IMPAC MORTGAGE HOLDINGS INC
Form 10-K/A
April 30, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

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

For the fiscal year ended December 31, 2017 or

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

For the transition period from to .

Commission File Number: 1-14100

IMPAC MORTGAGE HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

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 x No o

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, smaller reporting company and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer o Accelerated filer x

Non-accelerated filer o (Do not check if a smaller reporting company) Smaller reporting company o
Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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

As of June 30, 2017, the aggregate market value of the voting stock held by non-affiliates of the registrant was approximately $162.0 million, based on the closing sales price of common stock on the NYSE MKT on June 30, 2017. For purposes of the calculation only, all directors and executive officers and beneficial holders of more than 10% of the stock of the registrant have been deemed affiliates. There were 20,952,679 shares of common stock outstanding as of March 1, 2018. There were 20,953,156 shares of common stock outstanding as of April 24, 2018.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents (or parts thereof) are incorporated by reference into the following parts of this Form 10-K/A:

None.

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EXPLANATORY NOTE

This Amendment No. 1 to Form 10-K (this Amendment) amends the Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (the Original Filing), originally filed with the Securities and Exchange Commission (the SEC) on March 16, 2018, of Impac Mortgage Holdings, Inc. Because we do not expect to file our definitive proxy statement within 120 days of the end of our fiscal year ended December 31, 2017, we are filing this Amendment to provide the information required by Items 10, 11, 12, 13 and 14 of Part III of the SEC s Form 10-K and not included in the Original Filing.

As required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended, this Amendment includes as exhibits the certifications required of our principal executive officer and principal financial officer under Section 302 of the Sarbanes-Oxley Act of 2002. We have included Part IV, Item 15 in this Amendment solely to reflect the filing of these exhibits with this Amendment. We are not including certifications required under Section 906 of the Sarbanes-Oxley Act of 2002 as no financial statements are being filed with this Amendment.

No attempt has been made with this Amendment to modify or update the other disclosures presented in the Original Filing, including the exhibits thereto, except that we have updated the number of outstanding shares of our common stock on the cover page of this Amendment. The Original Filing continues to speak as of the date of the Original Filing, and we have not updated the disclosures contained therein to reflect any events which occurred at a date subsequent to the filing of the Original Filing. Accordingly, this Amendment should be read in conjunction with the Original Filing and our other filings made with the SEC.

Unless otherwise noted or as the context otherwise requires, the term the Company, we, us, or our refers to Impac Mortgage Holdings, Inc. and its subsidiaries.

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IMPAC MORTGAGE HOLDINGS, INC.

2017 FORM 10-K/A ANNUAL REPORT

(Amendment No. 1)

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Executive Officers and Directors

NAME	AGE	POSITION
Joseph R. Tomkinson	70	Chairman of the Board and Chief Executive Officer
James Walsh	68	Director
Frank P. Filipps	70	Director
Stephan R. Peers	65	Director
Leigh J. Abrams	75	Director
Thomas B. Akin	66	Director
George A. Mangiaracina	53	President
Todd R. Taylor	53	Executive Vice President and Chief Financial Officer
Rian Furey	41	Chief Operating Officer, President, Direct Lending
Ronald M. Morrison	67	General Counsel, Executive Vice President and Secretary

Joseph R. Tomkinson has been Chairman of the Board since April 1998 and Chief Executive Officer and a Director of the Company since its formation in August 1995. Mr. Tomkinson was also an officer and director of a real estate investment trust investing in commercial mortgage assets and a specialty finance company until its sale. Mr. Tomkinson brings over 35 years of combined experience in real estate, real estate financing and mortgage banking. The Company believes that Mr. Tomkinson s financial and business expertise, including his past senior executive positions and operating experience with real estate and finance companies, give him the qualifications and skills to serve as a director.

James Walsh has been a Director of IMH since August 1995. Since January 2000, he has been Managing Director of Sherwood Trading and Consulting Corporation. The Company believes that Mr. Walsh s financial and business expertise, including his past senior executive positions and operating experience with large, complex organizations give him the qualifications and skills to serve as a director.

Frank P. Filipps has been a Director of IMH since August 1995. From April 2005 to July 2008, Mr. Filipps was Chairman and Chief Executive Officer of Clayton Holdings, Inc., a mortgage services company. From June 1999 to April 2005, Mr. Filipps was Chairman and Chief Executive Officer of Radian Group, Inc. (NYSE: RDN) and its principal subsidiary, Radian Guaranty, Inc., which were formed through a merger of Amerin and Commonwealth Mortgage Assurance Company. Since February 2013, Mr. Filipps has served as a director of Orchid Island Capital (NYSE: ORC), a specialty finance company that invests in residential mortgage-backed securities, and since 2014, he has served as a director of Sutherland Asset Management (NYSE: SLD). Mr. Filipps was previously, from September 2004 to December 2014, a director of Primus Guaranty, Ltd. (NYSE: PRS), a holding company primarily engaged in selling credit protection against investment grade credit obligations of corporate and sovereign entities, and, from December 2010 to December 2014, a director of Fortegra Financial Corp (NYSE: FRF), an insurance services company. Mr. Filipps received a B.A. in Economics in 1969 from Rutgers University and a Master s degree in Corporate Finance and International Business in 1972 from New York University. The Company believes that Mr. Filipps s financial and business expertise, including a diversified background of managing companies and his past senior executive positions and operating experience with real estate-related and mortgage services companies, give him the qualifications and skills to serve as a director.

