

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended March 31, 2015

or

**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**  
(State or other jurisdiction of  
incorporation or organization)

**33-0675505**  
(I.R.S. Employer  
Identification No.)

**1950 Jamboree Road, Irvine, California 92612**  
(Address of principal executive offices)

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

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

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

There were 10,189,293 shares of common stock outstanding as of May 5, 2015.

<a href="#">ITEM 2.</a>	<a href="#"><b>MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</b></a>	26
	<a href="#">Forward-Looking Statements</a>	26
	<a href="#">The Mortgage Industry and Discussion of Relevant Fiscal Periods</a>	26
	<a href="#">Selected Financial Results</a>	27
	<a href="#">Status of Operations</a>	27
	<a href="#">Liquidity and Capital Resources</a>	31
	<a href="#">Critical Accounting Policies</a>	32
	<a href="#">Financial Condition and Results of Operations</a>	34
<a href="#">ITEM 3.</a>	<a href="#"><b>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</b></a>	48
<a href="#">ITEM 4.</a>	<a href="#"><b>CONTROLS AND PROCEDURES</b></a>	48
<a href="#"><b><u>PART II. OTHER INFORMATION</u></b></a>		
<a href="#">ITEM 1.</a>	<a href="#"><b>LEGAL PROCEEDINGS</b></a>	49
<a href="#">ITEM 1A.</a>	<a href="#"><b>RISK FACTORS</b></a>	50
<a href="#">ITEM 2.</a>	<a href="#"><b>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</b></a>	51
<a href="#">ITEM 3.</a>	<a href="#"><b>DEFAULTS UPON SENIOR SECURITIES</b></a>	51
<a href="#">ITEM 4.</a>	<a href="#"><b>MINE SAFETY DISCLOSURES</b></a>	51
<a href="#">ITEM 5.</a>	<a href="#"><b>OTHER INFORMATION</b></a>	51
<a href="#">ITEM 6.</a>	<a href="#"><b>EXHIBITS</b></a>	52
	<a href="#"><b>SIGNATURES</b></a>	53
	<b>CERTIFICATIONS</b>	

[Table of Contents](#)

**PART I. FINANCIAL INFORMATION**

**ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS**

**IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**(in thousands, except share data)**

	<u>March 31,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
	<u>(Unaudited)</u>	
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,635	\$ 10,073
Restricted cash	4,932	2,420
Mortgage loans held-for-sale	531,586	239,391
Finance receivables	53,340	8,358
Mortgage servicing rights	26,656	24,418
Securitized mortgage trust assets	5,130,193	5,268,531
Goodwill	104,938	352
Intangible assets, net	33,122	—
Deferred tax asset	24,420	—
Other assets	41,846	25,029
Total assets	<u>\$ 5,956,668</u>	<u>\$ 5,578,572</u>
<b>LIABILITIES</b>		
Warehouse borrowings	\$ 552,493	\$ 226,718
Short-term structured debt	4,156	6,000
Convertible notes	20,000	20,000
Contingent consideration	124,592	—
Long-term debt	29,646	22,122
Securitized mortgage trust liabilities	5,113,632	5,251,307
Other liabilities	52,906	27,469
Total liabilities		

Commitments and contingencies (See Note 15)

**STOCKHOLDERS' EQUITY**

Series A-1 junior participating preferred stock, \$0.01 par value; 2,500,000 shares authorized; none issued or outstanding	—	—
Series B 9.375% redeemable preferred stock, \$0.01 par value; liquidation value \$16,640; 2,000,000 shares authorized, 665,592 noncumulative shares issued and outstanding as of March 31, 2015 and December 31, 2014, respectively	7	7
Series C 9.125% redeemable preferred stock, \$0.01 par value; liquidation value \$35,127; 5,500,000 shares authorized; 1,405,086 noncumulative shares issued and outstanding as of March 31, 2015 and December 31, 2014, respectively	14	14
Common stock, \$0.01 par value; 200,000,000 shares authorized; 9,690,415 and 9,588,532 shares issued and outstanding as of March 31, 2015 and December 31, 2014, respectively	97	96
Additional paid-in capital	1,089,888	1,089,574
Net accumulated deficit:	—	—
Cumulative dividends declared	(822,520)	(822,520)
Retained deficit	(208,243)	(242,215)
Net accumulated deficit	(1,030,763)	(1,064,735)
Total stockholders' equity	59,243	24,956
Total liabilities and stockholders' equity	<u>\$ 5,956,668</u>	<u>\$ 5,578,572</u>

See accompanying notes to consolidated financial statements

2

[Table of Contents](#)

**IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except per share data)  
(Unaudited)

	For the Three Months Ended March 31,	
	2015	2014
<b>Revenues:</b>		
Gain on sale of loans, net	\$ 37,398	\$ 4,573
Real estate services fees, net	2,742	3,679
Servicing income, net	635	1,569
Loss on mortgage servicing rights	(6,568)	(977)
Other	136	1,385
Total revenues	<u>34,343</u>	<u>10,229</u>
<b>Expenses:</b>		
Personnel expense	11,490	9,460
General, administrative and other	5,651	5,468
Total expenses	<u>17,141</u>	<u>14,928</u>
<b>Operating income (loss):</b>	<u>17,202</u>	<u>(4,699)</u>
<b>Other income (expense):</b>		
Interest income	72,608	72,021
Interest expense	(71,550)	(72,334)
Change in fair value of long-term debt	(7,116)	(650)
Change in fair value of net trust assets, including trust REO (losses) gains	(876)	3,038
Total other (expense) income	<u>(6,934)</u>	<u>2,075</u>
Earnings (loss) before income taxes	10,268	(2,624)
Income tax (benefit) expense	(23,704)	342
Net earnings (loss)	<u>\$ 33,972</u>	<u>\$ (2,966)</u>
Earnings (loss) per common share :		
Basic	<u>\$ 3.54</u>	<u>\$ (0.33)</u>
Diluted	<u>\$ 2.94</u>	<u>\$ (0.33)</u>

See accompanying notes to consolidated financial statements

3

[Table of Contents](#)

**IMPAC MORTGAGE HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

	For the Three Months Ended March 31,	
	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net earnings (loss)	\$ 33,972	\$ (2,966)
Loss on sale of mortgage servicing rights	3,474	16
Change in fair value of mortgage servicing rights	3,094	961
Gain on sale of AmeriHome	—	(1,208)
Gain on sale of mortgage loans	(19,192)	(4,433)
Change in fair value of mortgage loans held-for-sale	(10,911)	(539)
Change in fair value of derivatives lending, net	(7,868)	338
Provision for repurchases	871	259
Origination of mortgage loans held-for-sale	(2,412,206)	(348,623)
Sale and principal reduction on mortgage loans held-for-sale	2,127,743	379,189
Losses (gains) from REO	2,670	(6,081)
Change in fair value of net trust assets, excluding REO	(2,932)	1,852
Change in fair value of long-term debt	7,116	650
Accretion of interest income and expense	39,051	49,066
Change in REO impairment reserve	565	3,849
Amortization of debt issuance costs and discount on note payable	80	12
Stock-based compensation	244	390
Impairment of deferred charge	309	—
Change in deferred tax assets	(24,420)	—
Net change in restricted cash	(2,512)	9
Net change in other assets and liabilities	7,315	(2,774)
Net cash (used in) provided by operating activities	<u>(253,537)</u>	<u>69,967</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net change in securitized mortgage collateral	144,792	144,312
Proceeds from the sale of mortgage servicing rights	13,565	5,783
Finance receivable advances to customers	(124,206)	(2,148)
Repayments of finance receivables	79,224	1,300
Net change in mortgages held-for-investment	43	2
Purchase of premises and equipment	—	(22)
Net principal change on investment securities available-for-sale	41	11
Acquisition of CashCall Mortgage	(5,000)	—
Proceeds from the sale of REO	6,173	9,011
Proceeds from the sale of AmeriHome	—	10,200
Net cash provided by investing activities	<u>114,632</u>	<u>168,449</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of warehouse borrowings	(2,021,096)	(358,079)
Borrowings under warehouse agreement	2,346,871	330,179
Repayment of line of credit	(7,000)	(6,000)
Borrowings under line of credit	7,000	7,000
Repayment of short-term borrowing	(5,000)	—
Short-term borrowing	5,000	—
Repayment of securitized mortgage borrowings	(189,288)	(202,294)
Principal payments on short-term debt	(1,844)	—
Principal payments on capital lease	(197)	(188)
Capitalized debt issuance costs	(50)	—
Proceeds from exercise of stock options	71	18
Net cash provided by (used in) financing activities	<u>134,467</u>	<u>(229,364)</u>
Net change in cash and cash equivalents	(4,438)	9,052
Cash and cash equivalents at beginning of period	10,073	9,969
Cash and cash equivalents at end of period	<u>\$ 5,635</u>	<u>\$ 19,021</u>
<b>NON-CASH TRANSACTIONS:</b>		
Transfer of securitized mortgage collateral to real estate owned	\$ 9,729	\$ 9,025
Mortgage servicing rights retained from loan sales and issuance of mortgage backed securities	22,371	3,763
Common stock issued upon legal settlement	—	1,012
Acquisition of equipment purchased through capital leases	413	—

See accompanying notes to consolidated financial statements

## Note 1.—Summary of Business and Financial Statement Presentation

### Business Summary

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

In the first quarter of 2015, the Company settled its repurchase liability with Fannie Mae (FNMA) related to its legacy non-conforming mortgage operations. As a result of this settlement and previous resolution of other legal matters pertaining to the legacy non-conforming mortgage operations, the Company determined the legacy non-conforming mortgage operations previously reported as discontinued operations is no longer significant for reporting purposes.

The Company's operations include the mortgage lending operations and real estate services conducted by IRES and IMC and the long-term mortgage portfolio (residual interests in securitizations reflected as net trust assets and liabilities in the consolidated balance sheets) conducted by IMH. Beginning in the first quarter of 2015, the mortgage lending operations include the activities of the CashCall Mortgage operations (CCM).

### Financial Statement Presentation

The accompanying unaudited consolidated financial statements of IMH and its subsidiaries (as defined above) have been prepared in accordance with Accounting Principles Generally Accepted in the United States of America (GAAP) for interim financial information and with the instructions to Form 10-Q and Rule 8-03 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments considered necessary for a fair presentation, have been included. Operating results for the three months ended March 31, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015. These interim period condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements, which are included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014, filed with the United States Securities and Exchange Commission (SEC).

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 period presentation.

Management has made a number of material 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 period to prepare these consolidated financial statements in conformity with GAAP. Material estimates subject to change include the fair value estimates of assets acquired and liabilities assumed in the acquisition of the residential mortgage operations of CashCall, Inc. (CashCall) as discussed in Note 2. — Acquisition of CashCall Mortgage. Additionally, other items affected by such estimates and assumptions include the valuation of trust assets and trust liabilities, contingencies, the estimated obligation of repurchase liabilities related to sold loans, the valuation of long-term debt, mortgage servicing rights, mortgage loans held-for-sale and interest rate lock commitments. Actual results could differ from those estimates and assumptions.

### Recent Accounting Pronouncements

In January 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-01, *Income Statement—Extraordinary and Unusual Items* (Subtopic 225-20). ASU 2015-01 addresses the elimination from U.S. GAAP the concept of extraordinary items. Presently, an event or transaction is presumed to be an ordinary and usual activity of the reporting entity unless evidence clearly supports its classification as an extraordinary item. If an event or transaction meets the criteria for extraordinary classification, an entity is required to segregate the extraordinary item from the results of ordinary operations and show the item separately in the income statement, net of tax, after income from continuing operations. This amended guidance will prohibit separate disclosure of extraordinary items in the income statement. This amendment is effective for years, and interim periods within those years, beginning after December 15, 2015. Entities may apply the amendment prospectively or retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is applied from the beginning of the year of adoption. The adoption of this ASU is not expected to have a material impact on the Company's financial statements.

---

### [Table of Contents](#)

In April 2015, the FASB issued ASU 2015-03, *Interest—Imputation of Interest* (Subtopic 835-30), *Simplifying the Presentation of Debt Issuance Costs*, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. For public business entities, the ASU is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Entities should apply the new guidance on a retrospective basis, wherein the balance sheet of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. Upon transition, entities are required to comply with the applicable disclosures for a change in an accounting principle. The adoption of this ASU is not expected to have a material impact on the Company's financial statements.

### Note 2.—Acquisition of CashCall Mortgage

On January 6, 2015, the Company entered into an Asset Purchase Agreement (the Asset Purchase Agreement) with CashCall pursuant to which the Company agreed to purchase certain assets of CashCall's residential mortgage operations. Upon closing, which occurred on March 31, 2015, CashCall's mortgage operations began to operate as a separate division of IMC under the name CashCall Mortgage (CCM).

Pursuant to the Asset Purchase Agreement, and subject to the terms and conditions contained therein, the purchase price consists of a fixed component and a contingent component. The fixed component includes (i) the aggregate payment of \$10 million in cash, payable in installments through January 2016 and (ii) 494,017 newly issued unregistered shares of the Company. The contingent component consists of a three year earn-out provision beginning on the effective date (January 2, 2015) of 100% of pre-tax net earnings of CCM for January and February of 2015, 65% of the pre-tax net earnings for the next 10 months of 2015, 55% of pre-tax net earnings for the second year and 45% of pre-tax net earnings for the third year.

If, during the four years following January 2, 2015, the Company sells all or substantially all of its assets or the assets of CCM, the division of IMC, or a person acquires 50% or more of the securities of the Company or IMC, then the Company will pay, subject to adjustment, CashCall 15% of the enterprise value (as defined in the Asset Purchase Agreement) in excess of \$200 million plus an additional 5% of the enterprise value in excess of \$500 million (Business Appreciation Rights).

During the first quarter of 2015, consideration paid to CashCall, Inc. included \$5.0 million cash and 494,017 shares of common stock of the Company valued at \$6.2 million, pursuant to the fixed component of the Asset Purchase Agreement. The transaction closed on March 31, 2015 upon meeting all closing conditions. The shares were issued April 1, 2015.

The table below presents the preliminary purchase price allocation of the estimated acquisition date fair values of assets acquired and the liabilities assumed as of March 31, 2015.

<b>Consideration paid:</b>	
Cash	\$ 5,000
IMH common stock	6,150
Deferred payments	5,000
Contingent consideration (1)	124,592
	<u>\$ 140,742</u>
<b>Assets acquired:</b>	
Trademark	\$ 17,251
Customer list	10,170
Non-compete agreement	5,701
Fixed assets and software	3,034
Total assets acquired	<u>36,156</u>
<b>Liabilities assumed:</b>	
Total liabilities assumed	<u>—</u>
<b>Total assets</b>	<u>\$ 36,156</u>
<b>Goodwill</b>	<u>\$ 104,586</u>

(1) Included within the contingent consideration is \$1.4 million of Business Appreciation Rights, as defined above.

## [Table of Contents](#)

The CCM acquisition was accounted for under the acquisition method of accounting pursuant to FASB Accounting Standards Codification (ASC) 805, *Business Combinations*. The assets and liabilities, both tangible and intangible, were recorded at their fair values as of the acquisition date. The Company made significant estimates and exercised significant judgment in estimating fair values of the acquired assets and assumed liabilities. The fair value of all assets acquired and liabilities assumed are preliminary and based on information that was available as of the acquisition date. The Company is currently completing the final determination of any required purchase price accounting adjustments which will be made upon the completion of all fair value assessments. Any adjustments to the purchase price allocations are made as soon as practicable but no later than one year from the acquisition date. The application of the acquisition method of accounting resulted in tax deductible goodwill of \$104.6 million. The acquisition closed on March 31, 2015, however, the effective date of the transaction was January 2, 2015. From the effective date to the date of the close, IMC was entitled to and recognized the net earnings of the loans originated by CCM. Acquisition related costs of \$0.3 million were expensed as incurred. The expenses were comprised primarily of legal and professional fees.

### **Unaudited Pro Forma Results of Operations**

The following table presents unaudited pro forma results of operations for the periods presented as if the CCM acquisition had been completed on January 1, 2014. The unaudited pro forma results of operations include the historical accounts of the Company and CCM and pro forma adjustments, including the amortization of intangibles with definite lives, depreciation of fixed assets, accretion of discount on contingent consideration and elimination of commissions and loan due diligence costs of IMC. The unaudited pro forma information is intended for informational purposes only and is not necessarily indicative of the future operating results or operating results that would have occurred had the CCM acquisition been completed at the beginning of 2014. No assumptions have been applied to the pro forma results of operations regarding possible revenue enhancements, expense efficiencies or asset dispositions.

	<b>For the Three Months Ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
Revenues	\$ 52,743	\$ 19,412
Other (expense) income	(6,724)	2,360
Expenses	(40,831)	(32,607)
Pretax net earnings (loss)	<u>\$ 5,188</u>	<u>\$ (10,835)</u>

Revenues of \$45.7 million, other income (expense) of \$210 thousand and expenses from operations of \$18.6 million related to CCM's acquisition in the first quarter of 2015 were included in gain on sale of loans, net in the consolidated statements of operations.

### **Note 3.—Mortgage Loans Held-for-Sale**

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

	March 31, 2015	December 31, 2014
Government (1)	\$ 179,619	\$ 156,385
Conventional (2)	320,188	72,553
Other (3)	10,415	—
Fair value adjustment	21,364	10,453
Total mortgage loans held-for-sale	<u>\$ 531,586</u>	<u>\$ 239,391</u>

- (1) Includes all government-insured loans including Federal Housing Administration (FHA), Veterans Affairs (VA) and United States Department of Agriculture (USDA).
- (2) Includes loans eligible for sale to Fannie Mae and Freddie Mac.
- (3) Includes ALT-QM and Jumbo loans.

7

[Table of Contents](#)

Gain on mortgage loans held-for-sale (LHFS) is comprised of the following for the three months ended March 31, 2015 and 2014:

	For the Three Months Ended March 31,	
	2015	2014
Gain on sale of mortgage loans	\$ 54,992	\$ 13,798
Premium from servicing retained loan sales	22,371	3,763
Unrealized gains (losses) from derivative financial instruments	7,868	(338)
Realized losses from derivative financial instruments	(3,162)	(2,171)
Mark to market gain on LHFS	10,911	539
Direct origination expenses, net	(54,711)	(10,759)
Provision for repurchases	(871)	(259)
Total gain on sale of loans, net	<u>\$ 37,398</u>	<u>\$ 4,573</u>

**Note 4.—Mortgage Servicing Rights**

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

The following table summarizes the activity of MSRs for the periods presented:

	March 31, 2015	December 31, 2014
Balance at beginning of period	\$ 24,418	\$ 35,981
Additions from servicing retained loan sales	22,371	29,388
Reductions from bulk sales	(17,039)	(27,276)
Reduction from sale of AmeriHome	—	(7,446)
Changes in fair value (1)	(3,094)	(6,229)
Fair value of MSRs at end of period	<u>\$ 26,656</u>	<u>\$ 24,418</u>

- (1) Changes in fair value are included within loss on mortgage servicing rights in the consolidated statements of operations.

At March 31, 2015 and December 31, 2014, the outstanding principal balance of the mortgage servicing portfolio was comprised of the following:

	March 31, 2015	December 31, 2014
Government insured	\$ 276,041	\$ 926,502
Conventional	2,287,649	1,333,853
Alt-QM	13,425	6,731
Total loans serviced	<u>\$ 2,577,115</u>	<u>\$ 2,267,086</u>

8

[Table of Contents](#)

The table below illustrates hypothetical changes in fair values of MSRs, caused by assumed immediate changes to key assumptions that are used to determine fair value. See Note 11.—Fair Value of Financial Instruments, for a description of the key assumptions used to determine the fair value of MSRs.

Mortgage Servicing Rights Sensitivity Analysis	March 31, 2015

Fair value of MSRs	\$	26,656
<b>Prepayment Speed:</b>		
Decrease in fair value from 100 basis point (bp) adverse change		(981)
Decrease in fair value from 200 bp adverse change		(1,928)
<b>Discount Rate:</b>		
Decrease in fair value from 100 bp adverse change		(992)
Decrease in fair value from 200 bp adverse change		(1,915)

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

Loss on mortgage servicing rights is comprised of the following for the three months ended March 31, 2015 and 2014:

	For the Three Months Ended March 31,	
	2015	2014
Loss on sale of mortgage servicing rights	\$ (3,474)	\$ (16)
Change in fair value of mortgage servicing rights	(3,094)	(961)
Loss on mortgage servicing rights	<u>\$ (6,568)</u>	<u>\$ (977)</u>

During the three months ended March 31, 2015, the Company sold \$1.6 billion in UPB of servicing at a loss of \$3.5 million. The Company also recorded a loss of \$3.1 million for the change in fair value of mortgage servicing rights retained during the three months ended March 31, 2015.

#### Note 5.—Goodwill and Intangible assets

Goodwill arises from the acquisition method of accounting for business combinations and represents the excess of the purchase price over the fair value of the net assets and other identifiable intangible assets acquired. Other intangible assets with definite lives include trademarks, customer relationships, and non-compete agreements. In the first quarter of 2015, the Company acquired CCM and recorded \$104.6 million of goodwill and intangible assets including a \$17.3 million trademark, \$10.2 million customer relationships and \$5.7 million non-compete agreement.

Goodwill, trademarks and other intangible assets are tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. The carrying value of these intangible assets could be impaired if a significant adverse change in the use, life, or brand strategy of the asset is determined, or if a significant adverse change in the legal and regulatory environment, business or competitive climate occurs that would adversely impact the asset.

Goodwill and other intangible assets deemed to have indefinite lives generated from purchase business combinations are not subject to amortization but are instead tested for impairment no less than annually. Impairment exists when the carrying value of goodwill exceeds its implied fair value. An impairment loss, if any, is measured as the excess of carrying value of the goodwill over the implied fair value of the goodwill and would be recorded in other expense in the consolidated statements of operations, except if the impairment occurs during the first year after the completion of the acquisition, in which event the impairment of goodwill would be an adjustment to the purchase price. Intangible assets with definite lives are amortized over their estimated lives using an amortization method that reflects the pattern in which the economic benefits of the asset are consumed.

#### [Table of Contents](#)

For goodwill, the determination of fair value of a reporting unit involves, among other things, application of the income approach, which includes developing forecasts of future cash flows and determining an appropriate discount rate. Goodwill is considered a level 3 nonrecurring fair value measurement.

The methodology used to determine the fair value of trademarks includes assumptions with inherent uncertainty, including projected sales volumes and related projected revenues, long-term growth rates, royalty rates that a market participant might assume and judgments regarding the factors to develop an applied discount rate. The carrying value of intangible assets is at risk of impairment if future projected revenues or long-term growth rates are lower than those currently projected, or if factors used in the development of a discount rate result in the application of a higher discount rate. The intangible assets are considered level 3 nonrecurring fair value measurements.

The following table presents the changes in the carrying amount of goodwill for the period indicated:

<b>Balance at December 31, 2014</b>	\$	352
Addition from CCM acquisition		104,586
<b>Balance at March 31, 2015</b>	<u>\$</u>	<u>104,938</u>

As part of the acquisition of CCM, the preliminary purchase price of the intangible assets the Company acquired are listed below:

	Net Carrying Amount	Weighted Avg. Remaining Life
<b>Intangible assets:</b>		
Trademark	\$ 17,251	15
Customer relationships	10,170	7
Non-compete agreement	5,701	4
Total intangible assets acquired	<u>\$ 33,122</u>	

#### Note 6.—Warehouse Borrowings



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

At March 31, 2015, the Company was not in compliance with certain financial covenants and received waivers.

The following table presents certain information on warehouse borrowings and related accrued interest for the periods indicated:

	Maximum Borrowing Capacity	Balance Outstanding At	
		March 31, 2015	December 31, 2014
<b>Short-term borrowings:</b>			
Repurchase agreement 1	\$ 125,000	\$ 98,897	\$ 64,907
Repurchase agreement 2	50,000	48,566	30,523
Repurchase agreement 3 (1)	75,000	73,515	24,012
Repurchase agreement 4 (2)	225,000	179,925	107,276
Repurchase agreement 5	150,000	78,725	—
Total repurchase agreements	625,000	479,628	226,718
Other warehouse borrowings (3)	—	72,865	—
Total warehouse borrowings	\$ 625,000	\$ 552,493	\$ 226,718

(1) This line expired in April, 2015 and the Company replaced it with a \$100.0 million facility, see Note. 19 - Subsequent Events.

(2) As of March 31, 2015, \$53.3 million is attributable to re-warehousing.

(3) Other warehouse borrowings are borrowings from CashCall as a result of loans funded on CashCall's warehouse lines, but not yet transferred to the Company's lines as of March 31, 2015.

[Table of Contents](#)

**Note 7.—Convertible Notes**

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

**Note 8.—Line of Credit Agreement**

As of March 31, 2015 and December 31, 2014, the Company had a \$4.0 million working capital line of credit agreement with a national bank that bears interest at a variable rate of one-month LIBOR plus 3.50%. The line of credit is unsecured and expires June 2015. Under the terms of the agreement the Company and its subsidiaries are required to maintain various financial and other covenants. The working capital line of credit is included in other liabilities in the accompanying consolidated balance sheets. At March 31, 2015 and December 31, 2014, the outstanding balance under the line of credit was \$4.0 million and \$4.0 million, respectively, and is included in other liabilities on the consolidated balance sheets. At March 31, 2015, the Company was not in compliance with certain covenants and received a waiver.

**Note 9.—Short-Term Structured Debt**

In December 2014, the Company entered into a \$6.0 million short-term structured debt agreement using eight of the Company's residual interests (net trust assets) as collateral. The Company received proceeds of \$6.0 million and had transaction costs of approximately \$60 thousand. The agreement bears interest at LIBOR + 5.75% per annum, has a final repurchase date of June 29, 2015 and the Company has the right to repurchase the securities without penalty prior to the final repurchase date. The balance as of March 31, 2015 was \$4.2 million.

The holder receives monthly principal and interest payments which are equal to the distributions from the residual interest underlying collateral with a minimum payment of \$500,000. If the cash flows received from the collateralized residual interests are less than \$500,000, the Company would be required to pay the difference to avoid the transfer of the residual interests and the rights to the associated future cash flows to the note holder.

**Note 10.—Securitized Mortgage Trusts**

*Trust Assets*

Trust assets, which are recorded at fair value, are comprised of the following at March 31, 2015 and December 31, 2014:

	March 31, 2015	December 31, 2014
Securitized mortgage collateral	\$ 5,110,983	\$ 5,249,639
Real estate owned	19,122	18,800
Investment securities available-for-sale	88	92
Total securitized mortgage trust assets	\$ 5,130,193	\$ 5,268,531

*Trust Liabilities*

Trust liabilities, which are recorded at fair value, are comprised of the following at March 31, 2015 and December 31, 2014:

	March 31, 2015	December 31, 2014
Securitized mortgage borrowings	\$ 5,109,133	\$ 5,245,860
Derivative liabilities	4,499	5,447
Total securitized mortgage trust liabilities	<u>\$ 5,113,632</u>	<u>\$ 5,251,307</u>

11

[Table of Contents](#)

Changes in fair value of net trust assets, including trust REO gains (losses) are comprised of the following for the three months ended March 31, 2015 and 2014:

	For the Three Months Ended March 31,	
	2015	2014
Change in fair value of net trust assets, excluding REO	\$ 1,794	\$ (3,043)
(Losses) gains from REO	(2,670)	6,081
Change in fair value of net trust assets, including trust REO (losses) gains	<u>\$ (876)</u>	<u>\$ 3,038</u>

**Note 11.—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.

The following table presents the estimated fair value of financial instruments included in the consolidated financial statements as of the dates indicated:

	March 31, 2015				December 31, 2014			
	Carrying Amount	Estimated Fair Value			Carrying Amount	Estimated Fair Value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
<b>Assets</b>								
Cash and cash equivalents	\$ 5,635	\$ 5,635	\$ —	\$ —	\$ 10,073	\$ 10,073	\$ —	\$ —
Restricted cash	4,932	4,932	—	—	2,420	2,420	—	—
Mortgage loans held-for-sale	531,586	—	531,586	—	239,391	—	239,391	—
Finance receivables	53,340	—	53,340	—	8,358	—	8,358	—
Mortgage servicing rights	26,656	—	—	26,656	24,418	—	—	24,418
Derivative assets, lending, net	12,769	—	—	12,769	2,884	—	—	2,884
Investment securities available-for-sale	88	—	—	88	92	—	—	92
Securitized mortgage collateral	5,110,983	—	—	5,110,983	5,249,639	—	—	5,249,639
Warrant	91	—	—	91	84	—	—	84
<b>Liabilities</b>								
Warehouse borrowings	\$ 552,493	\$ —	\$ 552,493	\$ —	\$ 226,718	\$ —	\$ 226,718	\$ —
Short-term structured debt	4,156	—	—	4,156	6,000	—	—	6,000
Line of credit	4,000	—	4,000	—	4,000	—	4,000	—
Contingent consideration	124,592	—	—	124,592	—	—	—	—
Convertible notes	20,000	—	—	20,000	20,000	—	—	20,000
Long-term debt	29,646	—	—	29,646	22,122	—	—	22,122
Securitized mortgage borrowings	5,109,133	—	—	5,109,133	5,245,860	—	—	5,245,860
Derivative liabilities, securitized trusts	4,499	—	—	4,499	5,447	—	—	5,447
Derivative liabilities, lending, net	2,948	—	2,948	—	930	—	930	—

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

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

12

[Table of Contents](#)

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, warrant, securitized mortgage collateral and borrowings, derivative assets and liabilities, contingent consideration, long-term debt, mortgage servicing rights and mortgage loans held-for-sale.

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

Finance receivables carrying amounts approximate fair value due to the short-term nature of the assets and do not present unanticipated interest rate or credit concerns.

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

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

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

### 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 is 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, securitized trusts, long-term debt, interest rate lock commitments (IRLCs), mortgage servicing rights, warrant and contingent consideration as Level 3 fair value measurements. Level 3 assets and liabilities were 91% and 99% and 96% and 99%, respectively, of total assets and total liabilities measured at estimated fair value at March 31, 2015 and December 31, 2014.

### Recurring Fair Value Measurements

The Company assesses the 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 three months ended March 31, 2015.

### [Table of Contents](#)

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 March 31, 2015 and December 31, 2014, based on the fair value hierarchy:

	Recurring Fair Value Measurements					
	March 31, 2015			December 31, 2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Assets</b>						
Investment securities available-for-sale	\$ —	\$ —	\$ 88	\$ —	\$ —	\$ 92
Mortgage loans held-for-sale	—	531,586	—	—	239,391	—
Derivative assets, lending, net (1)	—	—	12,769	—	—	2,884
Mortgage servicing rights	—	—	26,656	—	—	24,418
Warrant (2)	—	—	91	—	—	84
Securitized mortgage collateral	—	—	5,110,983	—	—	5,249,639
Total assets at fair value	\$ —	\$ 531,586	\$ 5,150,587	\$ —	\$ 239,391	\$ 5,277,117
<b>Liabilities</b>						
Securitized mortgage borrowings	\$ —	\$ —	\$ 5,109,133	\$ —	\$ —	\$ 5,245,860
Derivative liabilities, securitized trusts (3)	—	—	4,499	—	—	5,447
Long-term debt	—	—	29,646	—	—	22,122
Contingent consideration	—	—	124,592	—	—	—
Derivative liabilities, lending, net (4)	—	2,948	—	—	930	—
Total liabilities at fair value	\$ —	\$ 2,948	\$ 5,267,870	\$ —	\$ 930	\$ 5,273,429

- (1) At March 31, 2015, derivative assets, lending, net included \$12.8 million in IRLCs associated with the Company's mortgage lending operations, and is included in other assets in the accompanying consolidated balance sheets. At December 31, 2014, derivative assets, lending, net included \$3.0 million in IRLCs associated with the Company's mortgage lending operations, and is included in other assets in the accompanying consolidated balance sheets.
- (2) Included in other assets in the accompanying consolidated balance sheets.
- (3) At March 31, 2015 and December 31, 2014, derivative liabilities, securitized trusts, are included within trust liabilities in the accompanying consolidated balance sheets.
- (4) At March 31, 2015 and December 31, 2014, derivative liabilities, lending, net are included in other liabilities in the accompanying consolidated balance sheets.

The following tables present reconciliations for all assets and liabilities measured at estimated fair value on a recurring basis using significant unobservable inputs (Level 3) for the three months ended March 31, 2015 and 2014:

Level 3 Recurring Fair Value Measurements									
For the three months ended March 31, 2015									
	Investment securities available-for-sale	Securitized mortgage collateral	Securitized mortgage borrowings	Derivative liabilities, net, securitized trusts	Mortgage servicing rights	Interest rate lock commitments, net	Long-term debt	Contingent consideration	Warrant
Fair value, December 31, 2014	\$ 92	\$ 5,249,639	\$ (5,245,860)	\$ (5,447)	\$ 24,418	\$ 2,884	\$ (22,122)	\$ —	\$ 84
Total gains (losses) included in earnings:									
Interest income (1)	4	17,718	—	—	—	—	—	—	—
Interest expense (1)	—	—	(56,366)	—	—	—	(408)	—	—
Change in fair value	34	(1,854)	3,855	(241)	(3,094)	9,885	(7,116)	—	7
Total gains (losses) included in earnings	38	15,864	(52,511)	(241)	(3,094)	9,885	(7,524)	—	7
Transfers in and/or out of Level 3	—	—	—	—	—	—	—	—	—
Purchases, issuances and settlements									
Purchases	—	—	—	—	—	—	—	—	—
Issuances	—	—	—	—	22,371	—	—	(124,592)	—
Settlements	(42)	(154,520)	189,238	1,189	(17,039)	—	—	—	—
Fair value, March 31, 2015	\$ 88	\$ 5,110,983	\$ (5,109,133)	\$ (4,499)	\$ 26,656	\$ 12,769	\$ (29,646)	\$ (124,592)	\$ 91
Unrealized gains (losses) still held (2)	\$ 88	\$ (1,261,569)	\$ 3,399,502	\$ (4,164)	\$ 26,656	\$ 12,769	\$ 41,117	\$ (124,592)	\$ 91

- (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 net interest income, including cash received and paid, was \$2.2 million for the three months ended March 31, 2015. The difference between accretion of interest income and expense and the amounts of interest income and expense recognized in the consolidated statements of operations is primarily from contractual interest on the securitized mortgage collateral and borrowings.
- (2) Represents the amount of unrealized gains (losses) relating to assets and liabilities classified as Level 3 that are still held and reflected in the fair values at March 31, 2015.

14

## Table of Contents

Level 3 Recurring Fair Value Measurements								
For the three months ended March 31, 2014								
	Investment securities available-for-sale	Securitized mortgage collateral	Securitized mortgage borrowings	Derivative liabilities, net, securitized trusts	Mortgage servicing rights	Interest rate lock commitments, net	Long-term debt	
Fair value, December 31, 2013	\$ 108	\$ 5,494,152	\$ (5,492,371)	\$ (10,214)	\$ 35,981	\$ 913	\$ (15,871)	
Total gains (losses) included in earnings:								
Interest income (1)	7	9,815	—	—	—	—	—	
Interest expense (1)	—	—	(58,174)	—	—	—	(714)	
Change in fair value	—	109,886	(112,768)	(161)	(961)	513	(650)	
Total gains (losses) included in earnings	7	119,701	(170,942)	(161)	(961)	513	(1,364)	
Transfers in and/or out of Level 3	—	—	—	—	—	—	—	
Purchases, issuances and settlements								
Purchases	—	—	—	—	3,763	—	—	
Issuances	—	—	—	—	—	—	—	
Settlements	(11)	(153,337)	202,255	1,230	(13,704)	(11)	—	
Fair value, March 31, 2014	\$ 104	\$ 5,460,516	\$ (5,461,058)	\$ (9,145)	\$ 25,079	\$ 1,415	\$ (17,235)	
Unrealized gains (losses) still held (2)	\$ 72	\$ (1,726,236)	\$ 3,879,070	\$ (8,610)	\$ 25,079	\$ 1,415	\$ 53,528	

- (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 net interest income, including cash received and paid, was \$1.0 million for the three months ended March 31, 2014. The difference between accretion of interest income and expense and the amounts of interest income and expense recognized in the consolidated statements of operations is primarily from contractual interest on the securitized mortgage collateral and borrowings.
- (2) Represents the amount of unrealized gains (losses) relating to assets and liabilities classified as Level 3 that are still held and reflected in the fair values at March 31, 2014.

The following table presents quantitative information about the valuation techniques and unobservable inputs applied to Level 3 fair value measurements for financial instruments measured at fair value on a recurring and non-recurring basis at March 31, 2015:

Financial Instrument	Estimated Fair Value	Valuation Technique	Unobservable Input	Range of Inputs	Weighted Average
<b>Assets and liabilities backed by real estate</b>					
Investment securities available-for-sale,	\$ 88	DCF	Discount rates	3.2 - 25.0%	4.9%
Securitized mortgage collateral, and	5,110,983		Prepayment rates	1.1 - 35.1%	5.5%
Securitized mortgage borrowings	(5,109,133)		Default rates	0.7 - 11.8%	2.9%
			Loss severities	1.5 - 62.0%	38.4%
<b>Other assets and liabilities</b>					
Mortgage servicing rights	\$ 26,656	DCF	Discount rate	9.1 - 11.9%	9.2%
			Prepayment rates	10.4 - 44.4%	10.7%
Derivative liabilities, net, securitized trusts	(4,499)	DCF	1M forward LIBOR	0.2 - 2.7%	N/A
Derivative assets - IRLCs, net	12,769	Market pricing	Pull-through rate	42.0 - 99.0%	80.0%
Long-term debt	(29,646)	DCF	Discount rate	15.0%	15.0%
Lease liability	(1,413)	DCF	Discount rate	12.0%	12.0%
Contingent consideration	(124,592)	DCF	Discount rate	15.0%	15.0%
			Probability of outcomes (1)	10.0 - 45.0%	30.4%

DCF = Discounted Cash Flow

1M = 1 Month

(1) Probability of outcomes is the probability of projected CCM earnings over the earn-out period based upon three scenarios (base, low and high).

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

[Table of Contents](#)

The following tables present the changes in recurring fair value measurements included in net earnings (loss) for the three months ended March 31, 2015 and 2014:

	Recurring Fair Value Measurements							Total
	Change in Fair Value Included in Net Earnings							
	For the three months ended March 31, 2015							
	Change in Fair Value of							
	Interest Income (1)	Interest Expense (1)	Net Trust Assets	Long-term Debt	Other Revenue	Gain on sale of loans, net		
Investment securities available-for-sale	\$ 4	\$ —	\$ 34	\$ —	\$ —	\$ —	\$ 38	
Securitized mortgage collateral	17,718	—	(1,854)	—	—	—	15,864	
Securitized mortgage borrowings	—	(56,366)	3,855	—	—	—	(52,511)	
Derivative liabilities, net, securitized trusts	—	—	(241)(2)	—	—	—	(241)	
Long-term debt	—	(408)	—	(7,116)	—	—	(7,524)	
Mortgage servicing rights (3)	—	—	—	—	(3,094)	—	(3,094)	
Warrant	—	—	—	—	7	—	7	
Contingent consideration	—	—	—	—	—	—	—	
Mortgage loans held-for-sale	—	—	—	—	—	10,911	10,911	
Derivative assets - IRLCs	—	—	—	—	—	9,885	9,885	
Derivative liabilities - Hedging Instruments	—	—	—	—	—	(2,017)	(2,017)	
<b>Total</b>	<b>\$ 17,722</b>	<b>\$ (56,774)</b>	<b>\$ 1,794</b>	<b>\$ (7,116)</b>	<b>\$ (3,087)</b>	<b>\$ 18,779</b>	<b>\$ (28,682)</b>	

- (1) Amounts primarily represent accretion to recognize interest income and interest expense using effective yields based on estimated fair values for trust assets and trust liabilities.  
(2) Included in this amount is \$898 thousand in changes in the fair value of derivative instruments, offset by \$1.1 million in cash payments from the securitization trusts for the three months ended March 31, 2015.  
(3) Included in loss on mortgage servicing rights in the consolidated statements of operations.

	Recurring Fair Value Measurements							Total
	Change in Fair Value Included in Net Loss							
	For the three months ended March 31, 2014							
	Change in Fair Value of							
	Interest Income (1)	Interest Expense (1)	Net Trust Assets	Long-term Debt	Other Revenue	Gain on sale of loans, net		
Investment securities available-for-sale	\$ 7	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 7	
Securitized mortgage collateral	9,815	—	109,886	—	—	—	119,701	
Securitized mortgage borrowings	—	(58,174)	(112,768)	—	—	—	(170,942)	
Derivative liabilities, net, securitized trusts	—	—	(161)(2)	—	—	—	(161)	
Long-term debt	—	(714)	—	(650)	—	—	(1,364)	
Mortgage servicing rights (3)	—	—	—	—	(961)	—	(961)	
Mortgage loans held-for-sale	—	—	—	—	—	539	539	
Derivative assets - IRLCs	—	—	—	—	—	513	513	
Derivative liabilities - Hedging Instruments	—	—	—	—	—	(851)	(851)	
<b>Total</b>	<b>\$ 9,822</b>	<b>\$ (58,888)</b>	<b>\$ (3,043)</b>	<b>\$ (650)</b>	<b>\$ (961)</b>	<b>\$ 201</b>	<b>\$ (53,519)</b>	

- (1) Amounts primarily represent accretion to recognize interest income and interest expense using effective yields based on estimated fair values for trust assets and trust liabilities.  
(2) Included in this amount is \$1.0 million in change in the fair value of derivative instruments, offset by \$1.2 million in cash payments from the securitization trusts for the three months ended March 31, 2015.  
(3) Included in loss on mortgage servicing rights in the consolidated statements of operations.

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

**Investment securities available-for-sale**—Investment securities available-for-sale are carried at fair value. The investment securities consist primarily of non-investment grade mortgage-backed securities. The fair value of the investment securities is measured based upon the Company's expectation of inputs that other market participants would use. Such assumptions include judgments about the underlying collateral, prepayment speeds, future credit losses, forward interest rates and certain other factors. Given the lack of observable market data as of March 31, 2015 and December 31, 2014 relating to these securities, the estimated fair value of the investment securities available-for-sale was measured using significant internal expectations of market participants' assumptions. Investment securities available-for-sale is considered a Level 3 measurement at March 31, 2015.

