

IMPAC MORTGAGE HOLDINGS INC
Form PRE 14A
May 11, 2009

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

IMPAC MORTGAGE HOLDINGS, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
 - (4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

- o Fee paid previously with preliminary materials.
- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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Joseph R. Tomkinson
Chairman and Chief Executive Officer

**Impac Mortgage
Holdings, Inc.**
19500 Jamboree Road
Irvine, CA 92612
www.impaccompanies.com
, 2009

To Our Preferred Stockholders:

Enclosed with this letter is an offering circular, dated _____, 2009 (the "Offering Circular") relating to an Offer to Purchase and Consent Solicitation with respect to the Series B Preferred Stock and Series C Preferred Stock (collectively, the "Preferred Stock") of Impac Mortgage Holdings, Inc. (the "Company"). The Offer to Purchase and Consent Solicitation is an offer to purchase each outstanding share of Series B Preferred Stock for \$ _____ and each outstanding share of Series C Preferred Stock for \$ _____. If the Offer to Purchase and Consent Solicitation is successfully completed, we will also contemporaneously pay all accumulated and unpaid dividends on the Preferred Stock and pay all unpaid deferred amounts on our trust preferred securities. The accumulated and unpaid dividends are \$1.17 per share of Series B Preferred Stock and \$1.14 per share of Series C Preferred Stock. As of April 30, 2009, the unpaid deferred amounts on our trust preferred securities totaled \$518,500, including interest thereon. In addition, you are being asked to approve amendments to our Charter to modify the terms of each series of Preferred Stock to eliminate certain rights. Information about these matters is provided in the enclosed Offering Circular.

During the past few years, we have been seriously challenged by the unprecedented turmoil in the mortgage market, causing us to discontinue our mortgage funding operations, eliminate all but one of our reverse repurchase facilities and reduce our operating costs. One of our goals in this challenging market environment has been to align the costs of our operations to our cash flows. We believe the elimination of the Preferred Stock and the related dividends through the Offer to Purchase and Consent Solicitation will give us the enhanced balance sheet flexibility to operate and grow our business. We additionally believe that with an improved capital structure there are multiple business opportunities we can pursue to enhance stockholder value that have not previously been feasible.

If the Offer to Purchase and Consent Solicitation is not approved, there may be a near-term negative effect on the Company's business, results of operations, and financial position, including the potential inability to satisfy our liabilities and our cash requirements related to long-term dividend and interest obligations.

Our Board of Directors (the "Board") took into account a number of factors in determining the purchase price for the Offer to Purchase, including historical and current trading levels of each series of Preferred Stock and the estimated recovery value of the securities in a liquidation scenario. The Board's objective in its analysis was to further the best interests of stockholders and toward that end the Board determined to encourage the fullest participation in the tender offer.

Completion of the Offer to Purchase and Consent Solicitation requires valid tenders and consent from at least 66²/₃% of the outstanding shares of Preferred Stock, voting together as a single class. Completion of the Offer to Purchase and Consent Solicitation also requires the approval by holders representing a majority of the outstanding shares of Common Stock of a proposal to approve the proposed amendments to our Charter to modify the terms of each series of Preferred Stock to eliminate certain rights (which we are seeking concurrently with the Offer to Purchase and Consent Solicitation). As a result of these conditions for completion of the Offer to Purchase and Consent Solicitation, the Offer to Purchase and Consent Solicitation cannot be completed unless 66²/₃% of the outstanding shares of Preferred Stock are validly tendered. Under the terms of the Offer to Purchase and Consent Solicitation, you may not tender your shares of Preferred Stock without also consenting to the proposed charter amendments to each series of Preferred Stock.

The Offering Circular enclosed with this letter provides you with information about the reasons for the Offer to Purchase and Consent Solicitation, the terms of the Offer to Purchase and Consent

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Solicitation, procedures for tendering your shares, and the proposed charter amendments to modify the terms of each series of Preferred Stock. We encourage you to read the entire Offering Circular carefully. You may also obtain additional information about us from documents we have filed with the Securities and Exchange Commission and on our website at www.impacompanies.com.

Thank you for your ongoing support of and continued interest in Impac Mortgage Holdings, Inc.

Sincerely,

Joseph R. Tomkinson
Chairman and Chief Executive
Officer

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OFFERING CIRCULAR

IMPAC MORTGAGE HOLDINGS, INC.

19500 Jamboree Road

Irvine, CA 92612

(949) 475-3600

OFFER TO PURCHASE FOR CASH

BY

IMPAC MORTGAGE HOLDINGS, INC.

OF ALL OUTSTANDING SHARES

OF

9.375% SERIES B CUMULATIVE REDEEMABLE PREFERRED STOCK (CUSIP NO. 45254P300)

AT A PURCHASE PRICE OF \$ PER SHARE

AND

9.125% SERIES C CUMULATIVE REDEEMABLE PREFERRED STOCK (CUSIP NO. 45254P400)

AT A PURCHASE PRICE OF \$ PER SHARE

AND

CONSENT SOLICITATION

THE OFFER AND WITHDRAWAL RIGHTS EXPIRE

**AT 5:00 P.M., E.D.T., ON , 2009,
UNLESS THE OFFER IS EXTENDED.**

Impac Mortgage Holdings, Inc. (the "Company," "our," "we" or "us") is offering to purchase, upon the terms and subject to the conditions set forth in this Offering Circular and in the related letters of transmittal and consent (the "Offer to Purchase"), all of our outstanding 9.375% Series B Cumulative Redeemable Preferred Stock, par value \$0.01 per share ("Series B Preferred Stock") at a price of \$ per share of Series B Preferred Stock and 9.125% Series C Cumulative Redeemable Preferred Stock, par value \$0.01 per share ("Series C Preferred Stock" and together with Series B Preferred Stock, the "Preferred Stock") at a price of \$ per share of Series C Preferred Stock.

Concurrently with the Offer to Purchase, we are soliciting consents (the "Consent Solicitation") from holders of the Preferred Stock to amend our Charter (the "Charter") to modify the terms of the Preferred Stock as described in this Offering Circular ("Proposed Amendments").

If successfully completed, in the Offer to Purchase and Consent Solicitation:

for each tendered share of Series B Preferred Stock accepted for purchase by us, the holder will receive \$; and

for each tendered share of Series C Preferred Stock accepted for purchase by us, the holder will receive \$.

