs, unless and until such Event of Default is waived or cured as provided in this Agreement, or (ii) the Repurchase Date, the Pricing Rate for all Mortgage Loans then owned by Buyer shall be the Default Rate until the Repurchase Price paid in full.

(l) If Seller has not repurchased a Mortgage Loan sold to Buyer hereunder before the forty-sixth (46th) calendar day after the Purchase Date, Seller shall pay Buyer an administrative fee of Three Hundred and 00/100 Dollars ($300) for such Mortgage Loan and additional administrative fees of Three Hundred and 00/100 Dollars ($300) for each additional thirty (30) days such Mortgage Loan is not repurchased by Seller. Such payment shall be immediately due upon reaching the end of each period. In the event the Repurchase Price is paid down to One Hundred and 00/100 Dollars ($100.00) or less remaining on the balance due, the administration fee shall, thereafter, cease.

(m) If Seller does not deliver the Required Documents for a Wet-Ink Mortgage Loan as required under Section 3(f), Seller shall pay Buyer Twenty Five and 00/100 Dollars ($25.00) per day until such Required Documents are delivered to Buyer or until Seller repurchases the Wet-Ink Mortgage Loan.

(n) Seller agrees to pay to Buyer a commitment fee equal to the Commitment Fee, such payment to be made in Dollars, in immediately available funds, without deduction, set off or counterclaim. Buyer may, in its sole discretion, net such Commitment Fee from the proceeds of any Purchase Price paid to any Seller.

(o) On a monthly basis starting in February 2011 for the January 2011 time period and on the Termination Date, Buyer shall determine the average monthly utilization during the preceding month (or with respect to the Termination Date, during the period from the date through which the last non-utilization fee calculation has been made to the Termination Date by Seller) by dividing (a) the sum of the Purchase Prices outstanding on each day during such period, by (b) the number of days in such period. If such average amount determined for any period as a percentage of the Maximum Aggregate Purchase Price (the "Utilization Percentage") is less than fifty percent (50%), Seller shall pay to Buyer, within one (1) Business Day after receiving notice from Buyer of the amount thereof, a non-utilization fee equal to the product of (i) 0.50%, times (ii) the Maximum Aggregate Purchase Price, times (iii) 1 minus the Utilization Percentage (the "Non-Utilization Fee"), (iv) divided by 12. The fee shall be prorated for the month of the Termination Date, if the Termination Date does not occur on the last day of such month. If the Utilization Percentage in any period is greater than or equal to fifty percent (50%) or the funding volume is greater than two and one quarter (2.25) times the Maximum Aggregate Purchase Price in any period, Buyer shall not be paid a Non-Utilization Fee for that period. All payments shall be made to Buyer in dollars, in immediately available funds, without deduction, setoff or counterclaim by the twentieth (20th) day of such month. Buyer may not net such Non-Utilization Fee from the proceeds of any Purchase Price due to Seller.

(p) In the event the Repurchase Date does not occur within forty-five (45) days of the Purchase Date, Seller must immediately pay Buyer an amount equal to not less than twenty-five percent (25%) of the Repurchase Price. In the event the Repurchase Date does not occur within sixty (60) days of the Purchase Date, Seller must immediately pay Buyer the amount necessary to reduce the Repurchase Price to One Hundred and 00/100 Dollars.

(q) On a monthly basis Buyer shall determine the Balance Funded Amount during the preceding month. If the Balance Funded Amount of any such monthly period exceeds zero (0), then (notwithstanding the definition of Pricing Rate contained in Section 1 hereof) the LIBOR component of the Pricing Rate shall be zero (0) for Transactions up to the Balance Funded Amount for such monthly period. Buyer shall calculate the difference between the Price Differential paid by Seller in such month and the Price Differential that would have been paid by Seller based on the Pricing Rate pursuant to this Section 3(q) and shall pay such difference to Seller by the twentieth (20th) day of the next succeeding month.

4. Security Agreement; Additional Documents.

(a) Each of the following items or types of property, whether now owned or hereafter acquired, now existing or hereafter created and wherever located, is hereinafter referred to as the "Purchased Items": all Mortgage Loans sold by Seller to Buyer hereunder, all mortgage files related to such Mortgage Loans, including without limitation the related Note, all servicing records relating to such Mortgage Loans and any other collateral pledged or otherwise relating to such Mortgage Loans, together with all files, documents, instruments, surveys, certificates, correspondence, appraisals, computer programs, computer

storage media, accounting records and other books and records relating thereto, all mortgage guaranties and insurance (issued by a Governmental Authority or otherwise) and any mortgage insurance certificate or other document evidencing such mortgage guaranties or insurance relating to such Mortgage Loans, all servicing and other rights of Seller relating to such Mortgage Loans, all of Seller's rights as the owner of such Mortgage Loans under any agreements or contracts relating to, constituting, or otherwise governing, any or all of the foregoing to the extent they relate to the Mortgage Loans including the right to receive principal and interest payments with respect to the Mortgage Loans, the account maintained with Buyer pursuant to Section 6(k) of this Agreement, any deposit accounts or any shares thereof maintained in Seller's name with any institution, related to any of the foregoing collateral or proceeds thereof, including, proceeds of any take-out commitments related to such Mortgage Loans, all "general intangibles", "accounts", "chattel paper", "deposit accounts" and "investment property" as defined in the UCC as in effect from time to time relating to or constituting any and all of the foregoing, and any and all replacements, substitutions, distributions on or proceeds of any and all of the foregoing.

(b) Buyer and Seller intend that the Transactions hereunder be sales to Buyer of the Mortgage Loans and not loans from Buyer to Seller secured by the Mortgage Loans. However, in order to preserve Buyer's rights under this Agreement in the event that a court or other forum recharacterizes the Transactions hereunder as loans and as security for the performance by Seller of all of Seller's Obligations to Buyer hereunder, Seller hereby assigns, pledges and grants a security interest in all of its right, title and interest in, to and under the Purchased Items to Buyer to secure the Obligations. The assignment, pledge and grant of security interest contained herein shall be, and assuming that Buyer timely files financing statements and maintains possession of the Notes constituting "instruments" under the relevant Uniform Commercial Code, Seller hereby represents and warrants to Buyer that it is, a first priority perfected security interest. Seller agrees to mark its computer records and tapes to evidence the interests granted to Buyer hereunder. All Purchased Items shall secure the payment of all Obligations of Seller now or hereafter existing under this Agreement, including, without limitation, Seller's obligation to repurchase Mortgage Loans, or if such obligation is so recharacterized as a loan, to repay such loan, for the Repurchase Price and to pay any and all other amounts owing to Buyer hereunder. This paragraph 4(b) shall constitute a security agreement under applicable law.

(c) At any time and from time to time, upon the written request of the Buyer, and at the sole expense of the Seller, the Seller will promptly and duly execute and deliver, or will promptly cause to be executed and delivered, such further instruments and documents and take such

further action as the Buyer may reasonably request for the purpose of obtaining or preserving the full benefits of this Agreement and of the rights and powers herein granted, including, without limitation, the filing of any financing or continuation statements under the UCC.

5. Conditions to Purchasing of Mortgage Loans.

(a) First Mortgage Loan Purchase. As condition precedent to Buyer's obligation to purchase the initial Mortgage Loan hereunder:

(1) Seller shall have delivered to Buyer, in form and substance satisfactory to Buyer, each of the following:

(i) duly executed copies of this Agreement, the Electronic Tracking Agreement, and the guaranty, if applicable;

(ii) copies of all financing statements and other documents, instruments and agreements, properly executed and recorded, which Buyer deems necessary or appropriate;

(iii) such credit applications, financial statements, authorizations and other information concerning Seller and its business, operations and conditions (financial and otherwise) as Buyer may reasonably request;

(iv) certified copies of resolutions of the directors of Seller approving the execution and delivery of the Purchase Documents to which Seller is a party, the performance of the Obligations thereunder and the consummation of the transactions contemplated thereby;

(v) a certificate from an officer of Seller certifying the names and true signatures of the officers of Seller authorized to execute and deliver the Purchase Documents to which Seller is a party;

(vi) a copy of Seller's Articles of Incorporation and Bylaws; and

(vii) the Commitment Fee, if applicable.

(2) All acts and conditions (including, without limitation, the obtaining of any necessary regulatory approvals and the making of any required filings, recordings or registrations) required to be done and performed and to have happened precedent to the execution, delivery and performance of the Purchase Documents and to constitute the same legal, valid and binding Obligations, enforceable in accordance with their respective terms, shall have been done and performed, and shall have happened in due and strict compliance with all applicable laws.

(3) All documentation, including without limitation, documentation for corporate and legal proceedings in connection with the Transactions contemplated by the Purchase Documents, shall be satisfactory in form and substance to Buyer and its counsel.

(4) Impac Mortgage Holdings, Inc. and Integrated Real Estate Service Corp. shall each guaranty the obligations and duties of Seller under this Agreement.

(5) The total outstanding principal balance of all Mortgage Loans owned by Buyer after such purchase shall not exceed the Maximum Aggregate Purchase Price.

(b) Ongoing Mortgage Loans. As conditions precedent to Buyer's obligation to purchase any Mortgage Loan hereunder, including the first Mortgage Loan, at and as of the date of advance thereof:

(1) There shall have been delivered to Buyer a Purchase Request therefor.