[Table of Contents](#)

**Mortgage servicing rights**—The Company elected to carry its entire mortgage servicing rights arising from its mortgage loan origination operation at estimated fair value. The fair value of mortgage servicing rights is based upon market prices for similar instruments and a discounted cash flow model. The valuation model incorporates assumptions that market participants would use in estimating the fair value of servicing. These assumptions include estimates of prepayment speeds, discount rate, cost to service, escrow account earnings, contractual servicing fee income, prepayment and late fees, among other considerations. Mortgage servicing rights are considered a Level 3 measurement at March 31, 2015.

**Mortgage loans held-for-sale**—The Company elected to carry its mortgage loans held-for-sale originated or acquired at estimated fair value. Fair value is based on quoted market prices, where available, prices for other traded mortgage loans with similar characteristics, and purchase commitments and bid information received from market participants. Given the meaningful level of secondary market activity for mortgage loans, active pricing is available for similar assets and accordingly, the Company classifies its mortgage loans held-for-sale as a Level 2 measurement at March 31, 2015.

**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 March 31, 2015, securitized mortgage collateral had UPB of \$6.4 billion, compared to an estimated fair value on the Company's balance sheet of \$5.1 billion. The aggregate UPB exceeds the fair value by \$1.3 billion at March 31, 2015. As of March 31, 2015, the UPB of loans 90 days or more past due was \$1.0 billion compared to an estimated fair value of \$0.4 billion. The aggregate UPB of loans 90 days or more past due exceed the fair value by \$0.6 billion at March 31, 2015. Securitized mortgage collateral is considered a Level 3 measurement at March 31, 2015.

**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 March 31, 2015, securitized mortgage borrowings had an outstanding principal balance of \$6.3 billion, net of \$2.2 billion in bond losses, compared to an estimated fair value of \$5.1 billion. The aggregate outstanding principal balance exceeds the fair value by \$1.2 billion at March 31, 2015. Securitized mortgage borrowings are considered a Level 3 measurement at March 31, 2015.

**Contingent consideration**—Contingent consideration is estimated and recorded at fair value at the acquisition date as part of purchase price consideration. Additionally, each reporting period, the Company estimates the change in fair value of the contingent consideration and any change in fair value is recognized in the Company’s consolidated statements of operations if it’s determined to not be a measurement period adjustment. The estimate of the fair value of contingent consideration requires significant judgment and assumptions to be made about future operating results, discount rates and probabilities of various projected operating result scenarios. Future revisions to these assumptions could materially change the estimated fair value of contingent consideration and materially affect the Company’s financial results. Contingent consideration is considered a Level 3 measurement at March 31, 2015.

**Long-term debt**—The Company elected to carry all of its long-term debt (consisting of trust preferred securities and junior subordinated notes) at fair value. These securities are measured based upon an analysis prepared by management, which considered the Company’s own credit risk, including settlements with trust preferred debt holders and discounted cash flow analysis. As of March 31, 2015, long-term debt had UPB of \$70.5 million compared to an estimated fair value of \$29.6 million. The aggregate UPB exceeds the fair value by \$40.9 million at March 31, 2015. The long-term debt is considered a Level 3 measurement at March 31, 2015.

**Derivative assets and liabilities, Securitized trusts**—For non-exchange traded contracts, fair value is based on the amounts that would be required to settle the positions with the related counterparties as of the valuation date. Valuations of derivative assets and liabilities are based on observable market inputs, if available. To the extent observable market inputs are not available, fair values measurements include the Company’s judgments about future cash flows, forward interest rates and certain other factors, including counterparty risk. Additionally, these values also take into account the Company’s own credit standing, to the extent applicable; thus, the valuation of the derivative instrument includes the estimated value of the net credit differential between the counterparties to the derivative contract. As of March 31, 2015, the notional balance of derivative assets and liabilities, securitized trusts was \$88.3 million. These derivatives are included in the consolidated securitization trusts, which are nonrecourse to the Company, and thus the economic risk from these derivatives is limited to the Company’s residual interests in the securitization trusts. Derivative assets and liabilities, securitized trusts are considered a Level 3 measurement at March 31, 2015.

**Derivative assets and liabilities, Lending**—The Company’s derivative assets and liabilities are carried at fair value as required by GAAP and are accounted for as free standing derivatives. IRLCs and hedging instruments can be either assets or liabilities depending on interest rate fluctuations subsequent to entering into the commitments. IRLCs are entered into with prospective

[Table of Contents](#)

residential mortgage borrowers whereby the interest rate on the loan is determined prior to funding and the borrowers have locked in that interest rate. These commitments are determined to be derivative instruments in accordance with GAAP. Hedging instruments (typically TBA MBS) are used to hedge the fair value changes associated with changes in interest rates relating to its mortgage lending operations. The Company hedges the period from the interest rate lock (assuming a fall-out factor) to the date the loan is committed for sale. The estimated fair value of IRLCs are based on underlying loan types with similar characteristics using the TBA MBS market, which is actively quoted and easily validated through external sources. The data inputs used in this valuation include, but are not limited to, loan type, underlying loan amount, note rate, loan program, and expected sale date of the loan, adjusted for current market conditions. These valuations are adjusted at the loan level to consider the servicing release premium and loan pricing adjustments specific to each loan. For all IRLCs, the base value is then adjusted for the anticipated Pull-through Rate. The anticipated Pull-through Rate is an unobservable input based on historical experience, which results in classification of IRLCs as a Level 3 measurement at March 31, 2015.

The fair value of the hedging instruments is based on the actively quoted TBA MBS market using observable inputs related to characteristics of the underlying MBS stratified by product, coupon and settlement date. Therefore, the hedging instruments are classified as a Level 2 measurement at March 31, 2015.

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

	Notional Amount		Total Gains (Losses) (1)	
	March 31, 2015	March 31, 2014	For the three months ended March 31, 2015	2014
Derivative - IRLC’s	\$ 805,743	\$ 136,887	\$ 9,885	\$ 513
Derivative - TBA MBS	759,306	186,721	(5,179)	(3,022)

(1) Amounts included in gain on sale of loans, net within the accompanying consolidated statements of operations.

**Warrant**— Upon entering an arrangement to facilitate the Company’s ability to offer Non-QM mortgage products, a warrant to purchase up to 9.9% of Impac Mortgage Corp. was issued. The warrant can only be exercised if the Company chooses not to continue with the agreement to facilitate Non-QM mortgage products and has a 60 day expiration window after the termination of the agreement. The exercise price of the warrant is an agreed upon multiple times the book value of the subsidiary Impac Mortgage Corp. at the time of exercise plus up to an additional 0.2 times the book value at the exercise date based off of the net income of Impac Mortgage Corp. for the following 12 months. Additionally, if upon exercise of the warrant, the Company does not receive regulatory approval for the sale of the 9.9% as a result of actions of the Company, the Company will have to pay the holder of the warrant a redemption price, equal to the value of the warrant, in cash within 30 days. The estimated fair value of the warrant was based on a model incorporating various assumptions including expected future book value of Impac Mortgage Corp., the probability of the warrant being exercised, volatility, expected term and certain other factors. Warrant is considered a Level 3 measurement at March 31, 2015.

**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 March 31, 2015 and 2014, respectively:

	Nonrecurring Fair Value Measurements			Total Gains (Losses) (1) For the Three Months Ended March 31, 2015
	March 31, 2015			
	Level 1	Level 2	Level 3	
REO (2)	\$ —	\$ 14,884	\$ —	\$ (2,670)
Lease liability (3)	—	—	(1,413)	(23)
Deferred charge (4)	—	—	11,212	(309)

- (1) Total gains (losses) reflect gains and losses from all nonrecurring measurements during the period.
- (2) Balance represents REO at March 31, 2015 which has been impaired subsequent to foreclosure. For the three months ended March 31, 2015, the \$2.7 million loss represents additional impairment write-downs attributable to higher expected loss severities on properties held during the period which resulted in a decrease to the net realizable value (NRV).
- (3) For the three months ended March 31, 2015, the Company recorded a \$23 thousand expense, resulting from changes in lease liabilities as a result of changes in our expected minimum future lease payments.
- (4) For the three months ended March 31, 2015, the Company recorded \$309 thousand 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.

18

## [Table of Contents](#)

	Non-recurring Fair Value Measurements			Total Gains (Losses) (1) For the Three Months Ended March 31, 2014
	March 31, 2014			
	Level 1	Level 2	Level 3	
REO (2)	\$ —	\$ 4,209	\$ —	\$ 6,081
Lease liability (3)	—	—	(2,048)	(569)

- (1) Total gains (losses) reflect gains and losses from all nonrecurring measurements during the period.
- (2) Balance represents REO at March 31, 2014 which has been impaired subsequent to foreclosure. For the three months ended March 31, 2014, the \$6.1 million gain represents recovery of the net realizable value (NRV) attributable to an improvement in state specific loss severities on properties held during the period which resulted in an increase to NRV.
- (3) For the three months ended March 31, 2014, the Company recorded \$569 thousand in impairment, resulting from changes in lease liabilities as a result of changes in our expected minimum future lease payments.

*Real estate owned*—REO consists of residential real estate acquired in satisfaction of loans. Upon foreclosure, REO is adjusted to the estimated fair value of the residential real estate less estimated selling and holding costs, offset by expected contractual mortgage insurance proceeds to be received, if any. Subsequently, REO is recorded at the lower of carrying value or estimated fair value less costs to sell. REO balance representing REOs which have been impaired subsequent to foreclosure are subject to nonrecurring fair value measurement and included in the nonrecurring fair value measurements tables. Fair values of REO are generally based on observable market inputs, and considered Level 2 measurements at March 31, 2015.

*Lease liability*—In connection with the discontinuation of our non-conforming lending and commercial operations in 2007, 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. Additionally, the Company has office space that is no longer occupied by the Company and we intend to sublease it. The Company has recorded a liability representing the present value of the minimum lease payments over the remaining life of the lease, offset by the expected proceeds from sublet revenue related to this office space. This liability is based on present value techniques that incorporate the Company's judgments about estimated sublet revenue and discount rates. Therefore, this liability is considered a Level 3 measurement at March 31, 2015.

*Deferred charge*—Deferred charge represents the deferral of income tax expense on inter-company profits that resulted from the sale of mortgages from taxable subsidiaries to IMH in prior years. The Company evaluates the deferred charge for impairment quarterly using internal estimates of estimated cash flows and lives of the related mortgages retained in the securitized mortgage collateral. If the deferred charge is determined to be impaired, it is recognized as a component of income tax expense. For the three months ended March 31, 2015, the Company recorded \$309 thousand in income tax expense resulting from deferred charge impairment write-downs based on changes in estimated fair value of securitized mortgage collateral. There was no impairment of the deferred charge in the three months ended March 31, 2014. Deferred charge is considered a Level 3 measurement at March 31, 2015.

## Note 12.—Income Taxes

The Company calculates its quarterly tax provision pursuant to the guidelines in ASC 740 Income Taxes. ASC 740 requires companies to estimate the annual effective tax rate for current year ordinary income. In calculating the effective tax rate, permanent differences between financial reporting and taxable income are factored into the calculation, but temporary differences are not. The estimated annual effective tax rate represents the best estimate of the tax provision in relation to the best estimate of pre-tax ordinary income or loss. The estimated annual effective tax rate is then applied to year-to-date ordinary income or loss to calculate the year-to-date interim tax provision.

19

The following is a reconciliation of income taxes to the statutory federal corporate income tax rates for the three months ended March 31, 2015 and 2014:

	2015		2014	
	Amount	%	Amount	%
Federal rate	\$ 3,594	35.0	\$ (918)	35.0
State tax, net of federal benefit	515	5.0	(142)	5.4
Change in valuation allowance - current period	(3,702)	(36.1)	1,398	(53.2)
Change in valuation allowance - future years	(24,420)	(237.8)	—	—
Deferred charge	309	3.0	—	—
Other permanent items	—	—	4	(0.2)
Total tax (benefit) expense	\$ (23,704)	(230.9)	\$ 342	(13.0)

The Company recorded income tax (benefit) expense of (\$23.7) million and \$342 thousand for the three months ended March 31, 2015 and 2014, respectively. For the three months ended March 31, 2015, the Company recorded a benefit of \$24.4 million primarily the result of a reversal of valuation allowance partially offset by federal alternative minimum tax (AMT), amortization of the deferred charge and state income taxes from states where the Company does not have net operating loss carryforwards or state minimum taxes, including AMT. 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 prior to 2008. The deferred charge is amortized and/or impaired, which does not result in any tax liability to be paid. 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 statements of operations. For the three months ended March 31, 2014, the Company recorded an expense of \$0.3 million primarily related to federal and state AMT associated with taxable income generated from the sale of AmeriHome and mortgage servicing rights.

Deferred tax assets are recognized subject to management's judgment that realization is "more likely than not". A valuation allowance is recognized for a deferred tax asset if, based on the weight of the available evidence, it is more likely than not that some portion of the deferred tax asset will not be realized. In making such judgments, significant weight is given to evidence that can be objectively verified. As of each reporting date, the Company considers new evidence, both positive and negative, that could impact management's view with regard to future realization of deferred tax assets. Significant judgment is required in assessing future earnings trends and the timing of reversals of temporary differences. The Company's evaluation is based on current tax laws as well as management's expectation of future performance.

The Company's deferred tax assets are primarily the result of net operating losses and other fair value write downs of financial assets and liabilities. As of December 31, 2014, the Company had net deferred tax assets of approximately \$163.2 million which the Company recorded a full valuation allowance against. During the first quarter of 2015, with the aforementioned acquisition of CCM, the Company significantly expanded its mortgage lending operations and profitability. As of March 31, 2015, in part because of the earnings of CCM during the first quarter of 2015, current year projected earnings, future projected earnings as well as the historical earnings of CCM, management determined that sufficient positive evidence exists to conclude that it is more likely than not that deferred taxes of \$24.4 million are realizable in future years, and therefore, reduced the valuation allowance accordingly.

The Company has recorded a valuation allowance against its remaining net deferred tax assets at March 31, 2015 as it is more likely than not that not all of the deferred tax assets will be realized. The valuation allowance is based on the management's assessment that it is more likely than not that certain deferred tax assets, primarily net operating loss carryforwards, may not be realized in the foreseeable future due to objective negative evidence that the Company would not generate sufficient taxable income to realize the deferred tax assets.

[Table of Contents](#)

**Note 13.—Reconciliation of Earnings Per Share**

Basic net earnings per share is computed by dividing net earnings available to common stockholders (numerator) by the weighted average number of vested, common shares outstanding during the period (denominator). Diluted net earnings per share is computed on the basis of the weighted average number of shares of common stock outstanding plus the effect of dilutive potential common shares outstanding during the period using the if-converted method. Dilutive potential common shares include shares issuable upon conversion of Convertible Notes, dilutive effect of outstanding stock options and deferred stock units (DSUs).

	For the Three Months Ended March 31,	
	2015	2014
<b>Numerator for basic earnings (loss) per share:</b>		
Net earnings (loss) attributable to IMH common stockholders	\$ 33,972	\$ (2,966)
<b>Numerator for diluted earnings (loss) per share:</b>		
Net earnings (loss) attributable to IMH common stockholders	\$ 33,972	\$ (2,966)
Interest expense attributable to convertible notes	375	—
Net earnings (loss) attributable to IMH common stockholders plus interest expense attributable to convertible notes	\$ 34,347	\$ (2,966)
<b>Denominator for basic earnings (loss) per share (1):</b>		
Basic weighted average common shares outstanding during the year	9,609	9,061
<b>Denominator for diluted earnings (loss) per share (1):</b>		
Basic weighted average common shares outstanding during the year	9,609	9,061
Net effect of dilutive convertible notes	1,839	—
Net effect of dilutive stock options and DSU's	241	—
Diluted weighted average common shares	11,689	9,061



Net earnings (loss) per common share:

Basic	\$ 3.54	\$ (0.33)
Diluted	\$ 2.94	\$ (0.33)

(1) Number of shares presented in thousands.

The anti-dilutive stock options outstanding for the three months ended March 31, 2015 were 193 thousand shares. The anti-dilutive stock options outstanding for the three months ended March 31, 2014 were 2.6 million shares. Included in the anti-dilutive shares for the three months ended March 31, 2014 was 1.8 million shares attributable to the Convertible Notes.

21

[Table of Contents](#)

**Note 14.—Segment Reporting**

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

Statement of Operations Items for the three months ended March 31, 2015:	Mortgage Lending	Real Estate Services	Long-term Portfolio	Corporate and other	Consolidated
Gain on sale of loans, net	\$ 37,398	\$ —	\$ —	\$ —	\$ 37,398
Real estate services fees, net	—	2,742	—	—	2,742
Servicing income, net	635	—	—	—	635
Loss on mortgage servicing rights	(6,568)	—	—	—	(6,568)
Other revenue	17	—	61	58	136
Other income (expense)	368	—	(6,791)	(511)	(6,934)
Total expense	(13,315)	(1,655)	(111)	(2,060)	(17,141)
Net earnings (loss) before income taxes	\$ 18,535	\$ 1,087	\$ (6,841)	\$ (2,513)	10,268
Income tax benefit					(23,704)
Net earnings					33,972

Statement of Operations Items for the three months ended March 31, 2014:	Mortgage Lending	Real Estate Services	Long-term Portfolio	Corporate and other	Consolidated
Gain on sale of loans, net	\$ 4,573	\$ —	\$ —	\$ —	\$ 4,573
Real estate services fees, net	—	3,679	—	—	3,679
Servicing income, net	1,569	—	—	—	1,569
Loss on mortgage servicing rights	(977)	—	—	—	(977)
Other revenue	1,216	—	169	—	1,385
Other income (expense)	156	1	2,319	(401)	2,075
Total expense	(9,062)	(1,522)	(241)	(4,103)	(14,928)
Net (loss) earnings before income taxes	\$ (2,525)	\$ 2,158	\$ 2,247	\$ (4,504)	(2,624)
Income tax expense					342
Net loss					(2,966)

Balance Sheet Items as of:	Mortgage Lending	Real Estate Services	Long-term Mortgage Portfolio	Corporate and other	Consolidated
<b>Total Assets at March 31, 2015 (1)</b>	\$ 783,924	\$ 2,821	\$ 5,141,474	\$ 28,449	\$ 5,956,668
<b>Total Assets at December 31, 2014 (1)</b>	\$ 291,829	\$ 2,672	\$ 5,280,274	\$ 3,797	\$ 5,578,572

(1) All segment asset balances exclude intercompany balances.

**Note 15.—Commitments and Contingencies**

*Legal Proceedings*

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

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

22

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

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

On December 14, 2013, a matter was filed in the US District Court, District of Minnesota, entitled Residential Funding Company, LLC v. Impac Funding Corp. alleging the defendant is responsible for unspecified debts of Pinnacle Direct Funding Corp., as its successor in interest. On April 3, 2014, the plaintiff filed a First Amended Complaint alleging the defendant is responsible for breaches of representations and warranties in connection with certain loan sales from Pinnacle to plaintiff. The plaintiff seeks declaratory relief and unspecified damages. On April 17, 2014, the Company filed a motion to dismiss the First Amended Complaint, which the court denied. The Company answered the First Amended Complaint on September 24, 2014, and filed a motion for summary judgment on January 6, 2015, which remains pending.

The Company is 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.

Please refer to IMH's report on Form 10-K for the year ended December 31, 2014 for a description of litigation and claims.

#### Repurchase Reserve

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

In the first quarter of 2015, the Company settled its repurchase liability with FNMA related to its legacy non-conforming mortgage operations. As part of the agreement, the Company paid FNMA \$1.0 million during the first quarter with a final payment of \$228 thousand paid in April 2015.

During the three months ended March 31, 2015, the Company recorded an additional \$871 thousand in repurchase provision. The Company had approximately \$5.5 million at March 31, 2015 and \$5.7 million at December 31, 2014, in repurchase reserves related to the loans sold since early 2011 by the mortgage lending operation.

#### Short-Term Loan Commitments

The Company uses a portion of its warehouse borrowing capacity to provide secured short-term revolving financing to small and medium-size mortgage originators to finance mortgage loans from the closing of the mortgage loans until sold to investors (Finance Receivables). As of March 31, 2015, the warehouse lending operations had warehouse lines to non-affiliated customers totaling \$94 million, of which there was an outstanding balance of \$53.3 million in finance receivables compared to \$8.4 million as of December 31, 2014. The finance receivables are secured by residential mortgage loans as well as personal guarantees.

#### Note 16.—Share Based Payments

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:

	March 31, 2015
Risk-free interest rate	1.54%
Expected lives (in years)	5.73
Expected volatility (1)	79.56%
Expected dividend yield	0.00%
Fair value per share	\$ 6.74

(1) Expected volatilities are based on the volatility of the Company's stock over the expected option term, adjusted for expected mean reversion.

The following table summarizes activity, pricing and other information for the Company's stock options for the three months ended March 31, 2015:

	Number of Shares	Weighted- Average Exercise Price
Options outstanding at beginning of period	1,078,230	\$ 6.88
Options granted	35,000	10.00

Options exercised	(102,110)	0.70
Options forfeited/cancelled	(48,666)	7.84
Options outstanding at end of period	962,454	\$ 7.60
Options exercisable at end of period	433,880	\$ 8.13

As of March 31, 2015, there was approximately \$1.7 million of total unrecognized compensation cost related to stock option compensation arrangements granted under the plan, net of estimated forfeitures. That cost is expected to be recognized over the remaining weighted average period of 1.9 years.

There were 35,000 and 5,000 options granted during the three months ended March 31, 2015 and 2014, respectively. For the three months ended March 31, 2015 and 2014, the aggregate grant-date fair value of stock options granted was approximately \$236 thousand and \$22 thousand, respectively.

[Table of Contents](#)

The following table summarizes activity, pricing and other information for the Company's DSU's, also referred to as deferred stock units as the issuance of the stock is deferred until termination of service, for the three months ended March 31, 2015:

	Number of Shares	Weighted-Average Grant Date Fair Value
DSU's outstanding at beginning of period	75,750	\$ 8.63
DSU's granted	—	—
DSU's exercised	—	—
DSU's forfeited/cancelled	—	—
DSU's outstanding at end of period	75,750	\$ 8.63

As of March 31, 2015, there was approximately \$146 thousand of total unrecognized compensation cost related to the DSU compensation arrangements granted under the plan. That cost is expected to be recognized over a weighted average period of 1.3 years.

**Note 17.—Related Party Transactions**

In January 2015, the Company entered into a \$5.0 million short-term borrowing secured by Ginnie Mae servicing rights with an interest rate of 15%, transaction costs of \$50 thousand, and was provided by a related party of the Company. The balance was repaid in March 2015.

**Note 18.—Sale of AmeriHome**

In March 2014, the Company sold AmeriHome for \$10.2 million in cash, recording a gain of approximately \$1.2 million, net of a deferred tax adjustment. In conjunction with the transaction, as required by Fannie Mae, the Company used \$3.0 million of the proceeds to reduce the legacy repurchase liability with Fannie Mae.

**Note 19.—Subsequent Events**

On April 1, 2015, the Company issued 494,017 shares of common stock pursuant to the fixed component of the Asset Purchase Agreement for CCM. As of April 1, 2015, total shares of common stock outstanding were 10,184,432.

On April 27, 2015, the Company issued a \$10.0 million short-term Promissory Note with an interest rate of 15%. The balance was repaid in May 2015.

In April 2015, the Company, through IRES and its subsidiaries, entered into a Master Repurchase Agreement with a lender providing a \$100 million warehouse facility. The interest rate relating to this agreement is the note rate of the mortgage loan collateral securing the line and expires March 2016. Under the terms of this warehouse facility, IRES and its subsidiaries are required to maintain various financial and other covenants.

On May 8, 2015, the Company issued \$25 million Convertible Promissory Notes (Convertible Notes). The Convertible Notes mature on or before May 9, 2020 and accrue interest at a rate of 7.5% per annum, to be paid quarterly. Note holders may convert all or a portion of the outstanding principal amount of the Convertible Notes to shares of IMH common stock at a rate of \$21.50 per share, subject to adjustment for stock splits and dividends. The Company has the right to force a conversion if the stock price of IMH common stock reaches \$30.10 for 20 trading days in a 30 day consecutive period.

Subsequent events have been evaluated through the date of this filing.

[Table of Contents](#)

**ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

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

Unless the context otherwise requires, the terms "Company," "we," "us," and "our" refer to Impac Mortgage Holdings, Inc. (the Company or IMH), a Maryland corporation incorporated in August 1995, and its subsidiaries, Integrated Real Estate Service Corporation (IRES), Impac Mortgage Corp. (IMC), IMH Assets Corp. (IMH Assets), and Impac Funding Corporation (IFC).

## Forward-Looking Statements

This report on Form 10-Q contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements, some of which are based on various assumptions and events that are beyond our control, may be identified by reference to a future period or periods or by the use of forward-looking terminology, such as “may,” “will,” “believe,” “expect,” “likely,” “should,” “could,” “seem to,” “anticipate,” “plan,” “intend,” “project,” “assume,” or similar terms or variations on those terms or the negative of those terms. The forward-looking statements are based on current management expectations. Actual results may differ materially as a result of several factors, including, but not limited to the following: failure to achieve the benefits expected from the acquisition of the CashCall Mortgage operations; costs and difficulties related to the integration of the business and operations with the Company’s operations, unexpected costs, liabilities, charges or expenses resulting from the transaction, successful development, marketing, sale and financing of new mortgage products, including the non-Qualified Mortgage and conventional and government loan programs; ability to increase our market share in the various residential mortgage businesses; volatility in the mortgage industry; unexpected interest rate fluctuations and margin compression; our ability to manage personnel expenses in relation to mortgage production levels; our ability to successfully use warehousing capacity; increased competition in the mortgage lending industry by larger or more efficient companies; issues and system risks related to our technology; more than expected increases in default rates or loss severities and mortgage related losses; ability to obtain additional financing, through lending and repurchase facilities, debt or equity funding, strategic relationships or otherwise; the terms of any financing, whether debt or equity, that we do obtain and our expected use of proceeds from any financing; increase in loan repurchase requests and ability to adequately settle repurchase obligations; failure to create brand awareness; the outcome, including any settlements, of litigation or regulatory actions pending against us or other legal contingencies; and our compliance with applicable local, state and federal laws and regulations and other general market and economic conditions.

For a discussion of these and other risks and uncertainties that could cause actual results to differ from those contained in the forward-looking statements, see “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s Annual Report on Form 10-K for the period ended December 31, 2014, and other reports we file under the Securities Exchange Act of 1934. This document speaks only as of its date and we do not undertake, and specifically disclaim any obligation, to release publicly the results of any revisions that may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

## The Mortgage Industry and Discussion of Relevant Fiscal Periods

The mortgage industry is subject to current events that occur in the financial services industry including changes to regulations and compliance requirements that result in uncertainty surrounding the actions of states, municipalities and new government agencies, including the Consumer Financial Protection Bureau (CFPB) and Federal Housing Finance Agency (FHFA). These events can also include changes in economic indicators, interest rates, price competition, geographic shifts, disposable income, housing prices, market liquidity, market anticipation, and customer perception, as well as others. The factors that affect the industry change rapidly and can be unforeseeable making it difficult to predict and manage an operation in the financial services industry.

Current events can diminish the relevance of “quarter over quarter” and “year-to-date over year-to-date” comparisons of financial information. In such instances, the Company attempts to present financial information in its Management’s Discussion and Analysis of Financial Condition and Results of Operations that is the most relevant to its financial information.

## [Table of Contents](#)

## Selected Financial Results

	For the Three Months Ended		
	March 31, 2015	December 31, 2014	March 31, 2014
<b>Revenues:</b>			
Gain on sale of loans, net	\$ 37,398	\$ 8,749	\$ 4,573
Real estate services fees, net	2,742	3,447	3,679
Servicing income, net	635	813	1,569
Loss on mortgage servicing rights	(6,568)	(1,576)	(977)
Other	136	20	1,385
Total revenues	<u>34,343</u>	<u>11,453</u>	<u>10,229</u>
<b>Expenses:</b>			
Personnel expense	11,490	9,557	9,460
General, administrative and other	5,651	4,662	5,468
Total expenses	<u>17,141</u>	<u>14,219</u>	<u>14,928</u>
<b>Operating income (loss):</b>	<u>17,202</u>	<u>(2,766)</u>	<u>(4,699)</u>
<b>Other income (expense):</b>			
Net interest income (expense)	1,058	797	(313)
Change in fair value of long-term debt	(7,116)	(3,590)	(650)
Change in fair value of net trust assets	(876)	3,222	3,038
Total other (expense) income	<u>(6,934)</u>	<u>429</u>	<u>2,075</u>
Net earnings (loss) before income taxes	10,268	(2,337)	(2,624)
Income tax (benefit) expense	(23,704)	(100)	342
Net earnings (loss)	<u>\$ 33,972</u>	<u>\$ (2,237)</u>	<u>\$ (2,966)</u>
Diluted earnings (loss) per share	<u>\$ 2.94</u>	<u>\$ (0.23)</u>	<u>\$ (0.33)</u>

## Status of Operations

### Summary Highlights

- During the first quarter of 2015, we completed the acquisition of CashCall Mortgage (CCM).
- Mortgage lending volumes increased in the first quarter of 2015 to \$2.4 billion from \$1.1 billion in the fourth quarter of 2014 and \$353.1 million in the first quarter of 2014.
- Mortgage lending revenues increased in the first quarter of 2015 to \$37.4 million from \$8.7 million in the fourth quarter of 2014 and \$4.6 million in the first quarter of 2014.
- Gain on sale margins increased in the first quarter of 2015 to 156 bps from 79 bps in the fourth quarter of 2014, and 130 bps, in the first quarter of 2014.

For the first quarter of 2015, we reported net earnings of \$34.0 million or \$2.94 per diluted common share, as compared to a net loss of \$(2.2) million or \$(0.23) per share for the fourth quarter of 2014, and a net loss of \$(3.0) million or \$(0.33) per share for the first quarter of 2014. The increase in net earnings over the fourth and first quarters of 2014 was primarily due to an increase in operating income and the recognition of \$24.4 million of the Company's deferred tax asset offset by a \$7.1 million increase in the estimated fair value of the long term debt and a \$6.6 million loss on mortgage servicing rights.

In the first quarter of 2015, operating income, defined as revenues minus operating expenses, increased to \$17.2 million or \$1.47 per diluted common share, as compared to an operating loss of \$(2.8) million and \$(4.7) million in the fourth quarter and first quarter of 2014, respectively. The increase was due to an increase of gain on sale of loans, net from higher origination volumes offset by a loss in mortgage servicing rights. The increase in operating income was primarily caused by the increase in origination volumes in the first quarter and more specifically, the origination volumes of CCM. The \$(6.6) million loss on mortgage servicing rights was primarily the result of a \$3.1 million mark to market loss due to a decrease in interest rates during the quarter coupled with a \$3.5

---

[Table of Contents](#)

million loss related to the sale of Ginnie Mae servicing which declined in value from year end after FHA announced it was dropping the required mortgage insurance premium by 50 bps in January of 2015. This rate change impacted the sales price received on the sale of Ginnie Mae servicing sold in the first quarter. MSR values are also subject to fluctuation due to changes in interest rates. Operating income (loss) does not include net interest income (expense), gains or losses from the long-term mortgage portfolio, which includes the net trust assets (residual interests in securitizations) and the long-term debt.

At December 31, 2014, we had recorded a full valuation allowance on the \$163.2 million net deferred tax asset. During the first quarter of 2015, we reduced a portion of the valuation allowance resulting in the recognition of a \$24.4 million deferred tax asset representing estimated tax benefit for pre-tax net earnings in future years as well as a \$3.7 million change in valuation allowance representing estimated tax benefit for pre-tax net earnings in the current period. The tax benefit reported in the first quarter of 2015 consisted of the following:

	Amount	%
Federal rate	\$ 3,594	35.0
State tax, net of federal benefit	515	5.0
Change in valuation allowance - current period	(3,702)	(36.1)
Change in valuation allowance - future years	(24,420)	(237.8)
Deferred charge	309	3.0
Total tax benefit	<u>\$ (23,704)</u>	<u>(230.9)</u>

The reduction in valuation allowance was primarily based on the expectations of taxable income in the future, generally associated with projected net earnings from CCM. Lastly, with the ongoing improvement in the Company's financial condition and credit quality, the estimated fair value of the long-term debt increased by \$7.1 million. Further, improvements in the Company's financial condition in the future may result in increases in estimated fair value of the long-term debt.

In the first quarter, we completed the acquisition of CCM. CCM's operations include the complete origination platform, systems and personnel that operate as a separate division of IMC under the name CashCall Mortgage. This division operates as a centralized call center that utilizes a marketing platform to generate customer leads through the internet and call center loan agents. By using its marketing platform to generate internal leads, we believe CCM is able to compete with some of the largest internet lenders across the nation. In addition, our goal is to leverage this same marketing platform to expand volumes of our new AltQM products, as well as FHA and VA products. Similarly we believe the acquisition of CCM will allow us to leverage our state licenses to expand our centralized retail call center national lending footprint. The addition of CCM, provides a scalable retail platform that we can expand quickly and efficiently.

The consideration for the purchase of CCM was a combination of cash, IMH stock and contingent consideration including a three-year period earn-out provision of CCM's pre-tax net earnings. The CCM acquisition transaction was structured with a significant contingent consideration component of the purchase price with the intent to minimize the financial risk for IMH while being accretive to earnings. The purchase price is currently estimated to be \$140.7 million including (i) \$10.0 million in cash, \$5.0 million paid in the first quarter and \$5.0 million to be paid over twelve months following the effective date of the acquisition, (ii) \$6.2 million in IMH stock valued at closing on March 31, 2015 and (iii) \$124.6 million in estimated contingent consideration including a three-year period earn-out provision and enterprise appreciation rights. The contingent consideration was estimated by calculating the present value of the projected contingent consideration to be paid in the future based on projected volumes and projected pretax net earnings of CCM. The earn-out percentages beginning on the effective date (January 2, 2015) are 100% of pre-tax net earnings of CCM for January and February of 2015, 65% for the next 10 months of 2015, 55% for the second year and 45% for the third year. The total estimated purchase price is \$140.7 million with \$3.0 million allocated to fixed assets and software acquired, \$33.1 million to intangibles including trademark, customer relationships and non-compete agreement. The excess of the consideration over the fair value of assets acquired resulted in goodwill of \$104.6 million. The estimated fair values are preliminary and subject to change until the amounts are finalized. Changes to the preliminary estimates during the measurement period are recorded as retrospective adjustments to the consolidated financial statements.

Pursuant to the Asset Purchase Agreement (APA), the acquisition of the retail call center operations was effective on January 2, 2015, but did not close until March 31, 2015. The net gains earned from the sale of CCM loans were included in "Gain on sale of loans, net" of the associated operating expenses. The gain on sale revenue margin earned on retail originations in the first quarter of 2015 was in excess of 300 basis points (bps). However,

because the net gain on sale revenue recognized was net of operating expenses for the CCM division, the gain on sale margins on total origination volume were 155 bps in the first quarter of 2015 as compared to 79 bps in the fourth quarter of 2014 and 130 bps in the first quarter of 2014.

[Table of Contents](#)

**Originations**

(in millions)

(in millions)	For the three months ended				
	March 31, 2015	December 31, 2014	% Change	March 31, 2014	% Change
Originations	\$ 2,412.8	\$ 1,108.9	118%	\$ 353.1	583%

Origination volume increased 118% in the first quarter of 2015 over the fourth quarter of 2014 to \$2.4 billion as compared to \$1.1 billion, respectively. Of the \$2.4 billion in total originations, approximately \$1.5 billion, or 64%, was originated through the CCM retail channel. In contrast, during the fourth quarter of 2014, our retail originations contributed only 2% to our total origination volume. However, in the fourth quarter of 2014, the Company purchased mortgage loans from CashCall (prior to their acquisition by the Company), as a correspondent customer.

**Originations by Channel:**

(in millions)	March 31, 2015	December 31, 2014	% Change	March 31, 2014	% Change
Wholesale	\$ 281.7	\$ 159.0	77%	\$ 100.3	181%
Correspondent	596.4	925.4	-36%	227.5	162%
Retail	1,534.7	24.5	6164%	25.3	5966%
Total originations	\$ 2,412.8	\$ 1,108.9	118%	\$ 353.1	583%

During the first quarter of 2015, correspondent volume increased as compared to the first quarter of 2014, however as expected, volume in the correspondent division decreased as compared to the fourth quarter of 2014 as a result of CCM's volume being moved from our correspondent channel to our retail channel upon acquisition. In the fourth quarter of 2014, prior to the acquisition, CashCall Inc. was a correspondent seller and the loan acquisition volume was included in correspondent originations. Excluding the correspondent volumes from CashCall Inc. in the fourth quarter of 2014, the correspondent channel volume increased 52% to \$596.4 million in the first quarter of 2015 compared to the fourth quarter of 2014.

Our correspondent channel's three key metrics have all continued to improve. These key metrics include, total clients, submitting clients and funding clients. We continued to add customers in the first quarter, increase submissions and increase our percentage of funding clients as compared to the fourth quarter.

In the first quarter of 2015, wholesale originations increased 77% to \$281.7 million over the fourth quarter 2014 originations of \$159.0 million. This increase was primarily a result of adding new sales personnel in the first quarter of 2015. We expect to maintain this volume for the near term as we anticipate a gain in market share from the expansion of our sales coverage. In addition, the percentage of our wholesale customers delivering multiple loans per month continues to increase month over month. We continue to focus on increasing deliveries by our top tier brokers to increase the channel's production volumes and quality, which is expected to create more stable production in this channel moving forward.

With the addition of an efficient retail channel in CCM, we believe it will complement our wholesale and correspondent channels by increasing overall gain on sale margins and lowering overall costs for mortgage lending. We anticipate that these channels will continue to see growth month over month, as a result of the increased pipeline growth that both channels have recently enjoyed due to market share expansion.

We believe our expanded national lending footprint, combined with access to our Impac loan products, will unlock significant opportunities to greatly diversify CCM's retail loan production and increase our mortgage lending divisions total production.

As of March 31, 2015, our total pipeline was approximately \$1.3 billion with a locked pipeline of \$806 million, as compared to a total pipeline of \$750 million and a locked pipeline of \$297 million at the end of the fourth quarter of 2014.

[Table of Contents](#)

Our loan products primarily include conventional loans eligible for sale to Fannie Mae and Freddie Mac, loans eligible for government insurance (government loan) by FHA, VA and USDA and AltQM.

**Originations by Loan Type:**

(in millions)	For the three months ended March 31,		
	2015	2014	% Change
Government (1)	\$ 375.7	\$ 117.8	219%
Conventional	2,014.5	227.4	786%
Other (2)	22.6	7.9	186%
Total originations	\$ 2,412.8	\$ 353.1	583%

(1) Includes all government-insured loans including Federal Housing Administration (FHA), Veterans Affairs (VA) and United States Department of Agriculture (USDA).

(2) Includes \$11.3 million of AltQM mortgages originated during the first quarter of 2015.

During the third quarter of 2014, we rolled out and began originating non-qualified mortgage (non-QM) loans, marketed under our 'AltQM' label. The predominant amount of the early originations came through our wholesale lending channel. However, we expect our correspondent customers to begin delivering loans that meet our AltQM program guidelines during the fourth quarter of 2014 and first quarter of 2015. In conjunction with launching these new AltQM products, we established a strategic investor relationship which provides balance sheet capacity to fund these non-conforming loans.

We believe there is an underserved mortgage market for borrowers with good credit who may not meet the new qualified mortgage (QM) guidelines set out by the CFPB. In our opinion, as the demand by consumers for the non-QM product grows we expect the investor appetite will increase for the non-QM mortgages. We have established strict lending guidelines, including determining the prospective borrowers' ability to repay the mortgage, which we believe will keep delinquencies and foreclosures at acceptable levels and we have established a relationship with an investor who is willing to purchase such loans from us.

Mortgage rates have declined in the first quarter as compared to the first quarter of 2014. As a result of the decline in mortgage rates in the first quarter of 2015, the predominance of our first quarter originations were from refinance transactions as displayed in the table below.

#### Originations by Purpose:

(in millions)	For the three months ended March 31			
	2015	%	2014	%
Refinance	\$ 2,127.9	88%	\$ 204.2	58%
Purchase	284.9	12%	148.9	42%
<b>Total originations</b>	<b>\$ 2,412.8</b>	<b>100%</b>	<b>\$ 353.1</b>	<b>100%</b>

#### Mortgage servicing portfolio

(in millions)

(in millions)	For the three months ended				
	March 31, 2015	December 31, 2014	% Change	March 31, 2014	% Change
Mortgage servicing portfolio	\$ 2,577.1	\$ 2,267.1	14%	\$ 2,239.6	15%

The mortgage servicing portfolio increased to \$2.6 billion at March 31, 2015 as compared to \$2.3 billion at December 31, 2014. The increase was due to servicing retained loan sales of \$2.1 billion, partially offset by bulk sales of servicing rights totaling \$1.6 billion in UPB.

#### [Table of Contents](#)

To manage our liquidity, we have continued to sell mortgage servicing rights to generate cash needed to fund warehouse haircuts as well as other operating needs. In the first quarter of 2015, we sold mortgage servicing rights representing \$1.6 billion in unpaid principal balance (UPB) of loans serviced, which will generate \$15.0 million in cash. However, because we originated more Fannie Mae, Freddie Mac and issued more Ginnie Mae securities than the amount of mortgage servicing rights sold in the first quarter of 2015, the balance of mortgage servicing rights increased to \$26.7 million at March 31, 2015 as compared to \$24.4 million at December 31, 2014.

The following table includes information about our mortgage servicing portfolio:

(in millions)	At March 31, 2015	% 60+ days delinquent (1)	At December 31, 2014	% 60+ days delinquent (1)
Fannie Mae	\$ 1,761.7	0.17%	\$ 496.1	0.83%
Freddie Mac	526.0	0.14%	837.8	0.18%
Ginnie Mae	276.0	0.10%	926.5	1.43%
Other	13.4	0.00%	6.7	0.00%
<b>Total servicing portfolio</b>	<b>\$ 2,577.1</b>	<b>0.15%</b>	<b>\$ 2,267.1</b>	<b>0.92%</b>

(1) Based on loan count.