If the Offer to Purchase and Consent Solicitation is successfully completed, we will contemporaneously pay to all holders of Preferred Stock (whether the shares are tendered or not) accumulated and unpaid dividends on the Preferred Stock. The accumulated and unpaid dividends

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are \$1.17 per share of Series B Preferred Stock and \$1.14 per share of Series C Preferred Stock. We will also contemporaneously pay all unpaid deferred amounts on our trust preferred securities, which totaled \$518,500, including interest thereon, as of April 30, 2009.

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Concurrently with the Offer to Purchase and Consent Solicitation, we are seeking the affirmative vote of a majority of the outstanding shares of Common Stock entitled to be cast on the proposal to approve the Proposed Amendments to our Charter. If we are unable to obtain the requisite votes from the holders of our Common Stock, this Offer to Purchase and Consent Solicitation will automatically terminate and we will not pay the accumulated and unpaid dividends on the Preferred Stock. Furthermore, holders representing 66²/₃% of the outstanding shares of Preferred Stock, voting as a single class separate from the holders of the Common Stock, must also approve the Proposed Amendments in order to effect the Proposed Amendments, which may be accomplished by submitting executed letter(s) of transmittal and consent and validly tendering (without later withdrawing) your shares of Preferred Stock. If we do not receive the requisite consent from the holders of the Preferred Stock, even if we have obtained the requisite approval from the holders of Common Stock, then this Offer to Purchase and Consent Solicitation will automatically terminate and we will not pay the accumulated and unpaid dividends on the Preferred Stock. You must validly tender all shares of Preferred Stock that you own and deliver your consent to the Proposed Amendments to the Charter to modify the terms of the Preferred Stock in order to participate in the Offer to Purchase and Consent Solicitation.

The Offer to Purchase and Consent Solicitation will expire at 5:00 p.m., Eastern Daylight Time, on _____, 2009, unless extended or terminated by us. The term "expiration date" means 5:00 p.m., Eastern Daylight Time, on _____, 2009, unless we extend the period of time for which the Offer to Purchase and Consent Solicitation are open, in which case the term "expiration date" means the latest time and date on which the Offer to Purchase and Consent Solicitation, as so extended, expire.

Each series of our Preferred Stock is quoted on the over-the-counter Pink Sheets under the following symbols:

Series B Preferred
Stock: IMPHP

Series C Preferred
Stock: IMPHO

On May [], 2009, the last sales price of our Series B Preferred Stock quoted over-the-counter was \$[] per share and the last sales price of our Series C Preferred Stock quoted over-the-counter was \$[] per share.

See "Risk Factors" beginning on page 21 for a discussion of issues that you should consider with respect to the Offer to Purchase and Consent Solicitation.

The Offer to Purchase and Consent Solicitation and the securities to be issued in the Offer to Purchase and Consent Solicitation have not been approved or disapproved by the Securities and Exchange Commission (the "SEC"), any state securities commission, or the similar commission or governmental agency of any foreign jurisdiction, nor has the SEC, any state securities commission, or the similar commission or governmental agency of any foreign jurisdiction determined whether the information in this Offering Circular is truthful or complete. None of the SEC, any state securities commission or any similar commission or governmental agency of any foreign jurisdiction has passed upon the merits or fairness of the Offer to Purchase and Consent Solicitation, or passed upon the adequacy or accuracy of the disclosure contained in this Offering Circular. Any representation to the contrary is a criminal offense.

This Offering Circular is first being mailed to holders of the Preferred Stock on or around _____, 2009.

The Information Agent for the Offer to Purchase is:

D.F. King & Co., Inc.

The date of this Offering Circular is _____, 2009.

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"Questions and Answers about the Offer to Purchase and Consent Solicitation" and a "Summary" describing the principal terms and conditions of the Offer to Purchase and Consent Solicitation follow. You should read this entire Offering Circular and the applicable Letter(s) of Transmittal and Consent carefully before deciding whether or not to tender your Preferred Stock and deliver your consent. You may want to consult with your personal financial advisor or other legal or investment professional(s) regarding your individual circumstances. All common share and per common share information contained in this Offering Circular has been adjusted to reflect a 1-for-10 reverse split of our Common Stock that was effected on December 30, 2008.

As of May , 2009, 2,000,000 shares of our Series B Preferred Stock and 4,470,600 shares of our Series C Preferred Stock were outstanding, each of which has a liquidation preference of \$25.00 per share.

We are seeking consents from holders of the Preferred Stock to amend certain provisions and eliminate other provisions (collectively, the "Proposed Amendments") applicable to each series of Preferred Stock as described in "The Offer to Purchase and Consent Solicitation Terms of the Offer to Purchase and Consent Solicitation." See *Annex A* and *Annex B* to this Offering Circular for the amended text of the affected provisions of the Charter reflecting the Proposed Amendments. Under Maryland law and the Charter, the affirmative vote of holders of outstanding shares of Common Stock entitled to cast a majority of all the votes entitled to be cast on the proposal is necessary to approve the amendments to the Charter modifying the terms of each series of Preferred Stock. Concurrently with the Offer to Purchase and Consent Solicitation, we are seeking the affirmative vote of a majority of the outstanding shares of Common Stock entitled to be cast on the proposal to approve the Proposed Amendments to our Charter. If we are unable to obtain the requisite votes from the holders of our Common Stock to approve the Proposed Amendments, this Offer to Purchase and Consent Solicitation will automatically terminate and we will not purchase any tendered shares or pay the accumulated and unpaid dividends on the Preferred Stock. Furthermore, holders representing 66²/₃% of the outstanding shares of Preferred Stock, voting as a single class separate from the holders of the Common Stock, must also approve the Proposed Amendments in order to effect the Proposed Amendments, which may be accomplished by submitting executed letter(s) of transmittal and consent and validly tendering (without later withdrawing) your shares of Preferred Stock. If we do not receive the requisite consent from the holders of the Preferred Stock, even if we have obtained the requisite approval from the holders of Common Stock, then this Offer to Purchase and Consent Solicitation will automatically terminate and we will not purchase any tendered shares or pay the accumulated and unpaid dividends on the Preferred Stock.

At any time, our Board of Directors (the "Board") may determine that we will make less than all of the proposed modifications under the Proposed Amendments, extend the , 2009 expiration date for the approval of the Proposed Amendments and the completion of the Offer to Purchase and Consent Solicitation, change the terms of the Offer to Purchase and Consent Solicitation or undertake a combination of the foregoing.