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Stephan R. Peers has been a Director of IMH since October 1995. Since January 2005, Mr. Peers has been an independent financial advisor. From September 2001 to January 2005, Mr. Peers was a Managing Director of Sandler O Neill & Partners, LP practicing corporate finance covering financial institutions. Mr. Peers received a B.S. in Civil Engineering from Manhattan College in 1974, a M.S. in Industrial Engineering from Stanford University in 1975 and an M.B.A. from Stanford University in 1979. The Company believes that Mr. Peers financial and business expertise, including his past senior executive positions and operating experience with corporate finance companies, gives him the qualifications and skills to serve as a director.

Leigh J. Abrams has been a Director of IMH since April 2001 and lead independent director since June 2004. For 47 years until May 2017, at which time Mr. Abrams voluntarily decided not to stand for election to the Board of Directors of LCI Inc., (formerly, Drew Industries Incorporated) (NYSE: LCII). LCI manufactures a wide variety of components for recreational vehicles, boats, trains, buses, a variety of specialty vehicles and manufactured homes. Mr. Abrams served in various capacities at LCI Industries, including Chairman of the Board from January 2009 until May 2014. From 2014 to 2017, Mr. Abrams was Chairman Emeritus of LCI. Since August 1979, Mr. Abrams served as the President and Chief Executive Officer of LCI, from which he resigned in May 2008 and December 2008, respectively, to become Chairman of the Board of LCI. Mr. Abrams, a CPA, has over 45 years of experience in corporate finance, mergers and acquisitions, and operations. Mr. Abrams received a B.A in Accounting from Baruch College in 1964. The Company believes that Mr. Abrams financial and business expertise, including his past senior executive positions and operating experience with large, complex organizations, gives him the qualifications and skills to serve as a director.

Thomas B. Akin was appointed as a director of IMH on May 23, 2017. He is currently the managing general partner of Talkot Capital LLC, a position he has held since 1996. Talkot Capital is the general partner for various limited partnerships (including the Talkot Fund, L.P.) investing in both private and public companies. From February 2008 to 2014, Mr. Akin served as the Chief Executive Officer of Dynex Capital, Inc. (NYSE: DX) and was a director from May 2003, serving as chairperson since 2005, until May 2017. From 1991 to 1994, Mr. Akin was the managing director of the Western United States for Merrill Lynch Institutional Services and was the Regional Director of the San Francisco and Los Angeles regions for Merrill Lynch Institutional Services from 1981 to 1991. Prior to Merrill Lynch, Mr. Akin had been with Salomon Brothers from 1978 to 1981. Mr. Akin currently serves on the board of directors for Mobivity Holdings Corp. (OTC: MFON). Mr. Akin holds a Master of Business Administration from the Anderson School at the University of California Los Angeles (UCLA) and a Bachelor of Science in Marine Biology from the University of California at Santa Cruz. The Company believes that Mr. Akin s previous positions as an executive officer and director at several large financial institutions, his position as managing member at Talkot Capital and the resulting experience and expertise in investing in the financial and investment industries gives him the qualifications and skills to serve as a director.

George A. Mangiaracina was appointed President of the Company in March 2018. Prior to his appointment, Mr. Mangiaracina had been an Executive Vice President and Managing Director of IMH since January 2015, reporting directly to the CEO and playing a key role in the 2015 acquisition, integration and on-going management of IMH s CashCall Mortgage platform. He serves on the IMH Executive, Risk and Capital Markets Committees and has assisted in capital raise activities, strategic initiatives and relationship management of IMH s capital markets counterparties.

Prior to joining IMH, Mr. Mangiaracina spent over 20 years in the securities and mortgage banking industries. From 1992 to 2008 and from 2009 to December 2013, he served as a Managing Director of UBS and Deutsche Bank, respectively. While at UBS, Mr. Mangiaracina was responsible for the proprietary trading and financing of a portfolio of residential whole loans and he structured warehouse and term facilities across an array of asset classes; including aircraft, auto, franchise receivables and manufactured housing. While at Deutsche Bank, Mr. Mangiaracina successfully liquidated a whole loan legacy portfolio, managing related risk and counterparty exposures. During 2014, he advised financial institutions regarding treasury and capital markets activities and structuring. Prior to 1992, Mr. Mangiaracina was a Manager with Arthur Andersen & Co. and he practiced as a Certified Public Accountant in the State of New York. Mr. Mangiaracina earned his Bachelor of Science in Accounting and Finance from Fordham University, College of Business Administration.