Our warehouse lending division continues to grow and the outstanding balance of finance receivables, representing warehouse lending advances to our warehouse customers, increased to \$53.3 million at March 31, 2015 as compared to \$8.4 million at December 31, 2014. As of March 31, 2015, the warehouse lending operations had extended warehouse lines to non-affiliated customers totaling \$94.0 million as compared to \$55.0 million at December 31, 2014.

For the first quarter of 2015, real estate services fees were \$2.7 million as compared to \$3.4 million in the fourth quarter of 2014 and \$3.7 million in the first quarter of 2014. While the Company continues to generate real estate service fees, the decrease in fees was due to the anticipated runoff of the long-term mortgage portfolio.

In our long-term mortgage portfolio, despite the decline in the outstanding balance of the portfolio, the residuals have generated cash flows of \$1.9 million in the first quarter of 2015 as compared to \$2.3 million in the fourth quarter of 2014. The estimated fair value of the residual interest declined \$663 thousand in the first quarter of 2015 to \$16.6 million at March 31, 2015.

In the first quarter of 2015, we settled our repurchase liability with Fannie Mae related to our legacy non-conforming mortgage operations. As a result of this settlement and previous resolution of other legal matters pertaining to the legacy non-conforming mortgage operations, the discontinued segment is not expected to have any significant effect on our consolidated operations and financial results. Therefore, we determined that we will no longer report the legacy non-conforming mortgage operations as discontinued operations.

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

## Liquidity and Capital Resources

During the three months ended March 31, 2015, we funded our operations primarily from mortgage lending revenues and real estate services fees, net, which include gains on sale of loans, net, and other mortgage related income, portfolio loss mitigation and real estate services fees, net, primarily generated from our long-term mortgage portfolio, and cash flows from our residual interests in securitizations. Additionally, we funded mortgage loan originations using warehouse facilities which are repaid once the loan is sold. Furthermore, we utilized the sale of mortgage servicing rights, borrowings under the \$4.0 million line of credit, \$6.0 million short-term structured debt and \$5.0 million short-term borrowing as additional sources of liquidity.

The CCM acquisition contingent consideration payment for the first earn-out quarter is expected to be approximately \$25 million and is due May 15, 2015. Over time, these contingent consideration payments are based on the performance of the CCM division and are expected to decline for the remaining earn-out periods in 2015 since the earn-out percentage decreases to 65% beginning in March 2015. We are currently in discussions with various parties to provide between \$25 million and \$50 million of debt and/or equity capital to provide the liquidity needed to fund warehouse facility haircuts, retain mortgage servicing rights and working capital to fund the growth of origination volumes and contingent consideration payments associated with the acquisition of CCM.

### [Table of Contents](#)

In April 2015, the Company issued a \$10.0 million short term Promissory Note with an interest rate of 15%. The balance was repaid in May 2015.

In May 2015, the Company issued a \$25.0 million in original aggregate principal amount of Convertible Promissory Notes (Convertible Notes). The Convertible Notes mature on or before May 9, 2020 and accrue interest at a rate of 7.5% per annum, to be paid quarterly. Note holders may convert all or a portion of the outstanding principal amount of the Convertible Notes to shares of IMH common stock at a rate of \$21.50 per share, subject to adjustment for stock splits and dividends. The Company has the right to force a conversion if the stock price of IMH common stock reaches \$30.10 for 20 trading days in a 30 day consecutive period.

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

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

While we continue to pay our obligations as they become due, the ability to continue to meet our current and long-term obligations is dependent upon many factors, particularly our ability to successfully operate our mortgage lending segment, real estate services segment and realizing cash flows from the long-term mortgage portfolio. Our future financial performance and profitability are dependent in large part upon the ability to successfully integrate the CCM division and expand our mortgage lending platform. In order to support the continued growth of our mortgage lending platform, including the increase in volume due to the acquisition of CCM, we are reviewing and discussing opportunities to raise capital by issuing debt or equity as well as sales and financing mortgage servicing rights.

## Critical Accounting Policies

We define critical accounting policies as those that are important to the portrayal of our financial condition and results of operations. Our critical accounting policies require management to make difficult and complex judgments that rely on estimates about the effect of matters that are inherently uncertain due to the effect of changing market conditions and/or consumer behavior. In determining which accounting policies meet this definition, we considered our policies with respect to the valuation of our assets and liabilities and estimates and assumptions used in determining those valuations. We believe the most critical accounting issues that require the most complex and difficult judgments and that are particularly susceptible to significant change to our financial condition and results of operations include those issues included in Management's Discussion and Analysis of Results of Operations in IMH's report on Form 10-K for the year ended December 31, 2014. Such policies have not changed during 2014 other than what is outlined below:

### [Table of Contents](#)

## Income Taxes

Provision for income taxes is calculated using the asset and liability method, which requires the recognition of deferred income taxes. Deferred tax assets and liabilities are recognized and reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial



reporting purposes and the amounts used for income tax purposes and certain changes in the valuation allowance. Deferred tax assets are recognized subject to management's judgment that realization is more likely than not. A valuation allowance is recognized for a deferred tax asset if, based on the weight of the available evidence, it is more likely than not that some portion of the deferred tax asset will not be realized. In making such judgments, significant weight is given to evidence that can be objectively verified. We provide a valuation allowance against deferred tax assets if, based on available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. In determining the adequacy of the valuation allowance, we consider all forms of evidence, including: (1) historic earnings or losses; (2) the ability to realize deferred tax assets through carry back to prior periods; (3) anticipated taxable income resulting from the reversal of taxable temporary differences; (4) tax planning strategies; and (5) anticipated future earnings exclusive of the reversal of taxable temporary differences.

### Goodwill and Intangible Assets

We account for business combinations using the acquisition method, under which the total consideration transferred (including contingent consideration) is allocated to the fair value of the assets acquired (including identifiable intangible assets) and liabilities assumed. The excess of the consideration transferred over the fair value of the assets acquired and liabilities assumed results in goodwill.

We evaluate our reporting units on an annual basis and, if necessary, reassign goodwill using a relative fair value allocation approach. Goodwill and other intangible assets with an indefinite useful life are not subject to amortization but are reviewed for impairment annually or more frequently whenever events or changes in circumstances indicate that the carrying amount of an intangible asset may not be recoverable. These events or circumstances could include a significant change in the business climate, legal factors, operating performance indicators, competition, or sale or disposition of a significant portion of a reporting unit. Application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit. The fair value of each reporting unit is estimated primarily through the use of a discounted cash flow methodology. This analysis requires significant judgments, including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth for our business, estimation of the useful life over which cash flows will occur, and determination of our weighted average cost of capital. If we determine that it is more likely than not that the intangible assets are impaired, a quantitative impairment test is performed. For the quantitative impairment test, we estimate and compare the fair value of indefinite-lived intangible asset with its carrying amount. If the carrying amount of the indefinite-lived intangible asset exceeds its fair value, the amount of the impairment is measured as the difference between the carrying amount of the asset and its fair value. Impairment is permanently recognized by writing down the asset to the extent that the carrying value exceeds the estimated fair value.

Intangible assets with finite lives are amortized over their estimated lives using an amortization method that reflects the pattern in which the economic benefits of the asset are consumed. We review intangible assets for impairment whenever events or changes in circumstances indicate their carrying amounts may not be recoverable, in which case any impairment charge would be recorded to earnings.

### Business Combinations

Business combinations are accounted for under the acquisition method of accounting in accordance with ASC Topic 805, "Business Combinations." Under the acquisition method, the acquiring entity in a business combination recognizes 100 percent of the acquired assets and assumed liabilities, regardless of the percentage owned, at their estimated fair values as of the date of acquisition. Any excess of the purchase price over the fair value of net assets and other identifiable intangible assets acquired is recorded as goodwill. To the extent the fair value of net assets acquired, including other identifiable assets, exceeds the purchase price, a bargain purchase gain is recognized. Assets acquired and liabilities assumed which involve contingencies must also be recognized at their estimated fair value, provided such fair value can be determined during the measurement period. Acquisition-related costs, including severance, conversion and other restructuring charges, such as abandoned space accruals, are expensed. Results of operations of an acquired business are included in the statement of operations from the date of acquisition.

## [Table of Contents](#)

### Financial Condition and Results of Operations

#### Financial Condition

As of March 31, 2015 compared to December 31, 2014

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

	March 31, 2015 (Unaudited)	December 31, 2014	Increase (Decrease)	% Change
<b>ASSETS</b>				
Cash	\$ 5,635	\$ 10,073	\$ (4,438)	(44)%
Restricted cash	4,932	2,420	2,512	104
Mortgage loans held-for-sale	531,586	239,391	292,195	122
Finance receivables	53,340	8,358	44,982	538
Mortgage servicing rights	26,656	24,418	2,238	9
Securitized mortgage trust assets	5,130,193	5,268,531	(138,338)	(3)
Goodwill	104,938	352	104,586	n/m
Intangibles	33,122	—	33,122	n/a
Deferred tax asset	24,420	—	24,420	n/a
Other assets	41,846	25,029	16,817	67
<b>Total assets</b>	<b>\$ 5,956,668</b>	<b>\$ 5,578,572</b>	<b>\$ 378,096</b>	<b>7%</b>
<b>LIABILITIES &amp; EQUITY</b>				
Warehouse borrowings	\$ 552,493	\$ 226,718	\$ 325,775	144%
Short-term structured debt	4,156	6,000	(1,844)	(31)
Convertible notes	20,000	20,000	—	—

Long-term debt (\$71,120 par)	29,646	22,122	7,524	34
Repurchase reserve	5,478	5,714	(236)	(4)
Securitized mortgage trust liabilities	5,113,632	5,251,307	(137,675)	(3)
Contingent consideration	124,592	—	124,592	n/a
Other liabilities	47,428	21,755	25,673	118
<b>Total liabilities</b>	<b>5,897,425</b>	<b>5,553,616</b>	<b>343,809</b>	<b>6</b>
<b>Total equity</b>	<b>59,243</b>	<b>24,956</b>	<b>34,287</b>	<b>137</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 5,956,668</b>	<b>\$ 5,578,572</b>	<b>\$ 378,096</b>	<b>7%</b>

As a result of the net earnings in the first quarter of 2015 primarily attributed to the net earnings from the CCM transactions, book value per share increased 135% to \$6.11 at March 31, 2015 as compared to \$2.60 at December 31, 2014.

In the first quarter of 2015, cash balances decreased, primarily due to an increase in warehouse haircuts associated with warehouse borrowings used to fund increased originations volume. Because the warehouse lenders fund less than 100% of the principal balance of the loans, we are required to fund the remaining balance from cash, called warehouse haircuts. Warehouse haircuts increased to \$30.0 million at March 31, 2015 from \$20.0 million at December 31, 2014. We recover the warehouse haircuts at the time the loans are sold and the warehouse borrowing is repaid to the warehouse lender. In our long-term mortgage portfolio, the residuals generated cash flows of \$1.9 million in the first quarter of 2015 as compared to \$2.3 million in the fourth quarter of 2014.

At March 31, 2015, cash decreased to \$5.6 million from \$10.1 million at December 31, 2014. The primary sources of cash between periods were \$13.6 million from the sale of mortgage servicing rights, \$5.0 million from short-term borrowings and \$1.9 million from residual interests in securitizations. Offsetting the sources of cash were operating expenses totaling \$16.6 million (net of non-cash depreciation expense), an increase in haircuts of approximately \$10.0 million, \$5.0 million repayment of the short-term borrowing, an increase in restricted cash of \$2.5 million, \$1.7 million in interest payments on the 2013 Convertible Notes, long-term debt and short-term structure debt and settlements of repurchase requests associated with loans sold by the previously discontinued non-conforming mortgage operations of approximately \$1.0 million.

## [Table of Contents](#)

Mortgage loans held-for-sale increased \$292.2 million to \$531.6 million at March 31, 2015 as compared to \$239.4 million at December 31, 2014. The increase was due to \$2.4 billion in originations offset by \$2.1 billion in loan sales primarily associated with the acquisition of CCM. As a normal course of our origination and sales cycle, loans held-for-sale at the end of any period are generally sold within one or two subsequent months.

Finance receivables increased \$45.0 million to \$53.3 million at March 31, 2015 as compared to \$8.4 million at December 31, 2014. The increase was due to \$124.2 million in funding's offset by \$79.1 million in settlements.

Mortgage servicing rights increased \$2.2 million to \$26.7 million at March 31, 2015 as compared to \$24.4 million at December 31, 2014. The increase was due to servicing retained loan sales of \$2.1 billion. Partially offsetting the increase were bulk sales of servicing rights totaling \$1.6 billion in UPB and a mark-to-market reduction in fair value of \$3.1 million. At March 31, 2015, we serviced \$2.6 billion in UPB for others as compared to \$2.3 billion at December 31, 2014.

Warehouse borrowings increased \$325.8 million to \$552.5 million at March 31, 2015 as compared to \$226.7 million at December 31, 2014. The increase was due to an increase in mortgage loans held-for-sale attributable to the acquisition of CCM and finance receivables at March 31, 2015. During the three months ended March 31, 2015, we increased our total borrowing capacity to \$625.0 million as compared to \$315.0 million at December 31, 2014.

In the fourth quarter of 2014, we entered into a \$6.0 million short-term structured debt agreement collateralized by the residual interests in securitizations. The agreement bears interest at LIBOR + 5.75% per annum, has a maturity date of June 29, 2015 and we have the right to repay the debt without penalty prior to the maturity. The holder receives monthly principal and interest payments which are equal to the distributions from the residual interest underlying collateral with a minimum payment of \$500,000. If the cash flows received from the collateralized residual interests are less than \$500,000, we would be required to pay the difference to avoid the transfer of the residual interests and the rights to the associated future cash flows to the note holder. During the three months ended March 31, 2015, cash flows from the collateralized residual interests were \$1.9 million which were \$300 thousand greater than the minimum payments. As a result, at March 31, 2015 the short-term structured debt agreement decreased to \$4.2 million as compared to \$6.0 million at December 31, 2014.

Long-term debt increased \$7.5 million to \$29.6 million at March 31, 2015 as compared to \$22.1 at December 31, 2014. The increase was primarily due to a mark-to-market adjustment of \$7.1 million as a result of the increase in the estimated fair value of long-term debt. The increase in the estimated fair value of long-term debt was primarily the result of a decrease in the discount rate attributable to an improvement in our own credit risk profile, an improvement in our financial condition and results of operations.

Repurchase reserve liability decreased to \$5.5 million at March 31, 2015 as compared to \$5.7 million at December 31, 2014. As previously reported, in the first quarter of 2015, we settled our repurchase liability with FNMA related to our legacy non-conforming mortgage operations. As part of the agreement, the Company paid FNMA \$1.0 million during the first quarter with a final payment of \$228 thousand paid in April 2015. We have received a minimal amount of repurchase requests for loans sold by IMC's mortgage lending operation.

The changes in total assets and liabilities, at fair market value, are primarily attributable to decreases in our trust assets and trust liabilities as summarized below.

	March 31, 2015	December 31, 2014	Increase (Decrease)	% Change
Securitized mortgage collateral	\$ 5,110,983	\$ 5,249,639	\$ (138,656)	(3)%
Other trust assets	19,210	18,892	318	2
<b>Total trust assets</b>	<b>5,130,193</b>	<b>5,268,531</b>	<b>(138,338)</b>	<b>(3)</b>

Securitized mortgage borrowings	\$	5,109,133	\$	5,245,860	\$	(136,727)	(3)%
Other trust liabilities		4,499		5,447		(948)	(17)
Total trust liabilities		5,113,632		5,251,307		(137,675)	(3)

Since the consolidated and unconsolidated securitization trusts are nonrecourse to the Company, trust assets and liabilities have been netted to present our interest in these trusts more simply, which are considered the residual interests in securitizations. For unconsolidated securitizations the residual interests represent the fair value of investment securities available-for-sale. For consolidated securitizations, the residual interests are represented by the fair value of securitized mortgage collateral and real estate

[Table of Contents](#)

owned, offset by the fair value of securitized mortgage borrowings and derivative liabilities. We receive cash flows from our residual interests in securitizations to the extent they are available after required distributions to bondholders and maintaining specified overcollateralization levels and other specified parameters (such as maximum delinquency and cumulative default) within the trusts. The estimated fair value of the residual interests, represented by the difference in the fair value of total trust assets and total trust liabilities, was \$16.6 million at March 31, 2015, compared to \$17.2 million at December 31, 2014.

We update our collateral assumptions quarterly based on recent delinquency, default, prepayment and loss experience. Additionally, we update the forward interest rates and investor yield (discount rate) assumptions based on information derived from market participants. During the three months ended March 31, 2015, the actual and forecasted losses increased. In addition to the increase in losses, principal payments and liquidations of securitized mortgage collateral and securitized mortgage borrowings further reduced trust assets and liabilities. Partially offsetting the decrease in securitized mortgage collateral and securitized mortgage borrowings was a decrease in forward LIBOR as compared to December 31, 2014. The increase in losses and loss assumptions and decrease in the forward LIBOR curve resulted in a slight reduction in the value of our residual interests at March 31, 2015.

- The estimated fair value of securitized mortgage collateral decreased \$138.7 million during the three months ended March 31, 2015, primarily due to reductions in principal from borrower payments and transfers of loans to REO for single-family and multi-family collateral. Additionally, other trust assets increased \$318 thousand during the three months ended March 31, 2015, primarily due to \$9.2 million in REO foreclosures. Partially offsetting the increase was decreases in REO from liquidations of \$6.2 million plus a \$2.7 million decrease in the net realizable value (NRV) of REO.
- The estimated fair value of securitized mortgage borrowings decreased \$136.7 million during the three months ended March 31, 2015, primarily due to reductions in principal balances from principal payments during the period for single-family and multi-family collateral as well as a slight increase in loss assumptions. The \$948 thousand reduction in other trust liabilities during the three months ended March 31, 2015, was primarily due to \$1.1 million in derivative cash payments from the securitization trusts, and a \$241 thousand increase in derivative fair value resulting from changes in forward LIBOR interest rates.

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

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

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

[Table of Contents](#)

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

The following table presents changes in the trust assets and trust liabilities for the three months ended March 31, 2015:

	TRUST ASSETS				TRUST LIABILITIES			
	Level 3 Recurring Fair Value Measurements		NRV (1)		Level 3 Recurring Fair Value Measurements		Total trust liabilities	Net trust assets
	Investment securities available-for-sale	Securitized mortgage collateral	Real estate owned	Total trust assets	Securitized mortgage borrowings	Derivative liabilities		
<b>Recorded book value at December 31, 2014</b>	\$ 92	\$ 5,249,639	\$ 18,800	\$ 5,268,531	\$ (5,245,860)	\$ (5,447)	\$ (5,251,307)	\$ 17,224
Total gains/(losses) included in earnings:								
Interest income	4	17,718	—	17,722	—	—	—	17,722
Interest expense	—	—	—	—	(56,366)	—	(56,366)	(56,366)
Change in FV of net trust assets, excluding REO	34	(1,854)	—	(1,820)(2)	3,855	(241)	3,614(2)	1,794
Losses from REO - not at FV but at NRV	—	—	(2,670)	(2,670)(2)	—	—	—	(2,670)
Total gains (losses) included in earnings	38	15,864	(2,670)	13,232	(52,511)	(241)	(52,752)	(39,520)
Transfers in and/or out of level 3	—	—	—	—	—	—	—	—
Purchases, issuances and settlements	(42)	(154,520)	2,992	(151,570)	189,238	1,189	190,427	38,857
<b>Recorded book value at March 31, 2015</b>	<b>\$ 88</b>	<b>\$ 5,110,983</b>	<b>\$ 19,122</b>	<b>\$ 5,130,193</b>	<b>\$ (5,109,133)</b>	<b>\$ (4,499)</b>	<b>\$ (5,113,632)</b>	<b>\$ 16,561</b>

(1) Accounted for at net realizable value.

(2) Represents non-interest income-net trust assets in the consolidated statements of operations for the three months ended March 31, 2015.

Inclusive of gains from REO, total trust assets above reflect a net loss of \$4.5 million as a result of a decrease in fair value of securitized mortgage collateral of \$1.9 million, losses from REO of \$2.7 million and increases from other trust assets of \$34 thousand. Net gains on trust liabilities were \$3.6 million as a result of \$3.9 million in gains from the decrease in fair value of securitized mortgage borrowings and losses from derivative liabilities of \$241 thousand. As a result, non-interest income—net trust assets totaled a loss of \$876 thousand for the three months ended March 31, 2015.

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

	March 31, 2015	December 31, 2014
<b>Net trust assets</b>	\$ 16,561	\$ 17,224
<b>Total trust assets</b>	5,130,193	5,268,531
<b>Net trust assets as a percentage of total trust assets</b>	0.32%	0.33%

For the three months ended March 31, 2015, the estimated fair value of the net trust assets decreased as a percentage of total trust assets. The decrease was primarily due to cash received as well as a slight increase in loss assumptions.

Since the consolidated and unconsolidated securitization trusts are nonrecourse to us, our economic risk is limited to our residual interests in these securitization trusts. Therefore, in the following table we have netted trust assets and trust liabilities to present these residual interests more simply. Our residual interests in securitizations are segregated between our single-family (SF) residential and multi-family (MF) residential portfolios and are represented by the difference between trust assets and trust liabilities.

## Table of Contents

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 March 31, 2015 and December 31, 2014:

Origination Year		Estimated Fair Value of Residual Interests by Vintage Year at March 31, 2015			Estimated Fair Value of Residual Interests by Vintage Year at December 31, 2014		
		SF	MF	Total	SF	MF	Total
2002-2003	(1)	\$ 10,624	\$ 1,752	\$ 12,376	\$ 10,826	\$ 1,975	\$ 12,801
2004		1,778	1,175	2,953	1,846	1,506	3,352
2005	(2)	17	223	240	11	209	220
2006	(2)	—	992	992	—	851	851
2007	(2)	—	—	—	—	—	—
<b>Total</b>		<b>\$ 12,419</b>	<b>\$ 4,142</b>	<b>\$ 16,561</b>	<b>\$ 12,683</b>	<b>\$ 4,541</b>	<b>\$ 17,224</b>
Weighted avg. prepayment rate		4.2%	12.5%	4.9%	4.3%	12.4%	4.9%
Weighted avg. discount rate		19.0%	16.5%	18.4%	19.0%	16.2%	18.3%

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

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

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

The table below reflects the estimated future credit losses and investor yield requirements for trust assets by product (SF and MF) and securitization vintage at March 31, 2015:

	Estimated Future Losses (1)		Investor Yield Requirement (2)	
	SF	MF	SF	MF
2002-2003	8%	*(3)	5%	8%
2004	12%	*(3)	5%	5%
2005	15%	3%	5%	4%
2006	23%	5%	6%	5%
2007	28%	2%	6%	4%

- (1) Estimated future losses derived by dividing future projected losses by UPB at March 31, 2015.  
(2) Investor yield requirements represent our estimate of the yield third-party market participants would require to price our trust assets and liabilities given our prepayment, credit loss and forward interest rate assumptions.  
(3) Represents less than 1%.

Despite the increase in housing prices through March 31, 2015, housing prices in many parts of the country are still at levels which have 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.

### Long-Term Mortgage Portfolio Credit Quality

We use the Mortgage Bankers Association (MBA) method to define delinquency as a contractually required payment being 30 or more days past due. We measure delinquencies from the date of the last payment due date in which a payment was received. Delinquencies for loans 60 days delinquent or greater, foreclosures and delinquent bankruptcies were \$1.3 billion or 19.6% of the long-term mortgage portfolio as of March 31, 2015.

### [Table of Contents](#)

The following table summarizes the gross UPB of loans in our mortgage portfolio, included in securitized mortgage collateral, that were 60 or more days delinquent (utilizing the MBA method) as of the periods indicated:

	March 31, 2015	Total Collateral %	December 31, 2014	Total Collateral %
<b>Securitized mortgage collateral</b>				
60 - 89 days delinquent	\$ 120,027	1.8%	\$ 137,913	2.0%
90 or more days delinquent	415,503	6.3%	503,849	7.5%
Foreclosures (1)	482,744	7.4%	443,751	6.6%
Delinquent bankruptcies (2)	268,171	4.1%	281,936	4.2%
Total 60+ days delinquent long-term mortgage portfolio	1,286,445	19.6%	1,367,449	20.3%
Total 60 or more days delinquent	\$ 1,286,445	19.6%	\$ 1,367,449	20.3%
Total collateral	\$ 6,552,903	100%	\$ 6,745,411	100%

- (1) Represents properties in the process of foreclosure.  
(2) Represents bankruptcies that are 30 days or more delinquent.

The following table summarizes the gross securitized mortgage collateral and REO (at NRV), that were non-performing as of the dates indicated (excludes 60-89 days delinquent):

	March 31, 2015	Total Collateral %	December 31, 2014	Total Collateral %
90 or more days delinquent, foreclosures and delinquent bankruptcies	\$ 1,166,418	17.8%	\$ 1,229,536	18.2%
Real estate owned	19,122	0.3%	18,800	0.3%
Total non-performing assets	\$ 1,185,540	18.1%	\$ 1,248,336	18.5%

Non-performing assets consist of non-performing loans (mortgages that are 90 or more days delinquent, including loans in foreclosure and delinquent bankruptcies) plus REO. It is the Company's policy to place a mortgage on nonaccrual status when it becomes 90 days delinquent and to reverse from revenue any accrued interest, except for interest income on securitized mortgage collateral when the scheduled payment is received from the servicer. The servicers are required to advance principal and interest on loans within the securitization trusts to the extent the advances are considered recoverable. IFC, a subsidiary of IMH and master servicer, may be required to advance funds, or in most cases cause the loan servicers to advance funds, to cover principal and interest payments not received from borrowers depending on the status of their mortgages. As of March 31, 2015, non-performing assets (UPB of loans 90 or more days delinquent, foreclosures and delinquent bankruptcies plus REO) as a percentage of the total collateral was 18.1%. At December 31, 2014, non-performing assets to total collateral was 18.5%. Non-performing assets decreased by approximately \$62.8 million at March 31, 2015 as compared to December 31, 2014. At March 31, 2015, 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 \$421.7 million or 7.1% of total assets. At December 31, 2014, the estimated fair value of non-performing assets was \$410.3 million or 7.3% of total assets.

REO, which consists of residential real estate acquired in satisfaction of loans, is carried at the lower of cost or net realizable value less estimated selling costs. Adjustments to the loan carrying value required at the time of foreclosure are included in the change in the fair value of net trust assets. Changes

in our estimates of net realizable value subsequent to the time of foreclosure and through the time of ultimate disposition are recorded as gains or losses from real estate owned in the consolidated statements of operations.

The increase in REO at March 31, 2015 was the result of a decrease in REO liquidations as compared to the fourth quarter of 2014. Additionally, for the three months ended March 31, 2015, we recorded a decrease in net realizable value of the REO in the amount of \$2.7 million, compared to an increase of \$6.1 million for the comparable 2014 period. Increases and write-downs of the net realizable value reflect increases or declines in value of the REO subsequent to foreclosure date, but prior to the date of sale.

[Table of Contents](#)

The following table presents the balances of REO:

	March 31, 2015	December 31, 2014
REO	\$ 23,666	\$ 20,674
Impairment (1)	(4,544)	(1,874)
Ending balance	<u>\$ 19,122</u>	<u>\$ 18,800</u>
REO inside trusts	\$ 19,122	\$ 18,800
REO outside trusts	—	—
Total	<u>\$ 19,122</u>	<u>\$ 18,800</u>

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

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

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

**Results of Operations**

*For the Three Months Ended March 31, 2015 compared to the Three Months Ended March 31, 2014*

	For the Three Months Ended March 31,			
	2015	2014	Increase (Decrease)	% Change
Revenues	\$ 34,343	\$ 10,229	\$ 24,114	236%
Expenses	(17,141)	(14,928)	(2,213)	(15)
Net interest income (expense)	1,058	(313)	1,371	438
Change in fair value of long-term debt	(7,116)	(650)	(6,466)	(995)
Change in fair value of net trust assets, including trust REO gains (losses)	(876)	3,038	(3,914)	(129)
Income tax benefit (expense)	23,704	(342)	24,046	7,031
Net earnings (loss) attributable to IMH	<u>33,972</u>	<u>(2,966)</u>	<u>36,938</u>	1,245
Earnings (loss) per share available to common stockholders - basic	<u>\$ 3.54</u>	<u>\$ (0.33)</u>	<u>\$ 3.87</u>	1,164%
Earnings (loss) per share available to common stockholders - diluted	<u>\$ 2.94</u>	<u>\$ (0.33)</u>	<u>\$ 3.27</u>	998%

[Table of Contents](#)

Revenues

For the Three Months Ended March 31,			
2015	2014	Increase (Decrease)	% Change

Gain on sale of loans, net	\$ 37,398	\$ 4,573	\$ 32,825	718%
Real estate services fees, net	2,742	3,679	(937)	(25)
Servicing income, net	635	1,569	(934)	(60)
Loss on mortgage servicing rights	(6,568)	(977)	(5,591)	(572)
Other revenues	136	1,385	(1,249)	(90)
Total revenues	<u>\$ 34,343</u>	<u>\$ 10,229</u>	<u>\$ 24,114</u>	236%

For the three months ended March 31, 2015, results of operation include the operations of CCM, but do not reflect certain accounting adjustments that will be included in future periods, but were not required to be included in the 2015 first quarter, since the acquisition did not close until March 31, 2015. Such adjustments include accretion (or imputed interest) related to the estimated future contingent earn-out liability, amortization of intangible assets recorded in connection with the acquisition and possible adjustments to the contingent earn-out liability that may arise as a result of future actual operations differing from projected operations.

*Gain on sale of loans, net.* For the three months ended March 31, 2015, gain on sale of loans, net were \$37.4 million compared to \$4.6 million in the comparable 2014 period. The \$32.8 million increase is primarily related to a \$41.2 million increase in premiums received from the sale of mortgage loans, an \$18.6 million increase in premiums from servicing retained loan sales, a \$10.4 million increase in mark-to-market gains and a \$7.2 million increase in realized and unrealized net gains on derivative financial instruments, partially offset by \$44.0 million increase in net direct loan origination expenses and a \$612 thousand increase in provision for repurchases.

The overall increase in gain on sale of loans, net was due to increased gain on sale margins associated with \$2.4 billion and \$2.1 billion of loans originated and sold, respectively, during the three months ended March 31, 2015, as compared to \$353.1 million and \$379.4 million of loans originated and sold, respectively, during the same period in 2014. The increase was predominantly due to the first quarter acquisition of CCM which generated \$1.5 billion in loan originations. Margins increased to approximately 155 bps for the three months ended March 31, 2015 as compared to 130 bps for the same period in 2014 due to the acquisition of CCM and a higher concentration of retail loans which have higher margins. However, in the first quarter of 2015, gain on sale of loans, net included increased loan origination costs related to the acquisition of CCM. Beginning in the second quarter of 2015, the operations of CCM will be consolidated with our mortgage lending segment, therefore, the operating expenses of CCM will be included in personnel and general, administrative, and other expense, which should increase our gain on sale margins and correspondingly increase our operating expenses.

*Real estate services fees, net.* For the three months ended March 31, 2015, real estate services fees, net were \$2.7 million compared to \$3.7 million in the comparable 2014 period. The \$937 thousand decrease was primarily the result of a decrease in transactions related to the decline in the number of loans and the UPB of the long-term mortgage portfolio.

*Servicing income, net.* For the three months ended March 31, 2015, servicing income, net was \$635 thousand compared to \$1.6 million in the comparable 2014 period. The decrease in servicing income, net was the result of the servicing portfolio decreasing 28% to an average balance of \$2.1 billion for the three months ended March 31, 2015 as compared to an average balance of \$2.9 billion for the three months ended March 31, 2014. The decrease in the average balance was due to servicing sales in the first quarter of 2015 of approximately \$1.6 billion.

*Loss on mortgage servicing rights.* For the three months ended March 31, 2015, loss on mortgage servicing rights was \$6.6 million compared to \$977 thousand in the comparable 2014 period. For the three months ended March 31, 2015, loss on mortgage servicing rights was primarily the result of a (\$3.1) million change in fair value of mortgage servicing rights due to a decrease in interest rates during the period coupled with a \$3.5 million loss on sale of servicing primarily due to FHA dropping its required mortgage insurance premium by 0.50% in January 2015 as compared to a loss of \$961 thousand for the same period in 2014.

*Other revenues.* For the three months ended March 31, 2015, other revenue was \$136 thousand compared to \$1.4 million for the comparable 2014 period. The decrease in other revenue was primarily due to the sale of AmeriHome during the first quarter of 2014 resulting in a \$1.2 million gain.

[Table of Contents](#)

*Expenses*

	For the Three Months Ended March 31,			
	2015	2014	Increase (Decrease)	% Change
Personnel expense	\$ 11,490	\$ 9,460	\$ 2,030	21%
General, administrative and other	5,651	5,468	183	3
Total expenses	<u>\$ 17,141</u>	<u>\$ 14,928</u>	<u>\$ 2,213</u>	15%

In accordance with the purchase agreement, from the beginning of January 2015 until the March 31, 2015 closing date of the CCM acquisition, IMC received all of the net earnings of CCM's mortgage loan transactions, however a majority of the net earnings were paid to the seller as an earn-out payment as part of the purchase price. IMC reimbursed CashCall for all mortgage loan origination costs including personnel and other operating costs. Prior to the March 31, 2015 closing date, IMC recorded these expenses as loan origination costs within gain on sale of loans, net.

Total expenses were \$17.1 million for the three months ended March 31, 2015, compared to \$14.9 million for the comparable period of 2014. Personnel expense increased \$2.0 million to \$11.5 million for the three months ended March 31, 2015. The increase is primarily due to the addition of new sales personnel in the wholesale and correspondent division as compared to the first quarter of 2014. This increase does not include the increase in personnel related costs from the acquisition of CCM as those costs will be recorded beginning in the second quarter of 2015 as a result of the consolidation of CCM on the March 31, 2015 acquisition date. Beginning in the second quarter of 2015, personnel related costs from CCM will be included within their respective expense line.

As part of a review of the overall compensation and retention structure of the executive management team, the Company discovered that a retention plan created three years ago to retain key executives included an aspect associated with the financing of premiums on a life insurance benefit that may be inconsistent with the requirements of the Sarbanes-Oxley Act. However, the Company is taking all steps necessary to insure that the retention plan is in compliance with the Sarbanes-Oxley Act.

General, administrative and other expenses increased to \$5.7 million for the three months ended March 31, 2015, compared to \$5.5 million for the same period in 2014. The increase was primarily related to a \$775 thousand increase in legal and professional fees partially offset by a \$533 thousand decrease in occupancy expense. The decrease in occupancy expense is due to a non-cash lease impairment charge of \$548 thousand during the first quarter of 2014. Additionally, as previously discussed, general, administrative and other costs do not include any costs from CCM as CCM's operations were not consolidated until the March 31, 2015 acquisition date. The costs were booked as loan acquisition costs within gain on sale of loans, net during the first quarter of 2015. Beginning in the second quarter of 2015, general, administrative and other costs from CCM will be recorded within their respective expense line.

#### Net Interest Income (Expense)

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

#### [Table of Contents](#)

The following tables summarize average balance, interest and weighted average yield on interest-earning assets and interest-bearing liabilities, 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 Three Months Ended March 31,					
	2015			2014		
	Average Balance	Interest	Yield	Average Balance	Interest	Yield
<b>ASSETS</b>						
Securitized mortgage collateral	\$ 5,180,311	\$ 69,282	5.35%	\$ 5,477,334	\$ 71,083	5.19%
Mortgage loans held-for-sale	288,481	2,631	3.65%	85,040	924	4.35%
Finance receivables	84,050	687	3.27%	—	—	0.00%
Other	4,530	8	0.71%	10,601	14	0.53%
Total interest-earning assets	<u>\$ 5,557,372</u>	<u>\$ 72,608</u>	5.23%	<u>\$ 5,572,975</u>	<u>\$ 72,021</u>	5.17%
<b>LIABILITIES</b>						
Securitized mortgage borrowings	\$ 5,177,496	\$ 67,124	5.19%	\$ 5,476,715	\$ 70,048	5.12%
Warehouse borrowings (1)	360,580	2,750	3.05%	80,145	746	3.72%
Long-term debt	22,341	960	17.19%	16,553	1,111	26.85%
Convertible Notes	20,000	388	7.76%	20,000	387	7.74%
Short-term structured debt	5,217	104	7.97%	—	—	0.00%
Short-term borrowing	3,222	173	21.48%	—	—	0.00%
Other	3,178	51	6.42%	1,501	42	11.19%
Total interest-bearing liabilities	<u>\$ 5,592,034</u>	<u>\$ 71,550</u>	5.12%	<u>\$ 5,594,914</u>	<u>\$ 72,334</u>	5.17%
<b>Net Interest Spread (2)</b>		\$ 1,058	0.11%		\$ (313)	0.00%
<b>Net Interest Margin (3)</b>			0.08%			-0.02%

(1) Warehouse borrowings include the borrowings from mortgage loans held-for-sale and finance receivables.

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

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

Net interest spread increased \$1.4 million for the quarter ended March 31, 2015 primarily attributable to an increase in the net interest spread on the long-term mortgage portfolio due to increases in yields between periods on securitized mortgage collateral and securitized mortgage borrowings, an increase in the net interest spread between loans held-for-sale and finance receivables and their related warehouse borrowings and a decrease in interest expense on the long-term debt. Offsetting the increase in net spread was an increase in interest expense from the issuance of the short-term structured debt and short-term borrowing. As a result, net interest margin increased to 0.08% for the three months ended March 31, 2015 from (0.02%) for the three months ended March 31, 2014.

During the quarter ended March 31, 2015, the yield on interest-earning assets increased to 5.23% from 5.17% in the comparable 2014 period. The yield on interest-bearing liabilities decreased to 5.12% for the quarter ended March 31, 2015 from 5.17% for the comparable 2014 period. In connection with the fair value accounting for investment securities available-for-sale, securitized mortgage collateral and borrowings and long-term debt, interest income and interest expense is recognized using effective yields based on estimated fair values for these instruments. The increase in yield for securitized mortgage collateral and securitized mortgage borrowings is primarily related to a slight deterioration in the 2006 and 2007 vintage as compared to the previous period. The decrease in prices for these vintages caused the overall yields to increase. Partially offsetting the increase in overall yields was improved pricing and lower yields on the earlier vintages. The result was an improvement in net interest income and cash flows in the earlier vintage trusts which include our residual interests.

#### [Table of Contents](#)



## Change in the fair value of long-term debt.

Change in the fair value of long-term debt resulted in a loss of \$7.1 million for the three months ended March 31, 2015, compared to a loss of \$650 thousand for the comparable 2014 period as a result of the increase in the estimated fair value of long-term debt. The increase in the estimated fair value of long-term debt was primarily the result of a decrease in the discount rate attributable to an improvement in our own credit risk profile, improvement in our financial condition and results of operations from the mortgage lending segment including the acquisition of CCM as well as a decrease in forward LIBOR interest rates during the first quarter of 2015 as compared to 2014. 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 and discounted cash flow analyses. Improvements in financial results and financial condition of the Company in the future could result in additional increases in the estimated fair value of the long-term debt, while a deterioration in financial results and financial condition could result in a decrease in the estimated fair value of the long-term debt.

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

	For the Three Months Ended March 31,	
	2015	2014
Change in fair value of net trust assets, excluding REO	\$ 1,794	\$ (3,043)
(Losses) gains from REO	(2,670)	6,081
Change in fair value of net trust assets, including trust REO (losses) gains	\$ (876)	\$ 3,038

The change in fair value related to our net trust assets (residual interests in securitizations) was a loss of \$876 thousand for the quarter ended March 31, 2015, compared to a gain of \$3.0 million in the comparable 2014 period. The change in fair value of net trust assets, including REO was due to \$1.8 million in gains from changes in fair value of securitized mortgage borrowings, securitized mortgage collateral and investment securities available-for-sale primarily associated with lower interest rates. Additionally, the NRV of REO decreased \$2.7 million during the period attributed to higher expected loss severities on properties held in the long-term mortgage portfolio during the period.

The change in fair value related to our net trust assets (residual interests in securitizations) was a gain of \$3.0 million for the quarter ended March 31, 2014. The change in fair value of net trust assets, including REO was due to \$3.0 million in losses from changes in fair value of securitized mortgage borrowings, securitized mortgage collateral and investment securities available-for-sale primarily associated with updating assumptions of increased collateral losses in the future and higher interest rates. Offsetting the loss was a \$6.1 million increase in NRV of REO during the period attributed to lower expected loss severities on properties held in the long-term mortgage portfolio during the period.

## Income Taxes

For the three months ended March 31, 2015, we recorded a benefit of \$23.7 million primarily the result of reversal of valuation allowance partially offset by federal alternative minimum tax (AMT), amortization of the deferred charge and state income taxes from states where we do not have net operating loss carryforwards or state minimum taxes, including AMT. For the three months ended March 31, 2014, we recorded an expense of \$0.3 million primarily related to alternative minimum taxes associated with taxable income generated from the sale of AmeriHome and mortgage servicing rights.

As of December 31, 2014, we had estimated federal and California net operating loss (NOL) carryforwards of approximately \$495.9 million and \$427.3 million, respectively. Federal and state net operating loss carryforwards begin to expire in 2027 and 2018, respectively.

Based on pretax income of \$10.3 million, the expected tax expense would be \$4.1 million at an effective rate of 40%. However, we utilized \$3.7 million in available NOL's by offsetting tax expense for the period with a reversal of the valuation allowance. Additionally, based on the weight of available evidence at March 31, 2015, we determined that it was more likely than not that we would generate sufficient taxable income in future periods to utilize a portion of our net deferred tax asset.

As of December 31, 2014, we had deferred tax assets of \$163.2 million which we recorded a full valuation allowance against. During the first quarter of 2015, with the aforementioned acquisition of CCM, we significantly expanded our mortgage lending operations and profitability. As of March 31, 2015, in part because of the earnings of CCM during the first quarter of 2015, current year projected earnings, future projected earnings as well as the historical earnings of CCM, management determined that sufficient positive evidence exists to conclude that it is more likely than not that deferred taxes of \$24.4 million are realizable, and therefore, reduced the valuation allowance accordingly.