None of our officers, employees, the Board, the Information Agent (as defined below), the Depositary (as defined below) or any of our financial advisors is making a recommendation to any holder of Preferred Stock as to whether you should tender shares in the Offer to Purchase and Consent Solicitation. You must make your own investment decision regarding the Offer to Purchase and Consent Solicitation based upon your own assessment of the market value of the Preferred Stock, the effect of holding shares of Preferred Stock upon the approval of the Proposed Amendments, your liquidity needs, your investment objectives and any other factors you deem relevant.

In order to tender shares in the Offer to Purchase and Consent Solicitation, you must consent and authorize the Depositary to consent on your behalf to the Proposed Amendments by executing letters of transmittal and consent or request that your broker or nominee tender and consent on your behalf.

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No meeting has been or is being held in conjunction with the Consent Solicitation. Consents may only be submitted on the terms set forth in the Offering Circular. See "The Offer to Purchase and Consent Solicitation Terms of the Offer to Purchase and Consent Solicitation."

Our officers, directors and employees may solicit tenders from holders of our Preferred Stock and may answer inquiries concerning the Offer to Purchase and Consent Solicitation, but they will not receive additional compensation for soliciting tenders or answering any such inquiries.

D.F. King & Co., Inc. is acting as Information Agent (the "Information Agent") for the Offer to Purchase and Consent Solicitation. The Information Agent will receive reasonable and customary compensation for its services and will also be reimbursed for certain out-of-pocket expenses and indemnified against certain liabilities.

Questions related to the terms of the Offer to Purchase and Consent Solicitation and requests for assistance or for additional copies of this Offering Circular, the letters of transmittal and consent or any other documents may be directed to the Information Agent using its contact information set forth on the back cover of the Offering Circular or by telephone toll-free at (800) 269-6427. Beneficial owners may also contact their custodian for assistance concerning the Offer to Purchase and Consent Solicitation.

American Stock Transfer and Trust Company is acting as the Depositary for the Offer to Purchase and Consent Solicitation (the "Depositary"). Questions regarding the Offer to Purchase and Consent Solicitation may also be directed to our Department of Investor Relations, which may be contacted at .

You should rely only on the information contained or incorporated by reference, and included herewith, in this Offering Circular. Except for the Information Agent, we have no arrangements for and have no understanding with any dealer, salesman or other person regarding the solicitation of tenders hereunder. None of us, the Depositary or the Information Agent has authorized any other person to provide you with different or additional information. If anyone provides you with different or inconsistent information, you should not rely on it. Neither the delivery of this Offering Circular nor any purchase made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company or its subsidiaries since the respective dates as of which information is given in this Offering Circular. We are offering to purchase, and are seeking tenders of, the Preferred Stock only in jurisdictions where the offers or tenders are permitted.

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**QUESTIONS AND ANSWERS ABOUT
THE OFFER TO PURCHASE AND CONSENT SOLICITATION**

The following are some questions regarding the Offer to Purchase and Consent Solicitation that you may have as a holder of the Preferred Stock and the answers to those questions. We urge you to read carefully the entire Offering Circular, including the section entitled "Risk Factors," the related letters of transmittal and consent, our annual report on Form 10-K for the year ended December 31, 2008 (the "Annual Report") and our Quarterly Report on Form 10-Q for the period ended March 31, 2009. Additional important information is contained in the remainder of this Offering Circular.

All references to "IMH," the "Company," "we," "our," "ours" and "us" and similar terms are to Impac Mortgage Holdings, Inc. and its subsidiaries, unless the context otherwise requires. Except as otherwise specified, all common share and per common share information in this Offering Circular has been adjusted to reflect a reverse stock split of our Common Stock that was effected on December 30, 2008, in which each 10 outstanding shares of our Common Stock were converted into 1 share of our Common Stock.

Who is offering to buy my Preferred Stock?

Impac Mortgage Holdings, Inc. is offering to repurchase all outstanding shares of Series B Preferred Stock and Series C Preferred Stock in a self-tender offer. All shares of Preferred Stock that are validly tendered and accepted for purchase by us in the Offer to Purchase and Consent Solicitation will become authorized but unissued shares.

What is the purpose of the Offer to Purchase and Consent Solicitation?

Since 2007, our management has been seriously challenged by the unprecedented turmoil in the mortgage market, including the following: significant increases in delinquencies and foreclosures; significant increases in credit-related losses; declines in originations; tightening of warehouse credit and the virtual elimination of the market for loan securitizations. As a result, we discontinued certain operations, resolved and terminated all but one of our reverse repurchase lines, which was restructured, satisfied \$33.0 million of trust preferred securities for \$4.95 million, exchanged \$51.3 million in trust preferred securities for new notes and settled a portion of our outstanding repurchase claims, while also reducing our operating costs and liabilities.

We did not pay dividends on the Preferred Stock for the fourth quarter of 2008 and the first quarter of 2009. As of March 31, 2009, the accumulated and unpaid dividends on the Preferred Stock were \$7.4 million in aggregate. We have also deferred payments on our trust preferred securities since December 2008. As of April 30, 2009, excluding the trust preferred securities that were recently exchanged for new notes, our outstanding deferred payments, including interest thereon, on our remaining trust preferred securities were \$518,500 in aggregate.

One of our goals in this challenging market environment has been to align the costs of our operations to our cash flows. The acceptance of this Offer to Purchase and Consent Solicitation would reduce the Company's continuing obligation to pay or accumulate quarterly dividends on the Preferred Stock, thereby allowing the Company to use or preserve cash for other purposes. Currently, the aggregate dividends on the outstanding Preferred Stock total approximately \$14.9 million per year.

If we receive the requisite approval from the holders of Preferred Stock and Common Stock and the Offer to Purchase and Consent Solicitation is completed, then contemporaneously with the closing we will pay all accumulated and unpaid dividends on the Preferred Stock and unpaid deferred amounts on our trust preferred securities. Holders that tender their shares of Preferred Stock will also receive the consideration pursuant to this Offer to Purchase. Assuming all shares of Preferred Stock are validly tendered (and not withdrawn) and repurchased by us, we will pay an aggregate purchase price of

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\$ pursuant to this Offer to Purchase and Consent Solicitation. Those holders who do not tender their shares of Preferred Stock, despite the completion of the Offer to Purchase and Consent Solicitation, will only receive the cumulated dividends on the Preferred Stock. Plus, if the Offer to Purchase and Consent Solicitation is completed, our obligation to pay future accumulated and unpaid dividends on any remaining outstanding shares of Preferred Stock will be eliminated and future dividends, if any, will be non-cumulative.

We believe the significant reduction or elimination of the outstanding Preferred Stock and the elimination of the related dividends obligations will give us the enhanced balance sheet flexibility to operate and grow our business. We additionally believe that with an improved capital structure there are multiple business opportunities we can pursue to enhance stockholder value that have not previously been feasible.