(2) The representations and warranties of Seller contained in this Agreement shall be accurate and complete in all respects as if made on and as of the date of such advance, conversion or continuance provided, however, any Mortgage Loan in the process of being repurchased by Seller pursuant to Section 2(c) of this Agreement shall not cause this condition to not be met.

(3) There shall not have occurred an Event of Default, or an event which, but for the lapse of time or the giving of notice, or both, would constitute an Event of Default.

(4) There shall not have occurred any material adverse change in the financial condition, assets, nature of assets or operations of Seller from that represented in this Agreement, the other Purchase Documents, or the documents or information furnished to Buyer in connection herewith or therewith.

(5) The Required Documents for the Mortgage Loan(s) previously funded therewith shall have been received by Buyer as required by Section 3(f) of this Agreement.

(6) By making a Purchase Request to Buyer hereunder, Seller shall be deemed to have represented and warranted the accuracy and completeness of the statements set forth in Sections 5(b)(2) through 5(b)(5) above.

(7) The total outstanding principal balance of all Mortgage Loans owned by Buyer after such purchase shall not exceed the Maximum Aggregate Principal Balance.

6. Affirmative Covenants. Seller hereby covenants and agrees with Buyer that, as long as any Obligations remain unpaid or Buyer has any obligation to purchase Mortgage Loans hereunder, Seller shall:

(a) Financial Statements. Furnish or cause to be furnished to Buyer:

(1) Year-End Financial Statements: Seller shall deliver to Buyer within ninety (90) days after the end of its respective fiscal year, audited financial statements, including statements of income and retained earnings and a balance sheet with all related notes, all in reasonable detail and prepared in conformity with GAAP, applied on a basis consistent with that of the preceding year; all examined by an independent Certified Public Accountant reasonably acceptable to Buyer, showing its respective financial condition at the close of each year and the results of its operations during the year. Any qualification or exception to the opinion by the accountant shall render the acceptability of the financial statements subject to Buyer approval.

(2) Quarterly Financial Statements of Seller: Seller shall deliver to Buyer within forty-five (45) days after the end of each calendar quarter, financial statements for such quarter, including statements of income and retained earnings and a balance sheet with all related notes, all in reasonable detail and prepared in conformity with GAAP, applied on a basis consistent with that of the preceding year showing the financial condition of Seller at the close of each month and the results of operations of Seller during the month.

(b) Certificates: Reports: Other Information. Furnish or cause to be furnished to Buyer:

(1) Promptly, such additional financial and other information, including, without limitation, financial statements of Seller and information regarding the Collateral as Buyer may from time to time reasonably request; and

(2) Promptly, and in any event within five (5) Business Days after received or sent by Seller, (i) true and complete copies of all audits, reports, studies and similar documentation prepared by, or on behalf of, as applicable, Fannie Mae, Freddie Mac, Ginnie Mae, FHA, VA or the Department of Housing and Urban Development or similar agency relating to criticisms or adverse actions of Seller's operations, servicing or lending practices or criticisms or adverse actions which have been taken in connection with a review, extension or conditioning of any licenses and approvals issued to Seller by, as applicable, Fannie Mae, Freddie Mac, Ginnie Mae, FHA or VA; and (ii) copies of all correspondence between any of the foregoing departments and agencies and Seller related to any such audits, reports, studies and similar documents; and

(3) Promptly, copies, if any, of any and all forms, reports, supplements or other documents of any kind filed by Seller with the Securities and Exchange Commission.

(c) Payment of Indebtedness. Pay or otherwise satisfy at or before maturity or before it becomes delinquent or accelerated, as the case may be, all its Indebtedness (including taxes), except Indebtedness being contested in good faith by appropriate proceedings and for which provision is made to the satisfaction of Buyer for the payment thereof in the event Seller is found to be obligated to pay such Indebtedness and which Indebtedness is thereupon promptly paid by Seller.

(d) Maintenance of Existence and Properties. Maintain its company existence and obtain all rights, privileges, licenses, approvals, franchises, properties and assets necessary or desirable in the normal conduct of its business, including but not limited to all approvals with respect to, as applicable, Fannie Mae, Freddie Mac, Ginnie Mae, FHA and VA, and comply with all Requirements of Law (including, without limitation, any Requirements of Law under or in connection with ERISA), except where the failure to so comply is not likely to have a material adverse effect on the business, operations, assets or financial or other condition of Seller or on the Collateral.

(e) Inspection of Property: Books and Records: Audits.

(1) Keep proper books of record and account in which full, true and correct entries in conformity with GAAP and all Requirements of Law shall be made of all dealings and transactions in relation to its business and activities; and

(2) Permit: (i) representatives of Buyer to (A) visit and inspect any of its properties and examine and make abstracts from any of its books and records at any reasonable time and as often as may reasonably be desired by Buyer (but, prior to the occurrence of an Event of Default, only to the extent feasible upon not less than five (5) Business Days' prior notice), and (B) discuss the business, operations, properties and financial and other condition of Seller with officers and employees of Seller, and with its independent certified public accountants (provided that Seller shall have the right to have a representative present at any such discussions), and (ii) representatives of Buyer to conduct periodic operational audits of Seller's business and operations. Notwithstanding anything to the contrary contained herein, unless an Event of Default has occurred or is continuing, Buyer shall not conduct more than two (2) such visits or audits in any twelve (12) month period and the total cost of such visits payable by Seller shall not exceed Twenty Thousand Dollars ($20,000.00).

(f) Notices. Promptly give written notice to Buyer of:

(1) The occurrence of any Event of Default or event which, but for the lapse of time or the giving of notice, or both, would constitute an Event of Default, known to responsible management personnel of Seller and the proposed method of cure thereof.

(2) Any litigation or proceeding affecting Seller or the Collateral which could have a material adverse affect on the Collateral, or the business, operations, property, or financial or other condition of Seller.

(3) Any material adverse change known to responsible management personnel of Seller in the business, operations, property or financial or other condition of Seller; and

(g) Expenses. Pay all reasonable out-of-pocket costs and expenses (including fees and disbursements of outside legal counsel) of Buyer: (1) incident to the preparation and negotiation of the Purchase Documents, including with respect to or in connection with any waiver or amendment thereof or thereto, (2) associated with any periodic audits conducted pursuant to Section 6(e)(2)(ii) (subject to the limitations contained therein), and (3) incident to the enforcement of payment of the Obligations, whether by judicial proceedings or otherwise, including, without limitation, in connection with bankruptcy, insolvency, liquidations reorganization moratorium or other similar proceedings involving Seller or a "workout" of the Obligations. The Obligations of Seller under this Section 6(g) shall be effective and enforceable whether or not any Mortgage Loan is purchased by Buyer hereunder and shall survive payment of all other Obligations.

(h) Purchase Documents. Comply with and observe all terms and conditions of the Purchase Documents.

(i) Insurance. Obtain and maintain insurance with responsible companies in such amounts and against such risks as are acceptable to Buyer, including, without limitation, errors and omissions coverage (written on an "occurrence" basis and providing coverage of at least one million dollars ($1,000,000.00) per occurrence) and fidelity coverage in form and substance acceptable under Fannie Mae, Freddie Mac or Ginnie Mae guidelines, and furnish Buyer on request full information as to all such insurance, and to provide within five (5) days after receipt, certificates or other documents evidencing the renewal of each such policy. Such insurance shall be underwritten by a company rated B/IV or better in Best Insurance Reports, and must protect Seller against losses resulting from dishonest or fraudulent acts committed by Seller's employees and agents, and against losses resulting from the negligence, errors or omissions of Seller's employees and agents in the performance of Seller's normal loan origination duties.

(j) Principal Place of Business. Seller shall provide Buyer with thirty (30) days advance notice of any change in Seller's principal office or place of business or jurisdiction.

(k) Minimum Maintenance Account Balance. Collectively, Seller shall maintain at Buyer at all times during the term of this Agreement a Minimum Maintenance Account Balance of Three Hundred Fifty Thousand and 00/100 Dollars ($350,000). In the event Seller maintains a balance of Seven Hundred Fifty Thousand and 00/100 Dollars ($750,000) in the account, the Purchase Price Percentage shall be increased to one hundred percent (100%) during such time the increased balance is maintained.

7. Negative Covenants.

(a) Seller hereby agrees that, as long as any Obligations remain unpaid or Buyer has any obligation to purchase Mortgage Loans hereunder, Seller shall not at any time, directly or indirectly:

(1) Minimum Adjusted Tangible Net Worth of Seller. Permit Excel's Adjusted Tangible Net Worth as of the last day of any fiscal quarter to be less than Four Million Eight Hundred Thousand and 00/100 Dollars ($4,800,000) or the highest amount required to maintain a mortgage license in any jurisdiction where Seller is licensed to originate mortgage loans, whichever is higher. Permit AmeriHome's Adjusted Tangible Net Worth as of the last day of any fiscal quarter to be less than Two Million Four Hundred Thousand and 00/100 Dollars ($2,400,000) or the highest amount required to maintain a mortgage license in any jurisdiction where Seller is licensed to originate mortgage loans, whichever is higher.