## [Table of Contents](#)

### Results of Operations by Business Segment

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

#### Mortgage Lending

	For the Three Months Ended March 31,			
	2015	2014	Increase (Decrease)	% Change
Gain on sale of loans, net	\$ 37,398	\$ 4,573	\$ 32,825	718%
Servicing income, net	635	1,569	(934)	(60)
Loss on mortgage servicing rights	(6,568)	(977)	(5,591)	(572)
Other	17	1,216	(1,199)	(99)
Total revenues	31,482	6,381	25,101	393
Other income	368	156	212	136

Personnel expense	(11,055)	(6,585)	(4,470)	(68)
General, administrative and other	(2,260)	(2,477)	217	9
Net earnings (loss) before income taxes	<u>\$ 18,535</u>	<u>\$ (2,525)</u>	<u>\$ 21,060</u>	834%

For the quarter ended March 31, 2015, gain on sale of loans, net were \$37.4 million or 1.55% compared to \$4.6 million or 1.30% in the comparable 2014 period. The \$32.8 million increase is primarily related to a \$41.3 million increase in premiums received from the sale of mortgage loans, an \$18.6 million increase in premiums from servicing retained loan sales, a \$10.4 million increase in mark-to-market gains and a \$7.2 million increase in realized and unrealized net gains on derivative financial instruments, partially offset by \$44.3 million increase in net direct loan origination expenses and a \$315 thousand increase in provision for repurchases.

The overall increase in gain on sale of loans, net was due to increased gain on sale margins associated with \$2.4 billion and \$2.1 billion of loans originated and sold, respectively, during the three months ended March 31, 2015, as compared to \$353.1 million and \$379.4 million of loans originated and sold, respectively, during the same period in 2014. The increase was predominantly due to the first quarter acquisition of CCM which generated \$1.5 billion in loan originations. Margins increased to approximately 155 bps for the three months ended March 31, 2015 as compared to 130 bps for the same period in 2014 due to the acquisition of CCM and a higher concentration of retail loans which have higher margins. However, in the first quarter of 2015, gain on sale of loans, net included increased loan origination costs related to the acquisition of CCM. Beginning in the second quarter of 2015, the operations of CCM will be consolidated with our mortgage lending segment, therefore, the operating expenses of CCM will be included in personnel and general, administrative, and other expense, which should increase our gain on sale margins and increase our operating expenses.

For the quarter ended March 31, 2015, servicing income, net was \$635 thousand compared to \$1.6 million in the comparable 2014 period. The decrease in servicing income, net was the result of the servicing portfolio decreasing 28% to an average balance of \$2.1 billion for the three months ended March 31, 2015 as compared to an average balance of \$2.9 billion for the three months ended March 31, 2014. The decrease in the average balance was due to servicing sales in the first quarter of 2015 of approximately \$1.6 billion.

For the three months ended March 31, 2015, loss on mortgage servicing rights was \$6.6 million compared to \$977 thousand in the comparable 2014 period. For the three months ended March 31, 2015, loss on mortgage servicing rights was primarily the result of a (\$3.1) million change in fair value of mortgage servicing rights due to a decrease in interest rates during the period coupled with a \$3.5 million loss on sale of servicing primarily due to FHA dropping its required mortgage insurance premium by 0.50% in January as compared to a loss of \$961 thousand for the same period in 2014.

[Table of Contents](#)

Personnel expense increased \$4.5 million to \$11.1 million for the three months ended March, 2015. The increase is primarily due to the addition of new sales personnel by IMH in the wholesale and correspondent division as compared to the first quarter of 2014. Additionally, the growth of the mortgage lending division resulted in increased allocations of certain corporate costs. These increases do not include the increase in personnel related costs from the acquisition of CCM as those costs were booked as loan acquisition costs within gain on sale of loans, net during the first quarter of 2015. Beginning in the second quarter of 2015, personnel related costs from CCM will be recorded within their respective expense line. The average number of mortgage lending employees increased to 213 in the first quarter of 2015 as compared to 176 during the same period in 2014.

For the three months ended March 31, 2015, other revenue was \$17 thousand compared to \$1.2 million for the comparable 2014 period. The decrease in other revenue was primarily due to the sale of AmeriHome during the first quarter of 2014 resulting in a \$1.2 million gain.

*Real Estate Services*

	For the Three Months Ended March 31,			
	2015	2014	Increase (Decrease)	% Change
Real estate services fees, net	\$ 2,742	\$ 3,679	\$ (937)	(25)%
Other income	—	1	(1)	(100)
Personnel expense	(1,453)	(1,218)	(235)	(19)
General, administrative and other	(202)	(304)	102	34
Net earnings before income taxes	<u>\$ 1,087</u>	<u>\$ 2,158</u>	<u>\$ (1,071)</u>	(50)%

For the quarter ended March 31, 2015, real estate services fees, net were \$2.7 million compared to \$3.7 million in the comparable 2014 period. The \$937 thousand decrease in real estate services fees, net was the result of a \$420 thousand decrease in loss mitigation fees, a \$310 thousand decrease in real estate services and a \$207 thousand decrease in real estate and recovery fees.

For the quarter ended March 31, 2015, personnel expense increased to \$1.5 million as compared to \$1.2 million for the comparable 2014 period. The \$235 thousand increase is primarily related to an increase in personnel and related expenses as well as certain allocated corporate costs.

*Long-term Mortgage Portfolio*

	For the Three Months Ended March 31,			
	2015	2014	Increase (Decrease)	% Change
Other revenue	\$ 61	\$ 169	(108)	(64)%
Personnel expense	(7)	(91)	(84)	(92)
General, administrative and other	(104)	(150)	(46)	(31)
Total expenses	(111)	(241)	130	54
Net interest income (expense)	1,201	(69)	1,270	1841

Change in fair value of long-term debt	(7,116)	(650)	(6,466)	(995)
Change in fair value of net trust assets, including trust REO (losses) gains	(876)	3,038	(3,914)	(129)
Total other (expense) income	(6,791)	2,319	(9,110)	(393)
Net (loss) earnings before income taxes	<u>\$ (6,841)</u>	<u>\$ 2,247</u>	<u>\$ (9,088)</u>	<u>(404)%</u>

For the three months ended March 31, 2015, other revenue totaled \$61 thousand as compared to \$169 thousand for the comparable 2014 period. The \$108 thousand decrease is primarily due to a \$73 thousand decrease in investment earnings and a \$35 thousand decrease in master servicing revenue earned on the long-term mortgage portfolio.

46

## [Table of Contents](#)

For the three months ended March 31, 2015, personnel expense was \$7 thousand as compared to \$91 thousand for the comparable 2014 period. The \$84 thousand decrease in personnel expense was primarily due to a decrease in allocated personnel expenses associated with ongoing activities in the long-term mortgage portfolio associated with a decline in loans and balances of the long-term mortgage portfolio.

For the three months ended March 31, 2015, net interest income totaled \$1.2 million as compared to an expense of \$69 thousand for the comparable 2014 period. Net interest income increased \$1.3 million for the quarter ended March 31, 2015 primarily attributable to a \$1.1 million increase in net interest spread on the long-term mortgage portfolio due to an improvement in net interest income and cash flows in the earlier vintage trusts which include our residual interests. Additionally, net interest income increased \$151 thousand due to a decrease in interest expense on the long-term debt.

Change in the fair value of long-term debt was a loss of \$7.1 million for the three months ended March 31, 2015, compared to a loss of \$650 thousand for the comparable 2014 period as a result of the increase in the estimated fair value of long-term debt. The increase in the estimated fair value of long-term debt was primarily the result of a decrease in the discount rate attributable to an improvement in our own credit risk profile due to our financial condition and results of operations from the mortgage lending segment including the acquisition of CCM as well as a decrease in forward LIBOR interest rates during the first quarter of 2015 as compared to 2014.

The change in fair value related to our net trust assets (residual interests in securitizations) was a loss of \$876 thousand for the quarter ended March 31, 2015, compared to a gain of \$3.0 million in the comparable 2014 period. The change in fair value of net trust assets, including REO was due to \$1.8 million in gains from changes in fair value of securitized mortgage borrowings, securitized mortgage collateral and investment securities available-for-sale primarily associated with lower interest rates. Additionally, the NRV of REO decreased \$2.7 million during the period attributed to higher expected loss severities on properties held in the long-term mortgage portfolio during the period.

## Corporate

The corporate segment includes all compensation applicable to the corporate services groups, public company costs, unused office space as well as debt expense related to the Convertible Notes and capital leases. This corporate services group supports all operating segments. A portion of the corporate services costs is allocated to the operating segments. The costs associated with being a public company, unused space as well as the interest expense related to the 2013 Convertible Notes and capital leases are not allocated to our other segments and remain in this segment.

	For the Three Months Ended March 31,			
	2015	2014	Increase (Decrease)	% Change
Interest expense	\$ (511)	\$ (401)	(110)	(27)
Other expenses	(2,002)	(4,103)	2,101	51
Net loss before income taxes	<u>\$ (2,513)</u>	<u>\$ (4,504)</u>	<u>\$ 1,991</u>	<u>44%</u>

For the three months ended March 31, 2015, interest expense increased to \$511 thousand as compared to \$401 thousand for the comparable 2014 period. The increase was primarily due to a \$104 thousand increase in interest expense from the short-term structured debt agreement entered into in December 2014.

For the three months ended March 31, 2015, expenses decreased to \$2.0 million as compared to \$4.1 million for the comparable 2014 period. The decrease was primarily due to a \$2.4 million increase in allocated corporate expenses and a \$434 thousand reduction in occupancy expense. The growth of the mortgage lending division resulted in increased allocations of certain corporate costs due to increased headcount. The decrease in occupancy expense is due to a non-cash lease impairment charge of \$548 thousand during the first quarter of 2014. Partially offsetting the decrease was a \$498 thousand increase in legal and professional fees. The combination of items resulted in a net decrease in expenses recorded in the corporate segment.

47

## [Table of Contents](#)

### ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

### ITEM 4: 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, 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 its 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.

As required by Rules 13a-15 and 15d-15 under the Exchange Act, in connection with the filing of this Quarterly Report on Form 10-Q, our management, under the supervision and with the participation of our CEO and CFO, conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e). 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.

### ***Changes in Internal Control Over Financial Reporting***

There has been no change in the Company's internal control over financial reporting during the Company's quarter ended March 31, 2015, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

48

---

[Table of Contents](#)

## ***PART II. OTHER INFORMATION***

### **ITEM 1: LEGAL PROCEEDINGS**

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

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

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

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

On December 14, 2013, a matter was filed in the US District Court, District of Minnesota, entitled Residential Funding Company, LLC v. Impac Funding Corp. alleging the defendant is responsible for unspecified debts of Pinnacle Direct Funding Corp., as its successor in interest. On April 3, 2014, the plaintiff filed a First Amended Complaint alleging the defendant is responsible for breaches of representations and warranties in connection with certain loan sales from Pinnacle to plaintiff. The plaintiff seeks declaratory relief and unspecified damages. On April 17, 2014, the Company filed a motion to dismiss the First Amended Complaint, which the court denied. The Company answered the First Amended Complaint on September 24, 2014, and filed a motion for summary judgment on January 6, 2015, which remains pending.

49

---

[Table of Contents](#)

The Company is 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.

Please refer to IMH's report on Form 10-K for the year ended December 31, 2014 for a description of litigation and claims.

### **ITEM 1A: RISK FACTORS**

***We may not realize all of the anticipated benefits of our acquisition, which could adversely affect our business, financial condition and results of operations.***

We have recently expanded our business through the acquisition of CCM. Our ability to realize the anticipated benefits of this acquisition will depend, in part, on our ability to integrate the CCM platform and business with our business. The process of integrating the platform may disrupt our business and may not result in the full benefits expected. The risks associated with acquisitions include, among others:

- unanticipated issues in integrating information, communications and other systems;
- unanticipated incompatibility of purchasing, logistics, marketing and administration methods;

- direct and indirect costs and liabilities;
- not retaining key employees;
- the diversion of management's attention from ongoing business concerns; and
- the inability to make contingent consideration payments to the seller due to lack of cash or the ability to borrow the needed cash, which could result in a default to the seller.

Moreover, the acquisition of the CCM platform may not contribute to our revenues or earnings to any material extent, and cost savings and synergies we expect at the time of an acquisition may not be realized once the acquisition has been completed. If we inappropriately value the assets we acquire or the value of the assets we acquire declines after we acquire them, the resulting charges may negatively affect the carrying value of the assets on our balance sheet and our earnings. Furthermore, if we incur additional indebtedness to finance the acquisition, the acquired business may not be able to generate sufficient cash flow to service that additional indebtedness. An unsuitable or unsuccessful acquisition could materially and adversely affect our business, financial condition and results of operations.

***The Company has deferred tax assets that it may not be able to use under certain circumstances.***

We recognize deferred tax assets and liabilities based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities. Our deferred tax assets, net of valuation allowances, totaled approximately \$24.4 million at March 31, 2015. Significant judgment is required in determining our provision for income taxes. We regularly review our deferred tax assets for recoverability and establish a valuation allowance if it is more likely than not that some portion or all of a deferred tax asset will not be realized. If we are unable to generate sufficient future taxable income, if there is a material change in the actual effective tax rates, if there is a change to the time period within which the underlying temporary differences become taxable or deductible, then we could be required to increase our valuation allowance against our deferred tax assets, which could result in a material increase in our effective tax rate and an adverse impact on future operating results.

[Table of Contents](#)

In addition, changes in tax laws or tax rulings could materially affect our financial position and results of operations. We are also subject to ongoing tax audits in various jurisdictions, the outcomes of which could result in the assessment of additional taxes. Our effective tax rate in the future could be adversely affected by changes in the mix of earnings in states with differing statutory tax rates, the changes in the valuation of deferred tax assets and liabilities and changes in tax laws and regulations.

Our Annual Report on Form 10-K for the year ended December 31, 2014 includes a detailed discussion of our risk factors.

**ITEM 2: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

**ITEM 3: DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4: MINE SAFETY DISCLOSURES**

None.

**ITEM 5: OTHER INFORMATION**

On January 22, 2015, the Company entered into with Richard H. Pickup, as trustee of the RHP Trust dated May 31, 2011, as amended and restated, a stockholder of the Company, a \$5.0 million short-term borrowing secured by Ginnie Mae servicing rights with an interest rate of 15% and transaction costs of \$50,000. The balance was repaid in March 2015.

Note Purchase Agreement and Convertible Promissory Notes

On May 8, 2015, the Company entered into a Note Purchase Agreement (the "Note Purchase Agreement") with the purchasers named therein (the "Noteholders"), whereby the Company issued \$25 million in original aggregate principal amount of Convertible Promissory Notes Due 2020 (the "Notes"). The Notes mature on or before May 9, 2020 and accrue interest at a rate of 7.5% per annum, to be paid quarterly. The Notes carry an additional penalty interest rate of 2% per annum upon an event of default. Interest is computed on the basis of a 360 day year of twelve (12) months each comprised of thirty (30) days. The Notes may not be prepaid, in whole or in part, by the Company without the prior written consent of the Noteholders. The Notes contain customary affirmative and negative covenants of the Company, including covenants not to incur certain indebtedness that is not subordinated and not to make optional payments on its indebtedness (other than on the Notes) or amend material indebtedness in a manner that is adverse in any material manner to the Noteholders.

Noteholders may convert at any time after January 1, 2016 all or a portion of the outstanding principal amount of the Notes into shares of the Company's Common Stock ("Conversion Shares") at a rate of \$21.50 per share, subject to adjustment for stock splits and dividends (the "Conversion Price"). The Company has the right to convert the entire outstanding principal of the Notes into Conversion Shares at the Conversion Price if the market price per share of the Common Stock, as measured by the average volume-weighted closing stock price per share of the Common Stock on the NYSE MKT (or any other U.S. national securities exchange then serving as the principal such exchange on which the shares of Common Stock are listed) for any twenty (20) trading days in any period after in any period after January 1, 2016 of thirty (30) consecutive trading days, reaches the level of \$30.10. Upon conversion of the Notes by the Company, the entire amount of accrued and unpaid interest (and all other amounts owing) under the Notes are immediately due and payable. Furthermore, if the conversion of the Notes by the Company occurs prior to the third anniversary of the Closing Date, then the entire amount of interest under the Notes through the third anniversary is immediately due and payable. To the extent the Company pays any cash dividends on its shares of Common Stock prior to conversion of the Notes, upon conversion of the Notes, the Noteholders will also receive such dividends on an as-converted basis of the Notes less the amount of interest paid by the Company prior to such dividend.

Upon a change of control of the Company, the holders of a majority of the outstanding principal balance of the Notes have the right to either (a) cause all unpaid principal and accrued but unpaid interest and other amounts owing to become immediately due and payable in full, (b) cause the entire unpaid principal balance of the Notes to be converted into shares of the Common Stock at the Conversion Price then in effect, with the entire amount of accrued but unpaid interest and other amounts owing under the Notes to be immediately due and payable in cash, or (c) cause the Notes to continue in full force and effect. Pursuant to the terms of the Note Purchase Agreement, a change of control will occur when (a) any person, excluding the purchasers of the Notes, becomes the beneficial owner of more than 50% of the voting power of the Company and the purchasers of the Notes (along with certain related parties) at that time do not own a greater percentage of voting power, (b) the existing members of the Company's board of directors cease to constitute a majority of the board of directors, or (c) all or substantially all of the assets as sold or a merger of the Company.

The Notes include customary events of default including: failure to pay principal on any Notes when due; failure to pay interest on the Notes for two business days after it becomes due; failure in the performance of any other covenant contained in the terms of the Notes for a period of thirty (30) days after written notice from any Noteholder; acceleration of other debt agreements representing in excess of \$3 million of indebtedness at any one time; the entry of judgments in excess of \$3 million against the Company and certain bankruptcy events. Upon an event of default, holders of 66 2/3% of the aggregate unpaid principal balance of all outstanding Notes may declare the Notes immediately due and payable.

---

[Table of Contents](#)

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

The securities described above were offered and sold pursuant to an exemption from the registration requirements of the Securities Act pursuant to Section 4(2) thereof and Rule 506 of Regulation D promulgated thereunder since, among other things, the transactions did not involve a public offering and the securities were acquired for investment purposes only and not with a view to or for sale in connection with any distribution thereof.

*Registration Rights*

As part of the Note Purchase Agreement and in connection with the issuance of the Notes, the Company agreed to provide the Noteholders certain registration rights to have the Conversion Shares registered with the Securities and Exchange Commission for public resale until such time all securities are registered or may be sold pursuant to Rule 144 under the Securities Act within a three (3) month period. The Company agreed to file registration statements upon request by holders of a majority of the Conversion Shares. The Noteholders may make a request for long form registrations and short form registrations up to two and four times, respectively, and registration of other securities (other than the Company's securities) will not be included without prior written consent from at least a majority of the registrable securities included in a registration. The Noteholders also have piggyback registration rights.

The description of the terms and conditions of the Note Purchase Agreement, the registration rights, and the Notes set forth herein do not purport to be complete and are qualified in their entirety by reference to the terms of the Note Purchase Agreement and the form of the Notes, as applicable, copies of which will be filed as exhibits.

The Company entered into an Amended and Restated Asset Purchase Agreement with CashCall, Inc. dated May 11, 2015 and effective March 31, 2015 designating the Company as the purchaser.

*The information set forth above is included herewith for the purpose of providing disclosure required under "Item 1.01 - Entry into a Material Definitive Agreement," "Item 2.03 - Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant," and Item 3.02 - Unregistered Sales of Equity Securities of Form 8-K.*

**ITEM 6: EXHIBITS**

- (a) Exhibits:
- 2.1 Amended and Restated Asset Purchase Agreement dated as of May 11, 2015 and effective as of March 31, 2015 among Impac Mortgage Holdings, Inc, Impac Mortgage Corp and CashCall, Inc. Schedules and exhibits are omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company agrees to furnish a supplemental copy of any omitted schedules or exhibits to the SEC upon request.
  - 10.1 Master Repurchase Agreement dated January 22, 2015 with Richard H. Pickup, as Trustee of the RHP Trust dated May 31, 2011, as amended and restated.
  - 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.
  - 99.1 Press Release dated May 8, 2015.
  - 101 The following materials from Impac Mortgage Holdings, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, formatted in XBRL (Extensible Business Reporting Language): (1) the Condensed Consolidated Balance Sheets, (2) the Condensed Consolidated Statements of Operations, (3) the Condensed Consolidated Statements of Cash Flows, and (4) Notes to Consolidated Financial Statements, tagged as blocks of text.

---

\* 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.

**SIGNATURES**

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

**IMPAC MORTGAGE HOLDINGS, INC.**

/s/ TODD R. TAYLOR

\_\_\_\_\_  
Todd R. Taylor

*Chief Financial Officer*

*(authorized officer of registrant and principal financial officer)*

May 14, 2015

## AMENDED AND RESTATED ASSET PURCHASE AGREEMENT

By and Among

CASHCALL, INC.,

AS SELLER,

IMPAC MORTGAGE HOLDINGS, INC.,

AS BUYER,

And

IMPAC MORTGAGE CORP.,

AS THE OPERATING COMPANY,

dated as of

May 11, 2015

and effective as of

March 31, 2015

TABLE OF CONTENTS

	<u>Page</u>
<b>ARTICLE I</b>	
DEFINITIONS	5
<b>ARTICLE II</b>	
PURCHASE AND SALE	18
2.01 Purchase and Sale of Assets	18
2.02 Excluded Assets	19
2.03 Assumed Liabilities	20
2.04 Retained Liabilities	21
2.05 Purchase Price	22
2.06 Deferred Payments	22
2.07 Earn-Out Amount	22
2.08 Provisions Related to Net Seller Payments	23
2.09 Allocation of Purchase Price	26
2.10 Non-assignable Assets	27
<b>ARTICLE III</b>	
EXECUTION AND CLOSING	28
3.01 Closing	28
3.02 Deliverables	28
<b>ARTICLE IV</b>	
REPRESENTATIONS AND WARRANTIES OF SELLER	29
4.01 Organization and Qualification of Seller; Enforceability	29
4.02 No Conflicts; Consents	30
4.03 Contracts	30
4.04 Title to Purchased Assets	32
4.05 Legal Proceedings	32
4.06 Compliance With Laws	32
4.07 Non-Foreign Status	32
4.08 Brokers	32
4.09 Employees and Employee Benefit Plans	32
4.10 Condition of Purchased Assets	33
4.11 Insolvency	33
4.12 Intellectual Property	34
4.13 Environmental Matters	34
4.14 Mortgage Loans	35
4.15 Pipeline Commitments	35
4.16 Pipeline Loans; Hedging Arrangements	36
4.17 Permits	36
4.18 Taxes	36
4.19 Financial Statements	37
4.20 Books and Records	37
4.21 Buyer Shares and Securities Laws Compliance	37



**TABLE OF CONTENTS (Continued)**

	<u>Page</u>
ARTICLE V	38
REPRESENTATIONS AND WARRANTIES OF BUYER AND THE OPERATING COMPANY	
5.01 Organization and Authority; Enforceability	38
5.02 No Conflicts; Consents	38
5.03 Capitalization	39
5.04 SEC Filings	39
5.05 Financial Statements; Absence of Changes or Events	40
5.06 Brokers	40
5.07 Compliance with Law	40
5.08 Insolvency	41
5.09 Financial Ability	41
ARTICLE VI	41
COVENANTS	
6.01 [reserved]	41
6.02 [reserved]	41
6.03 [reserved]	41
6.04 [reserved]	41
6.05 Employees and Employee Benefits	41
6.06 Confidentiality	45
6.07 Public Announcements	46
6.08 Taxes	47
6.09 Further Assurances; Efforts to Close	47
6.10 Non-Competition; Non-Solicitation	47
6.11 Preservation of Records; Post-Closing Cooperation in Connection with Actions	49
6.12 Misdirected Payments and Assets	50
6.13 Business Appreciation Right	51
6.14 Support Services	53
ARTICLE VII	54
INDEMNIFICATION	
7.01 Survival	54
7.02 Indemnification By Seller	55
7.03 Indemnification By Buyer and the Operating Company	56
7.04 Certain Limitations	56
7.05 Indemnification Procedures	57
7.06 Tax Treatment of Indemnification Payments	58
7.07 Calculation of Losses	58
7.08 Setoff Right	58
7.09 Sole and Exclusive Remedy	58
ARTICLE VIII	59
TERMINATION	
8.01 Termination	59
8.02 Effect of Termination	59

**TABLE OF CONTENTS (Continued)**

	<u>Page</u>
ARTICLE IX	59
MISCELLANEOUS	
9.01 Expenses	59
9.02 Notices	60
9.03 Interpretation	60
9.04 Headings	61
9.05 Severability	61
9.06 Entire Agreement	61
9.07 Successors and Assigns	61
9.08 No Third Party Beneficiaries	61
9.09 Amendment and Modification; Waiver	61
9.10 Governing Law; Forum	62
9.11 Specific Performance	62
9.12 Counterparts	62

**Exhibits**

Exhibit A	Human Resources and Payroll Transition Services
Exhibit B	Information Technology Transition Services
Exhibit C	Contribution Agreement

**Schedules**

Schedule A	CashCall Wire Instructions
Schedule 1.1(a)	Permitted Encumbrances
Schedule 1.1(b)	Purchased IP
Schedule 1.1(c)	Purchased Tangible Assets
Schedule 2.01(d)	Assigned Contracts
Schedule 2.01(e)	Purchased IT Systems
Schedule 2.01(n)	Other Assets
Schedule 2.02(d)	Excluded Contracts
Schedule 2.09	Purchase Price Allocation
Schedule 3.02(d)(viii)	Third-Party Consents
Schedule 6.05(b)	In-Scope Employees

**Seller's Disclosure Schedules**

Section 4.02	Consents
Section 4.03	Material Contracts
Section 4.05	Legal Proceedings
Section 4.06	Compliance with Laws
Section 4.08	Brokers
Section 4.09(a)	Employees
Section 4.12(b)	Intellectual Property
Section 4.14	Mortgage Loan Matters
Section 4.16(a)	Pipeline Loans
Section 4.18(b)	Parachute Payments

---

**AMENDED AND RESTATED ASSET PURCHASE AGREEMENT**

This Amended and Restated Asset Purchase Agreement (this "Agreement"), dated as of May 11, 2015 and effective as of March 31, 2015, is entered into by and among CashCall, Inc., a California corporation ("Seller"), Impac Mortgage Holdings, Inc., a Maryland corporation ("Buyer"), and Impac Mortgage Corp., a California corporation (the "Operating Company").

**RECITALS**

WHEREAS, Seller and Buyer previously entered into that certain Asset Purchase Agreement dated January 6, 2015 (the "Original Agreement"), and Seller and Buyer desire to amend and restate the Original Agreement as set forth herein;

WHEREAS, Seller wishes to sell and assign to Buyer, and Buyer wishes to purchase and assume from Seller, the rights and obligations of Seller to and under the Purchased Assets and the Assumed Liabilities, subject to the terms and conditions set forth herein;

WHEREAS, a portion of the consideration for such transactions shall consist of shares of the common stock, par value \$0.01 per share, of Buyer ("Buyer Common Stock");

WHEREAS, immediately after the Closing, Buyer will contribute certain Purchased Assets to the Operating Company, pursuant to the Contribution Agreement attached hereto as Exhibit C (the "Contribution Agreement"); and

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

**ARTICLE I**

**DEFINITIONS**

The following terms have the meanings specified or referred to in this Article I:

"1060 Forms" has the meaning set forth in Section 2.09.

"Action" means any action, arbitration, charge, claim, complaint, challenge, audit, hearing, investigation, litigation or suit (whether civil, criminal, administrative, investigative or informal) commenced, brought, conducted or heard by or before, or otherwise involving, any Governmental Authority or arbitrator.

“Affiliate” of a Person means any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. The term “control” (including the terms “controlled by” and “under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

5

---

“Agreement” has the meaning set forth in the preamble.

“Allocation Schedule” has the meaning set forth in Section 2.09.

“Amended and Restated Assignment and Assumption Agreement” has the meaning set forth in Section 3.02(a)(ii).

“Amended and Restated Bill of Sale” has the meaning set forth in Section 3.02(a)(i).

“Anti-Money Laundering Laws” has the meaning set forth in Section 4.14(e).

“Applicable Origination Costs” means, with respect to any Calculation Period (or portion thereof) (i) from the Effective Date until the Closing Date, \$150, and (ii) on and after the Closing Date, \$100 or such other per-Mortgage Loan amount to cover Buyer’s internal costs for handling, shipping and secondary market personnel and systems associated with or relating to Mortgage Loans, as mutually agreed by Buyer and Seller in accordance with Section 2.08(c).

“Applicable Requirements” means and includes, as of the time of reference, with respect to the origination and sale of Mortgage Loans (in each case to the extent applicable to any particular Mortgage Loan or Pipeline Loan): (a) contractual obligations of Seller, including with respect to any Mortgage Loan Document or any other commitment or other contractual obligation relating to a Mortgage Loan or Pipeline Loan; (b) applicable underwriting and other guidelines incorporated in Seller/Servicer Guides; (c) applicable Laws; (d) applicable requirements of MERS, and (e) other applicable requirements and guidelines of any Governmental Authority, investor or Insurer.

“Appreciation Right Amount” has the meaning set forth in Section 6.13(a).

“Assigned Contracts” has the meaning set forth in Section 2.01(d).

“Assumed Liabilities” has the meaning set forth in Section 2.03.

“BAR Expiration Date” has the meaning set forth in Section 6.13(a).

“Business” means the business of origination of Mortgage Loans, including the development of software processing or other technology products relating to Mortgage Loans.

“Business Day” means any day except Saturday, Sunday or any other day on which commercial banks located in California are authorized or required by Law to be closed for business.

“Buyer” has the meaning set forth in the preamble.

“Buyer 8-K” has the meaning set forth in Section 6.07.

“Buyer Balance Sheet” has the meaning set forth in Section 5.05(a).

“Buyer Common Stock” has the meaning set forth in the recitals.

6

---

“Buyer Event of Breach” means the breach of Buyer to pay, or cause to be paid, respectively, to Seller the First Deferred Payment, the Second Deferred Payment or any Net Seller Payment when and as due, which has not been cured prior to the thirtieth (30<sup>th</sup>) day following receipt by Buyer of written notice of such breach.

“Buyer Indemnified Party” has the meaning set forth in Section 7.02.

“Buyer SEC Reports” has the meaning set forth in Section 5.04.

“Buyer Series A-1 Preferred Stock” means the Series A-1 Junior Participating Preferred Stock, par value \$0.01 per share, of Buyer.

“Buyer Series B Preferred Stock” means the Series B 9.375% Redeemable Preferred Stock, par value \$0.01 per share, of Buyer.

“Buyer Series C Preferred Stock” means the Series C 9.125% Redeemable Preferred Stock, par value \$0.01 per share, of Buyer.

“Buyer Shares” means 494,017 shares of Buyer Common Stock.

“Calculation Period” means each of the following periods during the Earn-Out Period: (1) the period beginning on the Effective Date and ending on March 31, 2015; (2) the period beginning on April 1, 2015 and ending on June 30, 2015; (3) the period beginning on July 1, 2015 and ending on September 30, 2015; (4) the period beginning on October 1, 2015 and ending on December 31, 2015; (5) the period beginning on January 1, 2016 and ending on March 31, 2016; (6) the period beginning on April 1, 2016 and ending on June 30, 2016; (7) the period beginning on July 1, 2016 and ending on

September 30, 2016; (8) the period beginning on October 1, 2016 and ending on December 31, 2016; (9) the period beginning on January 1, 2017 and ending on March 31, 2017; (10) the period beginning on April 1, 2017 and ending on June 30, 2017; (11) the period beginning on July 1, 2017 and ending on September 30, 2017; and (12) the period beginning on October 1, 2017 and ending on December 31, 2017. For the avoidance of doubt, the first Calculation Period shall fall partially during the First Earn-Out Period and partially during the Second Earn-Out Period.

“CashCall Claim” means any claim or Action (including any repurchase demand or claim) brought or made against any Seller Indemnified Party, including claims made prior to the commencement of an Action (including, without limitation, in the form of correspondence from a borrower, investor, financial guarantor or Governmental Authority) in respect of any Mortgage Loan, or otherwise relating to or arising from the conduct or operations of Seller or its Affiliates, including any claim or Action resulting from or arising out of any act or omission, an actual or alleged breach or violation of Law or Applicable Requirements by Seller or any of its Affiliates, in each case in connection with the performance by Seller or any of its Affiliates of its obligations related to any Mortgage Loan originated by Seller or any of its Affiliates.

“Closing” has the meaning set forth in Section 3.01.

“Closing Date” has the meaning set forth in Section 3.01.

7

---

“Code” means the Internal Revenue Code of 1986, as amended.

“Consent” means any consent, notice, approval, authorization, clearance, qualification, registration, license, order, or other action required to be obtained from or made with, or any notice, filing, registration, declaration, report or statement required to be filed with or submitted to, any Governmental Authority or any other Person.

“Contract” means any contract, lease, license, sales order, purchase order, change order, agreement, warranty, indenture, mortgage, note, bond, right, warrant or instrument, whether written or verbal (and any and all amendments thereto).

“Copyrights” has the meaning set forth in the definition of Intellectual Property.

“Customer Database” means the list and data concerning all prior Mortgage Loan customers and leads of Seller.

“Deductible” has the meaning set forth in Section 7.04(a).

“Determination Date” has the meaning set forth in Section 2.08(a)(ii).

“Disclosure Schedules” means the Disclosure Schedules delivered by Seller concurrently with the execution and delivery of the Original Agreement.

“Earn-Out Amount” has the meaning set forth in Section 2.07(a).

“Earn-Out Period” has the meaning set forth in Section 2.07(a).

“Earn-Out Statement” has the meaning set forth in Section 2.07(b).

“Effective Date” means January 2, 2015.

“Employment Offer” has the meaning set forth in Section 6.05(a).

“Encumbrance” means any lien, pledge, mortgage, deed of trust, security interest, charge, easement, encroachment, charge, voting agreement, claim, equitable interest or right of first refusal or other similar encumbrance.

“Enterprise Value” means, with respect to an Exit Event, (a) if the Exit Event is (i) a transfer of the securities representing one hundred percent (100%) of the equity securities of Buyer or the Operating Company, or (ii) a sale of all or substantially all of the assets of Buyer, the Operating Company or the Operating Division, the Enterprise Value shall equal the Net Proceeds paid or received, or to be paid or received, by the Selling Persons in connection with such Exit Event; and (b) if the Exit Event is a transfer of less than one hundred percent (100%) of the equity securities of Buyer or the Operating Company, the Enterprise Value shall equal the sum of (1) the quotient of the total consideration paid to the Selling Persons in connection with such Exit Event (excluding any amounts payable in connection with new employment agreements entered into solely in connection with such Exit Event for the provision of services after such Exit Event) divided by the percentage of the equity securities of Buyer or the

8

---

Operating Company transferred in such Exit Event, (2) minus the amount of all accountants', attorneys', investment bankers', brokers' and similar fees and costs incurred and paid to Third Parties in connection with such Exit Event, (3) minus the amount of any indebtedness of the applicable entity repaid in connection with the Exit Event. If any portion of the consideration paid or received by the Selling Persons is in the form of securities, the value of such securities, for purposes of calculating the Enterprise Value, will be determined based on the volume weighted average price for such securities for the ten (10) trading days prior to the date of closing of the Exit Event. In the case of securities that do not have an existing public market, the value of such securities, for purposes of calculating the Enterprise Value will be determined based on the fair market value of such securities as mutually agreed upon in good faith by the Selling Persons and Seller prior to the closing of the Exit Event.

“Environmental Law” has the meaning set forth in Section 4.13.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“Exchange Act” means the United States Securities Exchange Act of 1934, as amended.

“Excluded Assets” has the meaning set forth in Section 2.02.

“Excluded Businesses” means any and all businesses that are or were operated by Seller other than the Business, including the consumer loans division of Seller engaged in the business of originating, servicing and otherwise dealing in unsecured loans to individuals, the automotive loans division of Seller engaged in the business of originating, servicing and otherwise dealing in loans related to automobiles and the small business loans division of Seller engaged in the business of originating, servicing and otherwise dealing in loans to businesses, and the business of servicing any type of loan, including those secured by an Encumbrance or real property, in each case including the employees (other than any Transferred Employees) who primarily work for any of the divisions.

“Excluded Contract” has the meaning set forth in Section 2.02(c).

“Exit Event” means, following the Effective Date, any transaction or series of related transactions (including the consummation of a merger, share purchase, recapitalization, redemption, issuance of capital stock, consolidation, reorganization or otherwise) pursuant to which (i) a Person acquires securities representing more than fifty percent (50%) of the combined voting power of the outstanding voting securities of Buyer or the Operating Company or the entity surviving or resulting from such transaction, (ii) Buyer or the Operating Company sells all or substantially all of the assets of Buyer or the Operating Company, or (iii) a Person acquires all or substantially all of the assets of the Operating Division; provided, that, subject to Seller’s receipt and approval (not to be unreasonably withheld, conditioned or delayed) of the relevant conversion documents, the exercise of conversion rights currently held by Richard Pickup and/or Todd Pickup, individually or beneficially, shall not constitute an Exit Event.

“Financial Statements” has the meaning set forth in Section 4.19.

“First Deferred Payment” means an amount in cash equal to \$2,500,000.

9

---

“First Earn-Out Period” means the period beginning on the Effective Date and ending on February 28, 2015.

“Fourth Earn-Out Period” means the period beginning on January 1, 2017 and ending on December 31, 2017.

“Fundamental Warranties” means the representations and warranties contained in Sections 4.01, 4.02, 4.04, 4.05, 4.08, 4.09(b) and (c), 4.11, 4.13, 4.14 (other than subsections (d) or (e)), and 4.18.

“GAAP” means United States generally accepted accounting principles in effect from time to time.

“Governmental Authority” means any federal, state, local or foreign government or political subdivision thereof, or any agency or instrumentality of such government or political subdivision, or any self-regulated organization or other non-governmental regulatory authority or quasi-governmental authority (to the extent that the rules, regulations or orders of such organization or authority have the force of Law), including Fannie Mae, Freddie Mac and Ginnie Mae, or any arbitrator, court or tribunal of competent jurisdiction.

“Governmental Order” means any order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority.

“Health Benefit Termination Date” has the meaning set forth in Section 6.05(c).

“Hire Date” shall have the meaning set forth in Section 6.05(a).

“HSR Act” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

“In-Scope Employee” has the meaning set forth in Section 6.05(a).

“In-Scope Employee Termination Payments” has the meaning set forth in Section 6.05(a).

“Indebtedness” shall mean the following Liabilities, whether or not contingent: (a) indebtedness for borrowed money (including any principal, premium, accrued and unpaid interest, related expenses, prepayment penalties, commitment and other fees, sale or liquidity participation amounts, reimbursements, indemnities and all other amounts payable, in each case, in connection therewith), (b) Liabilities evidenced by bonds, debentures, notes, or other similar instruments or debt securities, (c) Liabilities under or in connection with letters of credit or bankers’ acceptances or similar items (in each case whether or not drawn, contingent or otherwise), (d) Liabilities related to the deferred purchase price of property or services, (e) Liabilities arising from cash/book overdrafts, (f) Liabilities under capitalized leases, and (g) any of the foregoing of other Persons guaranteed by Seller (whether or not secured) or secured by any Encumbrance on the Purchased Assets.

“Indemnified Party” has the meaning set forth in Section 7.04.

10

---

“Indemnifying Party” has the meaning set forth in Section 7.04.

“Independent Accounting Firm” has the meaning set forth in Section 2.08(a)(i).

“Initial Cash Payment” means an amount in cash equal to \$5,000,000.

“Insurer” means a Person who insures or guarantees all or any portion of the risk of loss on any Mortgage Loan, including any provider of PMI, standard hazard insurance, flood insurance, earthquake insurance or title insurance, with respect to any Mortgage Loan or related Mortgaged Property.

“Intellectual Property” means any and all of the following in any jurisdiction throughout the world: (a) trademarks, service marks, trade names, service names, brand names, trade dress rights, corporate names, trade styles, logos and other source or business identifiers of a like nature, together with the goodwill associated with any of the foregoing, including all applications and registrations and the goodwill connected with the use of and symbolized by the foregoing (collectively “Marks”); (b) copyrights, including in software, all applications and registrations therefor, and copyrightable works of authorship (collectively “Copyrights”); (c) trade secrets and confidential know-how (“Trade Secrets”); (d) patents and patent applications, including all continuations, divisionals and continuations-in-part thereof and patents issuing thereon, along with all reissues, reexaminations and extensions thereof (“Patents”); (e) internet domain name registrations; and (f) all other intellectual property and industrial property rights and assets.

“Interim In-Scope Employee Expenses” has the meaning set forth in Section 6.05(f).

“Interim Period” has the meaning set forth in Section 6.05(f).

“Knowledge of Buyer” or “Buyer’s Knowledge” or any other similar knowledge qualification, means the actual knowledge, after reasonable inquiry, of Joe Tomkinson, Bill Ashmore, Todd Taylor and Ron Morrison.

“Knowledge of Seller” or “Seller’s Knowledge” or any other similar knowledge qualification, means the actual knowledge, or constructive knowledge after reasonable inquiry, of J. Paul Reddam, Jonathan Williams, Del Meeks, Dan Baren, and Glen Costa.

“Law” means any statute, law, ordinance, regulation, rule, code, order, constitution, treaty, common law, judgment, decree, other requirement or rule of law of any Governmental Authority.

“Liability” means any liability of any kind whatsoever (whether known, unknown, asserted or unasserted, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, due or to become due).

“Locked Pipeline Loan” means a Pipeline Loan which has been registered and designated as price protected on Seller’s residential Mortgage Loan origination system and which has not closed or funded.

“LOS Software” means the “Empower software” licensed by Seller from Fidelity Information Services, Inc. (or one or more of its Affiliates) and used by Seller in the Business prior to the Closing, including all modifications and customizations made thereto and all documentation related thereto.

“Loss Reserves” means, with respect to any Calculation Period, the reserves recorded by Buyer reflecting Buyer’s good faith, reasonable estimate of losses as a result of Mortgage Loan repurchases, indemnifications and other settlement resolutions (including make-whole payments) that are probable and estimable for Mortgage Loans originated by or through the Operating Division during such Calculation Period.