If the Offer to Purchase and Consent Solicitation is not approved, there may be a near-term negative effect on our business, results of operations, and financial position, including the potential inability to satisfy our liabilities and the long-term dividend-related cash requirements of our Preferred Stock and obligations pursuant to the terms of our remaining trust preferred securities. We currently have no present intention to pay future dividends on the Preferred Stock. If we do not pay dividends on our Preferred Stock for six or more quarterly periods (whether or not consecutive), the holders of the Preferred Stock will be entitled to elect two directors to our Board of Directors. Our failure to pay dividends for the fourth quarter of 2008 and the first quarter of 2009 constitute two quarterly periods for purpose of this determination.

What will I receive in the Offer to Purchase and Consent Solicitation if I tender my shares of Preferred Stock and they are accepted?

If successfully completed, in the Offer to Purchase and Consent Solicitation:

for each tendered share of Series B Preferred Stock accepted for purchase by us, you will receive \$; and

for each tendered share of Series C Preferred Stock accepted for purchase by us, you will receive \$.

You will also receive contemporaneously with the purchase price for the Preferred Stock all accumulated and unpaid dividends on each share of Preferred Stock, which, as of March 31, 2009, was \$1.17 per share of Series B Preferred Stock and \$1.14 per share of Series C Preferred Stock.

When and how will I be paid for my tendered shares of Preferred Stock?

If all terms and conditions for completion of the Offer to Purchase and Consent Solicitation are satisfied or waived, we will pay for all validly tendered and not withdrawn shares of Preferred Stock promptly after the expiration date of the Offer to Purchase and Consent Solicitation. We refer to the date on which such payment is made as the "payment date." We expect the payment date to be , 2009. We reserve the right to delay payment for the Preferred Stock pending anticipated receipt of any applicable governmental or regulatory approvals.

We will pay for your validly tendered and not withdrawn shares of Preferred Stock by depositing the aggregate consideration, as well as an amount for all accumulated and unpaid dividends, with the Depositary, which will act as your agent for purposes of receiving payments from us and transmitting the payments to you. In all cases, payment for tendered shares of Preferred Stock will be made only after timely receipt by the Depositary of your certificates for such shares, or in the case of stockholders who own shares in book-entry form, an indication in the letter of transmittal that such stockholder is tendering its shares, plus a properly completed and duly executed letter of transmittal and any other

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required documents for such shares. See "Tender of Preferred Stock; Acceptance for Payment and Payment for Shares."

How did the Board determine the consideration to be paid in the Offer to Purchase and Consent Solicitation?

The Board took into account a number of factors in determining the purchase price for the shares of Preferred Stock, including historical and current trading levels of the Preferred Stock and the estimated recovery value of the securities in a liquidation scenario. The Board's objective in its analysis was to further the best interests of stockholders and toward that end the Board determined to encourage the fullest participation in the tender offer.

Our Board has made no determination that the purchase price represents a fair valuation of the Preferred Stock. We did not retain any independent representative or consultant to render a fairness opinion or to provide any analysis of fairness in connection with the approval of the Offer to Purchase and Consent Solicitation. We cannot assure you that if you tender your shares of Preferred Stock you will receive the same or greater value than if you choose to keep them.

What are the conditions to the closing of the Offer to Purchase and Consent Solicitation?

We are not obligated to purchase any tendered shares of Preferred Stock if:

1. there is any litigation regarding the Offer to Purchase and Consent Solicitation:
 - challenging or seeking to make illegal, materially delay, restrain or prohibit the Offer to Purchase and Consent Solicitation or the acceptance for purchase of shares of Preferred Stock; or
 - which would have a material adverse effect on us;
2. the consummation of the Offer to Purchase and Consent Solicitation would violate any law, rule or regulation applicable to us, including limitations on distributions pursuant to Maryland law;
3. any law, rule, regulation or governmental order becomes applicable to us that results, directly or indirectly, in the consequences described under paragraph 1 above;
4. less than 66²/₃% of the outstanding shares of the Preferred Stock, voting as a single class separate from the Common Stock (which is equivalent to 66²/₃% of the aggregate liquidation preference of the outstanding shares of the Preferred Stock), are tendered (and thereby consent to the Proposed Amendments to our Charter) in the Offer to Purchase and Consent Solicitation; or
5. less than a majority of the outstanding shares of Common Stock entitled to be cast on the proposal to approve the Proposed Amendments to our Charter vote in favor of such amendments.

We will, in our reasonable judgment, determine whether each of the Offer to Purchase and Consent Solicitation conditions have been satisfied and whether to waive any conditions that have not been satisfied.

Pursuant to the terms of the Preferred Stock, we are not permitted to purchase any shares of Preferred Stock unless full cumulative dividends are contemporaneously declared and paid.

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See "The Offer to Purchase and Consent Solicitation Conditions of the Offer to Purchase and Consent Solicitation" and "The Offer to Purchase and Consent Solicitation Extension, Termination and Amendment."

If the Offer to Purchase and Consent Solicitation is NOT successfully completed, what will be the consequences?

There may be significant adverse consequences to the Company if the proposal to approve the Proposed Amendments is not approved by the holders of Common Stock or the Proposed Amendments are not approved by the holders of Preferred Stock. In such a case, the holders of Preferred Stock will continue to be entitled to cumulative dividends. However, given our current financial condition, we currently do not intend to pay future dividends on the Preferred Stock if the Offer to Purchase and Consent Solicitation is not successfully completed. If we do not pay dividends on our Preferred Stock for six or more quarterly periods (whether or not consecutive), the holders of the Preferred Stock will be entitled to elect two directors to our Board of Directors. Our failure to make dividend payments for the fourth quarter of 2008 and the first quarter of 2009 counts as two quarterly periods of non-payment towards the potential triggering of this right. Future dividends payable to the holders of Series B Preferred Stock and Series C Preferred Stock would likely represent a significant reduction in our cash, making it difficult for us to satisfy other continuing obligations. We may not be able to raise additional capital if we cannot pay dividends on the Preferred Stock or satisfy our outstanding obligations. As a result, we may not be able to accomplish our goals, rebuild our business, and, given the limited opportunities available in the financial market, we may be required to change our current plan of operations, which we can not determine at this time, but could include a wind down of the Company.