(2) Dividend. Declare or pay any dividends, or return any capital, to its owners or authorize or make any other distribution, payment or delivery of property or cash to its owners as such, or redeem, retire, purchase or otherwise acquire, directly or indirectly, for a consideration, any ownership interest, or set aside any funds for any of the foregoing purposes. Notwithstanding the provisions of this Section 7(a)(2), Buyer may make payments of the type described herein provided there has not occurred and is continuing, and the making of any such payment would not result in, any Event of Default, or any default which with notice and/or the lapse of time may result in an Event of Default.

(3) Unrestricted Minimum Cash Balance. Permit Excel's Unrestricted Minimum Cash Balance to be less than Two Million and 00/100 Dollars ($2,000,000.00).

(4) Maximum Funding Capacity to Adjusted Tangible Net Worth Ratio. Permit the aggregate (Excel and AmeriHome combined) Maximum Funding Capacity to aggregate (Excel and AmeriHome combined) Adjusted Tangible Net Worth ratio to be greater than 15 to 1 at any time.

(b) Seller hereby agrees that, at any time an Event of Default occurs and is continuing, Seller shall not at any time, directly or indirectly:

(1) Liens. Create, incur, assume or suffer to exist, any Lien upon the Collateral except as contemplated by this Agreement, or create, incur, assume or suffer to exist any Lien upon any of its other property and assets (including servicing rights) except:

(i) Liens for current taxes, assessments or other governmental charges which are not delinquent or which remain payable without penalty, or the validity of which are contested in good faith by appropriate proceedings upon stay of execution of the enforcement thereof, provided Seller shall have set aside on its books and shall maintain adequate reserves for the payment of same in conformity with GAAP.

(ii) Liens, deposits or pledges made to secure statutory Obligations, surety or appeal bonds, or bonds for the release of attachments or for stay of execution, or to secure the performance of bids, tenders, contracts (other than for the payment of borrowed money), leases or for purposes of like general nature in the ordinary course of Seller's business.

(iii) Liens not otherwise permitted by this Section so long as neither (i) the aggregate outstanding principal balance of the obligations secured thereby nor (ii) the aggregate fair market value (determined as of the date such Lien is incurred) of the assets subject thereto exceeds $500,000 at any one time.

(2) Indebtedness. Create, incur, assume or suffer to exist, or otherwise become or be liable in respect to any Indebtedness except:

(i) The Obligations.

(ii) Indebtedness reflected in the financial statements referred to in Section 6(a) above.

(iii) Trade debt incurred in the ordinary course of business, paid within thirty (30) days after the same has become due and payable or which is being contested in good faith, provided provision is made to the satisfaction of Buyer for the eventual payment thereof in the event it is found that such contested trade debt is payable by Seller.

(iv) Indebtedness secured by Liens permitted under Section 7(a) above.

(v) Additional Indebtedness in an aggregate principal amount not to exceed $500,000 at any one time.

(vi) Permitted Other Debt.

(3) Consolidation and Merger; Change of Business and Management. Liquidate or dissolve or enter into any consolidation, merger, partnership, joint venture, syndicate or other combination or make any change in the nature of its business as a mortgage banker as presently conducted or change in senior management without Buyer's prior written consent.

(4) Acquisitions. Purchase or acquire or incur liability for the purchase or acquisition of any or all of the assets or business of any Person, other than in the normal course of business as currently conducted without Buyer's prior written consent.

(5) Subsidiaries. Organize any Subsidiary without Buyer's prior written consent.

(6) Investments: Advances; Guaranties. Make or commit to make any advance, loan or extension of credit without the prior written consent of Buyer (other than (i) advances of salary or earned commissions to officers of Seller, or (ii) Mortgage Loans made in the ordinary course of Seller's business) to, or make or commit to make any capital contribution to, or purchase any stocks, bonds, notes, debentures or other securities of, or make any other investment in, or guaranty the indebtedness or other Obligations of, any Person (including but not limited to officers, directors, shareholders and employees of Seller). Notwithstanding the provisions of this Section 7(f), Buyer may make investments of the type described herein in an aggregate amount not to exceed $100,000 during the term of this Agreement.

(7) Sale of Assets. Sell, lease, assign, transfer or otherwise dispose of any of its assets (other than (i) obsolete or worn out property, or (ii) property having a fair market value not to exceed $50,000 in the aggregate), whether now owned or hereafter acquired, other than in the ordinary course of business as currently conducted and at fair market value.

8. Events of Default. Upon the occurrence of any of the following events (an "Event of Default"):

(a) Seller shall fail to pay any Repurchase Price by the Repurchase Date or Seller shall fail to pay within three (3) Business Days after due any other payment obligations under this Agreement, including but not limited to, the payment obligations under Section 3 of this Agreement; or

(b) Any representation or warranty made or deemed made by Seller or Guarantor (if Guarantor is not an individual) in any Purchase Document or in connection with any Purchase Document shall be inaccurate or incomplete in any respect on or as of the date made or deemed made (other than any breach of any representation or warranty in Section 2(b); or

(c) Seller or Guarantor (if Guarantor is not an individual) shall fail to maintain its existence, shall default in the observance or performance of any covenant or agreement contained in Section 7 hereof or in the Guaranty, or shall fail to repurchase a Mortgage Loan pursuant to Section 2(c); or

(d) Seller or Guarantor shall fail to observe or perform any other term or provision contained in the Purchase Documents, and such failure shall continue for twenty (20) Business Days; or

(e) Seller shall default in any payment of principal or interest on any Indebtedness in the aggregate principal amount of Five Hundred Thousand Dollars ($500,000) or more, or Guarantor shall default in any payment of principal or interest on any Indebtedness in the aggregate principal amount of One Million Dollars ($1,000,000) or more, (and without regard for the dollar amount of the defaulted payment), or any other event shall occur, the effect of which is to permit such Indebtedness to be declared or otherwise to become due prior to its stated maturity. If Seller or Guarantor disputes in good faith such default or other event, Seller shall provide notice to Buyer of such dispute with sufficient details for Buyer to evaluate such dispute. Based on its evaluation, Buyer may, in its reasonable judgment, declare an Event of Default under this Section 8(e); or

(f) (1) Seller or Guarantor shall commence any case, proceeding or other action (i) relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to Seller or Guarantor, or seeking to adjudicate Seller or Guarantor a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to Seller or Guarantor or the debts of any of them, or (ii) seeking appointment of a receiver, trustee, custodian or other similar official for Seller or Guarantor or for all or any substantial part of Seller's or Guarantor's assets, or Seller or Guarantor shall make a general assignment for the benefit of its, his, her or their creditors; or (2) there shall be commenced against Seller or Guarantor any case, proceeding or other action of a nature referred to in clause (1) above which (i) results in the entry of an order for relief or any such adjudication or appointment, or (ii) remains undismissed, undishcharged or unbonded for a period of

thirty (30) days; or (3) there shall be commended against Seller or Guarantor any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or substantially all of the assets of any of them which results in the entry of an order for any such relief which shall not have been vacated, discharged, stayed, satisfied or bonded pending appeal within thirty (30) days form the entry thereof; or (4) Seller or Guarantor shall take any action in furtherance of, or indicating its, his, her or their consent to, approval of, or acquiescence in (other than in connection with a final settlement), any of the acts set forth in clauses (1), (2) or (3) above; or (5) Seller or Guarantor shall generally not, or shall be unable to, or shall admit in writing its, his, her or their inability to pay its, his, her or their debts as they become due; or

(g) (1) Seller or Guarantor or any of its ERISA Affiliates shall engage in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (2) any "accumulated funding deficiency" (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Plan, (3) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, any Single Employer Plan, which

Reportable Event or institution of proceedings is, in the reasonable opinion of Buyer, likely to result in the termination of such Plan for purposes of Title IV of ERISA, and, in the case of a Reportable Event, the continuance of such Reportable Event unremedied for ten (10) days after notice of such Reportable Event pursuant to Section 4043(a), (c) or (d) of ERISA, is given or the continuance of such proceedings for ten (10) days after commencement thereof, as the case may be, (4) any Single Employer Plan shall terminate for purposes of Title IV of ERISA, (5) any withdrawal liability to a Multiemployer Plan shall be incurred by Seller or Guarantor or any of its ERISA Affiliates or (6) any other event or condition shall occur or exist; and in each case in clauses (1) through (6) above, such event or condition, together with all other such events or conditions, if any, is likely to subject Seller or Guarantor or any of their respective ERISA Affiliates to any tax, penalty or other liabilities in the aggregate material in relation to the business, operations, property or financial or other condition of Seller or Guarantor or any of their ERISA Affiliates; or

(h) One or more judgments or decrees in an aggregate amount in excess of one hundred thousand dollars $100,000 shall be entered against Seller or Guarantor and all such judgments or decrees shall not have been vacated, discharged, stayed, satisfied or bonded pending appeal within thirty (30) days from the entry thereof; or

(i) The revocation or attempted revocation, in whole or in part, of any guarantee by any Guarantor;

THEN:

(1) Automatically upon the occurrence of an Event of Default under Section 8(f) above; and

(2) In all other cases under this Section 8, at the option of Buyer;

Buyer's obligation to purchase Mortgage Loans hereunder shall terminate and Seller shall immediately repurchase all Mortgage Loans then owned by Buyer under this Agreement.

9. Termination.

This Agreement shall remain in effect until the Termination Date. However, no such termination shall affect any Transaction previously consummated or the rights and obligations of Seller and Buyer with respect thereto. Notwithstanding the prior sentence, the Buyer may terminate this Agreement at any time upon providing ninety (90) days prior written notice to Seller.