“Loss Reserves Excess” means the excess of Loss Reserves over the actual cost of Mortgage Loan repurchases, indemnifications and other settlement resolutions (including make-whole payments) for Mortgage Loans originated by or through the Operating Division during the Earn-Out Period, as determined as of the date three (3) years after the end of the Earn-Out Period.

“Loss Reserves Shortfall” means the excess of the actual cost of Mortgage Loan repurchases, indemnifications and other settlement resolutions (including make-whole payments) for Mortgage Loans originated by or through the Operating Division during the Earn-Out Period, over Loss Reserves.

“Losses” means any damage, Liability, demand, claim, action, cause of action, cost, damage, deficiency, Tax, penalty, fine or other loss or expense, whether or not arising out of a Third Party Claim, including all interest, penalties, reasonable attorneys’ fees and expenses and all amounts paid or incurred in connection with any proceeding by any third party (including any Governmental Authorities) against or affecting such Person or which, if determined adversely to such Person, would give rise to, evidence the existence of, or relate to, any other loss and the investigation, defense or settlement of any of the foregoing; provided, however, that Losses does not include, and the Buyer Indemnified Parties shall not be entitled to seek or recover under any theory of liability (unless asserted against a Buyer Indemnified Party in a Third Party Claim): (a) any diminution in value damages or (b) special, exemplary or punitive damages.

“Marks” has the meaning set forth in the definition of Intellectual Property.

“Material Adverse Effect” means a change, event, fact, circumstance or occurrence, or a series of changes, events, facts, circumstances or occurrences, which, individually or in the aggregate, has had or would reasonably be expected to have a material adverse effect or development on (a) the Purchased Assets, Assumed Liabilities and the Business taken as a whole, including on operations, results of operations, condition (financial or otherwise) of the Purchased Assets, Assumed Liabilities and the Business, taken as a whole, in each case, whether or not covered by insurance (including as a consequences of the loss or pending or threatened loss, alone or in the aggregate, of any customer, supplier, source of referrals, right pursuant to any license, permit, accreditation or other Contract or Consent) or (b) the ability of any of the parties hereto to consummate the transactions contemplated hereby.

“Material Contract” has the meaning set forth in Section 4.03(a).

“MERS” means Mortgage Electronic Registration Systems, Inc., a Delaware corporation, or any successor in interest thereto.

“Monthly Invoice” has the meaning set forth in Section 6.05(f).

“Mortgage Files” means originals, images or copies of all documents in the possession of Seller or its agents involved in the origination, underwriting (including borrower applications, underwriting worksheets, approvals and documented compensating factors pertaining to exceptions) related to the Pipeline Loans on the Closing Date.

“Mortgage Loan” means any U.S. individual residential (one-to-four family) mortgage loan or other extension of credit secured by an Encumbrance on U.S. real property of a borrower.

“Mortgage Loan Documents” means, for any Pipeline Loan, all documents in the possession of Seller or its custodians or other agents pertaining to such Pipeline Loan, including originals of, if applicable, the Mortgage Note, lost note affidavits, the mortgage or deed of trust and all assignments of the mortgage or deed of trust, all endorsements and allonges to the Mortgage Note, the title insurance policy with all endorsements thereto, any security agreement and financing statements, any account agreements and any assignments, assumptions, modifications, continuations or amendments to, or affidavits of lost documents relating to, any of the foregoing.

“Mortgage Note” means, with respect to any Mortgage Loan, a promissory note or notes, or other evidence of indebtedness, with respect to such Mortgage Loan secured by a Mortgage or Mortgages, together with any assignments, reinstatement, extension, endorsement or modification thereof.

“Mortgaged Property” means a fee simple residential (one to four family) real property (or such other estate in real property as is commonly accepted as collateral for mortgage loans that are subject to secondary mortgage sales or securitizations) that serves as collateral for a Mortgage Loan or will serve as collateral for a Pipeline Loan upon closing of such Pipeline Loan.

“MSR” means, with respect to any Mortgage Loan originated by or through the Operating Division, the related mortgage service asset recognized by Buyer on its books and records.

“MSR Value” means, with respect to any Calculation Period, the estimated fair market value of the MSR of Mortgage Loans closed by the Operating Division during such Calculation Period, as determined in good faith by Buyer, as such amount is adjusted pursuant to Section 2.08(b).

“MSR Value Adjustment” shall have the meaning set forth in Section 2.08(b).

“Net Loss” shall have the meaning set forth in Section 2.08(d).

13

---

“Net Proceeds” means the total consideration received by the Selling Persons in an Exit Event (calculated excluding any liabilities assumed by the acquiring party or parties in such Exit Event and any amounts payable in connection with new employment agreements entered into solely in connection with such Exit Event for the provision of services after such Exit Event) minus (i) the amount of all accountants’, attorneys’, investment bankers’, brokers’ and similar fees and costs incurred and paid to Third Parties out of such total consideration in connection with such Exit Event, minus (ii) the amount of any indebtedness of the applicable entity repaid out of such total consideration in connection with the Exit Event. If any portion of the consideration paid or received by the Selling Persons is in the form of securities, the value of such securities, for purposes of calculating Net Proceeds, will be determined based on the volume weighted average price for such securities for the ten (10) trading days prior to the date of closing of the Exit Event. In the case of securities that do not have an existing public market, the value of such securities, for purposes of calculating Net Proceeds will be determined based on the fair market value of such securities as mutually agreed upon in good faith by the Selling Persons and Seller prior to the closing of the Exit Event.

“Net Seller Payment” means, with respect to any Calculation Period, an amount equal to the sum of (1) the Earn-Out Amount for such Calculation Period, plus (2) any MSR Value Adjustment (which may be a negative amount) for the prior Calculation Period, as determined in accordance with Section 2.08(b), minus (3) any Loss Reserves Shortfall for such Calculation Period.

“Net Seller Payment Date” means, with respect to any Earn-Out Amount, the 45<sup>th</sup> day following the last day of the applicable Calculation Period.

“Operating Division” means the separate operating division of Buyer or the Operating Company, as operated following the Effective Date, consisting of the retail call center Business operated by Seller prior to Closing (the “Pre-Closing Operations”) and any call center operations (whether of Buyer or any other Person) that are merged or otherwise combined into the Pre-Closing Operations. For the avoidance of doubt, the Operating Division shall not include any call center operations of Buyer or the Operating Company not merged or otherwise combined into the Pre-Closing Operations.

“Operating Expenses” means, for any Calculation Period, all costs incurred in connection with the Operating Division (including, as applicable, the Pre-Closing Operations) originating all Mortgage Loans originated during such Calculation Period, including Applicable Origination Costs, including but not limited to hedging costs, operations costs, corporate overhead and Loss Reserves.

“Operating Revenue” means, for any Calculation Period, the sum of (i) gain on sale of any Mortgage Loans (excluding MSR Value) by the Operating Division and (ii) net interest income of the Operating Division attributable to warehouse financing spreads.

“Operational Limitations” shall have the meaning set forth in Section 2.08(f)(i).

“Operating Company” has the meaning set forth in the recitals.

“Organizational Documents” shall mean, with respect to any non-natural Person, (a) such Person’s certificate of incorporation or other charter documents or certificate adopted, filed or registered in connection with the creation, formation or organization of such Person; (b) such Person’s by-laws, if applicable, and (c) any limited liability company agreement, shareholders agreement, or similar Contract among or applying to such Person and the equity holders of such Person.

14

---

“Patents” has the meaning set forth in the definition of Intellectual Property.

“Paul Reddam Confidentiality, Non-Compete and Observer Rights Agreement” means the Confidentiality, Non-Compete and Observer Rights Agreement by and between Paul Reddam and Buyer.

“Permits” means all permits, licenses, franchises, approvals, authorizations and consents required to be obtained from Governmental Authorities.

“Permitted Encumbrances” means (a) liens for Taxes not yet due and payable or being contested in good faith by appropriate procedures; (b) mechanics’, carriers’, workmen’s, repairmen’s or other like liens arising or incurred in the ordinary course of business; (c) easements, rights of way, zoning ordinances and other similar encumbrances affecting real property; (d) liens arising under original purchase price conditional sales Contracts and equipment leases with third parties entered into in the ordinary course of business, a listing of which is set forth on Schedule 1(a); and (e) other imperfections of title or Encumbrances, if any, that do not cause a material and adverse effect on the Business.

“Person” means an individual, corporation, partnership, joint venture, limited liability company, Governmental Authority, unincorporated organization, trust, association or other entity.

“Pipeline Commitments” means all of Seller’s unfunded commitments to close Mortgage Loans as of the Effective Date (but excluding commitments with respect to any Mortgage Loan that would be subordinate in priority to any other existing Mortgage Loan encumbering the Mortgaged Property) as part of the Business other than such unfunded commitments that do not meet Buyer’s underwriting criteria.

“Pipeline Loans” means, as of the Effective Date, (a) applications for Mortgage Loans (but excluding any application for a Mortgage Loan that would be subordinate in priority to any other existing Mortgage Loan encumbering the Mortgaged Property) received by Seller as part of the Business and (b) Pipeline Commitments, and in the case of each of (a) and (b), as set forth in Section 4.16(a) of the Disclosure Schedules.

“PMI” means the default insurance provided by private mortgage insurance companies.

“Pre-Closing Operations” shall have the meaning set forth in the definition of Operating Division.

“Pre-Tax Profit” means, for any Calculation Period, the sum of (i) Operating Revenue, plus (ii) MSR Value, minus (iii) Operating Expenses. For the avoidance of doubt, Pre-Tax Profit (and each component thereof) shall be calculated in accordance with GAAP.

“Purchase Price” has the meaning set forth in Section 2.05.

15

---

“Purchased Assets” has the meaning set forth in Section 2.01.

“Purchased IP” shall mean the Intellectual Property owned by Seller (a) that is necessary for, or used by Seller prior to the Effective Date in the operation of, the Business or (b) set forth on Schedule 1.1(b). The Purchased IP shall include the name “CashCall Mortgage” but shall not include the name “CashCall” alone or as used with any other word or mark. For the avoidance of doubt, Seller shall not use the “CashCall” name in connection with Mortgage Loans at any time after the Closing, including after the Restricted Period, other than in connection with the transition of the Business to Buyer (including with respect to the Pipeline Loans).

“Purchased IT Systems” has the meaning set forth in Section 2.01(e).

“Purchased Tangible Assets” means all items of equipment, machinery, materials, information technology equipment (including computers and printers), furniture and other items of tangible personal property owned by Seller and (a) located at the Subleased Premises, (b) primarily used by a Transferred Employee or (c) set forth on Schedule 1.1(c), but in each case excluding the Purchased IT Systems.

“Representative” means, with respect to any Person, any and all directors, officers, employees, consultants, financial advisors, counsel, accountants and other agents of such Person.

“Restricted Area” has the meaning set forth in Section 6.10(a).

“Restricted Period” has the meaning set forth in Section 6.10(b).

“Retained Liabilities” has the meaning set forth in Section 2.04.

“SEC” means the United States Securities and Exchange Commission.

“Second Deferred Payment” means an amount in cash equal to \$2,500,000.

“Second Earn-Out Period” means the period beginning on March 1, 2015 and ending on December 31, 2015.

“Securities Act” means the United States Securities Act of 1933, as amended.

“Seller” has the meaning set forth in the preamble.

“Seller Benefit Plan” means each employee benefit plan, program, policy or arrangement maintained by Seller or any of its Affiliates and in which any In-Scope Employee participates or is eligible to participate or with respect to which Seller or any of its Affiliates have any Liability with respect to any In-Scope Employee, including any employee benefit plan (as defined in section 3(3) of ERISA) and any other retirement, deferred compensation, incentive compensation, retention, vacation pay or paid time off, change in control, severance pay, bonus or benefit, insurance or hospitalization, or fringe benefit agreements, programs or arrangements.

“Seller Indemnified Party” has the meaning set forth in Section 7.03.



“Seller/Service Guides” means (a) the seller and servicer guides utilized by investors for which Seller originates Mortgage Loans and (b) the manuals, guidelines and related employee reference materials utilized by Seller to govern their relationships under which Mortgage Loans originated directly by Seller are made.

“Selling Persons” has means the applicable entity and/or the owners of the applicable entity which are entitled to receive the Net Proceeds in connection with an Exit Event.

“Statute of Limitations Date” means, with respect to each indemnity claim based on a breach of a Tax Warranty, the close of business on the 60<sup>th</sup> day after the expiration of the applicable statute of limitations under applicable Laws with respect to the particular matter underlying that indemnity claim, including any extensions thereof (or if such date is not a Business Day, the next Business Day).

“Straddle Period” has the meaning set forth in Section 6.08(b).

“Sublease” means the Sublease for the office located on the second and tenth floors of the property located at 1 City West Boulevard, Orange, CA (the “Subleased Premises”), by and between Seller and the Operating Company.

“Sublicense Agreement” means a sublicense agreement with respect to the LOS Software mutually agreed between the Operating Company and Seller.

“Support Services” has the meaning set forth in Section 6.14(a).

“Tax” (and, with correlative meaning, “Taxes”) shall mean: (i) any federal, state, local or foreign net income, gross income, gross receipts, windfall profit, severance, property, production, sales, use, license, excise, franchise, employment, payroll, withholding, alternative or add-on minimum, ad valorem, value-added, transfer, stamp, or environmental (including taxes under Code Section 59A) tax, or any other tax, custom, duty, governmental fee or other like assessment or charge of any kind whatsoever, together with any interest or penalty, addition to tax or additional amount imposed by any governmental authority, and (ii) any liability of Seller for the payments of amounts with respect to payments of a type described in clause (i) as a result of being a member of an affiliated, consolidated, combined or unitary group, or as a result of any obligation of Seller under any Tax sharing arrangement or Tax indemnity agreement.

“Tax Return” means any return, declaration, report, claim for refund, information return or statement or other document required to be filed with respect to any Tax (including any schedule or attachment thereto), and including, without limitation, any information return, claim for refund, amended return or declaration of estimated tax.

“Tax Warranties” means the representations and warranties contained in Section 4.18.

“Third Earn-Out Period” means the period beginning on January 1, 2016 and ending on December 31, 2016.

“Third Party Claim” has the meaning set forth in Section 7.05(b).

“Trade Secrets” has the meaning set forth in the definition of Intellectual Property.

“Transaction Documents” means this Agreement, the Amended and Restated Bill of Sale, the Amended and Restated Assignment and Assumption Agreement, the Sublease, the Sublicense Agreement, the Paul Reddam Confidentiality, Non-Compete and Observer Rights Agreement, the Contribution Agreement, and the other agreements, instruments and documents required to be delivered upon execution of this Agreement or at the Closing, as applicable.

“Transferred Employee” has the meaning set forth in Section 6.05(b).

“Unassigned Asset” has the meaning set forth in Section 2.10(a).

“WARN Act” means the Worker Adjustment and Retraining Notification Act or any similar state, local or foreign Law.

“Welfare Benefits” has the meaning set forth in Section 6.05(e).

## ARTICLE II

### PURCHASE AND SALE

2.01 Purchase and Sale of Assets. Subject to the terms and conditions set forth herein, at the Closing, Seller sells, assigns, transfers, conveys and delivers to Buyer, and Buyer purchases from Seller, free and clear of all Encumbrances, all of Seller’s right, title and interest in, to and under the following assets as they exist on the Closing Date (unless otherwise specifically specified as of another date below), in each case whether tangible or intangible, real, personal or mixed (collectively, the “Purchased Assets”):

- (a) the Pipeline Loans, together with all related Mortgage Files, Mortgage Loan Documents and other documentation and files related solely thereto;
- (b) the Purchased IP;

- (c) the Purchased Tangible Assets;
- (d) the Contracts listed on Schedule 2.01(d) (collectively, the “Assigned Contracts”);
- (e) the information technology systems and software of Seller described on Schedule 2.01(e) (the “Purchased IT Systems”);
- (f) the Customer Database;

(g) all client lists, customer lists, supplier lists, mailing lists, do not call lists and other data necessary or used by Seller prior to the Effective Date in the operation of the Business, including service and warranty records, operating guides and manuals, studies, and correspondence (electronic or otherwise);

18

---

(h) [reserved];

(i) the Actions, rights of recovery, rights of set-off, rights of recoupment, demands and any other rights or claims as they exist on or arise after the Effective Date related solely to the Purchased Assets, the Assumed Liabilities and any foreclosure, recovery and other loss mitigation activities commercially reasonably necessary to the operation of the Business, and, with respect to any vendors with whom Seller has conducted business in the year prior to the Effective Date (including, for the avoidance of doubt, any vendor that is a party to an Assigned Contract), all preference or avoidance claims and Actions of Seller related thereto, including any such claims and actions arising under sections 544, 547, 548, 549, and 550 of the Bankruptcy Code, solely to the extent that Buyer continues to engage such vendor in connection with the operation of the Operating Division following the Closing Date;

(j) all rights to receive mail and other communications addressed to Seller necessary to the operation of the Business, the ownership of the Purchased Assets or assumption of the Assumed Liabilities, including any mail and communications from trustees, customers, suppliers, loan servicers, distributors and their respective Representatives;

(k) all goodwill associated solely with the Purchased Assets, including all goodwill associated solely with the Purchased IP and all rights under any confidentiality agreements executed by any third party for the benefit of Seller to the extent relating solely to the Business or the Purchased Assets;

(l) to the extent transferable, all guaranties, warranties, indemnities and similar rights in favor of Seller to the extent necessary to the operation of the Business or attaching to the ownership of any Purchased Asset or Assumed Liability;

(m) all rights of Seller to the LOS Software, including any licenses, source code, configuration settings, system documentation, system architecture and designs; provided, that Buyer acknowledges that Seller will have rights to the LOS Software pursuant to the Sublicense Agreement; and

(n) the other assets listed on Schedule 2.01(n).

2.02 Excluded Assets. Other than the Purchased Assets, Buyer expressly understands and agrees that it is not purchasing or acquiring, and Seller is not selling, assigning transferring or conveying, any other assets, properties or rights of Seller or any of its Affiliates, and all such other assets, properties and rights shall be excluded from the Purchased Assets (the “Excluded Assets”). The Excluded Assets include, without limitation, the following assets and properties of Seller:

(a) [reserved];

(b) all cash and cash equivalents, deposits, bank accounts, short-term investments, securities, equity interests and capital stock held by Seller or its Affiliates;

(c) all accounts receivable of Seller or its Affiliates, except to the extent that such receivable is related solely to a Purchased Asset;

19

---

(d) any agreement, Contract, obligation or other undertaking of Seller or any of its Affiliates other than the Assigned Contracts, including any Contract related to the Excluded Businesses and the Contracts listed on Schedule 2.02(d) (each, an “Excluded Contract”);

(e) all of Seller’s investor, repurchase, warehouse and similar liquidity and financing agreements or arrangements and any agreements or arrangements related to the Pipeline Loans, including interest rate locks and related hedges;

(f) Seller’s Intellectual Property other than the Purchased IP;

(g) the corporate seals, Organizational Documents, minute books, stock books, Tax Returns, books of account or other records having to do with the corporate organization of Seller, and all employee-related or employee benefit-related files or records;

(h) all rights of Seller to Tax refunds, rebates and similar repayments of Taxes, in each case with respect to any Tax period ending on or before the Closing Date;

(i) all insurance policies of Seller and its Affiliates and all rights to applicable claims and proceeds thereunder;

(j) all Seller Benefit Plans and trusts or other assets attributable thereto;

(k) except as otherwise provided in Section 2.01(i), all rights to any Action available to or being pursued by Seller, whether arising by way of counterclaim or otherwise;

- (l) the rights which accrue or will accrue to Seller under the Transaction Documents;
- (m) any asset, property or right of Seller relating to the Excluded Businesses;
- (n) any contracts or instruments of Seller related to hedging risk related to any loan, including the Pipeline Loans; and
- (o) for the avoidance of doubt, any asset, property or right of any Affiliate of Seller.

2.03 Assumed Liabilities. Subject to the terms and conditions set forth herein, at the Closing, Buyer shall assume and agree to pay, perform and discharge when due, the following Liabilities and obligations of Seller arising out of or relating to the Purchased Assets on or after the Effective Date (collectively, the “Assumed Liabilities”) and only the Assumed Liabilities and no others:

(a) all Liabilities and obligations arising under or related to the Assigned Contracts to the extent related to performance after the Effective Date, except for Liabilities caused by a breach by Seller of its obligations under the Assigned Contracts; and

20

---

(b) all Liabilities arising from, or related or attributable to, the ownership of the Pipeline Loans but only to the extent such Liabilities are required to be performed and are related to the period after the Effective Date (including the obligation to pay third party costs and expenses incurred prior to the Closing Date related to the Pipeline Loans in respect of which Seller received services prior to the Closing Date and that were not paid by Seller prior to the Closing Date), except for Liabilities caused by a breach by Seller of its obligations under the Pipeline Loans.

For the avoidance of doubt, Assumed Liabilities shall be included in Operating Expenses for the Operating Division.

2.04 Retained Liabilities. Other than the Assumed Liabilities, Buyer shall not assume and shall not be responsible to pay, perform or discharge any liabilities of Seller or any of its Affiliates of any kind or nature whatsoever (all liabilities that are not Assumed Liabilities, collectively, the “Retained Liabilities”), including the following:

- (a) any obligation or Liability arising out of or relating to any Mortgage Loan that is not a Pipeline Loan;
- (b) any obligation or Liability arising out of or relating to any Pipeline Loan that is not an Assumed Liability;
- (c) any obligation or Liability arising out of or relating to the Excluded Businesses;
- (d) all Liabilities and obligations for (i) Taxes of Seller and its Affiliates for any period, (ii) Taxes (including, without limitation, any amounts owed by Buyer relating to Taxes pursuant to a contract or otherwise) relating to the Purchased Assets or the Assumed Liabilities for any taxable period ending on or before the Closing Date, (iii) Straddle Period Taxes for which Seller is responsible pursuant to Section 6.08(b), and (iv) any Taxes for which Seller is responsible pursuant to Section 6.08(a);
- (e) any obligation or Liability arising out of or relating to any Contract of Seller that is not an Assigned Contract;
- (f) any obligation or Liability of Seller with respect to any employee or former employee of Seller and any obligation or Liability of Seller under or with respect to any Seller Benefit Plan;
- (g) any obligation or Liability of Seller arising out of or related to the Excluded Assets;
- (h) any obligation or Liability of Seller arising out of this Agreement;
- (i) except as otherwise provided in Section 2.01(i), any litigation of Seller;
- (j) any Indebtedness of Seller;

21

---

(k) except as otherwise specifically set forth herein with respect to the Purchased Assets and Assumed Liabilities, any obligation or Liability of Seller existing immediately prior to the Effective Date or arising out of any transaction entered into by Seller prior to the Effective Date; and

(l) except as otherwise specifically provided herein, any obligation or Liability of any Affiliate of Seller.

2.05 Purchase Price. The purchase price for the Purchased Assets shall consist of (i) the Initial Cash Payment, (ii) the First Deferred Payment, (iii) the Second Deferred Payment, (iv) the Net Seller Payments, and (v) the Buyer Shares (as such amount may be adjusted pursuant to Section 7.06, the “Purchase Price”).

2.06 Deferred Payments. On the date which is six (6) months following the Effective Date, Buyer shall pay to Seller the First Deferred Payment. On the first anniversary of the Effective Date, Buyer shall pay to Seller the Second Deferred Payment. Each of the First Deferred Payment and the Second Deferred Payment shall be paid by wire transfer of immediately available funds in accordance with the wire instructions set forth in Schedule A attached hereto (as may be updated by Seller from time to time).

2.07 Earn-Out Amount.

(a) Determination of Earn-Out Amount. On the terms and subject to the conditions of this Agreement (including Section 2.08), as additional contingent consideration for the sale of the Purchased Assets by Seller and the other obligations of Seller hereunder, for the period beginning on the Effective Date and ending on December 31, 2017 (the "Earn-Out Period") and with respect to each Calculation Period within such Earn-Out Period, Buyer shall pay to Seller in immediately available funds, no later than the applicable Net Seller Payment Date, an amount (such amount, an "Earn-Out Amount") equal to:

- (i) for the First Earn-Out Period, 100% of the Pre-Tax Profit of the Operating Division for the First Earn-Out Period;
- (ii) for such portion of the initial Calculation Period that occurs during the Second Earn-Out Period and for each other Calculation Period that occurs during the Second Earn-Out Period, 65% of the Pre-Tax Profit of the Operating Division for such Calculation Period;
- (iii) for each Calculation Period that occurs during the Third Earn-Out Period, 55% of the Pre-Tax Profit of the Operating Division for such Calculation Period; and
- (iv) for each Calculation Period that occurs during the Fourth Earn-Out Period, 45% of the Pre-Tax Profit of the Operating Division for such Calculation Period.

(b) Earn-Out Statements. As promptly as practicable, but in any event within thirty (30) days after the end of each Calculation Period, Buyer shall, and Buyer shall cause the Operating Company to, prepare and deliver to Seller a statement setting forth in reasonable detail Buyer's calculations (with respect to the applicable Calculation Period, "Earn-Out Statement") of

22

---

(i) Operating Revenue for such Calculation Period, (ii) Operating Expenses for such Calculation Period, (iii) the MSR Value for such Calculation Period, (iv) Pre-Tax Profit for such Calculation Period, (v) the Earn-Out Amount for such Calculation Period, (vi) any MSR Value Adjustment for the prior Calculation Period, (vii) any Loss Reserves Shortfall as of the end of such Calculation Period, and (viii) the Net Seller Payment for such Calculation Period.

## 2.08 Provisions Related to Net Seller Payments.

### (a) Payments and Procedures.

(i) Following delivery of an Earn-Out Statement, (A) Seller and its Representatives shall be permitted full access at reasonable times to review the books and records of the Operating Division (including the books and records of the Operating Company related to the Operating Division or otherwise required to verify Buyer's calculations with respect to such Earn-Out Statement) and any work papers related to the preparation of the applicable Earn-Out Statement, in each case as reasonably requested by Seller and (B) Buyer shall use its commercially reasonable efforts to respond (during normal business hours and upon reasonable advance notice) to inquiries of Seller and its Representatives regarding questions concerning, or disagreements with, such Earn-Out Statement. If Seller shall have any disagreement with Buyer's determinations made in an Earn-Out Statement, then Seller shall notify Buyer of such disagreement in writing within fifteen (15) days after delivery of such Earn-Out Statement, which notice of disagreement shall provide the basis of the disagreement with reasonable specificity. If Seller does not provide such notice of disagreement within such fifteen (15) day period, Seller shall be deemed to have accepted such Earn-Out Statement (or any portion or element thereof to which Seller has not provided a notice of disagreement within such fifteen (15) day period) and Buyer shall, on such 15<sup>th</sup> day, pay to Seller in immediately available funds the amount of the related Net Seller Payment. If any such notice of disagreement is timely provided during such fifteen (15) day period, Buyer and Seller shall use their respective commercially reasonable efforts for a period of fifteen (15) Business Days from the date of Seller's notice of disagreement (or such longer period as they may mutually agree in writing) to resolve any disagreements. If, at the end of such period, Buyer and Seller are unable to resolve such disagreements, then at the request of either Buyer or Seller, Buyer and Seller shall engage a nationally recognized independent accounting firm, other than Buyer's independent accountants and Seller's independent accountants (such firm, the "Independent Accounting Firm") to resolve any remaining disagreements. The Independent Accounting Firm shall rule on the remaining disagreements as promptly as practicable (but in any event no more than forty-five (45) days after its engagement). The Independent Accounting Firm shall deliver its determination to the parties in writing, and such determination shall be final, binding and non-appealable upon the parties. Any submissions to the Independent Accounting Firm must be written and delivered to each party to the dispute. The Independent Accounting Firm shall consider only those items and amounts that are identified as being items which Buyer and Seller are unable to resolve. The Independent Accounting Firm determination shall be based solely on the applicable definitions contained herein and the provisions of this Agreement. Buyer and Seller shall each enter into a customary engagement letter with the Independent Accounting Firm and provide, or cause to be provided, such information to the Independent Accounting Firm as it may reasonably request. Further, the Independent Accounting Firm's determination shall be based solely on the presentations by Buyer and Seller that are in accordance with the terms and procedures set forth

23

---

in this Agreement (i.e., not on the basis of an independent review). The costs and expenses of the Independent Accounting Firm shall be allocated between Buyer, on the one hand, and Seller, on the other hand, based upon the percentage that the portion of the contested amount not awarded to each such party bears to the amount actually contested by such party. For example, if Seller claims a Net Seller Payment is \$1,000 greater than the amount determined by Buyer, and Buyer contests only \$500 of the amount claimed by the Seller, and if the Independent Accounting Firm ultimately resolves the dispute by awarding Seller \$300 of the \$500 contested, then the costs and expenses of arbitration shall be allocated sixty percent (60%) (i.e.,  $300 \div 500$ ) to Buyer and forty percent (40%) (i.e.,  $200 \div 500$ ) to Seller.

(ii) If Seller has notified Buyer of any disagreement with an Earn-Out Statement in accordance with Section 2.08(a)(i), the date on which the related Earn-Out Statement is finally determined in accordance with Section 2.08(a)(i) or as mutually agreed in writing by Buyer and Seller is hereinafter referred to as a "Determination Date." Within five (5) Business Days after the applicable Determination Date, Buyer shall pay to Seller the additional Net Seller Payment (if any) as so determined. Regardless of whether Seller has notified Buyer of any disagreement, Buyer shall remain obligated to pay in immediately available funds, no later than the applicable Net Seller Payment Date, the originally determined Net Seller Payment as shown on the applicable Earn-Out Statement as originally submitted by Buyer (it being understood and agreed that by accepting such Net Seller Payment, Seller has not

waived any right to dispute the related Earn-Out Statement or to receive any additional Net Seller Payment in respect of the related Calculation Period as may be determined during the dispute resolution process provided for in Section 2.08(a)(i).

(iii) The amount of any Net Seller Payment shortfall (if any) that may be determined in accordance with Section 2.08(a)(i) shall bear interest from and following the applicable Net Seller Payment Date at a rate per annum equal to fifteen percent (15%), simple interest. Such interest shall be calculated daily on the basis of a year of 365 days and the actual number of days elapsed.

(b) MSR Value Adjustments. Buyer and Seller agree that, for purposes of the calculation and payment of the Net Seller Payments pursuant to Section 2.08, the Pre-Tax Profit shall initially be determined using an estimated MSR Value equal to the fair market value of the MSR of applicable Mortgage Loans, as determined by Buyer in good faith. On the Earn-Out Statement for each Calculation Period after the first Calculation Period, Buyer shall set forth any adjustment (the "MSR Value Adjustment") to the Net Seller Payment for the prior Calculation Period based on actual gain-on-sale of the MSRs included in the Pre-Tax Profit for such Calculation Period. Any MSR Value Adjustment to the Net Seller Payment for the prior Calculation Period shall be added to, or deducted from, as applicable, the Net Seller Payment for the current Calculation Period. In addition, no later than ninety (90) days after delivery of the Earn-Out Statement for the final Calculation Period, Buyer shall deliver to Seller a statement setting forth any MSR Value Adjustment to the Net Seller Payment for the final Calculation Period based on actual gain-on-sale of the MSRs included in the Pre-Tax Profit for such Calculation Period. All statements delivered pursuant to this Section 2.08(b) shall be subject to Section 2.08(a).

24

---

(c) Adjustment to Applicable Origination Costs. Buyer and Seller acknowledge and agree that, following the Closing, the Applicable Origination Costs are intended to include all Buyer personnel and systems costs (but not any third party costs) related to applicable hedging costs, operational expenses and overhead attributable to the origination of Mortgage Loans by or through the Operating Division. The parties have initially set the Applicable Origination Costs at \$100 per Mortgage Loan. Following each Calculation Period, Buyer and Seller shall mutually review the actual Applicable Origination Costs attributable to the origination of Mortgage Loans by or through the Operating Division during such Calculation Period and shall, in good faith, determine whether any increase or decrease to the Applicable Origination Costs are necessary or advisable for subsequent Calculation Periods. Any such increase or decrease that is agreed to by Buyer and Seller shall be evidenced in writing (including email).

(d) Net Losses Adjustments. If the Net Seller Payment for any Calculation Period is a negative amount (a "Net Loss"), no Net Seller Payment shall be payable for such Calculation Period, and the Net Seller Payment for the next Calculation Period will be made only if and to the extent that the Net Seller Payment for such Calculation Period exceeds the Net Loss in the prior Calculation Period (or prior Calculation Periods occurring during the same calendar year as the current Calculation Period if there were Net Losses for multiple such prior consecutive Calculation Periods). For the avoidance of doubt, a Net Loss shall only carry over from one calendar year to the next if such Net Loss occurs in the fourth quarter.

(e) Payment of Loss Reserves Shortfall or Loss Reserves Excess. If any Loss Reserves Shortfall arises after the end of the Earn-Out Period, Seller shall promptly pay to Buyer the amount of any such Loss Reserves Shortfall upon receipt of written notice from Buyer. Buyer shall pay to Seller, on the date three (3) years after the end of the Earn-Out Period, any Loss Reserves Excess.

(f) Post-Closing Operation of Operating Division.

(i) Between the Closing and the last day of the Earn-Out Period, Seller shall continue to have, subject to Buyer's complete oversight and control, day-to-day operational authority with respect to the operations of the Business (as owned by Buyer) and the Operating Division, which Seller shall operate in its reasonable judgment. Notwithstanding the foregoing sentence or anything to the contrary contained in this Agreement, Seller's operational control with respect to the Operating Division shall also be subject to the following limitations: (A) Seller shall cause any employee-related decisions of the Operating Division (including the hiring and firing of any personnel) to be made in consultation with Buyer's human resources department and (B) any branding, marketing and compliance activities conducted by Seller with respect to the Operating Division shall be subject to the prior written approval of Buyer, not to be unreasonably withheld, conditioned or delayed (collectively, the "Operational Limitations"). Each of Buyer and Seller shall keep each other fully informed, in all material respects, with respect to the operation of the Operating Division. Buyer and Seller agree and acknowledge that Buyer shall have the right to monitor and access any and all financial and operating information with respect to the Operating Division for purposes of financial reporting and compliance with applicable Law and Applicable Requirements, and to impose any requirements in respect thereof (provided, that any such requirements shall be at the expense of the Operating Division and included in Operating Expenses).

25

---

(ii) Notwithstanding anything herein to the contrary, Buyer agrees that, without the prior written approval of Seller (which shall not be unreasonably withheld), following the Closing until the last day of the Earn-Out Period: (A) Buyer shall ensure that it and its Affiliates shall not enter into any agreement or transaction with respect to the Operating Division which is not at arms' length or on commercial terms or other than in the ordinary course of business or which provides for any payment for goods or services at any rate other than one which might reasonably be charged by an independent third party; and (B) except for a transaction or series of transactions that constitutes an Exit Event, Buyer and its Affiliates shall not dispose of or grant any interest in any material portion of the Operating Division or the Purchased Assets, other than in one or a series of transactions with Affiliates of Buyer. For the avoidance of doubt, no such transfer shall relieve Buyer of its obligations under this Agreement, including with respect to any Net Seller Payment.

(iii) If Seller fails to exercise its rights pursuant to subsection (i), above, in good faith, including failing to (A) provide sufficient oversight and control on a timely basis consistent with applicable Laws and Applicable Requirements, or (B) use commercially reasonable efforts to comply with reasonable requests by Buyer, Buyer shall have the right to direct, in part or in full, Seller's exercise of its day-to-day operational authority with respect to the operations of the Business (as owned by Buyer) and the Operating Division pursuant to subsection (i).

(g) No Security. The parties hereto acknowledge and agree that (i) the contingent rights to receive any Net Seller Payment shall not be represented by any form of certificate or other instrument, are not transferable, and do not constitute an equity or ownership interest in Buyer or any of its Affiliates and (ii) Seller shall not be deemed to be, and shall not have any rights as, security holders of Buyer or any of its Affiliates or any other Person as a result of Seller's contingent right to receive any Net Seller Payment.

2.09 Allocation of Purchase Price. For purposes of this Section 2.09, the Purchase Price represents the amount agreed upon by the Parties to be the aggregate value of the Purchased Assets (and the value of the Assumed Liabilities). Promptly after Closing, Buyer shall retain Eisner Amper LLP to issue a report and allocate the Purchase Price among the Purchased Assets (and the value of the Assumed Liabilities) in a manner consistent with Schedule 2.09 hereto. Within thirty (30) days following receipt of such report, Buyer shall deliver to Seller a schedule (the "Allocation Schedule") allocating the Purchase Price among the Purchased Assets. The Allocation Schedule shall be reasonable and shall be prepared in accordance with Section 1060 of the Code and the Treasury Regulations thereunder and in accordance with the Appraisal. Seller agrees that promptly after receiving said Allocation Schedule it shall return an executed copy thereof to Buyer. Each of Buyer and Seller agrees to file Internal Revenue Service Form 8594, and all federal, foreign, state, local and other Tax Returns and reports prepared and filed by or for either Seller or Buyer (including any forms or reports required to be filed pursuant to Section 1060 of the Code, the Treasury Regulations promulgated thereunder or any provisions of local, state and foreign law ("1060 Forms")), in accordance with the Allocation Schedule. Buyer and Seller further agree to cooperate in the

26

---

preparation of such 1060 Forms and to file such 1060 Forms in the manner required by applicable Law. If, following the Closing, Buyer pays to Seller any Net Seller Payment and/or the Appreciation Right Amount, any such amounts shall be treated by Buyer and Seller as additional consideration paid for the Purchased Assets (and the value of the Assumed Liabilities). Any such amounts paid by Buyer following the Closing shall be allocated for tax purposes in accordance with the Allocation Schedule, and each of Buyer and Seller agrees to file all federal, foreign, state, local and other Tax Returns and reports prepared and filed by or for either Seller or Buyer (including any 1060 Forms) in accordance with the Allocation Schedule.

2.10 Non-assignable Assets.

(a) Notwithstanding anything to the contrary in this Agreement, and subject to the provisions of this Section 2.10, to the extent that the sale, assignment, transfer, conveyance or delivery, or attempted sale, assignment, transfer, conveyance or delivery, to Buyer of any Purchased Asset would result in a violation of applicable Law, or would require the Consent of a Person who is not a party to this Agreement or an Affiliate of a party to this Agreement (including any Governmental Authority), and such Consent shall not have been obtained prior to the Closing, this Agreement shall not constitute a sale, assignment, transfer, conveyance or delivery, or an attempted sale, assignment, transfer, conveyance or delivery, thereof (each, an "Unassigned Asset"). Prior to the first anniversary of the Closing Date, Seller and Buyer shall use commercially reasonable efforts, and shall cooperate with each other, to obtain any such required Consent, or any release, substitution or amendment required to novate all liabilities and obligations under any and all Purchased Assets or other liabilities that constitute Assumed Liabilities or to obtain in writing the unconditional release of all parties to such arrangements, so that, in any case, Buyer shall be solely responsible for such liabilities and obligations from and after the Closing Date; provided, however, that neither Seller nor Buyer shall be required to pay any consideration therefor. Once such Consent, release, substitution or amendment is obtained, Seller shall sell, assign, transfer, convey and deliver to Buyer the relevant Unassigned Asset to which such Consent, release, substitution or amendment relates for no additional consideration. Applicable sales, transfer and other similar Taxes in connection with such sale, assignment, transfer, conveyance or license shall be paid in accordance with Section 6.04(a).

(b) With respect to any Unassigned Asset, Seller shall hold such Unassigned Asset for the benefit of Buyer and deal with such Unassigned Asset in accordance with the reasonable instructions provided by Buyer, and Buyer and Seller shall use commercially reasonable efforts to enter into such arrangements (such as subleasing, sublicensing or subcontracting) to provide to the parties the economic and, to the extent permitted under applicable Law, operational equivalent of the transfer of such Unassigned Asset and/or Assumed Liability to Buyer as of the Closing and the performance by Buyer of its obligations with respect thereto. If permissible pursuant to the terms of the Contract governing such Unassigned Asset or otherwise, Buyer shall, as agent or subcontractor for Seller, pay, perform and discharge fully the liabilities and obligations of Seller thereunder from and after the Closing Date. To the extent permitted under applicable Law, Seller shall hold in trust for and pay to Buyer promptly upon receipt thereof, such Unassigned Asset and all income, proceeds and other monies received by Seller to the extent related to such Unassigned Asset in connection with the arrangements under this Section 2.10.

27

---

2.11 Anti-dilution Right. If, at any time from the Effective Date and through December 31, 2015, Buyer proposes to issue equity securities of any kind (for purposes of this Section 2.11, the term "equity securities" shall not include any warrants, options (including issuance or exercise of options issued pursuant to an employee stock option plan, stock bonus plan, stock purchase plan, employment agreement or other management equity program approved by the Board) or other rights to acquire equity securities or debt securities convertible into equity securities) of Buyer (a "Triggering Issuance") (other than the issuance of securities (A) pursuant to the acquisition of another Person by Buyer or any subsidiary, whether by purchase of stock, merger, consolidation, purchase of all or substantially all of the assets of such Person or otherwise, provided such acquisition has been approved by the board of directors of Buyer (the "Board") and such securities are being issued as consideration for the transaction and not in connection with financing the transaction, or (B) to Seller and/or its Affiliates, then, subject to the provisions set forth below, as to Seller, Buyer shall (i) give written notice setting forth in reasonable detail (1) the designation and all of the terms and provisions of the securities proposed to be issued (the "Proposed Securities"), including, where applicable, the voting powers, preferences and relative participating, optional or other special rights, and the qualification, limitations or restrictions thereof and interest or dividend rate and maturity; (2) the price and other terms of the proposed sale of such securities; (3) the amount of such securities proposed to be issued; and (4) such other information as Seller may reasonably request in order to evaluate the proposed issuance, and (ii) issue to Seller, contemporaneous with the consummation of the Triggering Issuance, a portion of the Proposed Securities equal to 4.9% of the Proposed Securities.

### ARTICLE III

#### EXECUTION AND CLOSING

3.01 Closing. Subject to the terms and conditions of this Agreement, the consummation of the transactions as contemplated by this Agreement (the "Closing") are effective as of March 31, 2015 (the "Closing Date").