In light of the continuing turmoil in the mortgage market, our ability to continue our operations is dependent upon our ability to implement successfully our strategic initiatives and acquire new operations that contribute sufficient additional cash flow to enable us to meet our current and future expenses. Our future financial performance and success are dependent in large part upon our ability to implement our contemplated strategies successfully. We have restructured our existing reverse repurchase line, exchanged about half of our trust preferred securities for new notes, and satisfied a portion of our trust preferred securities in an effort to reduce payment obligations. To the extent that we are not successful in reducing our payment obligations, we would be unlikely to be able to continue our operations as planned, thereby requiring us to reduce our operating costs and expenses so that our income can cover those costs.

If I decide not to tender my shares of Preferred Stock and the Offer to Purchase and the Consent Solicitation is completed, how will the completion of the Offer to Purchase and the Consent Solicitation affect my shares of Preferred Stock?

If you decide not to tender your shares of Preferred Stock and the Proposed Amendments take effect, the rights of your Preferred Stock will be materially and adversely affected and the value of your Preferred Stock may decline.

If we receive the requisite approvals from the holders of the Preferred Stock and Common Stock and the Proposed Amendments take effect, even if you do not tender your shares in the Offer to Purchase and the Consent Solicitation, you will still receive the accumulated and unpaid fourth quarter 2008 and first quarter 2009 dividends on the Preferred Stock. However, you will be subject to and bound by the Proposed Amendments, which, among other things, will permit us to declare and pay dividends on our Common Stock or shares of any other class or series of our capital stock, except any class or series of stock on parity with the Preferred Stock ("Parity Preferred"), or redeem, repurchase or otherwise acquire shares of any class or series of our capital stock, including Common Stock and any other series of preferred stock, without paying or setting apart for payment any dividends on the

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Preferred Stock, eliminate any accumulated and unpaid dividends on the Preferred Stock and make all dividends non-cumulative.

If you decide not to tender your shares of Preferred Stock and we complete the Offer to Purchase and the Consent Solicitation, thereby significantly reducing the number of outstanding shares of each series of Preferred Stock, the liquidity and possibly the market price of your shares of Preferred Stock may be adversely affected.

See "Risk Factors Risks Related to the Offer to Purchase and Consent Solicitation," "The Offer to Purchase and Consent Solicitation Terms of the Offer to Purchase and Consent Solicitation" and "The Offer to Purchase and Consent Solicitation Effects of Tenders and Consents" for more detail and *Annex A* and *Annex B* hereto for the complete text of the Proposed Amendments.

Am I required to tender my shares of Preferred Stock in order to receive the accumulated and unpaid dividends on my shares of Preferred Stock?

No. If the Offer to Purchase and Consent Solicitation is successfully completed, but you choose not to tender your shares of Preferred Stock, you will still receive the accumulated and unpaid dividends on your shares of Preferred Stock. Pursuant to the terms of the Preferred Stock, we are not permitted to purchase the Preferred Stock unless full cumulative dividends on the Preferred Stock are declared and paid contemporaneously. You will not receive any purchase consideration if you do not tender your shares.

Will I receive accumulated and unpaid dividends if the Offer to Purchase and Consent Solicitation is NOT successfully completed?

No, we will not pay the accumulated and unpaid dividends on the Preferred Stock if the Offer to Purchase and Consent Solicitation is not successfully completed. Accumulated and unpaid dividends on the Preferred Stock will only be paid if the Offer to Purchase and Consent Solicitation is successfully completed.

When will the Offer to Purchase and Consent Solicitation expire?

The Offer to Purchase and Consent Solicitation is currently scheduled to expire at 5:00 p.m., Eastern Daylight Time, on _____, 2009. We may, however, extend the Offer to Purchase and Consent Solicitation from time to time as necessary until all the conditions to the Offer to Purchase and Consent Solicitation have been satisfied or waived.

See "The Offer to Purchase and Consent Solicitation Extension, Termination and Amendment."

Under what circumstances can the Offer to Purchase and Consent Solicitation be extended?

We may extend the Offer to Purchase and Consent Solicitation for any period at our sole discretion to increase the time in which holders of Preferred Stock may tender their shares. We will also extend the expiration date of the Offer to Purchase and Consent Solicitation if required by applicable law or regulation.

See "The Offer to Purchase and Consent Solicitation Extension, Termination and Amendment."

What happens to my tendered shares if the Offer to Purchase and Consent Solicitation is terminated?

The Offer to Purchase and Consent Solicitation may be terminated if:

we are unable to obtain the requisite votes from the holders of our Common Stock;

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we do not receive the requisite consent from the holders of the Preferred Stock; or

the other conditions to the Offer to Purchase discussed in this Offering Circular are not satisfied or (where within the Company's discretion) waived, including, but not limited to, if the Company does not satisfy the distribution requirements under Maryland law at the requisite time to complete the Offer to Purchase and Consent Solicitation.

If the Offer to Purchase and Consent Solicitation is terminated and you previously have tendered shares, we will return certificates for such shares of Preferred Stock tendered (or, in the case of shares of Preferred Stock tendered in uncertificated form, those shares of Preferred Stock will be credited back to an appropriate account) as soon as practicable following the termination of the Offer to Purchase and Consent Solicitation without expense to the tendering stockholder.

See "Tender of Preferred Stock; Acceptance for Payment and Payment for Shares."

How will I be notified if the Offer to Purchase and Consent Solicitation is extended, amended or terminated?

If the Offer to Purchase and Consent Solicitation is extended, amended or terminated, we will promptly notify The Depository Trust Company, which we refer to as "DTC," and make a public announcement by issuing a press release. In the case of an extension, the announcement will be issued no later than 9:00 a.m., Pacific Standard Time, on the next business day after the previously scheduled expiration date of the Offer to Purchase and Consent Solicitation.

See "The Offer to Purchase and Consent Solicitation Extension, Termination and Amendment."

Will I have to pay any fees or commissions for participating in the Offer to Purchase and Consent Solicitation?

If you hold your shares through a broker, dealer or other nominee, and your broker, dealer or other nominee tenders the shares on your behalf, your broker, dealer or other nominee may charge you a fee for doing so. You should consult your broker, dealer or other nominee to determine whether any charges will apply.

See "The Offer to Purchase and Consent Solicitation Terms of the Offer to Purchase and Consent Solicitation" and "The Offer to Purchase and Consent Solicitation Expenses."

May I tender only a portion of the shares of Preferred Stock that I hold?

No. You must tender all of your shares of Preferred Stock to participate in the Offer to Purchase and Consent Solicitation. If you own shares of more than one series of Preferred Stock, you must tender all of the shares of Preferred Stock of each series that you own to participate in the Offer to Purchase and Consent Solicitation. See "The Offer to Purchase and Consent Solicitation Terms of the Offer to Purchase and Consent Solicitation."