10. Subservicing.

(a) Seller shall subservice the Mortgage Loans consistent with the degree of skill and care that Seller customarily requires with respect to similar Mortgage Loans owned or managed by it and in accordance with Accepted Servicing Practices. The Seller shall (i) comply with all applicable Federal, State and local laws and regulations, (ii) maintain all state and federal licenses necessary for it to perform its subservicing responsibilities hereunder, and (iii) not impair the rights of Buyer in any Mortgage Loans or any payment thereunder.

(b) Seller shall hold or cause to be held all escrow funds collected by Seller with respect to any Mortgage Loans in trust accounts and shall apply the same for the purposes for which such funds were collected.

(c) If Seller should discover that, for any reason whatsoever, Seller or any entity responsible to Seller for managing or subservicing any such Mortgage Loan has failed to perform fully the obligations of such entities with respect to the Mortgage Loans, Seller shall promptly notify Buyer.

11. Miscellaneous Provisions.

(a) Assignment; Repurchase Transaction. Seller may not assign its rights or Obligations under this Agreement without the prior written consent of Buyer. Buyer may at any time assign its rights and obligations under this Agreement to any Affiliate of Buyer. Buyer may not assign its rights and obligations hereunder to any Person who is not an Affiliate without the prior written consent of Seller. A merger or acquisition of either Party shall not constitute an assignment of this Agreement. Subject to the foregoing, all provisions contained in this Agreement or any document or agreement referred to herein or relating hereto shall inure to the benefit of Buyer, its successors and assigns, and shall be binding upon Seller, its successors and assigns.

Buyer may, in its sole discretion, engage in repurchase transactions with the Mortgage Loans or otherwise pledge, hypothecate, assign, transfer or otherwise convey the Mortgage Loans with a counterparty of Buyer's choice. No such transaction shall relieve Buyer of its obligations under this Agreement, including transferring the Mortgage Loans and the related servicing rights to the Seller on the applicable Repurchase Date.

(b) Amendment. Neither this Agreement nor any of the other Purchase Documents may be amended or terms or provisions hereof or thereof waived unless such amendment or waiver is in writing and signed by Buyer and Seller. It is expressly agreed and understood that the failure by Buyer to elect to accelerate amounts outstanding hereunder or to terminate the obligation of Buyer to make Loans hereunder, in each case in accordance with the terms hereof, shall not constitute an amendment or waiver of any term or provision of this Agreement.

(c) Cumulative Rights, No Waiver. The rights, powers and remedies of Buyer under the Purchase Documents are cumulative and in addition to all rights, powers and remedies provided under any and all agreements among Seller and Buyer relating hereto, at law, in equity or otherwise. Any delay or failure by Buyer to exercise any right, power or remedy shall not constitute a waiver thereof by Buyer, and no single or partial exercise by Buyer of any right, power or remedy shall preclude other or further exercise thereof or any exercise of any other rights, powers or remedies.

(d) Entire Agreement. This Agreement and the documents and agreements referred to herein embody the entire agreement and understanding between the parties hereto and supersede all prior written or verbal agreements and understandings relating to the subject matter hereof and thereof.

(e) Survival. All representations, warranties, covenants and agreements on the part of Seller contained in the Purchase Documents shall survive the termination of this Agreement and shall be effective until the Obligations are paid and performed in full or longer as expressly provided herein.

(f) Notices. All notices given by any party to the others under the Purchase Documents shall be in writing unless otherwise provided for herein, delivered personally, by overnight delivery service, by e-mail or by depositing the same in the United States mail, registered, with postage prepaid, addressed to the party at the following addresses:

If to Buyer:

New Century Bank
d/b/a Customers Bank
3705 Quakerbridge Road, Suite 100
Hamilton, New Jersey 08619
Phone: 609-249-8877
Fax: 609-249-8889
Attention: Glenn Hedde

With a copy to:

New Century Bank
d/b/a Customers Bank
99 Bridge Street
Phoenixville, Pennsylvania 19460
Attention: General Counsel

If to Seller:

EXCEL MORTGAGE SERVICING, INC.
19500 Jamboree Road #400
Irvine, California 92612
Phone: 866-293-1333
Fax: 949-252-2342
Attn: Ron Morrison

AmeriHome Mortgage Corporation
2141 W. Bristol Road
Flint, Michigan 48507
Phone: 810-257-1335
Fax: 810-237-7670
Attn: Mr. B. Thomas M. Smith, III

Any party may change the address to which notices are to be sent by notice of such change to each other party given as provided herein. Such notices shall be effective on the date received.

(g) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, excluding its conflict of laws rules.

(h) Counterparts. This Agreement and the other Purchase Documents may be executed in any number of counterparts, all of which together shall constitute one agreement.

(i) Exculpatory Provisions. Neither Buyer nor any of its officers, directors, employees, agents, counsel, attorneys-in-fact or Affiliates shall be liable to Seller for any action taken or omitted to be taken by it or such Person under or in connection with the custody of the Purchase Documents or with respect to the custody of the Collateral (except for its or such Person’s own negligence or willful misconduct).

(j) Indemnification. Seller shall defend and indemnify Buyer and hold Buyer harmless from any and all liability, claims, losses or other damages, including loss or damage due to the unmarketability of any loan, and resulting from (i) any negligent or fraudulent act or omission of Seller or its agents or employees; or (ii) any material breach of any warranty or representation contained herein; or (iii) any material breach of any term or condition of this Agreement; or (iv) any misstatement or omission of material fact in each Loan file or credit file, whether or not such misstatement or omission is intentional or not, whether disclosed by actual inspection of Buyer or its representative or otherwise; or (v) any miscalculations and other errors which result from Seller's independent processing procedures and for its misuse or alteration of any forms or documents. If Buyer suffers any liability, loss or damage, or if any claim, action or proceeding shall be asserted or brought against Buyer by reason of any such act or omission of Seller, as stated above, Seller shall, upon demand from Buyer, assume the defense of such action with representation by legal counsel reasonably acceptable to Buyer. If Buyer demands that Seller assume the defense of any such action and Seller does so, Buyer shall have the right to participate in such defense with counsel of its own choice at Buyer's expense.

(k) Jurisdiction, Venue and Waiver of Jury Trial. The Seller hereby irrevocably consents to the exclusive jurisdiction of the state courts of Montgomery County, Commonwealth of Pennsylvania or the United States District Court for the Eastern District of Pennsylvania; provided that nothing contained in this Agreement will prevent the Buyer from bringing any action, enforcing any award or judgment or exercising any rights against the Seller individually, against any security or against any property of the Seller within any other county, state or other foreign or domestic jurisdiction. The Seller acknowledges and agrees that the venue provided above is the most convenient forum for both the Buyer and the Seller. The Seller waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Agreement. EACH PARTY HERETO KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES (TO THE EXTENT PERMITTED BY APPLICABLE LAW AND UPON CONFERRING WITH THEIR RESPECTIVE COUNSEL) ANY AND ALL RIGHTS IT MAY HAVE TO A TRIAL BY JURY OF ANY DISPUTE ARISING UNDER OR RELATING TO THIS AGREEMENT AND AGREES THAT ANY SUCH DISPUTE SHALL BE TRIED BEFORE A JUDGE SITTING WITHOUT A JURY.

(l) Reimbursement. Seller shall reimburse Buyer for attorneys' fees and expenses incurred by Buyer to prepare and negotiate the terms of the Purchase Documents.

In addition, all sums reasonably expended by Buyer in connection with the exercise of any right or remedy provided for herein shall be and remain Seller's obligation (unless and to the extent that Seller is the prevailing party in any dispute, claim or action relating thereto). Seller agrees to pay, with interest at the Default Rate to the extent that an Event of Default has occurred, the reasonable out-of-pocket expenses and reasonable attorneys' fees incurred by Buyer in connection with the preparation, negotiation, enforcement (including any waivers) and amendment of the Purchase Documents (regardless of whether a Transaction is entered into hereunder), the taking of any action, including legal action, required or permitted to be taken by Buyer pursuant thereto, any "due diligence" or loan agent reviews conducted by Buyer or on its behalf or by refinancing or restructuring in the nature of a "workout," in each case to the extent otherwise limited herein.

(m) Intent. Seller and Buyer recognize that each Transaction is a "repurchase agreement" as that term is defined in Section 101 of Title 11 of the United States Code and a "securities contract" as that term is defined in Section 741 of Title 11 of the United States Code.

(n) Setoff and Withdrawal of Funds.

(1) In addition to any rights and remedies of Buyer provided by law, Buyer shall have the right, without prior notice to Seller, any such notice being expressly waived by Seller to the extent permitted by applicable law, (i) upon any amount becoming due and payable by Seller hereunder or Guarantor under the Guaranty (whether at the stated maturity, by acceleration or otherwise) to set-off and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final), including but limited to the accounts required to be established under Section 6(k) of this Agreement, in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by Buyer or any branch or agency thereof to or for the credit or the account of Seller; and (ii) Seller hereby authorizes Buyer to withdraw funds from deposits (including but not limited to the accounts required to be established under Section 6(k) of this Agreement) to the extent required that, when added to the Purchase Price, is sufficient to provide the Settlement Agent with the funds necessary to close a Mortgage Loan.