3.02 Deliverables.

(a) Upon execution of this Agreement, Seller shall deliver, or shall cause to be delivered, to Buyer the following:

(i) an amended and restated bill of sale mutually agreed between Buyer and Seller (the "Amended and Restated Bill of Sale") and duly executed by Seller, transferring the Purchased Assets to Buyer;

(ii) an amended and restated assignment and assumption agreement mutually agreed between the Operating Company and Seller (the "Amended and Restated Assignment and Assumption Agreement") and duly executed by Seller, effecting the assignment to and assumption by the Operating Company of the Assigned Contracts and the Assumed Liabilities; and

28

---

(iii) such other customary instruments of transfer, assumption, filings or documents, in form and substance reasonably satisfactory to Buyer, as may be required to give effect to this Agreement or that are reasonably requested by Buyer.

(b) Upon execution of this Agreement, Buyer shall deliver, or shall cause to be delivered, to Seller the following:

(i) the Amended and Restated Bill of Sale, duly executed by Buyer;

(ii) the Amended and Restated Assignment and Assumption Agreement, duly executed by the Operating Company; and

(iii) such other customary instruments of transfer, assumption, filings or documents, in form and substance reasonably satisfactory to Seller, as may be required to give effect to this Agreement or that are reasonably requested by Seller.

#### ARTICLE IV

##### REPRESENTATIONS AND WARRANTIES OF SELLER

Except as set forth in the Disclosure Schedules, Seller represents and warrants to Buyer that the statements contained in this Article IV were true and correct as of the Closing Date (provided, that any statement as to a specific date is true and correct only as of such date). It is expressly understood and agreed that the disclosure of any fact or item in any section of the Disclosure Schedules shall be deemed disclosure with respect to any other section or subsection to the extent the applicability of such disclosure to such other section or subsection is apparent, notwithstanding the omission of an appropriate cross-reference.

4.01 Organization and Qualification of Seller; Enforceability. Seller is a corporation duly organized, validly existing and in good standing under the Laws of the state of California, with all requisite corporate power and authority to own, lease and operate its properties related to the Business and to conduct the Business as it is now operated and conducted. Seller has full corporate power and authority to enter into this Agreement and the other Transaction Documents, to carry out its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. Seller is licensed or qualified to do business in each jurisdiction where the nature of the properties owned, leased or operated by it and the businesses transacted by it require such licensing or qualification, except where the failure to be so licensed or qualified would not have a Material Adverse Effect. The execution, delivery and performance by Seller of this Agreement and the Transaction Documents and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate action on the part of Seller. This Agreement and the Transaction Documents have been duly executed and delivered by Seller, and, assuming that this Agreement and the other Transaction Document is a valid and binding obligation of the other parties hereto and thereto, this Agreement and the Transaction Documents constitute legal, valid and binding obligations of Seller, enforceable against Seller in accordance with their respective terms, except as such enforceability may be limited by Laws applicable to receivership, bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other similar Laws relating to, or affecting generally, the enforcement of applicable creditors' rights and remedies or by general principles of equity.

29

---

4.02 No Conflicts; Consents. Except for the Consents set forth on Section 4.02 of the Disclosure Schedules, the execution, delivery and performance by Seller of this Agreement and the other Transaction Documents to which it is a party, and the consummation by Seller of the transactions contemplated hereby and thereby, do not and will not: (a) result in a violation or breach of any provision of any of the Organizational Documents of Seller; (b) result in a violation or breach of any provision of any Law or Governmental Order applicable to Seller or the Purchased Assets; or (c) violate or conflict with, result in a breach or termination of, constitute a default or give any third party any additional right (including a termination right) under, permit cancellation of, result in the creation of any Encumbrance (other than a Permitted Encumbrance) upon any of the Purchased Assets (including any Assigned Contract). Seller has delivered to Buyer true and complete copies of all of the Organizational Documents of Seller, in each case as currently in effect, and Seller is not in default thereunder or in violation of any provision thereof.

##### 4.03 Contracts.

(a) Section 4.03 of the Disclosure Schedules sets forth a true and complete list of all Contracts of the following types (x) to which Seller is a party or by which it is bound and (y) which are used or held for use in, or relate to, in whole or in part, the Business, or to which any of the Purchased Assets is subject (each such Contract, a "Material Contract"):

(i) any Contract of any kind with any director, officer, or employee of Seller or any of its Affiliates, and any Assigned Contract or arrangement of any kind with any Affiliate of Seller;

(ii) any Contract that involves performance of services or delivery of goods or materials by or to Seller of an amount or value in excess of \$75,000;

(iii) any Contract providing for capital expenditures after the Effective Date in an amount in excess of \$150,000 individually or in the aggregate;

(iv) any Contract with a sales representative, dealer, broker, sales agency, advertising agency or other Person engaged in sales, distributing or promotional activities, or any Contract pursuant to which Seller acts as any of the foregoing on behalf of any Person;

(v) any Contract affecting the ownership of, leasing of, title to, use of or any material leasehold or other interest in any material real property;

(vi) any Contract that contains a lease, sublease or other contractual arrangement under which Seller is lessee of any equipment or other tangible property, other than Contracts that may be terminated on thirty (30) days or less notice (without penalty or premium) or involve payments of less than \$75,000 in any year;

30

---

(vii) except with respect to the Pipeline Loans, any Contract pursuant to which Seller has made or will make loans or advances, or has or will have incurred debts or become a guarantor or surety or pledged its credit on or otherwise become responsible with respect to any Liability of another Person (except for the negotiation or collection of negotiable instruments in transactions in the ordinary course of business);

(viii) any Contract relating to material Indebtedness;

(ix) any Contract involving a partnership, joint venture or any other cooperative undertaking involving a sharing of profits, losses, costs or liabilities between or among Seller and any other Person;

(x) any Contract that (A) materially limits the freedom of Seller to engage in any line of business or to compete with any other Person; or (B) restrains, restricts, limits or impedes the ability of Seller to compete with or conduct any business or line of business in any geographic area;

(xi) any Contract that is or contains a power of attorney or agency agreement or arrangement with any Person pursuant to which such Person is granted the authority to act for or on behalf of Seller, or Seller is granted the authority to act for or on behalf of any Person;

(xii) any Contract, whether or not fully performed, relating to any acquisition or disposition of any stock of, or any material portion of the assets of, Seller or any other Person, or any acquisition or disposition of any subsidiary, division or line of business of Seller or any other Person;

(xiii) any Contract pursuant to which Seller has the right or obligation to sell to any Person any Mortgage Loan;

(xiv) any Contract to which any In-Scope Employee is bound which in any manner purports to restrict such In-Scope Employee's freedom to engage in any line of business or to compete with any other Person;

(xv) any Contract that grants to Seller a license or sublicense in any material Intellectual Property (other than for the use of commercially available, non-customized software);

(xvi) any Contract under which Seller grants to any third party a license in any material Intellectual Property; and

(xvii) any other Contract necessary to operate the Business.

(b) To Seller's Knowledge, each Assigned Contract is binding against the other parties thereto in accordance with its respective terms and (assuming due power and authority of, and due execution and delivery by, the other party or parties thereto) is valid and binding on Seller in accordance with its terms (except as may be limited by Laws applicable to receivership, bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other

31

---

similar Laws relating to, or affecting generally, the enforcement of applicable creditors' rights and remedies or by general principles of equity) and is in full force and effect. Neither Seller or, to Seller's Knowledge, any other party thereto is in material breach of or default under (or is alleged to be in breach of or default under), or has provided or received any written notice of any intention to terminate, any Assigned Contract. No event or circumstance has occurred with respect to Seller that, with or without notice or lapse of time or both, would constitute an event of default under any Assigned Contract or result in a termination thereof or would cause or permit the acceleration or other changes of any right or obligation or the loss of benefit thereunder. To Seller's Knowledge, no event or circumstance has occurred with respect to any other party thereto that, with or without notice or lapse of time or both, would constitute an event of default under any Assigned Contract or result in a termination thereof or would cause or permit the acceleration or other changes of any right or obligation or the loss of benefit thereunder.

4.04 Title to Purchased Assets. Seller has good and valid title to, or, as applicable, a valid leasehold interest in, all Purchased Assets, free and clear of Encumbrances, except for Permitted Encumbrances.

4.05 Legal Proceedings. Except as set forth in Section 4.05 of the Disclosure Schedules, (a) there are no material Actions pending or, to Seller's Knowledge, threatened against or by Seller relating to or affecting the Purchased Assets, the Assumed Liabilities or the Business, and (b) neither Seller nor any of its Affiliates is subject to any Governmental Order with respect to the Business or the Purchased Assets. To Seller's Knowledge, no event has occurred or circumstance exists that is reasonably likely to give rise to or serve as a basis for the commencement of any such Action or Governmental Order.

4.06 Compliance With Laws. Except as set forth in Section 4.06 of the Disclosure Schedules, (a) Seller is, and at all times has been, in compliance with all Laws applicable to the ownership and use of the Purchased Assets and the operation of the Business, in all material respects, and (b) Seller has not received any written notice or, to Seller's Knowledge, other communication, of any such non-compliance by Seller, with respect to the Purchased Assets or the Business, of any Law.



4.07 Non-Foreign Status. Seller is not a “foreign person” as that term is used in Treasury Regulations Section 1.1445-2.

4.08 Brokers. Except as set forth in Section 4.08 of the Disclosure Schedules, no broker, finder or investment banker is entitled to any brokerage, finder’s or other fee or commission in connection with the transactions contemplated by this Agreement or any other Transaction Document based upon arrangements made by or on behalf of Seller.

4.09 Employees and Employee Benefit Plans.

(a) Except as set forth in Section 4.09(a) of the Disclosure Schedules, (i) Seller is not a party to any collective bargaining or other organized labor Contract affecting any In-Scope Employee, (ii) Seller has conducted and currently is conducting the Business in compliance with all applicable Laws relating to employment and employment practices, terms and conditions of employment, wages and hours and nondiscrimination in employment,

32

---

collective bargaining, workers’ compensation, occupational safety and health, equal employment opportunity and immigration, and are not engaged in any unfair labor or unlawful employment practice, (iii) there is no labor strike, slowdown or stoppage actually pending or threatened against or affecting the Business and, within the past three (3) years, Seller has not experienced any labor strike, slowdown or stoppage in respect of the Business, (iv) to Seller’s Knowledge, no attempt is currently being made or during the past three (3) years has been made to organize any of In-Scope Employees to form or enter into any labor union or similar organization, and (v) to the Seller’s Knowledge, no In-Scope Employee is bound by any Contract or other arrangement which in any manner purports to restrict such In-Scope Employee’s freedom to engage in the Business. Seller is in compliance with all notice and other requirements under the WARN Act, including any notice, severance or redundancy obligations required. All independent contractors and consultants providing personal services to Seller have been properly classified as independent contractors for purposes of all Laws with respect to employee benefits.

(b) None of the Seller Benefits Plans or any Benefit Plan to which Seller contributes is subject to Title IV of ERISA or is a multiemployer plan (as defined in section 3(37) of ERISA) and none of Seller’s Benefit’s Plans or any Benefit Plan to which Seller made contributions, was at any time in the past subject to Title IV of ERISA or was a multiemployer plan (as defined in section 3(37) of ERISA).

(c) Except as would not have a Material Adverse Effect, each Seller Benefit Plan has been maintained, funded and administered in all material respects in accordance with its terms and complies in form and operation in all material respects with the applicable requirements of the Code, ERISA and other applicable Law and Buyer will not incur any liability under any, or with respect to any, Seller Benefit Plan as a result of the consummation of the transactions contemplated by this Agreement.

4.10 Condition of Purchased Assets. The Purchased Assets constitute all of the assets, tangible and intangible, necessary for operation of the Business in the manner presently operated by Seller and necessary for operation of the Business in a substantially similar manner immediately following the Closing. Each Purchased Asset has been maintained in accordance with normal industry practice, is in good operating condition and repair (subject to normal wear and tear), and is suitable for the purposes for which it presently is used.

4.11 Insolvency.

(a) Seller is not now insolvent, and the consummation of the transactions described in this Agreement will not render Seller insolvent or unable to pay any of its Liabilities when due. As used in this section, “insolvent” means that the sum of the debts and other probable Liabilities of Seller exceeds the present fair saleable value of Seller’s assets.

(b) Immediately after giving effect to the consummation of the transactions described in this Agreement: (i) Seller will be able to pay its Liabilities as they become due in the usual course of its business; (ii) Seller will not have unreasonably small capital with which to conduct its present or proposed business; (iii) Seller will have assets (calculated at fair market value) that exceed its Liabilities; and (iv) taking into account all pending and, to Seller’s Knowledge, threatened Actions, final judgments against Seller in Actions for money damages

33

---

are not reasonably anticipated to be rendered at a time when, or in amounts such that, Seller will be unable to satisfy any such judgments promptly in accordance with their terms (taking into account the maximum probable amount of such judgments in any such actions and the earliest reasonable time at which such judgments might be rendered) as well as all other obligations of Seller. The cash available to Seller, after taking into account all other anticipated uses of the cash, will be sufficient to pay all such debts and judgments promptly in accordance with their terms.

(c) Seller is not transferring any Purchased Assets with any intent to hinder, delay or defraud any creditor.

4.12 Intellectual Property.

(a) Seller owns or otherwise has the right to use all of the Purchased IP.

(b) Section 4.12(b) of the Disclosure Schedules sets forth an accurate and complete list of all Patents, registered Marks, pending applications for registration of Marks, registered Copyrights and pending applications for registration of Copyrights, and internet domain names included in the Purchased IP, together with (i) the jurisdictions in which each such item of Purchased IP has been issued or registered, or in which any such application for such issuance and registration has been filed, (ii) the registration or application number and (iii) the registration or application date, as applicable. No such registered Purchased IP has been adjudged invalid or unenforceable, and, to Seller’s Knowledge, there is no basis for such a holding.

(c) To Seller’s Knowledge, no Person is infringing, violating, or misappropriating any Purchased IP, and no such claims have been made against any Person by Seller or any of its Affiliates. There are no Governmental Orders (other than official actions issued by the U.S. Patent and Trademark Office or similar tribunal) to which Seller or any of its Affiliates is a party or by which they are bound which restrict, in any material respect, any rights to any Purchased IP.

(d) The Purchased IP and the operation of the Purchased Assets and Business, in each case as presently conducted, do not infringe, constitute an unauthorized use, misappropriate or otherwise violate any Intellectual Property or other proprietary right of any Person. Neither Seller nor any of its Affiliates is the subject of any pending or, to Seller's Knowledge, threatened Action which involve a claim of infringement, unauthorized use, misappropriation, dilution or violation by any Person against either Seller or any of its Affiliates or challenging the ownership, use, validity or enforceability of any Purchased IP.

(e) Seller has taken adequate security measures to protect the secrecy, confidentiality and value of all the Trade Secrets included in the Purchased IP, which measures are reasonable in the industry in which the Business operates.

4.13 Environmental Matters. Except as would not have a Material Adverse Effect, (i) Seller is in compliance with all Laws relating to the protection of the environment, natural resources or to health and safety ("Environmental Laws"), (ii) Seller has obtained and maintained all Permits issued pursuant to Environmental Laws that are required to conduct the

34

---

Business as it is currently conducted and (iii) there has been no release of any waste, material or substance defined, characterized or otherwise classified as a "hazardous", "pollutant", "contaminant", "toxic" or words of similar meaning or effect, including petroleum and its by-products, asbestos or polychlorinated biphenyls under any applicable Environmental Law into the environment as a result of the operations or activities of Seller, or any other Person, at any property owned or leased by Seller that would reasonably be expected to result in any Liability under any Environmental Law. Seller has not received any written claim or notice of violation from any Governmental Authority, and no such claim or notice is pending or, to Seller's Knowledge, threatened, alleging that Seller or any of its Affiliates is in violation of, or liable under, any Environmental Law, with respect to the Purchased Assets or the Business.

4.14 Mortgage Loans. Except as set forth in Section 4.14 of the Disclosure Schedules:

(a) Compliance with Laws. Seller has complied in all material respects with the Applicable Requirements and any and all other applicable Laws. No investor or Person who has purchased Mortgage Loans from Seller during the past seven (7) years has indicated in writing to Seller that it has terminated or intends to terminate its relationship with Seller for poor performance, poor loan quality or concern with respect to Seller's compliance with Laws or that Seller is in default under or not in compliance with any Applicable Requirements.

(b) Good Title. The sale, transfer and assignment by Seller to Buyer of the Pipeline Loans, and the instruments required to be executed by Seller and delivered to Buyer pursuant to the Applicable Requirements are, or will be on the Closing Date, valid and enforceable in accordance with their terms and will transfer the Pipeline Loans to Buyer, free and clear of any Encumbrances. Seller has full right and authority, subject to no interest or agreement with any other Person, to sell and assign the Pipeline Loans to Buyer pursuant to this Agreement.

(c) Fraud. No fraud occurred on the part of Seller or, to Seller's Knowledge, any mortgagor, in connection with any Pipeline Loan for which Buyer would be liable to an investor, Insurer or other Person.

(d) Data Files. As of the Closing Date, Seller shall have made available to Buyer the Mortgage Files and Mortgage Loan Documents with respect to each Pipeline Loan and all material information contained in each such Mortgage File and Mortgage Loan Document shall be true, complete and correct as of the Closing Date.

(e) Anti-Money Laundering/OFAC. Seller has complied with all applicable anti-money laundering Laws (the "Anti-Money Laundering Laws") in all material respects, and has established an anti-money laundering compliance program as required by the Anti-Money Laundering Laws.

4.15 Pipeline Commitments. Each Pipeline Commitment complied in all material respects with Applicable Requirements for the stage of processing that had been achieved as of the Closing Date based on the investor or Insurer program under which Seller originated the Pipeline Commitment, including compliance with applicable Laws and procurement of required settlement services (e.g., appraisal, title and insurance).

35

---

4.16 Pipeline Loans; Hedging Arrangements.

(a) Section 4.16(a) of the Disclosure Schedules sets forth a list and description of all Pipeline Loans as of the close of business on the Business Day preceding the Effective Date (and shall be updated as of the Business Day preceding the Closing Date), which description includes, with respect to each Pipeline Loan: (i) the loan number; (ii) the anticipated principal balance; (iii) the product type; (iv) the state in which the residential property securing such Pipeline Loan is located; (v) the interest rate, if such Pipeline Loan is a Locked Pipeline Loan; (vi) if known to Seller, the closing date; and (vii) whether the Pipeline Loan has been approved by Seller and the applicable investor.

(b) All interest rate locks on Locked Pipeline Loans have been conducted and managed in Seller's ordinary course of business consistent with past practice and customary mortgage banking practices.

(c) To Seller's Knowledge, none of the Pipeline Loans was previously rejected for purchase by any investor or for insurance by any Insurer.

4.17 Permits. Except as set forth in Section 4.17 of the Disclosure Schedules, Seller is in compliance in all material respects with all required Permits and applicable Laws in relation to those Permits. To Seller's Knowledge, no suspension, cancellation, modification, revocation or nonrenewal or renewal with more onerous conditions of any Permit is pending.

4.18 Taxes.

(a) (i) All Tax Returns that are or were required to be filed by or with respect to Seller and the Purchased Assets have been filed on a timely basis in accordance with applicable Law and are true and complete in all material respects; (ii) all amounts of Taxes due for the periods covered by such Tax Returns (whether or not shown on any Tax Return) have been paid in full, and all amounts of estimated Taxes required to be paid in respect of Seller have been paid in full when due in accordance with applicable Law; (iii) there are no Encumbrances relating or attributable to Taxes with respect to, or in connection with, the Purchased Assets; (iv) Seller is not currently the beneficiary of any extension of time within which to file any Tax Return; (v) no Action is pending, proposed or threatened against or with respect to Seller regarding Taxes; (vi) Seller has not waived any statute of limitations in respect of Taxes associated with the Purchased Assets which waiver is currently in effect; (vii) Seller has complied with all applicable Laws relating to the withholding of Taxes (including information reporting) with respect to the Purchased Assets; (viii) none of the Purchased Assets is properly treated as owned by persons other than Seller for income Tax purposes; and (ix) none of the Purchased Assets is “tax-exempt use property” within the meaning of Section 168(h) of the Code.

(b) No payment or other benefit, and no acceleration of the vesting of any options, payments or other benefits, will be, as a direct or indirect result of the transactions contemplated by this Agreement, an “excess parachute payment” to a “disqualified individual” as those terms are defined in Section 280G of the Code and the Treasury Regulations thereunder. Except as set forth on Section 4.18(b) of the Disclosure Schedules, no payment, or other benefit,

36

---

and no acceleration of the vesting of any options, payments or other benefits, will, as a direct or indirect result of the transactions contemplated by this Agreement, be (or under Section 280G of the Code and the Treasury Regulations thereunder be presumed to be) a “parachute payment” to a “disqualified individual” as those terms are defined in Section 280G of the Code and the Treasury Regulations thereunder, without regard to whether such payment or acceleration is reasonable compensation for personal services performed or to be performed in the future.

4.19 Financial Statements. Seller has heretofore delivered to Buyer the following financial statements (collectively, the “Financial Statements”): (a) the balance sheet and statement of income of the Business, as of each of the years ended December 31, 2011, 2012 and 2013; and (b) the balance sheet and statement of income for the eleven (11) months ended November 30, 2014. Each of the Financial Statements is true, complete and correct in all material respects, was prepared from the books and records kept by Seller for the Business, and fairly presents the financial position of Seller as of such dates, and the results of Seller’s operations in all material respects.

4.20 Books and Records. The books of account and other records of Seller related to the Business, all of which have been made available to Buyer, have been maintained in accordance with sound business practices.

4.21 Buyer Shares and Securities Laws Compliance.

Closing Date.

(a) Seller acknowledges and agrees that the Buyer Shares shall be restricted shares which cannot be sold until six (6) months after the Closing Date.

(b) Seller has a net worth sufficient to bear the economic risk (including the entire loss) of its investment made in the Buyer Shares.

(c) Seller is an “accredited investor,” as such term is defined in Rule 501 of Regulation D promulgated under the rules and regulations of the Securities Act.

(d) Seller understands that it is acquiring the Buyer Shares without being furnished any prospectus or offering circular, other than a copy of this Agreement, a copy of Buyer’s annual report on Form 10-K for the year ended December 31, 2013 and a copy of the Buyer’s quarterly reports on Form 10-Q for the quarterly periods ended March 31, June 30 and September 30, 2014.

(e) Seller is aware that the Buyer Shares have not been registered or qualified, nor is registration or qualification contemplated, with the SEC under the Securities Act or any state securities law. Accordingly, the Buyer Shares may not be sold or otherwise transferred or hypothecated unless they are subsequently registered or qualified under the Securities Act or applicable laws or if, in the opinion of counsel, an exemption from registration or qualification thereunder is available and the transaction will not jeopardize the availability of the exemptions under applicable federal and state securities laws relied upon by Buyer in connection with the offering in which Seller acquired the Buyer Shares.

(f) Seller acknowledges that the Buyer Shares were not offered by means of any general solicitation or advertising.

37

---

(g) Seller is acquiring the Buyer Shares solely for its own account, for investment purposes only, and not with an intent to sell, or for resale in connection with any distribution of all or any portion of the Buyer Shares within the meaning of the Securities Act.

(h) Seller acknowledges and agrees that the certificates representing the Buyer Shares shall each contain such restrictive legends as may be required under applicable state and federal securities laws with respect to the transferability of such securities.

## ARTICLE V

### REPRESENTATIONS AND WARRANTIES OF BUYER AND THE OPERATING COMPANY

Buyer and the Operating Company, jointly and severally, represent and warrant to Seller that the statements contained in this Article V were true and correct as of the Closing Date (provided, that any statement as to a specific date is true and correct only as of such date).

5.01 Organization and Authority; Enforceability. The Operating Company is a corporation duly organized, validly existing and in good standing under the Laws of the state of California. Buyer is a corporation duly organized, validly existing and in good standing under the Laws of the state of Maryland. Each of Buyer and the Operating Company has full corporate power and authority to enter into this Agreement and the Transaction Documents to

which it is a party, to carry out its respective obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance by each of Buyer and the Operating Company of this Agreement and the Transaction Documents to which it is a party and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate action on the part of Buyer or the Operating Company, as applicable. This Agreement and the Transaction Documents have been duly executed and delivered by each of Buyer and the Operating Company, and (assuming due authorization, execution and delivery by Seller) this Agreement and the Transaction Documents constitute legal, valid and binding obligations of each of Buyer and the Operating Company enforceable against Buyer and the Operating Company in accordance with their respective terms, except as such enforceability may be limited by Laws applicable to receivership, bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and other similar Laws relating to, or affecting generally, the enforcement of applicable creditors' rights and remedies or by general principles of equity.

5.02 No Conflicts; Consents. The execution, delivery and performance by each of Buyer and the Operating Company of this Agreement and the other Transaction Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not: (a) result in a violation or breach of any provision of the Organizational Documents of Buyer or the Operating Company; (b) result in a violation or breach of any provision of any Law or Governmental Order applicable to Buyer or the Operating Company; or (c) require the consent, notice or other action by any Person under, conflict with, result in a violation or breach of, constitute a default under or result in the acceleration of any agreement to which Buyer or the Operating Company is a party, except in the cases of clauses (b) and (c), where the violation, breach, conflict, default, acceleration or failure to give notice would not have (x) a material adverse effect on Buyer's or the Operating Company's ability to consummate the transactions contemplated hereby or (y) a material and adverse effect on the business, assets, liabilities, condition (financial or otherwise) or results of operations of Buyer and its subsidiaries, taken as a whole.

38

---

5.03 Capitalization. The authorized capital stock of Buyer consists of 200,000,000 shares of Buyer Common Stock and 10,000,000 shares of preferred stock, par value \$0.01 per share, of Buyer, consisting of 2,500,000 shares of Buyer Series A-1 Preferred Stock, 2,000,000 shares of Buyer Series B Preferred Stock and 5,500,000 shares of Buyer Series C Preferred Stock. 9,587,972 shares of Buyer Common Stock are issued and outstanding (none of which are held in Buyer's treasury), no shares of Buyer Series A-1 Preferred Stock are issued or outstanding, 665,592 shares of Buyer Series B Preferred Stock are issued and outstanding (none of which are held in Buyer's treasury) and 1,405,086 shares of Buyer Series C Preferred Stock are issued and outstanding (none of which are held in Buyer's treasury). Except for the convertible promissory notes due 2018 in the aggregate principal amount of \$20 million issued pursuant to a Note Purchase Agreement dated as of April 29, 2013, no bonds, debentures, notes or other instruments or evidence of indebtedness having the right to vote (or convertible into, or exercisable or exchangeable for, securities having the right to vote) on any matters on which Buyer's stockholders may vote are issued or outstanding. All outstanding shares of Buyer Common Stock are duly authorized and validly issued and were not issued in violation of any preemptive or other similar rights. Except as set forth above or under the terms of the Omnibus Incentive Plan of Buyer, effective as of July 20, 2010, there are no outstanding (a) voting securities of Buyer; (b) securities of Buyer convertible into, or exchangeable or exercisable for, voting securities of Buyer; (c) options, warrants, calls, rights, commitments or agreements to which Buyer is a party or by which it is bound, in any case obligating Buyer to issue, deliver, sell, purchase, redeem or acquire, or cause to be issued, delivered, sold, purchased, redeemed or acquired, voting securities of Buyer, or obligating Buyer to grant, extend or enter into any such option, warrant, call, right, commitment or agreement; (d) restricted shares, restricted share units, stock appreciation rights, performance shares, contingent value rights, "phantom" stock or similar securities or rights that are derivative of, or provide economic benefits based, directly or indirectly, on the value or price of, any voting securities or ownership interests in, Buyer; and (e) voting trusts, proxies, or other similar agreements or understandings to which Buyer or any of its subsidiaries is a party or by which Buyer or any of its subsidiaries is bound with respect to the voting of any securities of Buyer or any of its subsidiaries. On the Effective Date, the shares of Buyer Common Stock to be issued hereunder to Buyer will be duly authorized and validly issued, fully paid and nonassessable, and not subject to, or issued in violation of, any preemptive rights.

5.04 SEC Filings. Since December 31, 2009, Buyer has timely filed or otherwise transmitted all forms, reports and documents required to be filed with the SEC under the Securities Act and the Exchange Act (collectively with any amendments thereto, the "Buyer SEC Reports"). Each of the Buyer SEC Reports, as amended prior to the date hereof, has complied, or in the case of the Buyer SEC Reports made after the date hereof, will comply, in all material respects with the applicable requirements of the Securities Act and the Exchange Act. None of the Buyer SEC Reports, as amended prior to the date hereof, contained, and in the case of the Buyer SEC Reports made after the date hereof will not contain, at the time they were filed any untrue statement of a material fact or omitted to state a material fact required to be stated therein

39

---

or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except for those statements (if any) as had been modified by subsequent filings with the SEC prior to the date hereof. No subsidiary of Buyer is required to file any forms, reports or other documents with the SEC. Buyer has established a system of internal accounting controls sufficient to provide reasonable assurance that: (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

5.05 Financial Statements; Absence of Changes or Events.

(a) The audited consolidated financial statements (including the related notes and schedules) included in Buyer's Annual Report on Form 10-K for the fiscal year ended December 31, 2013 filed with the SEC (the balance sheet therein, the "Buyer Balance Sheet") (i) complied, or financial statements filed after the date hereof and prior to the Closing will comply, in all material respects with applicable accounting requirements and the published regulations of the SEC, (ii) have been prepared, or with respect to such financial statements filed after the date hereof will be prepared, in all material respects in accordance with GAAP applied on a consistent basis throughout the periods involved (except to the extent disclosed therein or required by changes in GAAP) and (iii) fairly present, or with respect to such financial statements filed after the date hereof, will fairly present, in all material respects, the consolidated financial position of Buyer and its subsidiaries for the respective periods indicated.

(b) Since the date of the Buyer Balance Sheet there has not occurred, and neither Buyer, nor any of its subsidiaries (including Buyer) has incurred or suffered, any change, circumstance, effect, event or fact that has resulted in a material and adverse effect on the business, assets, liabilities, condition (financial or otherwise) or results of operations of Buyer and its subsidiaries, taken as a whole.

5.06 Brokers. Except for any fee payable to Keefe, Bruyette & Woods, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement or any other Transaction Document based upon arrangements made by or on behalf of Buyer or the Operating Company.

5.07 Compliance with Law. Each of Buyer and the Operating Company (a) is in material compliance with all applicable Laws, (ii) holds all material permits, licenses, variances, exemptions, orders, franchises and approvals of all Governmental Authorities necessary for the lawful conduct of its business and (c) Buyer and its subsidiaries (including the Operating Company) are in material compliance with the terms of such permits, licenses, variances, exemptions, orders, franchises and approvals. No material investigation or review by any Governmental Authority with respect to Buyer or any of its subsidiaries (including the Operating Company) is pending or, to the Knowledge of Buyer, threatened.

40

5.08 Insolvency.

(a) Neither Buyer nor the Operating Company is now insolvent, and the consummation of the transactions described in this Agreement will render neither Buyer nor the Operating Company insolvent or unable to pay any of its respective Liabilities (including the Assumed Liabilities, the First Deferred Payment, the Second Deferred Payment and the Net Seller Payments) when due. As used in this section, "insolvent" with respect to Buyer means that the sum of the debts and other probable Liabilities of Buyer (including the Assumed Liabilities, the First Deferred Payment, the Second Deferred Payment and the Earn-Out Amount) exceeds the present fair saleable value of Buyer's assets and the Purchased Assets).

(b) Immediately after giving effect to the consummation of the transactions described in this Agreement: (i) Buyer will be able to pay its Liabilities (including the Assumed Liabilities and the Net Seller Payments) as they become due in the usual course of its business; (ii) Buyer will not have unreasonably small capital with which to conduct its present or proposed business; (iii) Buyer will have assets (calculated at fair market value) that exceed its Liabilities (including the Assumed Liabilities, the First Deferred Payment, the Second Deferred Payment and the Net Seller Payments); and (iv) taking into account all pending and threatened Actions, final judgments against Buyer in Actions for money damages are not reasonably anticipated to be rendered at a time when, or in amounts such that, Buyer will be unable to satisfy any such judgments promptly in accordance with their terms (taking into account the maximum probable amount of such judgments in any such actions and the earliest reasonable time at which such judgments might be rendered) as well as all other obligations of Buyer. The cash available to Buyer, after taking into account all other anticipated uses of the cash, will be sufficient to pay all such debts and judgments promptly in accordance with their terms.

5.09 Financial Ability. Buyer will have (when required under this Agreement) immediate access to all funds necessary to pay the Purchase Price and Buyer will have (when required under this Agreement) the financial capacity to perform all of its other obligations under this Agreement.

## ARTICLE VI

### COVENANTS

6.01 [reserved]

6.02 [reserved]

6.03 [reserved]

6.04 [reserved]

6.05 Employees and Employee Benefits.

(a) Offers of Employment. Buyer shall cause the Operating Company to make offers of employment (each, an "Employment Offer") to the employees of Seller listed on Schedule 6.05(a) (each, an "In-Scope Employee") for a position substantially similar to the position held by the In-Scope Employee immediately prior to the Closing Date at a location that is no more than ten (10) miles from such In-Scope Employee's principal place of employment on

41

the Closing Date. Such offers shall be extended at such times and effective as of such dates as shall be determined by mutual agreement between Buyer and Seller (with each party acting in good faith to provide for such offers to be extended as soon as practicable on or following the Closing Date) (the actual date of hire of each In-Scope Employee pursuant to such offers is hereinafter referred to as such In-Scope Employee's "Hire Date"). Seller shall use its best efforts to assist Buyer in hiring the In-Scope Employees. In order to avoid any Liabilities to Seller or any of its Affiliates under the WARN Act with respect to any In-Scope Employees, the offer of employment by Buyer to each In-Scope Employee shall provide for (i) a rate of base pay that is at least as favorable (in amount) as provided to such In-Scope Employee immediately prior to the Closing Date, and (ii) subject to the provisions of Section 6.05(b), employee benefits under employee benefit plans that are no less favorable in the aggregate as those provided to similarly situated employees of Buyer. Any Employment Offer accepted by an In-Scope Employee shall be deemed to be effective as of the applicable Hire Date. The In-Scope Employees who accept an Employment Offer and become employees of Buyer as of the applicable Hire Date are herein collectively referred to as the "Transferred Employees". In the event that any In-Scope Employee rejects Buyer's offer of employment pursuant to this Section 6.05(a), Seller shall terminate the employment of such In-Scope Employee as of the applicable Hire Date. For the avoidance of doubt, the employment of each Transferred Employee with Seller and its Affiliates shall be deemed to have terminated effective as of the applicable Hire Date. Without limitation on Seller's rights to reimbursement pursuant to Section 6.05(f)(iii), Seller will be solely responsible for and shall pay out (and Buyer shall have no obligations whatsoever to assume any obligation therefor) all accrued wages and accrued and unused vacation pay, sick pay and all other accrued and vested benefits (including any severance amounts payable and any retiree medical benefits) to each Transferred Employee as of the date of termination of each Transferred Employee ("In-Scope Employee Termination Payments"). Seller shall be responsible for compliance with all Laws relating to the termination of each Transferred Employee.

(b) Benefit Plan Participation; Credit for Service; Preexisting Conditions; Coordination. For the period beginning on the applicable Hire Date and ending through the end of the month in which the applicable Hire Date occurs (the "Health Benefit Termination Date"), each Transferred Employee (and his or her covered dependents) shall continue to participate in the Seller Benefit Plans that are group health plans. With respect to any employee benefit plan maintained by Buyer or an Affiliate of Buyer for the benefit of any Transferred Employee, effective as of the Hire Date (or, with respect to group health coverage, the Health Benefit Termination Date), Buyer shall, or shall cause its Affiliate to, use commercially reasonable efforts to recognize all service of the Transferred Employees with Seller (and its Affiliates), as if such service were with Buyer, for vesting and eligibility purposes; provided, however, such service shall not be recognized to the extent that (x) such recognition would result in a duplication of benefits or (y) such service was not recognized under the corresponding Seller Benefit Plans. With respect to any health or welfare plan maintained by Buyer or any of its Affiliates under which any Transferred Employee is eligible to participate after the Hire Date, Buyer shall, or shall cause its Affiliates to, use commercially reasonable efforts to waive all limitations as to preexisting conditions and exclusions with respect to participation and coverage requirements applicable to such Transferred Employees, in each case to the extent satisfied under the corresponding Seller Benefit Plan, and provide each Transferred Employee with credit for any co-payments and deductibles paid and for amounts paid toward any out-of-pocket maximums prior to the Hire Date (or, in the case of group health coverage, the Health Benefit Termination Date) under a corresponding Seller Benefit Plan in satisfying such corresponding plan's deductible or out-of-pocket requirements, to the extent applicable under such plan and in each case to the extent permitted under any applicable insurance policy or as agreed to by the insurer.

42

---

(c) Seller Benefit Plans. Effective as of the applicable Hire Date (or, in the case of group health coverage, the Health Benefit Termination Date), the Transferred Employees shall cease active participation in any Seller Benefit Plan.

(d) Welfare Benefits. Seller and its Affiliates shall be solely responsible for (A) claims for the type of benefits described in Section 3(1) of ERISA (whether or not covered by ERISA) ("Welfare Benefits") and for workers' compensation, in each case incurred by or with respect to any Transferred Employee prior to the Hire Date (or, in the case of group health coverage, the Health Benefit Termination Date), (B) claims relating to COBRA coverage attributable to "qualifying events" with respect to any Transferred Employee and his or her beneficiaries and dependents that occur prior to the Hire Date (or, in the case of group health coverage, the Health Benefit Termination Date); and (C) claims relating to COBRA coverage attributable to "qualifying events" with respect to any other Employee of Seller and his or her beneficiaries and dependents which are unrelated to transactions contemplated by this Agreement. Buyer and its Affiliates shall be solely responsible for (A) claims for Welfare Benefits and for workers' compensation, in each case that are incurred by or with respect to any Transferred Employee on or after the Hire Date (or, in the case of group health coverage, the Health Benefit Termination Date), (B) claims relating to COBRA coverage attributable to "qualifying events" with respect to any Transferred Employee and his or her beneficiaries and dependents that occur on or after the Hire Date (or, in the case of group health coverage, the Health Benefit Termination Date), and (C) the direct costs incurred by the Seller in providing COBRA attributable to "qualifying events" with respect to any In-Scope Employee and his or her beneficiaries and dependents which occurs as a result of the failure of Buyer to offer employment to such In-Scope Employee as required by Section 6.05(a) above (or the failure of Buyer to hire any In-Scope Employee who accepts such offer). For purposes of the foregoing, a medical, dental or vision care claim shall be considered incurred when the services are rendered, the supplies are provided or the medication is dispensed, and not when the condition arose. A disability or workers' compensation claim shall be considered incurred prior to the Hire Date if the injury or condition giving rise to the claim occurs prior to the Hire Date, but only if such claim is actually filed on or prior to the six (6) month anniversary of the Hire Date or such shorter amount of time as may be required by any applicable disability or workers' compensation program. A life insurance claim shall be considered incurred prior to the Hire Date if the death occurs prior to the Hire Date. Otherwise, a claim shall be deemed incurred at the time the Transferred Employee or covered dependent becomes entitled to payment of a benefit (assuming that all procedural requirements are satisfied and claims applications properly and timely completed and submitted).

(e) WARN Act. Seller agrees to provide any required notice under the WARN Act and any other applicable state or local law and to otherwise comply with any such statute with respect to any "plant closing" or "mass layoff" (as defined in the WARN Act) or similar event affecting Transferred Employees and occurring prior to or at the Closing or arising as a result of the transactions contemplated hereby.

43

---

(f) Interim Period.

(i) During the period commencing on the Effective Date and ending on the applicable Hire Date with respect to each In-Scope Employee (the "Interim Period"), except as otherwise provided in this Agreement (including Section 6.05(f)(ii)), Seller shall be the sole employer of, and solely responsible for all salary, wages, employment, payroll and other compensation or benefits of and liabilities (including withholding Taxes and payments to federal, state, and local taxing authorities) owed to or in respect of, and compliance with Laws and requirements in respect of, such In-Scope Employee. In performing their respective duties hereunder, such In-Scope Employees shall be under the direction, control and supervision of Seller; and Seller shall have the sole right to exercise all authority with respect to the employment (including termination of employment), assignment and compensation of such In-Scope Employees.

(ii) Buyer shall reimburse Seller for all reasonable and necessary out-of-pocket costs and expenses incurred and paid by Buyer in respect of each In-Scope Employee during the applicable Interim Period (collectively, "Interim In-Scope Employee Expenses"), including, but not limited to:

- (A) The base monthly salary or monthly wages, and any other type of cash compensation paid by Seller to the In-Scope Employee for work performed during the Interim Period, such as overtime and bonuses;
- (B) Expenses incurred by Seller with respect to each In-Scope Employee that are not included in clause (A) above that arise as a result of the In-Scope Employee's work for Buyer, including, but not limited to, reserves for any workers' compensation claims arising out of a work accident while the In-Scope Employee is performing work for Buyer during the Interim Period;
- (C) Reasonable and necessary travel and business related expenses incurred by Seller in furtherance of Buyer's business and paid or reimbursed to an In-Scope Employee by Seller as authorized by Seller's standard travel and business reimbursement policy;

- (D) All assessments, premiums or other taxes incurred and paid by Seller with respect to the In-Scope Employees during the Interim Period; provided that Buyer shall not be responsible for any tax restarts; and
- (E) Without duplication, any portion of the In-Scope Employee Termination Payments to the extent accrued with respect to the period on and after the Effective Date.

44

- (F) Seller shall invoice Buyer on a monthly basis for all Interim In-Scope Employee Expenses (each, a “Monthly Invoice”). All Monthly Invoices shall be due and payable within thirty (30) days after receipt of the Monthly Invoice by Buyer. All Interim In-Scope Employee Expenses shall be counted as Operating Expenses of the Operating Division.

(g) No Right to Continued Employment; No Third Party Beneficiaries. This Section 6.05 shall be binding upon and inure solely to the benefit of each of the parties to this Agreement, and nothing in this Section 6.05, express or implied, shall confer upon any other Person any rights or remedies of any nature whatsoever under or by reason of this Section 6.05. Nothing contained herein, express or implied, shall be construed to establish, amend or modify any benefit plan, program, agreement or arrangement. The parties hereto acknowledge and agree that the terms set forth in this Section 6.05 shall not create any right in any Transferred Employee or any other Person to any continued employment with Buyer or any of its Affiliates or compensation or benefits of any nature or kind whatsoever.