How do I tender my shares of Preferred Stock?

If you hold physical share certificates and are the record owner of your shares, you must deliver the certificates representing your shares of Preferred Stock, together with completed letters of transmittal and consent and any other documents required by the letters of transmittal and consent, to American Stock Transfer and Trust Company, the Depository for the Offer to Purchase and Consent Solicitation, no later than the time the Offer to Purchase and Consent Solicitation expires.

If your shares of Preferred Stock are held in street name (*i.e.*, through a broker, dealer or other nominee), the shares of Preferred Stock can be tendered by your nominee through DTC upon your

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request. In order to tender shares validly in the Offer to Purchase and Consent Solicitation, you must consent to the Proposed Amendments by executing letters of transmittal and consent or, if your shares of Preferred Stock are held in street name, request that your broker or nominee do so on your behalf.

If you wish to tender your shares of Preferred Stock but share certificates are not immediately available, time will not permit shares or other required documentation to reach the Depositary before the expiration date or the procedure for book-entry transfer cannot be completed on a timely basis, you must follow the procedures for guaranteed delivery described under "The Offer to Purchase and Consent Solicitation Procedure for Tendering and Consenting Guaranteed Delivery Procedures." You must, in all cases, obtain a Medallion guarantee from an eligible institution in the form set forth in the notice of guaranteed delivery in connection with the delivery of your shares in this manner. Once DTC has closed, participants in DTC whose name appears on a DTC security position listing as the owner of shares of Preferred Stock will still be able to tender shares by delivering a notice of guaranteed delivery to the Depositary via facsimile. If you hold Preferred Stock through a broker, dealer or other nominee, that institution must submit any notice of guaranteed delivery on your behalf.

See "The Offer to Purchase and Consent Solicitation Procedure for Tendering and Consenting."

If I recently purchased shares of Preferred Stock, can I still tender my shares of Preferred Stock in the Offer to Purchase and Consent Solicitation?

Yes. If you have recently purchased shares of Preferred Stock, you may tender those shares in the Offer to Purchase and Consent Solicitation. In order to tender such shares of Preferred Stock, you must make sure that your transaction settles prior to the expiration date or with sufficient time for you to tender your shares in compliance with the guaranteed delivery procedures. See "The Offer to Purchase and Consent Solicitation Procedure for Tendering and Consenting Guaranteed Delivery Procedures" for more information on guaranteed delivery.

What is the Consent Solicitation?

We are soliciting consents from holders of the Preferred Stock to amend the Charter to modify the terms of the Preferred Stock as described in this Offering Circular. Each share of Preferred Stock (equal to each \$25.00 of liquidation preference) will be entitled to one vote on the Consent Solicitation.

In order to complete the purchase of the Preferred Stock in the Offer to Purchase and Consent Solicitation, we must receive the requisite approvals of the Proposed Amendments from the holders of the Preferred Stock.

Do I have to deliver my consent in the Consent Solicitation in order to tender my shares of Preferred Stock validly in the Offer to Purchase and Consent Solicitation?

Yes. You must consent to the Proposed Amendments in order to tender your shares of Preferred Stock in the Offer to Purchase and Consent Solicitation. Your participation in the Offer to Purchase and Consent Solicitation is conditioned on your execution of a written consent approving the Proposed Amendments, and our completion of the Offer to Purchase and Consent Solicitation is conditioned on obtaining consents from the requisite number of holders of the Preferred Stock (voting together as a single class) to the Proposed Amendments.

There is no record date for the Offer to Purchase and Consent Solicitation, and the holders of 66²/₃% of the outstanding shares of Preferred Stock as of the expiration date will be required to consent to the Proposed Amendments pursuant to the terms set forth herein.

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See "The Offer to Purchase and Consent Solicitation Terms of the Offer to Purchase and Consent Solicitation."

What vote is required to approve the Proposed Amendments?

Concurrently with the Offer to Purchase and Consent Solicitation, we are seeking the affirmative vote of a majority of the outstanding shares of Common Stock entitled to be cast on the proposal to approve the Proposed Amendments to our Charter modifying the terms of each series of Preferred Stock. If we are unable to obtain the requisite votes from the holders of our Common Stock, this Offer to Purchase and Consent Solicitation will automatically terminate. Furthermore, holders representing $66\frac{2}{3}\%$ of the outstanding shares of Preferred Stock, voting as a single class separate from the holders of the Common Stock, must also approve the Proposed Amendments in order to effect the Proposed Amendments, which may be accomplished by submitting executed letter(s) of transmittal and consent and validly tendering (without later withdrawing) your shares of Preferred Stock. If we do not receive the requisite consent from the holders of the Preferred Stock, even if we have obtained the requisite approval from the holders of Common Stock, then this Offer to Purchase and Consent Solicitation will automatically terminate.

See "The Offer to Purchase and Consent Solicitation Terms of the Offer to Purchase and Consent Solicitation."

May I deliver a consent to only some of the Proposed Amendments?

No. You must consent to all of the Proposed Amendments affecting the Preferred Stock you hold if you wish to validly tender any of your shares of Preferred Stock.

See "The Offer to Purchase and Consent Solicitation Terms of the Offer to Purchase and Consent Solicitation."

How do I deliver my consent to the Proposed Amendments?

If you are a record holder of shares of Preferred Stock, by submitting executed letters of transmittal and consent and validly tendering (without later withdrawing) your shares of Preferred Stock, you will be consenting to all of the Proposed Amendments to the terms of the Preferred Stock. If you hold your shares of Preferred Stock in street name (*i.e.*, through a broker, dealer or other nominee), you should instruct your broker, dealer or other nominee to tender your shares of Preferred Stock and consent to the Proposed Amendments on your behalf.

See "The Offer to Purchase and Consent Solicitation Effects of Tenders and Consents."

When will the Proposed Amendments become effective?

If we receive the requisite approval of the holders of the Common Stock and the requisite consents of holders of the Preferred Stock and all other conditions are met, the Proposed Amendments will become effective upon the filing by the Company of Articles of Amendment with the State Department of Assessments and Taxation of Maryland (the "SDAT") or at a later date and time specified in the Articles of Amendment that is not more than 30 days after the acceptance for recording of the Articles of Amendment by the SDAT. The Company intends to file the Articles of Amendment promptly after the expiration of the Offer to Purchase and Consent Solicitation, if at least $66\frac{2}{3}\%$ of the outstanding shares of the Preferred Stock have been tendered in the Offer to Purchase and Consent Solicitation and all other conditions are waived or satisfied. The Board reserves the right not to make one or more of the Proposed Amendments, even if all Proposed Amendments are approved by our stockholders.