(2) In the event that the Purchase Price is not sufficient to fund a Mortgage Loan in its entirety and Buyer withdraws funds from the accounts established under Section 6(k) of this Agreement pursuant to Section 10 (m)(1)(ii) above and to the extent that the withdrawal causes said account to be below the minimum amount required to be maintained by Seller in such account, Seller shall immediately and in no event less than two (2) Business Days deposit all funds necessary to maintain the minimum balance as required under Section 6(k) of this Agreement. If Seller deposits sufficient funds as required by the prior sentence, the reduction in the account balance shall not constitute a breach under Section 6(k) of this Agreement.

(3) Buyer agrees promptly to notify Seller after any such set-offs and applications made by Buyer under this Section 10 (m); provided, that the failure to give such notice shall not affect the validity of such set-off and application.

It is understood that Buyer's right to liquidate the Mortgage Loans delivered to it in connection with the Transactions hereunder or to accelerate or terminate this Agreement or otherwise exercise any other remedies is a contractual right to liquidate, accelerate or terminate such Transaction as described in Sections 555 (to the extent that Buyer is a "financial institution" or a "financial participant") and 559 of Title 11 of the United States Code.

(o) Business Days. In the event the implementation of any fee or increase in rate occurs on any day that is not a Business Day, the implementation of such fee or increase in rate shall be extended such that it will not apply so long as Seller takes the required action no later than the next succeeding Business Day. For example, if the 45th day after the Purchase Date occurs on a Saturday, the fee provided in Section 3(l) will not apply - and the Pricing Rate will not increase - if Seller repurchases the relevant Mortgage Loan on the next succeeding Business Day.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and sealed as of the day and year first above written.

ATTEST:

By: _____
Name: _____
Title: _____

NEW CENTURY BANK
d/b/a CUSTOMERS BANK

By: /s/ Glenn Hedde
Name: Glenn Hedde
Title: President, Warehouse Lending

ATTEST:

By: /s/ Todd Taylor
Name: Todd Taylor
Title: Secretary

EXCEL MORTGAGE SERVICING, INC.

By: /s/ William Ashmore
Name: William Ashmore
Title: _____

ATTEST:

By: /s/ Todd Taylor
Name: Todd Taylor
Title: Secretary

AMERIHOME MORTGAGE CORPORATION

By: /s/ William Ashmore
Name: William Ashmore
Title: _____

EXHIBIT I

REQUIRED DOCUMENTS

With respect to each Mortgage Loan, the Required Documents shall include each of the following items:

(i) the original Mortgage Note, endorsed either on its face or by allonge attached thereto in blank or in the following form: "Pay to the order of . without recourse";

(ii) originals or copies of any guarantee, security agreement or pledge agreement relating to any Additional Collateral, if applicable, and executed in connection with the Mortgage Note, assigned to Buyer;

(iii) except as provided below, for each Mortgage Loan that is not a MERS Mortgage Loan, the original Mortgage, or a copy thereof certified by the public recording office in which such Mortgage has been recorded, and in the case of each MERS Mortgage Loan, the original Mortgage, noting the presence of the MIN for that Mortgage Loan and, if such Mortgage Loan was not a MERS Mortgage Loan at origination, the original Mortgage and the assignment to MERS, in each case with evidence of recording thereon, and the original recorded power of attorney, if the Mortgage was executed pursuant to a power of attorney, with evidence of recording thereon or if such Mortgage or power of attorney has been submitted for recording but has not been returned from the applicable public recording office, has been lost or is not otherwise available, a certified copy of such Mortgage or power of attorney, as the case may be, or, in the case of a Mortgage that has been lost, a copy thereof (certified as provided for under the laws of the appropriate jurisdiction) and a written opinion of counsel acceptable to Buyer that an original recorded Mortgage is not required to enforce Buyer's interest in the Mortgage Loan;

(iv) the original or a copy of each assumption, modification or substitution agreement, if any, relating to the Mortgage Loans, or, as to any assumption, modification or substitution agreement which cannot be delivered on or prior to the Purchase Date because of a delay caused by the public recording office where such assumption, modification or substitution agreement has been delivered for recordation, a photocopy of such assumption, modification or substitution agreement, pending delivery of the original thereof, together with an officer's certificate of Seller acceptable to Buyer certifying that the copy of such assumption, modification or substitution agreement delivered to Buyer (or its custodian) is a true copy and that the original of such agreement has been forwarded to the public recording office;

(v) in the case of each Mortgage Loan that is not a MERS Mortgage Loan, an original Assignment of Mortgage, in form and substance acceptable for recording. The Mortgage shall be assigned to " , without recourse";

(vi) in the case of each Mortgage Loan that is not a MERS Mortgage Loan, an original copy of any intervening Assignment of Mortgage showing a complete chain of assignments, or, in the case of an intervening Assignment of Mortgage that

has been lost, a written opinion of counsel acceptable to Buyer that such original intervening Assignment of Mortgage is not required to enforce Buyer's interest in the Mortgage Loans; and

(vii) the original or a copy of lender's title insurance policy or a copy of the title commitment.

If pursuant to the above, (1) the Mortgage was not delivered, (2) any intervening assignment was not delivered or (3) the title insurance policy was not delivered, Seller shall cause such documents to be delivered to Buyer immediately upon receipt by Seller.

EXHIBIT II

PURCHASE REQUEST

Company: , 20

This is a request for NCB Warehouse Lending to purchase from us the Mortgage Loan described below, pursuant to the Master Repurchase Agreement governing purchases and sales of Mortgage Loans between us, dated as of , 20 (the "Agreement"), as follows:

BORROWER (S): (FIRST & LAST NAME)

ADDRESS: **CITY:**

STATE: **ZIP:** **COUNTY:**

NOTE RATE: **TERM: (MONTHS)** **FICO SCORE:** **LTV:** **CLTV:** **PURPOSE:**

(CIRCLE LOAN TYPE)
Refinance
Purchase

NOTE AMOUNT: **ORIGINATOR'S LOAN #:** **MORTGAGE DATE:**

INVESTOR: **COMMITMENT #:**

PRICE: **COMMITMENT EXPIRATION DATE:** **MIN #:**

REQUESTED PURCHASE DATE:	**AMT REQUESTED**	**+ AMT FROM MAINT ACCT**	**= TOTAL WIRE AMT TO CLSG**
	$	$	=$

In support of the above referenced purchase, I enclose the following documents: **(please check)**

1. o Originally executed Assignment of Mortgage/Deed of Trust, in blank, in proper form for recordation (with legal description). **If a MERS loan and a MERS member, you do not need an assignment.

2. o If a MERS loan, within 3 days, proof of MERS registration showing New Century Bank listed as the Interim Funder. Our interim funder # is **1008768**.

3. o Executed Note endorsed in blank (if a refinance) or copy of Note to be executed at closing (if a purchase), the original of which we have instructed the Closing Agent to deliver directly to NCB Warehouse Lending upon execution. **Include all Riders.**

4. o Copy of Loan Purchase Commitment from an Approved Investor covering this Loan.

5. o Copy of closing protection letter from a title insurance company covering the Closing Agent.

6. o Copy of Schedule A, B-1 and B-2 of the title insurance commitment covering the Loan.

7. o Copy of Form 1003 signed by the borrower.

8. o Copy of first two pages of the Appraisal. (Full Appraisal as required in the Master Repurchase Agreement.)

9. o Copy of borrower Credit Report.

10. o Copy of Verification of Employment.

11. o Copy of Verification of Deposit.

12. o **If loan is already closed,** a certified **Executed** true copy of HUD-1, **and any additional exhibits.**

13. o **If loan is already closed,** a certified **Executed** true copy of the Mortgage/Deed of Trust, **plus riders attached thereto.**

14. o Within 30 days, a copy of the FHA or VA Commitment to Insure is required.

PURCHASE REQUEST

I hereby certify on behalf of Seller that:

1. The information set forth herein is true, correct, and complete.

2. This Loan complies in all respects with the requirements of the Agreement and the Loan Purchase Commitment. **[This is not a Section 32 or other state high cost loan].**

3. **No underwriting condition** imposed by the Take-out Investor as a condition of purchasing this Loan, **will remain unsatisfied subsequent to closing**.

4. The Closing Agent has been given written instructions by this company as follows:

A. To hold the Advance funds *In Trust For* our company and to use them only to close the captioned Loan;

B. After closing, to immediately deliver to NCB Warehouse Lending the executed Note (including original riders thereto), a copy of the HUD-1 and a certified copy of the executed Mortgage/Deed of Trust (also including riders);

C. If the Loan does not close or disburse within one Business Day after the Advance Date, to immediately return the advance by federal wire to:

Atlantic Central Bankers Bank
Camp Hill, PA 17011
ABA# 031301752
For Credit to: New Century Bank
Phoenixville, PA 19460
Acct. # 220297
For Further Credit to: NCB Warehouse Lending
Account# 5321535
Reference Borrower's Last Name

Please wire the Purchase funds as follows:

BANK NAME:

ABA NUMBER: **CITY / STATE:**

INTERVENING BANK NAME (If Necessary):

ABA NUMBER: **CITY / STATE:**

BENEFICIARY / ACCOUNT NAME:

ACCOUNT NUMBER: **PHONE NUMBER:**

Very truly yours,

EXCEL MORTGAGE SERVICING, INC.