#### 6.06 Confidentiality.

(a) No party may disclose the terms and specific provisions of this Agreement or any Transaction Document except (a) to its Representatives with a need to know such contents, (b) to the extent that such party believes in good faith that such disclosure is required to be made by applicable Law or by applicable stock exchange listing regulations (based upon the advice of legal counsel) or (c) for those contents of this Agreement that become generally available to the public other than as a result of a disclosure by such party or its Representatives in violation of this Section 6.06. If any party is or becomes legally compelled or otherwise believes in good faith that it is required by applicable Law or stock exchange listing regulations to disclose any specific provisions of this Agreement or any Transaction Document (based upon the advice of legal counsel), such party will promptly notify Buyer (in the case of Seller) or Seller (in the case of Buyer) so that the parties may cooperate to obtain a protective order, confidential treatment or other appropriate remedy. In the event that such protective order or other remedy is not obtained, the disclosing party will furnish only that portion of the Agreement, ancillary document or instrument or exhibit or schedule thereto which they are advised by written opinion of counsel that they are legally required to disclose and shall use their commercially reasonable efforts to obtain assurance that confidential treatment will be accorded. No party will oppose any action taken by any other party to obtain a protective order or other reliable assurance that such confidential treatment will be so accorded, and the parties shall cooperate to obtain such order or other assurances.

(b) From and after the Effective Date, Seller shall, and shall cause its Affiliates to, hold, and shall use reasonable best efforts to cause its Representatives to hold, in confidence any and all information, whether written or oral, directly related to the Business, except to the extent that Seller can show that such information (a) is generally available to the public through no fault of Seller, any of its Affiliates or its Representatives; or (b) is lawfully acquired by Seller, any of its Affiliates or its Representatives from and after the Effective Date from sources which are not prohibited from disclosing such information by a legal, contractual or fiduciary obligation. If Seller or any of its Affiliates or its Representatives are compelled to

45

disclose any information by judicial or administrative process or by other requirements of Law, Seller shall promptly notify Buyer in writing and shall disclose only that portion of such information which Seller is advised by its counsel is legally required to be disclosed, provided that Seller shall use reasonable best efforts to obtain an appropriate protective order or other reasonable assurance that confidential treatment will be accorded such information.

6.07 Public Announcements. Seller shall not issue any press release or make any public announcement or other disclosure relating to the existence or subject matter of this Agreement without the prior written consent of Buyer. Buyer shall be permitted to issue any press release or make any public announcement or other disclosure relating to the existence or subject matter of this Agreement without the prior written consent of Seller only to the extent Buyer believes in good faith that it is required by applicable Law, any listing or trading agreement, or the rules and regulations of any stock exchange, including but not limited to the filing by Buyer of a Current Report on Form 8-K (the “Buyer 8-K”) to report execution of this Agreement. In connection with the preparation of the Buyer 8-K, Seller shall, upon request by Buyer, furnish Buyer with all information as may be reasonably necessary or advisable in connection with the transactions contemplated by this Agreement. At or after the execution of this Agreement, Seller and Buyer shall jointly issue a public announcement and/or press release and/or other disclosure, as shall be mutually agreed, of the transactions contemplated by this Agreement. Each party will not unreasonably withhold approval from the others with respect to any press release or public announcement. If any party determines with the advice of counsel that it is required to make this Agreement and the terms of the transaction public or otherwise issue a press release or make public disclosure with respect thereto, it shall, at a reasonable time before making any public disclosure, consult with the other party regarding such disclosure, seek such confidential treatment for such terms or portions of this Agreement or the transaction as may be reasonably requested by the other party and disclose only such information as is legally compelled to be disclosed. This provision will not apply to communications by any party to its Representatives.

#### 6.08 Taxes.

(a) All transfer, documentary, sales, use, stamp, registration, value added and other such Taxes and fees (including any penalties and interest) incurred in connection with this Agreement and the other Transaction Documents (including any real property transfer Tax and any other similar Tax) shall be borne fifty percent (50%) by Seller and fifty percent (50%) by Buyer when due. Seller and Buyer shall cooperate to timely file any Tax Return or other document with respect to such Taxes or fees (and shall each bear fifty percent (50%) of all reasonable expenses with respect thereto as reasonably necessary).

(b) With respect to any Tax year or period that begins before the Closing Date and ends after the Closing Date (each, a “Straddle Period”), (i) all real estate, personal property and similar ad valorem Taxes and, more generally, all Taxes which accrue with the passage of time that relate to the Purchased Assets shall be prorated based on the number of days in such period that occur on or before the Closing Date, on the one hand, and the number

of days in such period that occur after the Closing Date, on the other hand and (ii) all other Taxes for such periods shall be allocated to the period ending on the Closing Date based on an interim closing of the books at the end of the Closing Date. Seller shall be responsible for all Straddle Period Taxes allocable to the portion of a Straddle Period ending on the Closing Date and Buyer shall be responsible for all Straddle Period Taxes allocable to the portion of a Straddle Period beginning after the Closing Date.

(c) After the Closing, each of Seller and Buyer shall: (i) assist the other party in preparing any Tax Returns which such other party is responsible for preparing and filing; (ii) cooperate fully in preparing for any audits of, or disputes with taxing authorities regarding, any Tax Returns relating to the Purchased Assets; (iii) make available to the other party and to any taxing authority as reasonably requested all information, records, and documents with respect to Taxes relating to the Purchased Assets; (iv) provide timely notice to the other party in writing of any pending or threatened Tax audits or assessments with respect to Taxes relating to the Purchased Assets for taxable periods for which the other may have a liability under this Section 6.08, Section 7.02(c) or otherwise; and (v) furnish the other with copies of all correspondence received from any taxing authority in connection with any Tax audit or information request with respect to any such taxable period. In the event of an audit or administrative or court proceeding with respect to Taxes relating to the Purchased Assets for taxable periods for which Seller may have a liability under this Section 6.08, Section 7.02(c) or otherwise, Buyer and its representatives shall be permitted, at Buyer's expense, to be present at, and participate in, any such audit or proceeding to the extent relating to Taxes applicable to the Purchased Assets.

6.09 Further Assurances; Efforts to Close.

(a) Following the Effective Date, upon the reasonable request of the other party hereto, each of the parties hereto shall, and shall cause their respective Affiliates to, execute and deliver such additional documents, instruments, conveyances and assurances and take such further actions as may be reasonably required to carry out the provisions hereof and give effect to the transactions contemplated by this Agreement and the other Transaction Documents.

(b) Each of Seller and Buyer will use its reasonable efforts to take such actions and do such things necessary, proper, or advisable to consummate, make effective, and comply with all of the terms of this Agreement (including satisfaction, but not waiver, of the Closing conditions for which it is responsible or otherwise in control). Each such party shall cooperate with the other in connection with all actions to be taken in connection with the foregoing sentence, including giving notices to third parties and obtaining any necessary Permits or other licenses or approvals from Governmental Authorities, and will use its reasonable efforts to obtain, at its sole cost and expense, any such consents of third parties, Permits, licenses or approvals it is so obligated to obtain.

6.10 Non-Competition; Non-Solicitation.

(a) Seller agrees and acknowledges that a significant portion of the consideration in this Agreement is the goodwill of Seller and that Buyer would not have entered into this Agreement unless it included such goodwill. As such, Seller agrees to be bound by the following narrowly tailored provisions that require Seller to refrain from carrying on a similar business in the United States of America (the "Restricted Area").

(b) Except as specifically provided in this Section 6.10, for a period beginning on the Closing Date and ending on the date which is four (4) years after the Effective Date (the "Restricted Period"), Seller shall not, and shall cause its Affiliates not to, directly or indirectly, (i) engage in or assist others in engaging in, the Business in or from the Restricted Area; (ii) have an interest in any Person that engages directly or indirectly in the Business in the Restricted Area in any capacity, including as a partner, shareholder, member, employee, principal, agent, trustee or consultant. Notwithstanding the foregoing, (a) in the event of a Buyer Event of Breach, Seller's obligations pursuant to this Section 6.10(b) shall be suspended until such Buyer Event of Breach is cured, and (b) Seller may own, directly or indirectly, securities of any Person if Seller is not a controlling Person of, or a member of a group which controls, such Person and does not, directly or indirectly, own 5% or more of any class of securities of such Person.

(c) During the Restricted Period, Seller agrees that Seller will not, directly or indirectly, cause or induce any material actual client, customer, supplier or licensor of the Business (including any existing or former client or customer of the Business and any Person that becomes a client or customer of the Business after the Closing), or any other Person who has a material business relationship with the Business as of the date hereof, to terminate or modify any such actual or prospective relationship.

(d) During the Restricted Period, Seller shall not, and shall not permit any of its Affiliates to, directly or indirectly, solicit any In-Scope Employee or any employee who is or was employed in the Business during the Restricted Period, or induce any such employee to leave such employment, except pursuant to a general solicitation which is not directed specifically to any such employees; provided, that nothing in this Section 6.10(d) shall prevent Seller or any of its Affiliates from hiring (i) any employee whose employment has been terminated by Buyer or (ii) after 30 days from the date of termination of employment, any employee whose employment has been terminated by the employee.

(e) Seller understands that Buyer will be irreparably damaged, in an amount that may be impossible to ascertain, if the provisions of this Section 6.10 are not strictly adhered to and complied with by Seller. In the event of breach by Seller of any provision of Section 6.10, Seller agrees that Buyer shall be entitled, in addition to reasonable attorneys' fees, costs and remedies otherwise available to Buyer at Law or in equity, to seek injunctions, restraining such threatened, intended or actual breach.

(f) Seller acknowledges that the restrictions contained in this Section 6.10 are reasonable and necessary to protect the legitimate interests of Buyer and constitute a material inducement to Buyer to enter into this Agreement and consummate the transactions contemplated by this Agreement. In the event that any covenant contained in this Section 6.10 should ever be adjudicated to exceed the time, geographic, product or service or other limitations permitted by applicable Law in any jurisdiction, then any court is expressly empowered to reform such covenant, and such covenant shall be deemed reformed, in such jurisdiction to the maximum time, geographic, product or service or other limitations permitted by applicable Law. The covenants contained in this Section 6.10 and each provision hereof are severable and distinct covenants and provisions. The invalidity or unenforceability of any such covenant or provision as written shall not invalidate or render unenforceable the remaining covenants or provisions hereof, and any such invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such covenant or provision in any other jurisdiction.



6.11 Preservation of Records; Post-Closing Cooperation in Connection with Actions.

(a) Seller agrees that it shall preserve and keep the records held by it and its Affiliates relating to the Business and the Purchased Assets for a period of seven (7) years from the Closing Date and shall make such records and personnel reasonably available to Buyer and its Representatives (including for inspection and copying) as may be reasonably requested by Buyer in connection with, among other things, any insurance claims by, legal proceedings against or governmental investigations of Buyer or any of its Affiliates or in order to enable Buyer to comply with its obligations under this Agreement and each other Transaction Document.

(b) Buyer shall, and Buyer shall cause the Operating Company to, preserve and keep the Mortgage Files, Mortgage Loan Documents and all other documentation and files related thereto for a period of seven (7) years from the Closing Date and shall make such files reasonably available to Seller and its Representatives (including for inspection and copying) as may be reasonably requested by Seller in connection with, among other things, any insurance claims by, legal proceedings against or governmental investigations of Seller or any of its Affiliates or in order to enable Seller to comply with its obligations under this Agreement and each other Transaction Document.

(c) Subject to the provisions of this Section 6.11, from and after the Closing Date, Buyer shall, and shall cause each of its subsidiaries (including the Operating Company) to, reasonably and actively cooperate in good faith with Seller in order to enable Seller to respond to CashCall Claims. Such cooperation shall include (i) the provision to Seller of all records and information relating to the Purchased Assets concerning CashCall Claims as reasonably requested by Seller, (ii) making employees (and, to the extent reasonably feasible, former employees) reasonably available on a mutually convenient basis to provide information concerning CashCall Claims and explanation of any materials provided hereunder, (iii) making employees (and, to the extent reasonably feasible, former employees) reasonably available on a mutually convenient basis for purposes of investigating any CashCall Claim, as well as the preparation of any work in connection with any CashCall Claims, (iv) making employees (and, to the extent reasonably feasible, former employees) available to provide testimony at a deposition, trial or other proceeding concerning any CashCall Claim, (v) providing Seller with reasonable access to materials, documents, emails and data residing with or in the possession, custody or control of Buyer, its subsidiaries or employees (and to the extent reasonably feasible, former employees) relating to any CashCall Claim and (vi) consultation and coordination regarding Seller's defense or prosecution of any CashCall Claim. To the extent that Seller and Buyer and any of their subsidiaries or Affiliates are parties to the same CashCall Claim, the parties shall consult as to strategy and seek to coordinate their actions. The parties agree that, unless otherwise provided in this Agreement (including pursuant to Article VII hereof), all out-of-pocket third party costs and expenses (for the avoidance of doubt excluding allocation of overhead or employer costs) incurred in connection with this Section 6.11 (including, for the avoidance of doubt, any records or information relating to any employee benefits) shall be at the sole cost and expense of the party requesting such information.

(d) Each of Seller and Buyer agree, on behalf of itself, its Affiliates and its respective legal counsel and other representatives and advisors, that any communications or materials shared between the parties or their Representatives regarding any CashCall Claim, without regard to whether such communications or materials were shared prior to the Closing Date, are intended to be and shall be deemed strictly confidential and protected to the fullest extent permitted by Law, including pursuant to the attorney-client privileges, the work product doctrine, the joint defense privilege, the self-critical analysis privilege and any other privilege or immunity available under applicable Law, whether or not so identified or marked. The protection from disclosure includes, but is not limited to, disclosure in litigation relating to CashCall Claims or any other Actions.

(e) Seller and Buyer agree that if, in connection to a CashCall Claim, any attempt is made by any third party to secure or obtain materials, the other party shall be promptly notified and shall be given copies of any writings or documents, including subpoenas, summonses and the like, which relate to the attempt by the third party to obtain the information. The parties further agree that if a request is made in connection with a CashCall Claim, whether formally or informally, by any Person or entity (whether a Governmental Authority or otherwise) for Buyer or its Affiliates to make available, for any purpose, including interviews or taking of testimony, any current or former employees, any current or former employees of Seller or any of its Affiliates, materials, records and information relating to CashCall Claims (or any other matters in which Seller, Buyer or any of their respective Affiliates has a continuing interest), neither Seller, Buyer nor their respective Affiliates may disclose any of the foregoing or make any employees of Buyer or any of its Affiliates or employees of Seller or any of their Affiliates available, unless and until (i) the Person proposing to make the disclosure notifies the other party to this Agreement of such request (such notice to include the provision of copies of any writings or documents, including subpoenas, summonses and the like, which relate to the request by such Person or entity (whether a Governmental Authority or otherwise) to obtain such information) and (ii) the party receiving such notice is given reasonable time to take all reasonable steps necessary to prevent or limit (x) disclosure of any materials or records or information or (y) the making available of any employees of Buyer or any of its Affiliates and employees of Seller or any of its Affiliates. The parties agree that nothing herein shall require any party hereto to (I) take any action as may be prohibited or refrain from taking any action as may be required by Law, as determined by such party in its sole discretion, (II) take any actions that would unreasonably interfere with the operation of the respective businesses of Buyer or Seller or their respective Affiliates, (III) take any actions that would result in any waiver of attorney-client privilege or violate the terms of any Contract to which any of them is a party or to which any of their respective assets are subject.

6.12 Misdirected Payments and Assets. To the extent that Buyer or any of its Affiliates, on the one hand, or Seller or any of its Affiliates, on the other hand, receive payment of an account, trade or note receivable or other payment from a customer or any other obligor owned by the other (including by way of notice from the other), or is in possession of any assets as to which the other is entitled to or to which the other is entitled to the benefit, the party receiving such payment or having possession of such asset agrees to promptly (and in any event no later than five (5) Business Days after making such determination) remit such payment to the designated bank account of the owner of such receivable or payment or otherwise make such asset available to the other party for possession (at the receiving party's sole cost and expense).

6.13 Business Appreciation Right.

(a) Upon the consummation of an Exit Event prior to the four (4) year anniversary of the Effective Date (the "BAR Expiration Date"), Buyer shall pay, or cause to be paid, to Seller an amount (the "Appreciation Right Amount") as follows:

(i) If the Exit Event is (A) a transfer of the securities representing one hundred percent (100%) of the equity securities of Buyer or the Operating Company, or (B) a sale of all or substantially all of the assets of Buyer, the Operating Company or the Operating Division, the Appreciation Right Amount shall equal the sum of (1) fifteen percent (15%) of the Enterprise Value in excess of \$200,000,000.00 for such Exit Event plus (2) an additional five percent (5%) of the Enterprise Value in excess of \$500,000,000.00 for such Exit Event.

(ii) If the Exit Event is a transfer of less than one hundred percent (100%) of the equity securities of Buyer or the Operating Company, the Appreciation Right Amount shall equal the sum of (A) fifteen percent (15%) of the Enterprise Value in excess of \$200,000,000.00 for such Exit Event plus (B) an additional five percent (5%) of the Enterprise Value in excess of \$500,000,000.00 for such Exit Event.

For the avoidance of doubt, no Appreciation Right Amount payment shall be payable with respect to (x) any Enterprise Value up to \$200,000,000.00 or (y) an Exit Event that is consummated after the BAR Expiration Date. For illustrative purposes only, following are sample calculations based upon hypothetical Enterprise Values and transaction structures:

Example 1: Enterprise Value = \$150,000,000.00 for sale of 100% of the equity securities of Buyer

Enterprise Value in excess of \$200,000,000.00 is \$0  
 $\$0 * 15\% = \$0$

Enterprise Value in excess of \$500,000,000.00 is \$0  
 $\$0 * 5\% = \$0$

Appreciation Right Amount = \$0

Example 2: Enterprise Value = \$250,000,000.00 for sale of 100% of the equity securities of Buyer

Enterprise Value in excess of \$200,000,000.00 is \$50,000,000.00  
 $\$50,000,000 * 15\% = \$7,500,000.00$

Enterprise Value in excess of \$500,000,000.00 is \$0  
 $\$0 * 5\% = \$0$

Appreciation Right Amount = \$7,500,000.00

51

---

Example 3: Enterprise Value = \$600,000,000.00 for sale of substantially all of the assets of Buyer

Enterprise Value in excess of \$200,000,000.00 is \$400,000,000.00  
 $\$400,000,000 * 15\% = \$60,000,000.00$

Enterprise Value in excess of \$500,000,000.00 is \$100,000,000.00  
 $\$100,000,000.00 * 5\% = \$5,000,000.00$

Appreciation Right Amount = \$65,000,000.00

Example 4: Enterprise Value = \$600,000,000.00 for the sale of 60% of the equity securities of Buyer (i.e. Net Proceeds equal \$360,000,000.00)

Enterprise Value in excess of \$200,000,000.00 is \$400,000,000.00  
 $\$400,000,000 * 15\% = \$60,000,000.00$

Enterprise Value in excess of \$500,000,000.00 is \$100,000,000.00  
 $\$100,000,000.00 * 5\% = \$5,000,000.00$

Appreciation Right Amount = \$65,000,000.00

(b) All payments in respect of the Appreciation Right Amount shall be made within five (5) Business Days of the effective date or closing date, whichever is later, of the Exit Event giving rise to the Appreciation Right Amount payment (except to the extent the consideration received by the Selling Persons is not payable by such date).

(c) Buyer shall provide Seller written notice of an Exit Event no less than fifteen (15) Business Days before consummation of such Exit Event.

(d) The Appreciation Right Amount payment, if any, under this Section 6.13 shall only be payable once. For purposes of example only, if a Buyer Exit Event occurs after an Operating Division Exit Event for which Seller is entitled to an Appreciation Right Amount payment, Seller shall not be entitled to any Appreciation Right Amount payment in respect of such subsequent Buyer Exit Event.

(e) Notwithstanding anything herein to the contrary, if, subsequent to the determination of the Appreciation Right Amount, the Net Proceeds received are adjusted or indemnification is paid by or to the Selling Persons pursuant to the terms of the Exit Event, the Appreciation Right Amount shall be adjusted accordingly and, as applicable, (i) the Selling Persons may offset against any other amounts due to Seller as required to accomplish the

effects of such adjustment, or (ii) the Selling Persons shall pay to Seller any amounts that are required to accomplish the effects of such adjustment. The Selling Persons shall have the option of making payment of the Appreciation Right Amount (A) in cash; or (B) in whole or in part, in the consideration received by the Selling Persons (including the right to receive securities, contingent consideration or deferred payments) in connection with the Exit Event giving rise to the Appreciation Right Amount payment in relative proportion as received by the Selling Persons.

6.14 Support Services.

(a) Services to be Provided. From the Closing until the last day of the Earn-Out Period, Seller shall provide the following services to the Operating Division (collectively, the "Support Services"):

(i) Perform all required services in connection with closing Pipeline Loans after the Closing Date and, if and to the extent any Pipeline Loans are closed in Seller's name, sell such Pipeline Loans (together with all related Mortgage Files, Mortgage Loan Documents and other documentation and files related solely thereto) to Buyer at par, such that Buyer receives the financial benefit of the Pipeline Loans.

(ii) Accounting services including:

(A) Establish and maintain a separate general ledger for the Operating Division;

(B) Revenue loan level accounting of Mortgage Loan origination transactions within AMB (accounting software);

(C) Expense accounting for the Operating Division, including Mortgage Loan level costs, accounts payable processing and payroll accounting;

(D) Management of Operating Division revenues and expenses transactions that includes AMB generated data combined with accounting data generated by Buyer, including overhead and warehouse net interest income financing spread; and

(E) Provide certain information requested by Buyer for purposes of preparing financial statements in accordance with GAAP and SEC regulations.

(iii) Human resources and payroll services set forth in Exhibit A attached hereto.

(iv) Information technology services set forth in Exhibit B attached hereto. In addition, Seller shall, at its sole expense, segregate the Purchased IT Systems from the information technology systems for the Excluded Businesses within a reasonable period after the Closing and without jeopardizing the Purchased IT Systems or reducing the mortgage capabilities of the Purchased IT Systems.

(v) Certain day-to-day management services associated with the overall operations of the Operating Division to be agreed upon by Buyer and Seller prior to Closing.

(vi) Overall management of the marketing and advertising activities of the Operating Division to be agreed upon by Buyer and Seller prior to Closing.

Notwithstanding anything set forth in this Section 6.14(a), Seller agrees to respond in good faith to any reasonable request by Buyer for any additional services that are necessary for the operation of the Operating Division and which are not currently contemplated in this Section 6.14(a), at a price to be mutually agreed upon after good faith negotiations between Seller and Buyer. Any such additional services so provided by Seller shall constitute Support Services under this Section 6.14(a) and be subject in all respects to the provisions of this Agreement as if fully set forth herein.

(b) Fees. For the sixty (60) day period following the Closing Date, Seller will perform the Support Services for a fee of \$150 per Mortgage Loan originated by the Operating Division (including any Pipeline Loans closed on or after the Closing Date). Seller shall provide Buyer with monthly invoices, which shall set forth in reasonable detail amounts payable for the Support Services. After such sixty (60)-day period, Buyer and Seller shall mutually agree upon an adjusted fee for the Support Services based upon the actual costs incurred by Seller. Seller shall provide Buyer with monthly invoices, which shall set forth in reasonable detail amounts payable for the Support Services. All fees for the Support Services shall be counted as Operating Expenses of the Operating Division.

(c) Personnel. In providing the Support Services, Seller may, as it deems necessary or appropriate, (i) use the personnel of Seller or its Affiliates, and (ii) upon the prior written approval of Buyer (not to be unreasonably withheld, conditioned or delayed), employ the services of third parties to the extent that, and subject to the condition that, such third party services are routinely utilized to provide similar services to other businesses of Seller or are reasonably necessary for the efficient performance of such Support Services. For clarification purposes, any person providing Support Services hereunder will continue to be an employee, agent or independent contractor of Seller and under no circumstances shall such individuals be treated as employees of Buyer and, accordingly, no salary, wages or any other benefits of any kind shall be due and owing from Buyer to any of Seller's employees, agents or independent contractors.

(d) Representations, Warranties and Covenants. Seller represents, warrants and agrees that the Support Services will be provided in good faith, in accordance with applicable Laws, Applicable Requirements, GAAP, and, except as specifically provided in Exhibit A or Exhibit B, substantially the same manner and with the same standard of care with which the Support Services were provided to the Business prior to the Closing. Seller agrees to assign sufficient resources and qualified personnel as are reasonably required to perform the Support Services in accordance with the standards set forth in the preceding sentence.

- (e) Termination. Buyer shall have the right to terminate the Support Services at any time upon thirty (30) days' notice to Seller.

## ARTICLE VII

### INDEMNIFICATION

7.01 Survival. The representations and warranties contained herein shall survive the Closing for twenty-four (24) months after the Closing Date, except that (a) Tax Warranties shall

54

---

survive until the Statute of Limitations Date; (b) the Fundamental Warranties contained in Sections 4.01, 4.02 and 4.04 shall survive forever, (c) the remaining Fundamental Warranties (except for the Tax Warranties) shall survive for one (1) year following the end of the Earn-Out Period, and (d) each representation and warranty for purposes of claims of fraud or intentional misrepresentation shall survive forever. In the event that any claim is made with respect to any representation or warranty during the period such representation or warranty survives, then such representation or warranty shall, notwithstanding any subsequent expiration of such period, continue to survive for purposes of such claim. The covenants, agreements and other provisions of the parties hereto contained herein or in any Transaction Document, including the indemnities set forth in Sections 7.02 and 7.03, shall survive the Closing indefinitely in accordance with their terms.

7.02 Indemnification By Seller. Subject to the other terms and conditions of this Article VII, Seller shall indemnify and hold Buyer, its Affiliates (including the Operating Company) and their respective stockholders, members, managers, directors, officers and employees (each, a "Buyer Indemnified Party"), harmless from and against, any and all Losses incurred, suffered or sustained by, or imposed upon, a Buyer Indemnified Party as a result of, or arising out of:

- (a) any inaccuracy in or breach of any of the representations or warranties of Seller contained in this Agreement or any certificate or instrument delivered by Seller upon execution of this Agreement or at the Closing pursuant to this Agreement;
- (b) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by Seller pursuant to this Agreement or any certificate or instrument delivered by Seller upon execution of this Agreement or at the Closing pursuant to this Agreement;
- (c) [reserved];
- (d) any Excluded Asset or the Excluded Businesses;
- (e) operation of the Business prior to the Effective Date;
- (f) any Actions set forth in Section 4.05 of the Disclosure Schedules or any Third Party Claim based upon, resulting from or arising out of the business, operations, properties, assets or obligations of Seller or any of its Affiliates (other than the Purchased Assets or Assumed Liabilities) conducted, existing or arising on or prior to the Closing Date;
- (g) any exception set forth in Section 4.06, 4.08 or 4.14 of the Disclosure Schedules;
- (h) any Retained Liability; or
- (i) any negligence or willful misconduct by Seller (i) in operating the Business from and after the Effective Date and prior to the Closing Date, (ii) in performing the Support Services or (iii) in exercising Seller's rights pursuant to Section 2.08(f) during the Earn-Out Period. For the avoidance of doubt, Seller shall not be obligated to indemnify the Buyer Indemnified Parties for any Losses attributable to (A) any acts or omissions of employees of

55

---

(i) the Pre-Closing Operations, during the period from any after the Effective Date and prior to the Closing Date, and (ii) the Operating Division, at any time, in each case in the ordinary course of business unless such Losses are otherwise directly attributable to the negligence or willful misconduct of Seller, or (B) any matter that either (x) has been approved by Buyer or (y) is conducted with Buyer's knowledge and acceptance.

7.03 Indemnification By Buyer and the Operating Company. Subject to the other terms and conditions of this Article VII, Buyer and the Operating Company shall, jointly and severally, indemnify and hold Seller, its Affiliates and their respective stockholders, members, managers, directors, officers and employees (each a "Seller Indemnified Party"), harmless from and against, any and all Losses incurred, suffered or sustained by, or imposed upon, a Seller Indemnified Party as a result of, or arising out of:

- (a) any inaccuracy in or breach of any of the representations or warranties of Buyer or the Operating Company contained in this Agreement or any certificate or instrument delivered by Buyer or the Operating Company upon execution of this Agreement or at the Closing pursuant to this Agreement;
- (b) any breach of or non-fulfillment of any covenant, agreement or obligation to be performed by Buyer or the Operating Company pursuant to this Agreement or any certificate or instrument delivered by Buyer or the Operating Company upon execution of this Agreement or at the Closing pursuant to this Agreement; or
- (c) the Business following the Effective Date (except to the extent any such Loss is subject to indemnification pursuant to Section 7.02(i)); or
- (d) any Assumed Liability.

7.04 Certain Limitations. The party making a claim under this Article VII is referred to as the “Indemnified Party”, and the party against whom such claims are asserted under this Article VII is referred to as the “Indemnifying Party”. Notwithstanding anything to the contrary in this Agreement or any right or remedy available under any Law, the indemnification provided for in Section 7.02 and Section 7.03 shall be subject to the following limitations:

(a) Seller shall be liable for Losses under Section 7.02(a) (other than with respect to Fundamental Warranties) only if such Losses exceed, in the aggregate, \$75,000 (the “Deductible”). For the avoidance of doubt, Seller’s liability for Taxes (whether arising under Section 7.02(c) or otherwise) shall not be subject to the Deductible. Buyer and the Operating Company shall be liable for Losses under Section 7.03(a) only if such Losses exceed, in the aggregate, the Deductible. For the avoidance of doubt, with respect to the Buyer Indemnified Parties’ aggregate Losses under Section 7.02(a) or the Seller Indemnified Parties’ aggregate Losses under Section 7.03(a), the Buyer Indemnified Parties and the Seller Indemnified Parties, as applicable, shall be entitled to recover only that portion of their Losses under Section 7.02(a) or 7.03(a), respectively, in excess of the Deductible.

56

(b) No Buyer Indemnified Party may recover any Losses pursuant to Section 7.02(a) (other than with respect to Fundamental Warranties) from Seller in excess of an aggregate amount equal to Three Million Dollars (\$3,000,000). The foregoing limitation shall not apply to claims with respect to Fundamental Warranties (it being understood that Losses in respect of the Fundamental Warranties shall be counted for purposes of determining whether the foregoing limitation has been reached notwithstanding the fact that such Losses are indemnifiable). No Buyer Indemnified Party may recover any Losses pursuant to Section 7.02(a), including with respect to Fundamental Warranties, from Seller in excess of an aggregate amount equal to Twenty Million Dollars (\$20,000,000).

(c) Notwithstanding anything to the contrary herein, the limitations set forth in Sections 7.04(a) and (b) shall not apply to any claim for fraud or intentional misrepresentation.

(d) Payments by an Indemnifying Party pursuant to Section 7.02 or Section 7.03 in respect of any Loss shall be limited to the amount of any Liability or damage that remains after deducting therefrom any insurance proceeds and any indemnity, contribution or other similar payment actually received in respect of any such claim (net of any deductibles and taking into account any increase in the cost of insurance as the result of such recovery). The Indemnified Party shall use its commercially reasonable efforts to recover under insurance policies or indemnity, contribution or other similar agreements for any Losses prior to seeking indemnification under this Agreement. Notwithstanding the foregoing, no claim for indemnification shall be conditioned upon the final resolution of such insurance claim and the proceeds of such claim to be paid back to the Indemnifying Party if collected after the payment by the Indemnifying Party to the Indemnified Party concerning such claim.

(e) Each Person entitled to indemnification hereunder shall take, or cause to be taken, commercially reasonable steps to mitigate all Losses after becoming aware of any event that could reasonably be expected to give rise to any Losses which are indemnifiable or recoverable hereunder or in connection herewith.

7.05 Indemnification Procedures.

(a) Any Indemnified Party making a claim for indemnification under Sections 7.02 or 7.03 shall promptly notify the Indemnifying Party in writing of any pending claim or demand that the Indemnified Party has determined would reasonably be expected to give rise to such right of indemnification (including a pending claim or demand asserted by a third party against the Indemnified Party, such claim being a “Third Party Claim”), describing in reasonable detail the facts and circumstances with respect to the subject matter of such claim or demand; provided, that the failure to provide such notice shall not release the Indemnifying Party from any of its obligations under this Article VII except to the extent the Indemnifying Party is prejudiced by such failure, it being agreed that notices for claims in respect of a breach of a representation, warranty, covenant or agreement must be delivered prior to the expiration of any applicable survival period specified in Section 7.01 for such representation, warranty, covenant or agreement.

(b) If any claim referred to in Section 7.05(a) is brought against an Indemnified Party, the Indemnifying Party shall be entitled, by notice to the Indemnified Party delivered reasonably promptly after the receipt of notice of the commencement of such Third Party Claim, to the extent that it wishes (unless (i) if the Indemnified Party reasonably concludes, based on the advice of legal counsel, that there exists a conflict of interest between the

57

Indemnifying Party, on the one hand, and the Indemnified Party, on the other hand, in the conduct of the defense of such Third Party Claim, or (ii) if such Third Party Claim involves criminal allegations), to assume the defense of such Third Party Claim with counsel reasonably satisfactory to the Indemnified Party and, after notice from the Indemnifying Party to the Indemnified Party of its election to assume the defense of such Third Party Claim, the Indemnifying Party will not, as long as it diligently conducts such defense, be liable to the Indemnified Party under this Article VII for any fees of other counsel or any other expenses with respect to the defense of such Third Party Claim, in each case subsequently incurred by the Indemnified Party in connection with the defense of such Third Party Claim, other than reasonable costs of investigation. If the Indemnifying Party assumes the defense of a Third Party Claim, no compromise or settlement of such claims may be effected by the Indemnifying Party without the Indemnified Party’s consent, which consent shall not be unreasonably withheld, conditioned or delayed, unless (A) there is no finding or admission of any violation of Law or any violation of the rights of any Person and no effect on any other claims that may be made against the Indemnified Party, and (B) the sole relief provided is monetary damages that are paid in full by the Indemnifying Party. If notice is given to an Indemnifying Party of the commencement of any Third Party Claim and the Indemnifying Party does not, within fifteen (15) days after the Indemnified Party’s notice is given, give notice to the Indemnified Party of its election to assume the defense of such Third Party Claim, the Indemnified Party shall be entitled to assume and control such defense, but the Indemnifying Party may nonetheless participate in the defense of such Third Party Claim with its own counsel and at its own expense.

7.06 Tax Treatment of Indemnification Payments. All indemnification payments made under this Agreement shall be treated by the parties as an adjustment to the Purchase Price for Tax purposes, unless otherwise required by Law.

7.07 Calculation of Losses. For purposes of calculating any Losses under this Article VII, all “materiality,” “Material Adverse Effect” and similar qualifiers in the representations and warranties in this Agreement shall be disregarded.

7.08 **Setoff Right.** Upon notice to Seller specifying in reasonable detail the basis therefor, Buyer may, by written notice to Seller, set off any amount to which it may be entitled under this [Article VII](#) against amounts otherwise payable to Seller, including but not limited to the First Deferred Payment, the Second Deferred Payment, any Net Seller Payment or Appreciation Right Amount that is or becomes payable to Seller hereunder. The exercise of such right of setoff by Buyer in good faith, whether or not ultimately determined to be justified, will not constitute an event of default under any agreement between Buyer and any other party hereto. Neither the exercise of nor the failure to exercise such right of setoff will constitute an election of remedies or limit Buyer in any manner in the enforcement of any other remedies that may be available to it. Buyer agrees to exercise its right of setoff pursuant to this [Section 7.08](#) with respect to any amounts owing to Seller hereunder prior to seeking payment from Seller for any Losses payable to Buyer pursuant to this [Article VII](#).

7.09 **Sole and Exclusive Remedy.** From and after the Effective Date, except in the case of fraud or intentional misrepresentation and for the right of a Party to pursue specific performance, the indemnification terms set forth in this [Article VII](#) shall constitute the sole and exclusive remedy of the parties hereto for (1) any and all Losses or other claims relating to or

58

---

arising from this Agreement, or in connection with the transactions contemplated hereby, including in any exhibit, schedule or certificate delivered hereunder, and (2) any other matter relating to any of the Purchased Assets, the Assumed Liabilities, the Business or any other transaction or state of facts relating thereto (including any common law or statutory rights or remedies for environmental, health or safety matters), in each case regardless of the legal theory under which such liability or obligation may be sought to be imposed, whether sounding in contract or tort, or whether at Law or in equity, or otherwise.

## ARTICLE VIII

### TERMINATION

8.01 **Termination.** This Agreement may be terminated at any time prior to the Closing:

(a) by the mutual written consent of Seller and Buyer;

(b) by Buyer or Seller by written notice to the other party if any of the conditions set forth in [Section 3.03\(a\)](#) shall not have been, or if it becomes apparent that any of such conditions will not be, fulfilled by April 30, 2015; or

(c) by Buyer by written notice to Seller if any of the conditions set forth in [Section 3.03\(b\)](#) shall not have been, or if it becomes apparent that any of such conditions will not be, fulfilled by April 30, 2015, unless such failure shall be due to the failure of Buyer to perform or comply with any of the covenants, agreements or conditions hereof to be performed or complied with by it prior to the Closing;

8.02 **Effect of Termination.** In the event of termination of this Agreement in accordance with this Agreement, this Agreement shall forthwith become void and there shall be no liability on the part of any party hereto except:

(a) Seller shall deliver the certificates for the Buyer Shares to Buyer for cancellation; and

(b) Seller shall repay to Buyer the Initial Cash Payment.

Notwithstanding the foregoing, nothing herein shall relieve any party hereto from liability for any willful breach of any provision hereof.

## ARTICLE IX

### MISCELLANEOUS

9.01 **Expenses.** Except as otherwise expressly provided herein (including [Section 6.08](#) hereof), all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses, whether or not the Closing shall have occurred.

59

---

9.02 **Notices.** All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been given (a) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (b) on the date sent by e-mail if sent during normal business hours of the recipient, and on the next Business Day if sent after normal business hours of the recipient, or (c) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this [Section 9.02](#)):

If to Seller: CashCall, Inc.  
1 City Blvd West  
Suite 1900  
Orange, CA 92868  
Email: paul.reddam@cashcall.com  
Attention: Paul Reddam

with a copy to: Willkie Farr & Gallagher LLP  
1875 K Street, NW  
Washington, DC 20006  
Email: dkatz@willkie.com  
Attention: David S. Katz

If to Buyer: Impac Mortgage Holdings, Inc.  
19500 Jamboree Road  
Irvine, CA 92612  
Email: Ron.Morrison@impacmail.com  
Attention: Ron Morrison

with a copy to: Rutan & Tucker, LLP  
611 Anton Blvd., Suite 1400  
Costa Mesa, CA 92626  
Email: rmarr@rutan.com  
Attention: Rich Marr

9.03 Interpretation. For purposes of this Agreement, (a) the words “include,” “includes” and “including” shall be deemed to be followed by the words “without limitation”; (b) the word “or” is not exclusive; and (c) the words “herein,” “hereof,” “hereby,” “hereto” and “hereunder” refer to this Agreement as a whole. Unless the context otherwise requires, references herein: (x) to Articles, Sections, Disclosure Schedules and Exhibits mean the Articles and Sections of, and Disclosure Schedules and Exhibits attached to, this Agreement; (y) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the

60

---

provisions thereof and (z) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted. The Disclosure Schedules and Exhibits referred to herein shall be construed with, and as an integral part of, this Agreement to the same extent as if they were set forth verbatim herein.

9.04 Headings. The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

9.05 Severability. If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

9.06 Entire Agreement. This Agreement and the other Transaction Documents constitute the sole and entire agreement of the parties to this Agreement with respect to the subject matter contained herein and therein, and supersede all prior and contemporaneous representations, warranties, understandings and agreements, both written and oral, with respect to such subject matter. In the event of any inconsistency between the statements in the body of this Agreement and those in the other Transaction Documents, the Exhibits and Disclosure Schedules (other than an exception expressly set forth as such in the Disclosure Schedules), the statements in the body of this Agreement will control.

9.07 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither party may assign its rights or obligations hereunder without the prior written consent of the other party, which consent shall not be unreasonably withheld or delayed. No assignment shall relieve the assigning party of any of its obligations hereunder.

9.08 No Third Party Beneficiaries. Except as provided in Article VII, this Agreement is for the sole benefit of the parties hereto and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

9.09 Amendment and Modification; Waiver. This Agreement may only be amended, modified or supplemented by an agreement in writing signed by each party hereto. No waiver by any party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver.

61

---

9.10 Governing Law; Forum. This Agreement is delivered and accepted in the State of California and it is the intention of the parties that it be governed by and construed in accordance with the substantive laws of that State, without regard to conflicts of laws principles. The parties hereby consent to personal jurisdiction of the courts of the State of California with respect to any legal action to enforce the terms and conditions of this Agreement or otherwise arising under or with respect to this Agreement, and agree that the Superior Court of California, County of Orange, or, if applicable, federal District Court sitting in the County of Orange, State of California, shall be the sole and exclusive venue, and the State of California shall be the sole forum, for the bringing of such action. The prevailing party shall be entitled to recover all of its reasonable attorneys’ fees, expenses and costs, including such costs that might not otherwise be recoverable as costs in the absence of this Agreement.

9.11 Specific Performance. Each of the parties acknowledges that the rights of each party to consummate, and the agreement of the other party to consummate, the transactions contemplated hereby are unique and recognizes and affirms that in the event of a breach of this Agreement by any party, money damages may be inadequate and the non-breaching party may have no adequate remedy at Law and that the non-breaching party shall be entitled to seek specific performance with respect thereto without the requirement of posting any bond or other security, in addition to any other remedy to which they are entitled at Law or in equity.