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See "The Offer to Purchase and Consent Solicitation Terms of the Offer to Purchase and Consent Solicitation."

What must I do if I want to withdraw my shares of Preferred Stock from the Offer to Purchase and Consent Solicitation and revoke the related consent?

You may properly withdraw any shares of Preferred Stock that you validly tender at any time prior to the expiration of the Offer to Purchase and Consent Solicitation, which is 5:00 p.m., Eastern Daylight Time, on _____, 2009, unless we extend it, by following the procedures described in this Offering Circular. A withdrawal of tendered shares of Preferred Stock must be for all shares of Preferred Stock tendered by a holder. In addition, you may withdraw any shares of Preferred Stock that you tender that are not accepted for purchase by us after the expiration of 40 business days after the commencement of the Offer to Purchase and Consent Solicitation. See "The Offer to Purchase and Consent Solicitation Withdrawal of Tenders and Revocation of Consents."

A proper withdrawal of tendered shares of Preferred Stock prior to the expiration of the Offer to Purchase and Consent Solicitation will be a valid revocation of the related consent. You may not validly revoke your consent unless you validly withdraw previously tendered shares.

If you have share certificates for your shares of Preferred Stock which are registered in your name, in order to withdraw your shares of Preferred Stock from the Offer to Purchase and Consent Solicitation and revoke your related consent, you must deliver a written notice of withdrawal to the Depository at the appropriate address specified on the back cover of this Offering Circular prior to the expiration of the Offer to Purchase and Consent Solicitation or, if your shares of Preferred Stock have not been previously accepted for purchase by us, after the expiration of 40 business days after the commencement of the Offer to Purchase and Consent Solicitation. Your notice of withdrawal must comply with the requirements set forth in this Offering Circular.

If you hold your shares of Preferred Stock in street name (*i.e.*, through a broker, dealer or other nominee) and you tendered your shares through DTC, a withdrawal of your shares of Preferred Stock and revocation of the related consent will be effective if you and your nominee comply with the appropriate procedures of DTC's automated Offer to Purchase program system prior to the expiration of the Offer to Purchase and Consent Solicitation or after the expiration of 40 business days after the commencement of the Offer to Purchase and Consent Solicitation. Any notice of withdrawal must identify the shares of Preferred Stock to be withdrawn, including, if held through DTC, the name and number of the account at DTC to be credited and otherwise comply with the procedures of DTC.

See "The Offer to Purchase and Consent Solicitation Withdrawal of Tenders and Revocation of Consents."

Are you making a recommendation regarding whether I should tender in the Offer to Purchase and Consent Solicitation?

No. None of our officers, employees, the Board, the Information Agent, the Depository or any of our financial advisors is making a recommendation to any holder of Preferred Stock as to whether the holder should tender shares in the Offer to Purchase and Consent Solicitation. You must make your own investment decision regarding the Offer to Purchase and Consent Solicitation based upon your own assessment of the market value of the Preferred Stock, the effect of holding shares of Preferred Stock if the Proposed Amendments are approved, your liquidity needs, your investment objectives and any other factors you deem relevant.

See "Background Information."

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What are the tax consequences of the transaction to me?

Your receipt of cash for shares validly tendered pursuant to the Offer to Purchase and Consent Solicitation will, if you meet certain conditions, require the recognition of gain or loss in an amount equal to the difference between (1) the cash you receive pursuant to the Offer to Purchase and Consent Solicitation and (2) your adjusted tax basis in the shares that you surrender pursuant to the Offer to Purchase and Consent Solicitation. That gain or loss will be a capital gain or loss if the shares are a capital asset in your hands, and will be long-term capital gain or loss if you have held the shares for more than one year at the time the Offer to Purchase and Consent Solicitation is completed. However, the tax consequences of the Offer to Purchase and Consent Solicitation to you may vary depending on your particular facts and circumstances, and it is possible that the entire amount of cash you receive pursuant to the Offer will be treated as a dividend. The amount of cash received that represents the payment of accumulated but previously-unpaid dividends will be treated as ordinary dividend income to a U.S. person for United States Federal income tax purposes. See "Material United States Federal Income Tax Consequences" for a more detailed discussion of the tax treatment of accepting the Offer to Purchase and Consent Solicitation. We urge you to consult with your own tax advisor as to the particular tax consequences to you of the Offer to Purchase and Consent Solicitation.

Does the Company intend to remain a public company following the completion of the Offer to Purchase and Consent Solicitation?

Yes. We intend to remain a public company.

Whom do I call if I have any questions on how to tender my shares of Preferred Stock or consent to the Proposed Amendments, or any other questions relating to the Offer to Purchase and Consent Solicitation?

Questions related to the terms of the Offer to Purchase and Consent Solicitation and requests for assistance, as well as for additional copies of this Offering Circular, the letters of transmittal and consent or any other documents, may be directed to the Information Agent using its contact information set forth on the back cover of this Offering Circular or by telephone toll-free at .

Questions relating to the tender of physical share certificates should be directed to the Depository using its contact information set forth on the back cover of this Offering Circular.

Where can I find more information about Impac Mortgage Holdings, Inc.?

For more information, see the Annual Report and the Quarterly Report included with this Offering Circular and "Where You Can Find More Information."

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SUMMARY

This Offering Circular, the related letters of transmittal and consent and the Annual and Quarterly Report included with this Offering Circular each contain important information that should be read carefully before any decision is made with respect to the Offer to Purchase and Consent Solicitation. The following summary is qualified in its entirety by the more detailed information appearing elsewhere in this Offering Circular and the related letters of transmittal and consent. Except as otherwise specified, all common share and per common share information in this Offering Circular has been adjusted to reflect a reverse stock split of our Common Stock that was effected on December 30, 2008 in which each 10 outstanding shares of our Common Stock were converted into 1 share of our Common Stock.

Impac Mortgage Holdings, Inc.

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

Since 2007, our management has been seriously challenged by the unprecedented turmoil in the mortgage market, including the following: significant increases in delinquencies and foreclosures; significant increases in credit-related losses; declines in originations; tightening of warehouse credit and the virtual elimination of the market for loan securitizations. As a result, we discontinued certain operations, resolved and terminated all but one of our reverse repurchase lines, which was restructured, satisfied \$33.0 million of trust preferred securities for \$4.95 million, exchanged \$51.3 million in trust preferred securities for new notes and settled a portion of our outstanding repurchase claims, while also reducing our operating costs and liabilities.