By: _____ (Authorized Signature)
Title: _____

If we have any questions regarding this loan, we should contact the following person:

Contact Name: _____ Phone Number: _____

EXHIBIT III

EXISTING INDEBTEDNESS

Exhibit 10.15(a)

EXECUTION COPY

GUARANTY AND SURETYSHIP AGREEMENT

THIS GUARANTY AND SURETYSHIP AGREEMENT (this "Guaranty") is made and entered into as of this 3rd day of December 2010, by IMPAC MORTGAGE HOLDINGS, INC. ("Guarantor"), with an address c/o EXCEL MORTGAGE SERVICING, INC., 19500 Jamboree Road #400, Irvine, California 92612, in consideration of the extension of credit by NEW CENTURY BANK d/b/a CUSTOMERS BANK (the "Bank"), with an address at 99 Bridge Street, Phoenixville, Pennsylvania 19460 to EXCEL MORTGAGE SERVICING, INC. and AMERIHOME MORTGAGE CORPORATION (collectively, the "Borrower"), and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged. This Guaranty is delivered in connection with that certain Master Repurchase Agreement, dated as of the date hereof, by and between the Bank and the Borrower (as amended, restated or otherwise modified from time to time, the "Master Repurchase Agreement"). Capitalized terms used and not otherwise defined herein shall have the meanings set forth in the Master Repurchase Agreement.

1. Guaranty of Obligations. The Guarantor hereby unconditionally guarantees, as a primary obligor, and becomes surety for, the prompt payment and performance of all Obligations of the Borrower to the Bank under the Master Repurchase Agreement, including any interest accruing thereon after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding relating to the Borrower (whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) and all reasonable costs and expenses of the Bank actually incurred in the documentation, negotiation, modification, enforcement, collection and otherwise in connection with the Obligations, including reasonable attorneys' fees and expenses. If, and only if, the Borrower defaults under any such Obligations, the Guarantor will pay the amount due to the Bank.

2. Nature of Guaranty; Waivers. This is a guaranty of payment and not of collection and the Bank shall not be required, as a condition of the Guarantor's liability, to make any demand upon or to pursue any of its rights against the Borrower, or to pursue any rights which may be available to it with respect to any other person who may be liable for the payment of the Obligations.

This is an absolute, unconditional, irrevocable and continuing guaranty and will remain in full force and effect until all of the Obligations have been indefeasibly paid in full, and the Bank has terminated this Guaranty. This Guaranty will remain in full force and effect even if there is no principal balance outstanding under the Obligations at a particular time or from time to time. This Guaranty will not be affected by any surrender, exchange, acceptance, compromise or release by the Bank of any other party, or any other guaranty or any security held by it for any of the Obligations, by any failure of the Bank to take any steps to perfect or maintain its lien or security interest in or to preserve its rights to any security or other collateral for any of the Obligations or any guaranty, or by any irregularity, unenforceability or invalidity of any of the Obligations or any part thereof or any security or other guaranty thereof. The Guarantor's obligations hereunder shall not be affected, modified or impaired by any counterclaim, set-off, recoupment, deduction or defense based upon any claim the Guarantor may have (directly or indirectly) against the Borrower or the Bank, except payment or performance of the Obligations.

Notice of acceptance of this Guaranty, notice of extensions of credit to the Borrower from time to time, notice of default, diligence, presentment, notice of dishonor, protest, demand for payment, and any defense based upon the Bank's failure to comply with the notice requirements under Sections 9-611 and 9-612 of the Uniform Commercial Code as in effect from time to time are hereby waived. The Guarantor waives all defenses based on suretyship or impairment of collateral.

The Bank at any time and from time to time, without notice to or the consent of the Guarantor, and without impairing or releasing, discharging or modifying the Guarantor's liabilities hereunder, may (a) change the manner, place, time or terms of payment or performance of or interest rates on, or other terms relating to, any of the Obligations; (b) renew, substitute, modify, amend or alter, or grant consents or waivers relating to any of the Obligations, any other guaranties, or any security for any Obligations or guaranties; (c) apply any and all payments by whomever paid or however realized including any proceeds of any collateral, to any Obligations of the Borrower in such order, manner and amount as the Bank may determine in its sole discretion; (d) settle, compromise or deal with any other person, including the Borrower or the Guarantor, with respect to any Obligations in such manner as the Bank deems appropriate in its sole discretion; (e) substitute, exchange or release any security or guaranty; or (f) take such actions and exercise such remedies hereunder as provided herein.

3. Repayments or Recovery from the Bank. If any demand is made at any time upon the Bank for the repayment or recovery of any amount received by it in payment or on account of any of the Obligations and if the Bank repays all or any part of such amount by reason of any judgment, decree or order of any court or administrative body or by reason of any settlement or compromise of any such demand, the Guarantor will be and remain liable hereunder for the amount so repaid or recovered to the same extent as if such amount had never been received originally by the Bank. The provisions of this section will be and remain effective notwithstanding any contrary action which may have been taken by the Guarantor in reliance upon such payment, and any such contrary action so taken will be without prejudice to the Bank's rights hereunder and will be deemed to have been conditioned upon such payment having become final and irrevocable.

4. Financial Statements. Upon ten (10) days prior written notice, the Guarantor will promptly submit to the Bank such information relating to the Guarantor's affairs (including but not limited to annual financial statements for the Guarantor) as Bank may reasonably request.

5. Enforceability of Obligations. No modification, limitation or discharge of the Obligations arising out of or by virtue of any bankruptcy, reorganization or similar proceeding for relief of debtors under federal or state law by the Borrower will affect, modify, limit or discharge the Guarantor's liability in any manner whatsoever and this Guaranty will remain and continue in full force and effect and will be enforceable against the Guarantor to the same extent and with the same force and effect as if any such proceeding had not been instituted. The Guarantor waives all rights and benefits which might accrue to it by reason of any such proceeding and will be liable to the full extent hereunder, irrespective of any modification, limitation or discharge of the liability of the Borrower that may result from any such proceeding.

6. Events of Default. Upon the occurrence and during the continuance of any Event of Default, (a) the Guarantor shall pay to the Bank the amount of the Obligations; or (b) the Bank in its discretion may exercise with respect to any collateral any one or more of the rights and remedies provided a secured party under the applicable version of the Uniform Commercial Code; or (c) the Bank in its discretion may exercise from time to time any other rights and remedies available to it at law, in equity or otherwise.

7. Right of Setoff. In addition to all liens upon and rights of setoff against the Guarantor's money, securities or other property given to the Bank by law, the Bank shall have, with respect to the Guarantor's obligations to the Bank under this Guaranty and to the extent permitted by law, a contractual possessory security interest in and a contractual right of setoff against, and the Guarantor hereby grants Bank a security interest in, and hereby assigns, conveys, delivers, pledges and transfers to the Bank all of the Guarantor's right, title and interest in and to, all of the Guarantor's deposits, moneys, securities and other property now or hereafter in the possession of or on deposit with, or in transit to, the Bank or any other direct or indirect subsidiary of Bank, whether held in a general or special account or

deposit, whether held jointly with someone else, or whether held for safekeeping or otherwise, including but not limited to the Minimum Maintenance Account Balance (as defined in the Master Repurchase Agreement), but excluding, however, all IRA, Keogh, and trust accounts. Every such security interest and right of setoff may be exercised without demand upon or notice to the Guarantor.

8. Costs. To the extent that the Bank actually incurs any costs or expenses in protecting or enforcing its rights under the Obligations or this Guaranty, including reasonable attorneys' fees and the actual costs and expenses of litigation, such costs and expenses will be due on demand, will be included in the Obligations and will bear interest from the incurring or payment thereof at the Default Rate (as defined in any of the Obligations).

9. Postponement of Subrogation. Until the Obligations are indefeasibly paid in full, expire, are terminated and are not subject to any right of revocation or rescission, the Guarantor postpones and subordinates in favor of the Bank or its designee (and any assignee or potential assignee) any and all rights which the Guarantor may have to (a) assert any claim whatsoever against the Borrower based on subrogation, exoneration, reimbursement, or indemnity or any right of recourse to security for the Obligations with respect to payments made hereunder, and (b) any realization on any property of the Borrower, including participation in any marshalling of the Borrower's assets.

10. Reserved.

11. Notices. All notices, demands, requests, consents, approvals and other communications required or permitted hereunder ("Notices") shall be given as provided in the Master Repurchase Agreement. Regardless of the manner in which provided, Notices may be sent to addresses for the Bank and the Guarantor as set forth above or to such other address as either may give to the other for such purpose in accordance with this section.

12. Preservation of Rights. No delay or omission on the Bank's part to exercise any right or power arising hereunder will impair any such right or power or be considered a waiver of any such right or power, nor will the Bank's action or inaction impair any such right or power. The Bank's rights and remedies hereunder are cumulative and not exclusive of any other rights or remedies which the Bank may have under other agreements, at law or in equity. The Bank may proceed in any order against the Borrower, the Guarantor or any other obligor of, or collateral securing, the Obligations.

13. Illegality. If any provision contained in this Guaranty should be invalid, illegal or unenforceable in any respect, it shall not affect or impair the validity, legality and enforceability of the remaining provisions of this Guaranty.