9.12 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

**SELLER:** CASHCALL, INC.

By: /s/ Paul Reddam  
Name: Paul Reddam  
Title: President

**BUYER:** IMPAC MORTGAGE HOLDINGS, INC.

By: /s/ Joseph Tomkinson  
Name: Joseph Tomkinson  
Title: CEO

**THE OPERATING COMPANY:** IMPAC MORTGAGE CORP.

By: /s/ Joseph Tomkinson  
Name: Joseph Tomkinson  
Title: CEO

**EXHIBIT A**

**HUMAN RESOURCES AND PAYROLL TRANSITION SERVICES**

	<u>Human Resources</u>	<u>Payroll</u>
Onboarding & Day-to-Day Administration	<ul style="list-style-type: none"> <li>· Issue offer letters on Buyer stationary for all new hires including transition employees.</li> <li>· Complete background checks using Buyer’s service for all new hires including transition employees.</li> <li>· Create and maintain all personnel files.</li> <li>· Complete I-9 verifications and maintain I-9 file.</li> <li>· Distribute and administer Buyer HR practices as outlined in Buyer’s Employee Handbook.</li> <li>· Administer and maintain Buyer employment documents including: <ul style="list-style-type: none"> <li>· Handbook Acknowledgement</li> <li>· Employment Agreement</li> </ul> </li> <li>· Verify with HUD.gov and SAM.gov data bases to confirm if any employees have been disqualified from working in the mortgage industry.</li> <li>· Handle employee benefit enrollment for all Buyer benefit plans including transition employees.</li> </ul>	<ul style="list-style-type: none"> <li>· Track and accumulate employee time records for hours worked and for time-off. Issue pay for semi-monthly and bi-weekly payrolls for all employees included in the transition. Verify (requires sign-off by SOX audit) the accuracy of the payroll registers issued by the payroll service. All pay codes must be accurately coded for GL entry. Prepare GL entries for each pay period. Coordinate with Buyer Treasury personnel to verify that funds are available for funding. Verify the banking service funding of payroll matches payroll summaries provided by the payroll service.</li> <li>· Communicate vacation accrual liability to Buyer Accounting at month-end.</li> <li>· Complete social security verification with the payroll service.</li> <li>· File appropriate employer and employee payroll taxes.</li> <li>· Verify that appropriate State tax withholdings are being applied to employees’ pay.</li> </ul>
	<u>Human Resources</u>	<u>Payroll</u>



	<ul style="list-style-type: none"> <li>· Send and coordinate employee benefit enrollment for all Buyer benefit plans with insurance carriers.</li> </ul>	<ul style="list-style-type: none"> <li>· Register Buyer's EIN with States if required (e.g. Hawaii and requires Buyer management sign-off).</li> </ul>
Offboarding	<ul style="list-style-type: none"> <li>· Inform employee benefit carriers of benefit terminations and coordinate issuance of COBRA notices, if required.</li> <li>· Provide EDD/UI notice to all terminated employees.</li> </ul>	<ul style="list-style-type: none"> <li>· Respond to and supply necessary documents for SOX Payroll audits.</li> <li>· Complete and process final pay including: <ul style="list-style-type: none"> <li>· Appropriate employee benefit deductions</li> <li>· Vacation settlements</li> </ul> </li> </ul>
Reporting	<ul style="list-style-type: none"> <li>· Respond to all EDD/UI inquiries.</li> <li>· Pay Buyer's employee benefit carriers' monthly premiums.</li> <li>· Verify and report to Compliance any employees who transact business in Arizona.</li> <li>· Respond to claims/demand letters associated with any employment matters.</li> </ul>	<ul style="list-style-type: none"> <li>· Handle any Worker's Compensation audits. Run head count reports for Chubb, Buyer's WC carrier (by State with salary for each employee).</li> <li>· Handle and process all garnishments.</li> <li>· Complete Nevada's Employment and Training quarterly report (in-house filing with payment).</li> <li>· File Nevada's Modified Business Tax quarterly.</li> <li>· Respond to all tax inquires related to States per their notices.</li> </ul>

**EXHIBIT B**

**INFORMATION TECHNOLOGY TRANSITION SERVICES**

**Phase I: Short Term System Plan**

**Email System**

1. Seller will add "[cashcallmortgage.com](mailto:cashcallmortgage.com)" email to its email system.
2. Seller will set "[Cashcallmortgage.com](mailto:Cashcallmortgage.com)" as primary reply address for the Operating Division users.
3. Seller will identify all systems and applications that will require the email address to change from cashcall.com to cashcallmortgage.com.
4. Seller will update all systems and applications that require the email address to change.

**Empower**

1. Seller will create a new branch in Empower for new pipeline.
2. Seller will setup the proper system user access to the two branches (list of operational users will be identified by both Seller and Buyer).
3. Seller will setup new Buyer vendor credentials (dependent upon Buyer vendor management team).
4. Seller will setup a new Operating Division legal name in Doc Magic along with licensing information.

**IT Resources**

1. Seller will provide the services of the information technology staff dedicated to the Empower application (the "[Empower Team](#)"), which, as of immediately prior to the Effective Date, was 11. The Empower Team will be fully dedicated to the Operating Division.
2. Seller will provide desktop support, helpdesk, network/infrastructure support and dev/test/prod db/app deployment/support (i.e. DBA's, deployment team, etc. that are not part of the team of Empower Team).

**Phase II: Logical Separation System Plan**

Seller will logically separate the mortgage division from the consumer division.

**Phase III: Physical Separation System Plan**

Seller will physically separate the mortgage division from the consumer division.



Master Repurchase  
Agreement  
September 1996 Version

Dated as of January 22, 2015

Between: Richard H. Pickup, as Trustee of the RHP Trust dated May 31, 2011, as amended and restated

and **IMPAC MORTGAGE CORP.**

## 1. Applicability

From time to time the parties hereto may enter into transactions in which one party ("Seller") agrees to transfer to the other ("Buyer") securities or other assets ("Securities") against the transfer of funds by Buyer, with a simultaneous agreement by Buyer to transfer to Seller such Securities at a date certain or on demand, against the transfer of funds by Seller. Each such transaction shall be referred to herein as a "Transaction" and, unless otherwise agreed in writing, shall be governed by this Agreement, including any supplemental terms or conditions contained in Annex I hereto and in any other annexes identified herein or therein as applicable hereunder.

## 2. Definitions

(a) "Act of Insolvency", with respect to any party, (i) the commencement by such party as debtor of any case or proceeding under any bankruptcy, insolvency, reorganization, liquidation, moratorium, dissolution, delinquency or similar law, or such party seeking the appointment or election of a receiver, conservator, trustee, custodian or similar official for such party or any substantial part of its property, or the convening of any meeting of creditors for purposes of commencing any such case or proceeding or seeking such an appointment or election, (ii) the commencement of any such case or proceeding against such party, or another seeking such an appointment or election, or the filing against a party of an application for a protective decree under the provisions of the Securities Investor Protection Act of 1970, which (A) is consented to or not timely contested by such party, (B) results in the entry of an order for relief, such an appointment or election, the issuance of such a protective decree or the entry of an order having a similar effect, or (C) is not dismissed within 15 days, (iii) the making by such party of a general assignment for the benefit of creditors, or (iv) the admission in writing by such party of such party's inability to pay such party's debts as they become due;

(b) "Additional Purchased Securities", Securities provided by Seller to Buyer pursuant to Paragraph 4(a) hereof;

(c) "Buyer's Margin Amount", with respect to any Transaction as of any date, the amount obtained by application of the Buyer's Margin Percentage to the Repurchase Price for such Transaction as of such date;

---

(d) "Buyer's Margin Percentage", with respect to any Transaction as of any date, a percentage (which may be equal to the Seller's Margin Percentage) agreed to by Buyer and Seller or, in the absence of any such agreement, the percentage obtained by dividing the Market Value of the Purchased Securities on the Purchase Date by the Purchase Price on the Purchase Date for such Transaction;

(e) "Confirmation", the meaning specified in Paragraph 3(b) hereof;

(f) "Income", with respect to any Security at any time, any principal thereof and all interest, dividends or other distributions thereon;

(g) "Margin Deficit", the meaning specified in Paragraph 4(a) hereof; (h) "Margin Excess", the meaning specified in Paragraph 4(b) hereof;

(i) "Margin Notice Deadline", the time agreed to by the parties in the relevant Confirmation, Annex I hereto or otherwise as the deadline for giving notice requiring same-day satisfaction of margin maintenance obligations as provided in Paragraph 4 hereof (or, in the absence of any such agreement, the deadline for such purposes established in accordance with market practice);

(j) "Market Value", with respect to any Securities as of any date, the price for such Securities on such date obtained from a generally recognized source agreed to by the parties or the most recent closing bid quotation from such a source, plus accrued Income to the extent not included therein (other than any Income credited or transferred to, or applied to the obligations of, Seller pursuant to Paragraph 5 hereof ) as of such date (unless contrary to market practice for such Securities);

(k) "Price Differential", with respect to any Transaction 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 date of determination (reduced by any amount of such Price Differential previously paid by Seller to Buyer with respect to such Transaction);

(l) "Pricing Rate", the per annum percentage rate for determination of the Price Differential; (m) "Prime Rate", the prime rate of U.S. commercial banks as published in The Wall Street Journal (or, if more than one such rate is published, the average of such rates);

(n) "Purchase Date", the date on which Purchased Securities are to be transferred by Seller to Buyer;

(o) "Purchase Price", (i) on the Purchase Date, the price at which Purchased Securities are transferred by Seller to Buyer, and (ii) thereafter, except where Buyer and Seller agree otherwise, such price increased by the amount of any cash transferred by Buyer to Seller pursuant to Paragraph 4(b) hereof and decreased by the amount of any cash transferred by Seller to Buyer pursuant to Paragraph 4(a) hereof or applied to reduce Seller's obligations under clause (ii) of Paragraph 5 hereof;

(p) "Purchased Securities", the Securities transferred by Seller to Buyer in a Transaction hereunder, and any Securities substituted therefor in accordance with Paragraph 9 hereof. The term "Purchased Securities" with respect to any Transaction at any time also shall include Additional Purchased Securities delivered pursuant to Paragraph 4(a) hereof and shall exclude Securities returned pursuant to Paragraph 4(b) hereof;

(q) "Repurchase Date", the date on which Seller is to repurchase the Purchased Securities from Buyer, including any date determined by application of the provisions of Paragraph 3(c) or 11 hereof;

(r) "Repurchase Price", the price at which Purchased Securities 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;

2

---

(s) "Seller's Margin Amount", with respect to any Transaction as of any date, the amount obtained by application of the Seller's Margin Percentage to the Repurchase Price for such Transaction as of such date;

(t) "Seller's Margin Percentage", with respect to any Transaction as of any date, a percentage (which may be equal to the Buyer's Margin Percentage) agreed to by Buyer and Seller or, in the absence of any such agreement, the percentage obtained by dividing the Market Value of the Purchased Securities on the Purchase Date by the Purchase Price on the Purchase Date for such Transaction.

### **3. Initiation; Confirmation; Termination**

(a) An agreement to enter into a Transaction may be made orally or in writing at the initiation of either Buyer or Seller. On the Purchase Date for the Transaction, the Purchased Securities shall be transferred to Buyer or its agent against the transfer of the Purchase Price to an account of Seller.

(b) Upon agreeing to enter into a Transaction hereunder, Buyer or Seller (or both), as shall be agreed, shall promptly deliver to the other party a written confirmation of each Transaction (a "Confirmation"). The Confirmation shall describe the Purchased Securities (including CUSIP number, if any), identify Buyer and Seller and set forth (i) the Purchase Date, (ii) the Purchase Price, (iii) the Repurchase Date, unless the Transaction is to be terminable on demand, (iv) the Pricing Rate or Repurchase Price applicable to the Transaction, and (v) any additional terms or conditions of the Transaction not inconsistent with this Agreement. The 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, unless with respect to the Confirmation specific objection is made promptly after receipt thereof. In the event of any conflict between the terms of such Confirmation and this Agreement, this Agreement shall prevail.

(c) In the case of Transactions terminable upon demand, such demand shall be made by Buyer or Seller, no later than such time as is customary in accordance with market practice, by telephone or otherwise on or prior to the business day on which such termination will be effective. On the date specified in such demand, or on the date fixed for termination in the case of Transactions having a fixed term, termination of the Transaction will be effected by transfer to Seller or its agent of the Purchased Securities and any Income in respect thereof received by Buyer (and not previously credited or transferred to, or applied to the obligations of, Seller pursuant to Paragraph 5 hereof ) against the transfer of the Repurchase Price to an account of Buyer.

### **4. Margin Maintenance**

(a) If at any time the aggregate Market Value of all Purchased Securities subject to all Transactions in which a particular party hereto is acting as Buyer is less than the aggregate Buyer's Margin Amount for all such Transactions (a "Margin Deficit"), then Buyer may by notice to Seller require Seller in such Transactions, at Seller's option, to transfer to Buyer cash or additional Securities reasonably acceptable to Buyer ("Additional Purchased Securities"), so that the cash and aggregate Market Value of the Purchased Securities, including any such Additional Purchased Securities, will thereupon equal or exceed such aggregate Buyer's Margin Amount (decreased by the amount of any Margin Deficit as of such date arising from any Transactions in which such Buyer is acting as Seller).

(b) If at any time the aggregate Market Value of all Purchased Securities subject to all Transactions in which a particular party hereto is acting as Seller exceeds the aggregate Seller's Margin Amount for all such Transactions at such time (a "Margin Excess"), then Seller may by notice to Buyer require Buyer in such Transactions, at Buyer's option, to transfer cash or Purchased Securities to Seller, so that the aggregate Market Value of the Purchased Securities, after deduction of any such cash or any Purchased Securities so transferred, will thereupon not exceed such aggregate Seller's Margin Amount (increased by the amount of any Margin Excess as of such date arising from any Transactions in which such Seller is acting as Buyer).

3

---

(c) If any notice is given by Buyer or Seller under subparagraph (a) or (b) of this Paragraph at or before the Margin Notice Deadline on any business day, the party receiving such notice shall transfer cash or Additional Purchased Securities as provided in such subparagraph no later than the close of business in the relevant market on such day. If any such notice is given after the Margin Notice Deadline, the party receiving such notice shall transfer such cash or Securities no later than the close of business in the relevant market on the next business day following such notice.

(d) Any cash transferred pursuant to this Paragraph shall be attributed to such Transactions as shall be agreed upon by Buyer and Seller.

(e) Seller and Buyer may agree, with respect to any or all Transactions hereunder, that the respective rights of Buyer or Seller (or both) under subparagraphs (a) and (b) of this Paragraph may be exercised only where a Margin Deficit or Margin Excess, as the case may be, exceeds a specified dollar amount or a specified percentage of the Repurchase Prices for such Transactions (which amount or percentage shall be agreed to by Buyer and Seller prior to entering into any such Transactions).

(f) Seller and Buyer may agree, with respect to any or all Transactions hereunder, that the respective rights of Buyer and Seller under subparagraphs (a) and (b) of this Paragraph to require the elimination of a Margin Deficit or a Margin Excess, as the case may be, may be exercised whenever such a Margin Deficit or Margin Excess exists with respect to any single Transaction hereunder (calculated without regard to any other Transaction outstanding under this Agreement).

## 5. Income Payments

Seller shall be entitled to receive an amount equal to all Income paid or distributed on or in respect of the Securities that is not otherwise received by Seller, to the full extent it would be so entitled if the Securities had not been sold to Buyer. Buyer shall, as the parties may agree with respect to any Transaction (or, in the absence of any such agreement, as Buyer shall reasonably determine in its discretion), on the date such Income is paid or distributed either (i) transfer to or credit to the account of Seller such Income with respect to any Purchased Securities subject to such Transaction or (ii) with respect to Income paid in cash, apply the Income payment or payments to reduce the amount, if any, to be transferred to Buyer by Seller upon termination of such Transaction. Buyer shall not be obligated to take any action pursuant to the preceding sentence (A) to the extent that such action would result in the creation of a Margin Deficit, unless prior thereto or simultaneously therewith Seller transfers to Buyer cash or Additional Purchased Securities sufficient to eliminate such Margin Deficit, or (B) if an Event of Default with respect to Seller has occurred and is then continuing at the time such Income is paid or distributed.

## 6. Security Interest

Although the parties intend that all Transactions hereunder be sales and purchases and not loans, in the event any such Transactions are deemed to be loans, Seller shall be deemed to have pledged to Buyer as security for the performance by Seller of its obligations under each such Transaction, and shall be deemed to have granted to Buyer a security interest in, all of the Purchased Securities with respect to all Transactions hereunder and all Income thereon and other proceeds thereof.

## 7. Payment and Transfer

Unless otherwise mutually agreed, all transfers of funds hereunder shall be in immediately available funds. All Securities transferred by one party hereto to the other party (i) shall be in suitable form for transfer or shall be accompanied by duly executed instruments of transfer or assignment in blank and such other documentation as the party receiving possession may reasonably request, (ii) shall be transferred on the book-entry system of a Federal Reserve Bank, or (iii) shall be transferred by any other method mutually acceptable to Seller and Buyer.

4

---

## 8. Segregation of Purchased Securities

To the extent required by applicable law, all Purchased Securities in the possession of Seller shall be segregated from other securities in its possession and shall be identified as subject to this Agreement. Segregation may be accomplished by appropriate identification on the books and records of the holder, including a financial or securities intermediary or a clearing corporation. All of Seller's interest in the Purchased Securities shall pass to Buyer on the Purchase Date and, unless otherwise agreed by Buyer and Seller, nothing in this Agreement shall preclude Buyer from engaging in repurchase transactions with the Purchased Securities or otherwise selling, transferring, pledging or hypothecating the Purchased Securities, but no such transaction shall relieve Buyer of its obligations to transfer Purchased Securities to Seller pursuant to Paragraph 3, 4 or 11 hereof, or of Buyer's obligation to credit or pay Income to, or apply Income to the obligations of, Seller pursuant to Paragraph 5 hereof.

### Required Disclosure for Transactions in Which the Seller Retains Custody of the Purchased Securities

Seller is not permitted to substitute other securities for those subject to this Agreement and therefore must keep Buyer's securities segregated at all times, unless in this Agreement Buyer grants Seller the right to substitute other securities. If Buyer grants the right to substitute, this means that Buyer's securities will likely be commingled with Seller's own securities during the trading day. Buyer is advised that, during any trading day that Buyer's securities are commingled with Seller's securities, they [will]\* [may]\*\* be subject to liens granted by Seller to [its clearing bank]\* [third parties]\*\* and may be used by Seller for deliveries on other securities transactions. Whenever the securities are commingled, Seller's ability to resegment substitute securities for Buyer will be subject to Seller's ability to satisfy [the clearing]\* [any]\*\* lien or to obtain substitute securities.

---

\* Language to be used under 17 C.F.R. §403.4(e) if Seller is a government securities broker or dealer other than a financial institution.

\*\* Language to be used under 17 C.F.R. §403.5(d) if Seller is a financial institution.

## 9. Substitution

(a) Seller may, subject to agreement with and acceptance by Buyer, substitute other Securities for any Purchased Securities. Such substitution shall be made by transfer to Buyer of such other Securities and transfer to Seller of such Purchased Securities. After substitution, the substituted Securities shall be deemed to be Purchased Securities.

(b) In Transactions in which Seller retains custody of Purchased Securities, the parties expressly agree that Buyer shall be deemed, for purposes of subparagraph (a) of this Paragraph, to have agreed to and accepted in this Agreement substitution by Seller of other Securities for Purchased Securities; provided, however, that such other Securities shall have a Market Value at least equal to the Market Value of the Purchased Securities for which they are substituted.

## 10. Representations

Each of Buyer and Seller represents and warrants to the other that (i) it is duly authorized to execute and deliver this Agreement, to enter into Transactions contemplated hereunder and to perform its obligations hereunder and has taken all necessary action to authorize such execution, delivery and performance, (ii) it

will engage in such Transactions as principal (or, if agreed in writing, in the form of an annex hereto or otherwise, in advance of any Transaction by the other party hereto, as agent for a disclosed principal), (iii) the person signing this Agreement on its behalf is duly authorized to do so on its behalf (or on behalf of any such disclosed principal), (iv) it has obtained all authorizations of any governmental body required in connection with this Agreement and the Transactions hereunder and such authorizations are in full force and effect and (v) the execution, delivery and performance of this Agreement and the Transactions hereunder will not violate any law, ordinance, charter, by-law or rule applicable to it or any agreement by which it is bound or by which any of its assets are affected. On the Purchase Date for any Transaction Buyer and Seller shall each be deemed to repeat all the foregoing representations made by it.

## 11.Events of Default

In the event that (i) Seller fails to transfer or Buyer fails to purchase Purchased Securities upon the applicable Purchase Date, (ii) Seller fails to repurchase or Buyer fails to transfer Purchased Securities upon the applicable Repurchase Date, (iii) Seller or Buyer fails to comply with Paragraph 4 hereof, (iv) Buyer fails, after one business day's notice, to comply with Paragraph 5 hereof, (v) an Act of Insolvency occurs with respect to Seller or Buyer, (vi) any representation made by Seller or Buyer shall have been incorrect or untrue in any material respect when made or repeated or deemed to have been made or repeated, or (vii) Seller or Buyer shall admit to the other its inability to, or its intention not to, perform any of its obligations hereunder (each an "Event of Default"):

(a) The nondefaulting party may, at its option (which option shall be deemed to have been exercised immediately upon the occurrence of an Act of Insolvency), declare an Event of Default to have occurred hereunder and, upon the exercise or deemed exercise of such option, the Repurchase Date for each Transaction hereunder shall, if it has not already occurred, be deemed immediately to occur (except that, in the event that the Purchase Date for any Transaction has not yet occurred as of the date of such exercise or deemed exercise, such Transaction shall be deemed immediately canceled). The nondefaulting party shall (except upon the occurrence of an Act of Insolvency) give notice to the defaulting party of the exercise of such option as promptly as practicable.

(b) In all Transactions in which the defaulting party is acting as Seller, if the nondefaulting party exercises or is deemed to have exercised the option referred to in subparagraph (a) of this Paragraph, (i) the defaulting party's obligations in such Transactions to repurchase all Purchased Securities, at the Repurchase Price therefor on the Repurchase Date determined in accordance with subparagraph (a) of this Paragraph, shall thereupon become immediately due and payable, (ii) all Income paid after such exercise or deemed exercise shall be retained by the nondefaulting party and applied to the aggregate unpaid Repurchase Prices and any other amounts owing by the defaulting party hereunder, and (iii) the defaulting party shall immediately deliver to the nondefaulting party any Purchased Securities subject to such Transactions then in the defaulting party's possession or control.

(c) In all Transactions in which the defaulting party is acting as Buyer, upon tender by the nondefaulting party of payment of the aggregate Repurchase Prices for all such Transactions, all right, title and interest in and entitlement to all Purchased Securities subject to such Transactions shall be deemed transferred to the nondefaulting party, and the defaulting party shall deliver all such Purchased Securities to the nondefaulting party.

(d) If the nondefaulting party exercises or is deemed to have exercised the option referred to in subparagraph (a) of this Paragraph, the nondefaulting party, without prior notice to the defaulting party, may:

(i) as to Transactions in which the defaulting party is acting as Seller, (A) immediately sell, in a recognized market (or otherwise in a commercially reasonable manner) at such price or prices as the nondefaulting party may reasonably deem satisfactory, any or all Purchased Securities subject to such Transactions and apply the proceeds thereof to the aggregate unpaid Repurchase Prices

and any other amounts owing by the defaulting party hereunder or (B) in its sole discretion elect, in lieu of selling all or a portion of such Purchased Securities, to give the defaulting party credit for such Purchased Securities in an amount equal to the price therefor on such date, obtained from a generally recognized source or the most recent closing bid quotation from such a source, against the aggregate unpaid Repurchase Prices and any other amounts owing by the defaulting party hereunder; and

(ii) as to Transactions in which the defaulting party is acting as Buyer, (A) immediately purchase, in a recognized market (or otherwise in a commercially reasonable manner) at such price or prices as the nondefaulting party may reasonably deem satisfactory, securities ("Replacement Securities") of the same class and amount as any Purchased Securities that are not delivered by the defaulting party to the nondefaulting party as required hereunder or (B) in its sole discretion elect, in lieu of purchasing Replacement Securities, to be deemed to have purchased Replacement Securities at the price therefor on such date, obtained from a generally recognized source or the most recent closing offer quotation from such a source.

Unless otherwise provided in Annex I, the parties acknowledge and agree that (1) the Securities subject to any Transaction hereunder are instruments traded in a recognized market, (2) in the absence of a generally recognized source for prices or bid or offer quotations for any Security, the nondefaulting party may establish the source therefor in its sole discretion and (3) all prices, bids and offers shall be determined together with accrued Income (except to the extent contrary to market practice with respect to the relevant Securities).

(e) As to Transactions in which the defaulting party is acting as Buyer, the defaulting party shall be liable to the nondefaulting party for any excess of the price paid (or deemed paid) by the nondefaulting party for Replacement Securities over the Repurchase Price for the Purchased Securities replaced thereby and for any amounts payable by the defaulting party under Paragraph 5 hereof or otherwise hereunder.

(f) For purposes of this Paragraph 11, the Repurchase Price for each Transaction hereunder in respect of which the defaulting party is acting as Buyer shall not increase above the amount of such Repurchase Price for such Transaction determined as of the date of the exercise or deemed exercise by the nondefaulting party of the option referred to in subparagraph (a) of this Paragraph.

(g) The defaulting party shall be liable to the nondefaulting party for (i) the amount of all reasonable legal or other expenses incurred by the nondefaulting party in connection with or as a result of an Event of Default, (ii) damages in an amount equal to the cost (including all fees, expenses and commissions) of entering into replacement transactions and entering into or terminating hedge transactions in connection with or as a result of an Event of Default, and (iii) any other loss, damage, cost or expense directly arising or resulting from the occurrence of an Event of Default in respect of a Transaction.

(h) To the extent permitted by applicable law, the defaulting party shall be liable to the nondefaulting party for interest on any amounts owing by the defaulting party hereunder, from the date the defaulting party becomes liable for such amounts hereunder until such amounts are (i) paid in full by the defaulting party or (ii) satisfied in full by the exercise of the nondefaulting party's rights hereunder. Interest on any sum payable by the defaulting party to the nondefaulting party under this Paragraph 11(h) shall be at a rate equal to the greater of the Pricing Rate for the relevant Transaction or the Prime Rate.

(i) The nondefaulting party shall have, in addition to its rights hereunder, any rights otherwise available to it under any other agreement or applicable law.

7

---

## **12. Single Agreement**

Buyer and Seller acknowledge that, and have entered hereinto and will enter into each Transaction hereunder in consideration of and in reliance upon the fact that, all Transactions hereunder constitute a single business and contractual relationship and have been made in consideration of each other. Accordingly, each of Buyer and Seller agrees (i) to perform all of its obligations in respect of each Transaction hereunder, and that a default in the performance of any such obligations shall constitute a default by it in respect of all Transactions hereunder, (ii) that each of them shall be entitled to set off claims and apply property held by them in respect of any Transaction against obligations owing to them in respect of any other Transactions hereunder and (iii) that payments, deliveries and other transfers made by either of them in respect of any Transaction shall be deemed to have been made in consideration of payments, deliveries and other transfers in respect of any other Transactions hereunder, and the obligations to make any such payments, deliveries and other transfers may be applied against each other and netted.

## **13. Notices and Other Communications**

Any and all notices, statements, demands or other communications hereunder may be given by a party to the other by mail, facsimile, telegraph, messenger or otherwise to the address specified in Annex II hereto, or so sent to such party at any other place specified in a notice of change of address hereafter received by the other. All notices, demands and requests hereunder may be made orally, to be confirmed promptly in writing, or by other communication as specified in the preceding sentence.

## **14. Entire Agreement; Severability**

This Agreement shall supersede any existing agreements between the parties containing general terms and conditions for repurchase transactions. Each provision and agreement herein shall be treated as separate and independent from any other provision or agreement herein and shall be enforceable notwithstanding the unenforceability of any such other provision or agreement.

## **15. Non-assignability; Termination**

(a) The rights and obligations of the parties under this Agreement and under any Transaction shall not be assigned by either party without the prior written consent of the other party, and any such assignment without the prior written consent of the other party shall be null and void. Subject to the foregoing, this Agreement and any Transactions shall be binding upon and shall inure to the benefit of the parties and their respective successors and assigns. This Agreement may be terminated by either party upon giving written notice to the other, except that this Agreement shall, notwithstanding such notice, remain applicable to any Transactions then outstanding.

(b) Subparagraph (a) of this Paragraph 15 shall not preclude a party from assigning, charging or otherwise dealing with all or any part of its interest in any sum payable to it under Paragraph 11 hereof.

## **16. Governing Law**

This Agreement shall be governed by the laws of the State of New York without giving effect to the conflict of law principles thereof.

## **17. No Waivers, Etc.**

No express or implied waiver of any Event of Default by either party shall constitute a waiver of any other Event of Default and no exercise of any remedy hereunder by any party shall constitute a waiver of its right to exercise any other remedy hereunder. No modification or waiver of any provision of this Agreement and no consent by any party to a departure herefrom shall be effective unless and until such shall be in writing and duly executed by both of the parties hereto. Without limitation on any of the foregoing, the failure to give a notice pursuant to Paragraph 4(a) or 4(b) hereof will not constitute a waiver of any right to do so at a later date.

8

---

## **18. Use of Employee Plan Assets**

(a) If assets of an employee benefit plan subject to any provision of the Employee Retirement Income Security Act of 1974 ("ERISA") are intended to be used by either party hereto (the "Plan Party") in a Transaction, the Plan Party shall so notify the other party prior to the Transaction. The Plan Party shall represent in writing to the other party that the Transaction does not constitute a prohibited transaction under ERISA or is otherwise exempt therefrom, and the other party may proceed in reliance thereon but shall not be required so to proceed.

(b) Subject to the last sentence of subparagraph (a) of this Paragraph, any such Transaction shall proceed only if Seller furnishes or has furnished to Buyer its most recent available audited statement of its financial condition and its most recent subsequent unaudited statement of its financial condition.

(c) By entering into a Transaction pursuant to this Paragraph, Seller shall be deemed (i) to represent to Buyer that since the date of Seller's latest such financial statements, there has been no material adverse change in Seller's financial condition which Seller has not disclosed to Buyer, and (ii) to agree to provide Buyer with future audited and unaudited statements of its financial condition as they are issued, so long as it is a Seller in any outstanding Transaction involving a Plan Party.

## 19.Intent

(a) The parties recognize that each Transaction is a "repurchase agreement" as that term is defined in Section 101 of Title 11 of the United States Code, as amended (except insofar as the type of Securities subject to such Transaction or the term of such Transaction would render such definition inapplicable), and a "securities contract" as that term is defined in Section 741 of Title 11 of the United States Code, as amended (except insofar as the type of assets subject to such Transaction would render such definition inapplicable).

(b) It is understood that either party's right to liquidate Securities delivered to it in connection with Transactions hereunder or to exercise any other remedies pursuant to Paragraph 11 hereof is a contractual right to liquidate such Transaction as described in Sections 555 and 559 of Title 11 of the United States Code, as amended.

(c) The parties agree and acknowledge that if a party hereto is an "insured depository institution," as such term is defined in the Federal Deposit Insurance Act, as amended ("FDIA"), then each Transaction hereunder is a "qualified financial contract," as that term is defined in FDIA and any rules, orders or policy statements thereunder (except insofar as the type of assets subject to such Transaction would render such definition inapplicable).

(d) It is understood that this Agreement constitutes a "netting contract" as defined in and subject to Title IV of the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") and each payment entitlement and payment obligation under any Transaction hereunder shall constitute a "covered contractual payment entitlement" or "covered contractual payment obligation", respectively, as defined in and subject to FDICIA (except insofar as one or both of the parties is not a "financial institution" as that term is defined in FDICIA).

9

---

## 20.Disclosure Relating to Certain Federal Protections

The parties acknowledge that they have been advised that:

(a) in the case of Transactions in which one of the parties is a broker or dealer registered with the Securities and Exchange Commission ("SEC") under Section 15 of the Securities Exchange Act of 1934 ("1934 Act"), the Securities Investor Protection Corporation has taken the position that the provisions of the Securities Investor Protection Act of 1970 ("SIPA") do not protect the other party with respect to any Transaction hereunder;

(b) in the case of Transactions in which one of the parties is a government securities broker or a government securities dealer registered with the SEC under Section 15C of the 1934 Act, SIPA will not provide protection to the other party with respect to any Transaction hereunder; and

(c) in the case of Transactions in which one of the parties is a financial institution, funds held by the financial institution pursuant to a Transaction hereunder are not a deposit and therefore are not insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, as applicable.

**Richard H. Pickup, as Trustee of the RHP Trust, dated  
May 31,2011, as amended and restated**

**IMPAC MORTGAGE CORP.**

By: /s/ Richard H. Pickup

By: /s/ Joseph Tomkinson

Name: Richard H. Pickup  
Title: Trustee  
Date: January 22, 2015

Name: Joseph Tomkinson  
Title: CEO  
Date: 1/22/15

10

---

## ANNEX I

### **SUPPLEMENTAL TERMS AND CONDITIONS TO MASTER REPURCHASE AGREEMENT (THE "REPURCHASE AGREEMENT"), DATED AS OF JANUARY 22, 2015 BETWEEN RICHARD H. PICKUP, AS TRUSTEE OF THE RHP TRUST, DATED MAY 31,2011, AS AMENDED AND RESTATED ("BUYER") AND IMPAC MORTGAGE CORP. ("SELLER")**

1. **APPLICABILITY.** These Supplemental Terms and Conditions to Master Repurchase Agreement (the "Supplemental Terms," and collectively with the Repurchase Agreement, the "Agreement") modify the terms and conditions of the Repurchase Agreement and the terms under which the parties hereto may, from time to time, enter into Transactions. The Agreement shall be read, taken and construed as one and the same instrument. Capitalized terms used in these Supplemental Terms and not otherwise defined herein shall have the meanings set forth in the Repurchase Agreement or if not defined therein, in the Confirmation. If there is a conflict between the terms of the Repurchase Agreement on the one hand and this Supplemental Terms on the other hand, the terms in this Supplemental Terms shall govern.

2. **OVERVIEW.**

- (a) The Agreement embodies the agreement of the parties to enter into transactions pursuant to which the Seller may sell, and Buyer will purchase, certain Eligible Securities (for purposes of the Agreement, each Eligible Security shall constitute a "Purchased Security"). The term "Eligible Securities" shall mean the excess servicing income (the "Excess Servicing Income") otherwise payable to the Seller with respect to certain pools of mortgage loans securitized in connection with securities guaranteed by the Government National Mortgage Association ("Ginnie Mae") and related solely to the following transactions:

See Exhibit A hereto

(b) The Repurchase Date for all Transactions subject to the Agreement shall be March 23, 2015 (the "Final Repurchase Date") or such earlier date as shall be agreed to by the Buyer and the Seller or as otherwise provided for in the Agreement; provided, however, Seller shall have the right to repurchase the Purchased Securities without penalty prior to the Final Repurchase Date. The Agreement shall terminate on the Final Repurchase Date, unless extended in writing by each of the parties hereto.

(c) Pricing Rate: shall mean 15.00% per annum. The Pricing Rate shall be calculated on a 360-day-per-year basis for the actual number of days during the period commencing on the Purchase Date and ending on (but excluding) the date of determination with respect to such Transaction.

(d) Purchase Price: For the Purchased Assets, an amount equal to \$5,000,000.00.

1

---

(e) Income: 100% of all Income on the Excess Servicing Income shall be distributed to Buyer. Seller shall remit 100% of all Income it receives with respect to the Excess Servicing Income to Buyer (in accordance with the wiring instructions provided by Buyer) on the same distribution date Seller receives such Income.

(f) Monthly Payment: 100% of all Income on the Excess Servicing Income shall be distributed to Buyer and applied upon receipt to reduce the Repurchase Price.

3. MODIFICATIONS TO DEFINITIONS. The definitions set forth in Section 2(b)-(d), (g)-(i), (s) and (t) are hereby deleted in their entirety.

4. MARGIN MAINTENANCE (SECTION 4). Section 4 of the Repurchase Agreement is hereby deleted in their entirety.

5. INCOME PAYMENT (SECTION 5). The last sentence under Section 5 of the Repurchase Agreement is hereby deleted in its entirety.

6. COSTS AND EXPENSES. Each of Seller and Buyer shall be responsible for its closing costs and expenses (including that of Buyer's counsel) incurred by it in connection with the Agreement, except as otherwise agreed. In addition, Seller shall pay Buyer a structuring fee of \$50,000 in connection with the first Transaction on or before the Purchase Date.

7. BUYER AS ATTORNEY-IN-FACT. Buyer is hereby appointed to act after the occurrence and during the continuation of an Event of Default as the attorney-in-fact of Seller for the purpose of carrying out the provisions of the Agreement and taking any action and executing any documents and instruments that Buyer may deem necessary or advisable to accomplish the purposes hereof, which appointment as attorney-in-fact is irrevocable and coupled with an interest. Without limiting the generality of the foregoing, Buyer shall have the right and power after the occurrence and during the continuation of any Event of Default to receive, endorse and collect all checks made payable to the order of Seller representing any payment on account of the principal of or interest on any of the Purchased Securities and to give full discharge for the same. The powers conferred on the Buyer hereunder are solely to protect its interest in the Purchased Securities and shall not impose any duty upon the Buyer to exercise any such powers.

8. VOTING RIGHTS. Prior to the occurrence of an Event of Default, Seller shall continue to exercise any voting rights in connection with the Purchased Securities in its sole discretion but in the name of the Buyer. Following an Event of Default, Buyer shall exercise any voting rights in connection with the Purchased Assets.

9. FURTHER ASSURANCES. Seller agrees to do such further acts and things and to execute and deliver to Buyer such additional assignments, acknowledgments, agreements, powers and instruments as are reasonably required by Buyer to carry into effect the purposes of the Agreement, to protect the interests of Buyer in the Purchased Securities and to better assure and confirm unto Buyer its rights, powers and remedies under the Agreement.

2

---

10. COUNTERPARTS. The Agreement may be executed in any number of counterparts, each of which counterparts shall be deemed to be an original, but such counterparts shall together constitute one and the same instrument.

3

---

SIGNATURE PAGE TO ANNEX I

**Richard H. Pickup, as Trustee of the RHP TRUST dated  
May 31, 2011, as amended and restated**

By: /s/ Richard H. Pickup  
Name: Richard H. Pickup



Title: Trustee

**IMPAC MORTGAGE CORP.**

By: /s/ Joseph Tomkinson  
Name: Joseph Tomkinson  
Title: CEO

---

**Annex II**

**Names and Addresses for Communications Between Parties**

Richard H. Pickup, as Trustee of the RHP Trust, dated May 31, 2011, as amended and restated:

2532 Dupont Drive  
Irvine, Ca. 92612

To Impac Mortgage Corp:

Impac Mortgage Corp.  
19500 Jamboree Rd.  
Irvine, CA 92612  
Attn: General Counsel

---

## CERTIFICATION

I, Joseph R. Tomkinson, certify that:

1. I have reviewed this report on Form 10-Q 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 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  
May 14, 2015

---

## CERTIFICATION

I, Todd R. Taylor, certify that:

1. I have reviewed this report on Form 10-Q 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 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

May 14, 2015

---

**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 report of Impac Mortgage Holdings, Inc. (the "Company") on Form 10-Q for the period ending March 31, 2015 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*  
May 14, 2015

/s/ TODD R. TAYLOR

\_\_\_\_\_  
Todd R. Taylor  
*Chief Financial Officer*  
May 14, 2015

---



## Impac Mortgage Holdings, Inc. Announces Issuance of \$25 Million in Convertible Promissory Notes

Irvine, CA, May 8, 2015 — Impac Mortgage Holdings, Inc. (NYSE MKT: IMH), announced today that it entered into a Note Purchase Agreement (the “Note Purchase Agreement”), pursuant to which it is issuing \$25 million in original aggregate principal amount of Convertible Promissory Notes due 2020 (the “Notes”). The Notes mature on or before May 9, 2020 and accrue interest at a rate of 7.5% per annum, to be paid quarterly. The Note Purchase Agreement contains customary affirmative and negative covenants of Impac, including covenants not to incur certain indebtedness that is not subordinated and not to make optional payments on its indebtedness (other than on the Notes) or amend material indebtedness in a manner that is adverse in any material manner to the noteholders. In connection with the Note Purchase Agreement and issuance of the Notes, Impac also granted certain rights to demand the registration of the shares underlying the Notes.

Noteholders may convert all or a portion of the outstanding principal amount of the Notes at any time after January 1, 2016 into shares of Impac’s common stock (“Conversion Shares”) at a rate of \$21.50 per share, subject to adjustment for stock splits and stock dividends (the “Conversion Price”). The conversion price of the Notes was to equal the closing stock price of Impac’s common stock on the second trading day after Impac released its 2015 Q1 earnings release; provided, however, that in no event would this amount be less than \$21.50 or greater than \$22.00. Impac released its earnings on April 24 and the closing price of Impac’s common stock on April 27 was \$21.02; the Conversion Price is thus \$21.50. Impac will have the right to convert the entire outstanding principal of the Notes into Conversion Shares at the Conversion Price if the market price per share of Impac’s common stock, as measured by the average volume-weighted closing stock price per share of the common stock on the NYSE MKT, reaches the level of \$30.10 (subject to adjustment for stock splits and stock dividends) for any twenty (20) trading days in any period after January 1, 2016, of thirty (30) consecutive trading days. Upon conversion of the Notes by Impac, the entire amount of accrued and unpaid interest (and all other amounts owing) under the Notes are immediately due and payable. Furthermore, if the conversion of the Notes by Impac occurs prior to the third anniversary of the closing date, then the entire amount of interest under the Notes through the third anniversary is immediately due and payable.

The Notes and Conversion Shares have not been registered under the Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. This press release does not constitute an offer to sell or the solicitation of an offer to buy any of the Notes or Conversion Shares and shall not constitute an offer, solicitation or sale of these securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state. This press release is being issued pursuant to Rule 135c under the Securities Act.

### About the Company

Impac Mortgage Holdings, Inc. (IMH or Impac) provides innovative mortgage lending and warehouse lending solutions, as well as real estate solutions that address the challenges of today’s economic environment. Impac’s operations include mortgage and warehouse lending, servicing, portfolio loss mitigation and real estate services as well as the management of the securitized long-term mortgage portfolio, which includes the residual interests in securitizations.

For additional information, questions or comments, please call Justin Moio, VP Investor Relations at (949) 475-3988 or email [Justin.Moio@ImpacMail.com](mailto:Justin.Moio@ImpacMail.com). Web site: <http://ir.impaccompanies.com> or [www.impaccompanies.com](http://www.impaccompanies.com).