We did not pay dividends on the Preferred Stock for the fourth quarter of 2008 and the first quarter of 2009. As of March 31, 2009, the accumulated and unpaid dividends on the Preferred Stock were \$7.4 million in aggregate. We have also deferred payments on our trust preferred securities since December 2008. As of April 30, 2009, excluding the trust preferred securities that were recently exchanged for new notes, our outstanding deferred payments, including interest thereon, on our remaining trust preferred securities were \$518,500 in aggregate.

One of our goals in this challenging market environment has been to align the costs of our operations to our cash flows. The acceptance of this Offer to Purchase and Consent Solicitation would reduce the Company's continuing obligation to pay or accumulate quarterly dividends on the Preferred Stock, thereby allowing the Company to use or preserve cash for other purposes. Currently, the aggregate dividends on the outstanding Preferred Stock total approximately \$14.9 million per year.

We believe the elimination of the Preferred Stock and the related dividends will give us the enhanced balance sheet flexibility to operate and grow our business. We additionally believe that with an improved capital structure there are multiple business opportunities we can pursue to enhance stockholder value that have not previously been feasible.

If the Offer to Purchase and Consent Solicitation is not approved, there may be a near-term negative effect on our business, results of operations, and financial position, including the potential inability to satisfy our liabilities and the long-term dividend-related cash requirements of our Preferred Stock and obligations pursuant to the terms of our remaining trust preferred securities. If we do not successfully complete the Offer to Purchase and Consent Solicitation, we will not pay the accumulated and unpaid dividends and we currently do not intend to continue making dividend payments on our Preferred Stock, which could adversely affect our business. If we do not pay dividends on our Preferred Stock for six or more quarterly periods (whether or not consecutive), the holders of the Preferred Stock will be entitled to elect two directors to our Board of Directors. Our failure to make dividend payments

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for the fourth quarter of 2008 and the first quarter of 2009 counts as two quarterly periods of non-payment towards the potential triggering of this right.

The Company can not make any assurances that it will receive the requisite consents of holders of both the Common Stock and Preferred Stock and that all the conditions will be met to complete the Offer to Purchase and Consent Solicitation.

Summary Description of the Offer to Purchase and Consent Solicitation

The Company	Impac Mortgage Holdings, Inc.
The Preferred Stock Subject to the Offer to Purchase and Consent Solicitation	All outstanding shares of our Series B Preferred Stock and Series C Preferred Stock.
Reverse Stock Split	On December 30, 2008, we effected a 1-for-10 reverse stock split of all of our issued and outstanding shares of Common Stock (the "Reverse Stock Split"). The par value and number of authorized shares of our Common Stock remained unchanged. All references to number of common shares and per common share amounts included in this Offering Circular gives effect to the Reverse Stock Split.
The Offer to Purchase	We are offering to purchase, for \$ per share of Series B Preferred Stock and \$ per shares of Series C Preferred Stock, any and all of our shares of Preferred Stock validly tendered and not validly withdrawn prior to the expiration of the Offer to Purchase and Consent Solicitation. See "The Offer to Purchase and Consent Solicitation Terms of the Offer to Purchase and Consent Solicitation."
Consideration	In the Offer to Purchase and Consent Solicitation: <div style="padding-left: 40px;">for each tendered share of Series B Preferred Stock accepted for purchase by us, the holder will receive \$; and</div> <div style="padding-left: 40px;">for each tendered share of Series C Preferred Stock accepted for purchase by us, the holder will receive \$.</div>
Aggregate Consideration	Assuming all shares of Preferred Stock are validly tendered (and not withdrawn), we will pay an aggregate of \$ for the repurchase of the Preferred Stock, not including accumulated and unpaid dividends.
Accumulated and Unpaid Dividends	The accumulated and unpaid dividends are \$1.17 per share of Series B Preferred Stock and \$1.14 per shares of Series C Preferred Stock. The aggregate accumulated and unpaid dividends on the Preferred Stock are \$7.4 million.

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The Consent Solicitation In order to tender shares in the Offer to Purchase and Consent Solicitation, holders of our Preferred Stock are required to consent (by executing the letters of transmittal and consent or requesting that their broker or nominee consent on their behalf) to amend the Charter to modify the terms of the Preferred Stock as set forth in *Annex A* and *Annex B*. The following is a summary of the Proposed Amendments and is qualified in its entirety by reference to the Charter and the amended text of the affected provisions of our Charter reflecting the Proposed Amendments, set forth in *Annex A* and *Annex B*. The Proposed Amendments, if approved by our stockholders, would amend the Preferred Stock as follows:

1. make future dividends, if any, non-cumulative;

 eliminate the provisions prohibiting the payment of dividends on junior stock and prohibiting the purchase or redemption of junior or parity stock if full cumulative dividends for all past dividend periods are not paid or declared and set apart for payment;
2.

 eliminate any premiums payable upon the liquidation, dissolution or winding up of the Company;
3.

 eliminate the provision prohibiting the Company from electing to redeem Preferred Stock prior to the fifth year anniversary of the issuance of such Preferred Stock;
4.

 eliminate the provision prohibiting the Company from redeeming less than all of the outstanding Preferred Stock if full cumulative dividends for all past dividend periods have not been paid or declared and set apart for payment;
5.

 eliminate the right of holders of Preferred Stock to elect two directors if dividends are in arrears for six quarterly periods; and
6.

 eliminate the right of holders of Preferred Stock to consent to or approve the authorization or issuance of preferred stock senior to the Preferred Stock.
- 7.

The elimination of the restrictions described above would allow us to declare and pay dividends on shares of Common Stock or shares of any other class or series of capital stock, except any class or series of Parity Preferred, or redeem, repurchase or otherwise acquire shares of any class or series of our capital stock, including Common Stock and any other series of preferred stock, without paying or setting apart for payment any dividends on shares of either series of Preferred Stock.

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If we receive sufficient consents from the holders of the Preferred Stock, voting as a single class separate from the holders of the Common Stock, to approve the Proposed Amendments, we will file Articles of Amendment with the SDAT to effect the Proposed Amendments promptly after the expiration of the Offer to Purchase and Consent Solicitation if 66²/₃% of the outstanding shares of the Preferred Stock have been tendered in the Offer to Purchase and Consent Solicitation and all other conditions are waived or satisfied.

For additional information regarding the Consent Solicitation, see "The Offer to Purchas