14. Changes in Writing. No modification, amendment or waiver of, or consent to any departure by the Guarantor from, any provision of this Guaranty will be effective unless made in a writing signed by the Bank and Guarantor, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on the Guarantor will entitle the Guarantor to any other or further notice or demand in the same, similar or other circumstance.

15. Entire Agreement. This Guaranty (including the documents and instruments referred to herein) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, between the Guarantor and the Bank with respect to the subject matter hereof; provided, however, that this Guaranty is in addition to, and not in substitution for, any other guarantees from the Guarantor to the Bank.

16. Successors and Assigns. This Guaranty will be binding upon and inure to the benefit of the Guarantor and their heirs, executors and administrators, and the Bank and its respective

successors and assigns; provided, however, that the Guarantor may not assign this Guaranty in whole or in part without the Bank's prior written consent and the Bank at any time may assign this Guaranty in whole or in part in accordance with a permitted assignment under the terms of the Master Repurchase Agreement.

17. Interpretation. In this Guaranty, unless the Bank and the Guarantor otherwise agree in writing, the singular includes the plural and the plural the singular; references to statutes are to be construed as including all statutory provisions consolidating, amending or replacing the statute referred to; the word "or" shall be deemed to include "and/or", the words "including", "includes" and "include" shall be deemed to be followed by the words "without limitation"; and references to sections or exhibits are to those of this Guaranty. Section headings in this Guaranty are included for convenience of reference only and shall not constitute a part of this Guaranty for any other purpose. If this Guaranty is executed by more than one party as Guarantor, the obligations of such persons or entities will be joint and several.

18. Governing Law and Jurisdiction. **THIS GUARANTY WILL BE INTERPRETED AND THE RIGHTS AND LIABILITIES OF THE BANK AND THE GUARANTOR DETERMINED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, EXCLUDING ITS CONFLICT OF LAWS RULES.** The Guarantor hereby irrevocably consents to the exclusive jurisdiction of the state courts of Montgomery County, Commonwealth of Pennsylvania or the United States District Court for the Eastern District of Pennsylvania; provided that nothing contained in this Guaranty will prevent the Bank from bringing any action, enforcing any award or judgment or exercising any rights against the Guarantor

individually, against any security or against any property of the Guarantor within any other county, state or other foreign or domestic jurisdiction. The Guarantor acknowledges and agrees that the venue provided above is the most convenient forum for both the Bank and the Guarantor. The Guarantor waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Guaranty.

19. Equal Credit Opportunity Act. If the Guarantor is not an "applicant for credit" under Section 202.2 (e) of the Equal Credit Opportunity Act of 1974 ("ECOA"), the Guarantor acknowledges that (i) this Guaranty has been executed to provide credit support for the Obligations, and (ii) the Guarantor was not required to execute this Guaranty in violation of Section 202.7(d) of the ECOA.

20. Reserved.

21. Authorization to Obtain Credit Reports. By signing below, each Guarantor who is an individual provides written authorization to the Bank or its designee (and any assignee or potential assignee) to obtain the Guarantor's personal credit profile from one or more national credit bureaus. Such authorization shall extend to obtaining a credit profile in considering this Guaranty and subsequently for the purposes of update, renewal or extension of such credit or additional credit and for reviewing or collecting the resulting account.

22. **Waiver of Jury Trial. THE GUARANTOR AND BANK IRREVOCABLY WAIVE ANY AND ALL RIGHT THEY MAY HAVE TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR CLAIM OF ANY NATURE RELATING TO THIS GUARANTY, ANY DOCUMENTS EXECUTED IN CONNECTION WITH THIS GUARANTY OR ANY TRANSACTION CONTEMPLATED IN ANY OF SUCH DOCUMENTS. EACH OF THE BANK AND THE GUARANTOR ACKNOWLEDGES THAT THE FOREGOING WAIVER IS KNOWING AND VOLUNTARY.**

The Guarantor acknowledges that he has read and understood all the provisions of this Guaranty, including the waiver of jury trial, and has been advised by counsel as necessary or appropriate.

WITNESS the due execution hereof as a document under seal, as of the date first written above, with the intent to be legally bound hereby.

IMPAC MORTGAGE HOLDINGS, INC.

By: /s/ Todd Taylor
Name: Todd Taylor
Title:

Exhibit 10.15(b)

EXECUTION COPY

GUARANTY AND SURETYSHIP AGREEMENT

THIS GUARANTY AND SURETYSHIP AGREEMENT (this "Guaranty") is made and entered into as of this 3rd day of December 2010, by INTEGRATED REAL ESTATE SERVICE CORP. ("Guarantor"), with an address c/o EXCEL MORTGAGE SERVICING, INC., 19500 Jamboree Road #400, Irvine, California 92612, in consideration of the extension of credit by NEW CENTURY BANK d/b/a CUSTOMERS BANK (the "Bank"), with an address at 99 Bridge Street, Phoenixville, Pennsylvania 19460 to EXCEL MORTGAGE SERVICING, INC. and AMERIHOME MORTGAGE CORPORATION (collectively, the "Borrower"), and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged. This Guaranty is delivered in connection with that certain Master Repurchase Agreement, dated as of the date hereof, by and between the Bank and the Borrower (as amended, restated or otherwise modified from time to time, the "Master Repurchase Agreement"). Capitalized terms used and not otherwise defined herein shall have the meanings set forth in the Master Repurchase Agreement.

1. Guaranty of Obligations. The Guarantor hereby unconditionally guarantees, as a primary obligor, and becomes surety for, the prompt payment and performance of all Obligations of the Borrower to the Bank under the Master Repurchase Agreement, including any interest accruing thereon after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding relating to the Borrower (whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) and all reasonable costs and expenses of the Bank actually incurred in the documentation, negotiation, modification, enforcement, collection and otherwise in connection with the Obligations, including reasonable attorneys' fees and expenses. If, and only if, the Borrower defaults under any such Obligations, the Guarantor will pay the amount due to the Bank.

2. Nature of Guaranty; Waivers. This is a guaranty of payment and not of collection and the Bank shall not be required, as a condition of the Guarantor's liability, to make any demand upon or to pursue any of its rights against the Borrower, or to pursue any rights which may be available to it with respect to any other person who may be liable for the payment of the Obligations.

This is an absolute, unconditional, irrevocable and continuing guaranty and will remain in full force and effect until all of the Obligations have been indefeasibly paid in full, and the Bank has terminated this Guaranty. This Guaranty will remain in full force and effect even if there is no principal balance outstanding under the Obligations at a particular time or from time to time. This Guaranty will not be affected by any surrender, exchange, acceptance, compromise or release by the Bank of any other party, or any other guaranty or any security held by it for any of the Obligations, by any failure of the Bank to take any steps to perfect or maintain its lien or security interest in or to preserve its rights to any security or other collateral for any of the Obligations or any guaranty, or by any irregularity, unenforceability or invalidity of any of the Obligations or any part thereof or any security or other guaranty thereof. The Guarantor's obligations hereunder shall not be affected, modified or impaired by any counterclaim, set-off, recoupment, deduction or defense based upon any claim the Guarantor may have (directly or indirectly) against the Borrower or the Bank, except payment or performance of the Obligations.

Notice of acceptance of this Guaranty, notice of extensions of credit to the Borrower from time to time, notice of default, diligence, presentment, notice of dishonor, protest, demand for payment, and any defense based upon the Bank's failure to comply with the notice requirements under Sections 9-611 and 9-612 of the Uniform Commercial Code as in effect from time to time are hereby waived. The Guarantor waives all defenses based on suretyship or impairment of collateral.

The Bank at any time and from time to time, without notice to or the consent of the Guarantor, and without impairing or releasing, discharging or modifying the Guarantor's liabilities hereunder, may (a) change the manner, place, time or terms of payment or performance of or interest rates on, or other terms relating to, any of the Obligations; (b) renew, substitute, modify, amend or alter, or grant consents or waivers relating to any of the Obligations, any other guaranties, or any security for any Obligations or guaranties; (c) apply any and all payments by whomever paid or however realized including any proceeds of any collateral, to any Obligations of the Borrower in such order, manner and amount as the Bank may determine in its sole discretion; (d) settle, compromise or deal with any other person, including the Borrower or the Guarantor, with respect to any Obligations in such manner as the Bank deems appropriate in its sole discretion; (e) substitute, exchange or release any security or guaranty; or (f) take such actions and exercise such remedies hereunder as provided herein.

3. Repayments or Recovery from the Bank. If any demand is made at any time upon the Bank for the repayment or recovery of any amount received by it in payment or on account of any of the Obligations and if the Bank repays all or any part of such amount by reason of any judgment, decree or order of any court or administrative body or by reason of any settlement or compromise of any such demand, the Guarantor will be and remain liable hereunder for the amount so repaid or recovered to the same extent as if such amount had never been received originally by the Bank. The provisions of this section will be and remain effective notwithstanding any contrary action which may have been taken by the Guarantor in reliance upon such payment, and any such contrary action so taken will be without prejudice to the Bank's rights hereunder and will be deemed to have been conditioned upon such payment having become final and irrevocable.

4. Financial Statements. Upon ten (10) days prior written notice, the Guarantor will promptly submit to the Bank such information relating to the Guarantor's affairs (including but not limited to annual financial statements for the Guarantor) as Bank may reasonably request.

5. Enforceability of Obligations. No modification, limitation or discharge of the Obligations arising out of or by virtue of any bankruptcy, reorganization or similar proceeding for relief of debtors under federal or state law by the Borrower will affect, modify, limit or discharge the Guarantor's liability in any manner whatsoever and this Guaranty will remain and continue in full force and effect and will be enforceable against the Guarantor to the same extent and with the same force and effect as if any such proceeding had not been instituted. The Guarantor waives all rights and benefits which might accrue to it by reason of any such proceeding and will be liable to the full extent hereunder, irrespective of any modification, limitation or discharge of the liability of the Borrower that may result from any such proceeding.

6. Events of Default. Upon the occurrence and during the continuance of any Event of Default, (a) the Guarantor shall pay to the Bank the amount of the Obligations; or (b) the Bank in its discretion may exercise with respect to any collateral any one or more of the rights and remedies provided a secured party under the applicable version of the Uniform Commercial Code; or (c) the Bank in its discretion may exercise from time to time any other rights and remedies available to it at law, in equity or otherwise.

7. Right of Setoff. In addition to all liens upon and rights of setoff against the Guarantor's money, securities or other property given to the Bank by law, the Bank shall have, with respect to the Guarantor's obligations to the Bank under this Guaranty and to the extent permitted by law, a contractual possessory security interest in and a contractual right of setoff against, and the Guarantor hereby grants Bank a security interest in, and hereby assigns, conveys, delivers, pledges and transfers to the Bank all of the Guarantor's right, title and interest in and to, all of the Guarantor's deposits, moneys, securities and other property now or hereafter in the possession of or on deposit with, or in transit to, the Bank or any other direct or indirect subsidiary of Bank, whether held in a general or special account or

deposit, whether held jointly with someone else, or whether held for safekeeping or otherwise, including but not limited to the Minimum Maintenance Account Balance (as defined in the Master Repurchase Agreement), but excluding, however, all IRA, Keogh, and trust accounts. Every such security interest and right of setoff may be exercised without demand upon or notice to the Guarantor.

8. Costs. To the extent that the Bank actually incurs any costs or expenses in protecting or enforcing its rights under the Obligations or this Guaranty, including reasonable attorneys' fees and the actual costs and expenses of litigation, such costs and expenses will be due on demand, will be included in the Obligations and will bear interest from the incurring or payment thereof at the Default Rate (as defined in any of the Obligations).

9. Postponement of Subrogation. Until the Obligations are indefeasibly paid in full, expire, are terminated and are not subject to any right of revocation or rescission, the Guarantor postpones and subordinates in favor of the Bank or its designee (and any assignee or potential assignee) any and all rights which the Guarantor may have to (a) assert any claim whatsoever against the Borrower based on subrogation, exoneration, reimbursement, or indemnity or any right of recourse to security for the Obligations with respect to payments made hereunder, and (b) any realization on any property of the Borrower, including participation in any marshalling of the Borrower's assets.

10. Reserved.

11. Notices. All notices, demands, requests, consents, approvals and other communications required or permitted hereunder ("Notices") shall be given as provided in the Master Repurchase Agreement. Regardless of the manner in which provided, Notices may be sent to addresses for the Bank and the Guarantor as set forth above or to such other address as either may give to the other for such purpose in accordance with this section.

12. Preservation of Rights. No delay or omission on the Bank's part to exercise any right or power arising hereunder will impair any such right or power or be considered a waiver of any such right or power, nor will the Bank's action or inaction impair any such right or power. The Bank's rights and remedies hereunder are cumulative and not exclusive of any other rights or remedies which the Bank may have under other agreements, at law or in equity. The Bank may proceed in any order against the Borrower, the Guarantor or any other obligor of, or collateral securing, the Obligations.

13. Illegality. If any provision contained in this Guaranty should be invalid, illegal or unenforceable in any respect, it shall not affect or impair the validity, legality and enforceability of the remaining provisions of this Guaranty.

14. Changes in Writing. No modification, amendment or waiver of, or consent to any departure by the Guarantor from, any provision of this Guaranty will be effective unless made in a writing signed by the Bank and Guarantor, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on the Guarantor will entitle the Guarantor to any other or further notice or demand in the same, similar or other circumstance.

15. Entire Agreement. This Guaranty (including the documents and instruments referred to herein) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, between the Guarantor and the Bank with respect to the subject matter hereof; provided, however, that this Guaranty is in addition to, and not in substitution for, any other guarantees from the Guarantor to the Bank.

16. Successors and Assigns. This Guaranty will be binding upon and inure to the benefit of the Guarantor and their heirs, executors and administrators, and the Bank and its respective

successors and assigns; provided, however, that the Guarantor may not assign this Guaranty in whole or in part without the Bank's prior written consent and the Bank at any time may assign this Guaranty in whole or in part in accordance with a permitted assignment under the terms of the Master Repurchase Agreement.

17. Interpretation. In this Guaranty, unless the Bank and the Guarantor otherwise agree in writing, the singular includes the plural and the plural the singular; references to statutes are to be construed as including all statutory provisions consolidating, amending or replacing the statute referred to; the word "or" shall be deemed to include "and/or", the words "including", "includes" and "include" shall be deemed to be followed by the words "without limitation"; and references to sections or exhibits are to those of this Guaranty. Section headings in this Guaranty are included for convenience of reference only and shall not constitute a part of this Guaranty for any other purpose. If this Guaranty is executed by more than one party as Guarantor, the obligations of such persons or entities will be joint and several.

18. Governing Law and Jurisdiction. **THIS GUARANTY WILL BE INTERPRETED AND THE RIGHTS AND LIABILITIES OF THE BANK AND THE GUARANTOR DETERMINED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, EXCLUDING ITS CONFLICT OF LAWS RULES.** The Guarantor hereby irrevocably consents to the exclusive jurisdiction of the state courts of Montgomery County, Commonwealth of Pennsylvania or the United States District Court for the Eastern District of Pennsylvania; provided that nothing contained in this Guaranty will prevent the Bank from bringing any action, enforcing any award or judgment or exercising any rights against the Guarantor

individually, against any security or against any property of the Guarantor within any other county, state or other foreign or domestic jurisdiction. The Guarantor acknowledges and agrees that the venue provided above is the most convenient forum for both the Bank and the Guarantor. The Guarantor waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Guaranty.

19. Equal Credit Opportunity Act. If the Guarantor is not an "applicant for credit" under Section 202.2 (e) of the Equal Credit Opportunity Act of 1974 ("ECOA"), the Guarantor acknowledges that (i) this Guaranty has been executed to provide credit support for the Obligations, and (ii) the Guarantor was not required to execute this Guaranty in violation of Section 202.7(d) of the ECOA.

20. Reserved.

21. Authorization to Obtain Credit Reports. By signing below, each Guarantor who is an individual provides written authorization to the Bank or its designee (and any assignee or potential assignee) to obtain the Guarantor's personal credit profile from one or more national credit bureaus. Such authorization shall extend to obtaining a credit profile in considering this Guaranty and subsequently for the purposes of update, renewal or extension of such credit or additional credit and for reviewing or collecting the resulting account.

22. **Waiver of Jury Trial. THE GUARANTOR AND BANK IRREVOCABLY WAIVE ANY AND ALL RIGHT THEY MAY HAVE TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR CLAIM OF ANY NATURE RELATING TO THIS GUARANTY, ANY DOCUMENTS EXECUTED IN CONNECTION WITH THIS GUARANTY OR ANY TRANSACTION CONTEMPLATED IN ANY OF SUCH DOCUMENTS. EACH OF THE BANK AND THE GUARANTOR ACKNOWLEDGES THAT THE FOREGOING WAIVER IS KNOWING AND VOLUNTARY.**

The Guarantor acknowledges that he has read and understood all the provisions of this Guaranty, including the waiver of jury trial, and has been advised by counsel as necessary or appropriate.

WITNESS the due execution hereof as a document under seal, as of the date first written above, with the intent to be legally bound hereby.

INTEGRATED REAL ESTATE SERVICE CORP.

By: /s/ Todd Taylor
Name: Todd Taylor
Title:

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-169316) of Impac Mortgage Holdings, Inc. of our reports dated March 31, 2011, with respect to the consolidated financial statements of Impac Mortgage Holdings, Inc., and the effectiveness of internal control over financial reporting of Impac Mortgage Holdings, Inc., included in this Annual Report (Form 10-K) for the year ended December 31, 2010.

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

Newport Beach, California
March 31, 2011

QuickLinks

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 31.1

CERTIFICATION

I, Joseph R. Tomkinson, certify that:

1. I have reviewed this report on Form 10-K of Impac Mortgage Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JOSEPH R. TOMKINSON
Joseph R. Tomkinson
Chief Executive Officer
March 31, 2011

QuickLinks

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 31.2

CERTIFICATION

I, Todd R. Taylor, certify that:

1. I have reviewed this report on Form 10-K of Impac Mortgage Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ TODD R. TAYLOR
Todd R. Taylor
Chief Financial Officer
March 31, 2011

QuickLinks

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Impac Mortgage Holdings, Inc. (the "Company") on Form 10-K for the period ending December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, in the capacities and on the dates indicated below, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JOSEPH R. TOMKINSON
Joseph R. Tomkinson
Chief Executive Officer
March 31, 2011

/s/ TODD R. TAYLOR
Todd R. Taylor
Chief Financial Officer
March 31, 2011

QuickLinks