Todd R. Taylor has been Executive Vice President, Chief Financial Officer since February 2008. Mr. Taylor joined IMH in October 2004 as the Senior Vice President, Controller and served in this position as well as Senior Vice President and Director of Accounting and Chief Accounting Officer until he was appointed Chief Financial Officer in February 2008. Prior to joining IMH, Mr. Taylor served as the Chief Financial Officer and Secretary for Primal Solutions, Inc. from August 2003 until October 2004. Mr. Taylor earned his B.A. in Business from California State University at Fullerton and is a certified public accountant.

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Rian Furey was appointed as Chief Operating Officer in March 2018. Mr. Furey has been President of Direct Lending for IMH since December 2017 and has 20 years of experience in mortgage and financial services. From July 2014 to December 2017, Mr. Furey was Chief Operating Officer of Retail Direct Lending and Chief Administrative Officer for loanDepot, a leading technology-enabled mortgage and consumer lender with nationwide operations based in Orange County, Ca. From February 2013 to June 2014, he served as Chief Operating Officer of Greenlight Loans, which was acquired and became a subsidiary of Nationstar Mortgage Holdings, Inc. From September 2003 to February 2013, Mr. Furey was Senior Vice President of Secondary Marketing and Chief Operating Officer for the consumer mortgage division of LendingTree and Vice President of Capital Markets following its acquisition by Discover Financial Services. Mr. Furey received a B.B.A. in Finance in 1998 from the University of Portland and is recognized as a Certified Mortgage Banker by the Mortgage Bankers Association.

Ronald M. Morrison became General Counsel in July 1998 and was promoted to Executive Vice President in August 2001. In July 1998 he was also elected Secretary of IMH and in August 1998 he was elected Secretary of our mortgage operations and our warehouse lending operations. Mr. Morrison received his B.A. in History in 1973 from the University of California Los Angeles and his Juris Doctor in 1976 from Pepperdine University.

Family Relationships

There are no family relationships between any of the directors or executive officers of IMH.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 (the Exchange Act) requires our directors, executive officers, and persons who own more than 10% of a registered class of our equity securities, to file reports of ownership of such securities with the SEC. Directors, executive officers and greater than 10% beneficial owners are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. To our knowledge, based solely on review of the copies of such reports furnished to us during the fiscal year ended December 31, 2017, all Section 16(a) filing requirements applicable to our executive officers, directors and greater than 10% stockholders were satisfied by such persons except for the following: Richard Pickup filed two late Form 4 reports for three transactions and the RHP Trust, dated May 31, 2011 filed one late Form 4 report for one transaction.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics. This code of ethics applies to our directors, executive officers and employees. This code of ethics is publicly available in the corporate governance section of the stockholder relations page of our website located at www.impaccompanies.com and in print upon request to the Secretary at Impac Mortgage Holdings, Inc., 19500 Jamboree Road, Irvine, California, 92612. If we make amendments to the code of ethics or grant any waiver that the SEC requires us to disclose, we will disclose the nature of such amendment or waiver on our website.

Audit Committee and Financial Expert

The Audit Committee of the Board of Directors consists of four directors, all of whom are independent pursuant to the Director Independence Standards of the NYSE American and other SEC rules and regulations applicable to audit committees. The following directors are currently members of the Audit Committee: Frank P. Filipps, who serves as the chairman, Leigh J. Abrams, Stephan R. Peers and James Walsh. The Board of Directors has determined that Frank P. Filipps qualifies as an audit committee financial expert, as such term is defined by Item 407(d)(5)(ii) of Regulation S-K of the Securities Exchange Act of 1934, as amended.

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ITEM 11. EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Overview of Compensation Policies and Objectives

The Compensation Committee of our Board of Directors administers the policies governing our executive compensation program. All issues pertaining to executive compensation are reviewed and approved by the Compensation Committee and, where appropriate, approved by our Board of Directors. The Committee focuses on designing our executive compensation program to achieve the following objectives in a market competitive manner:

- Align the interests of executive officers with those of our shareholders by tying long-term incentive compensation to financial and operations performance and ultimately to the creation of shareholder value.
- Attract and retain high caliber executives by offering total compensation that is competitive with that offered by similarly situated companies and rewarding outstanding personal performance.
- Reflect our corporate goals and objectives.

Over the past several years, as the U.S. economy has slowly improved, and at times experienced challenges, the Company s business and operations have also fluctuated. To address the economic and industry trends, the Company has endeavored to be opportunistic in its mortgage business adding new loan products, developing a mortgage servicing portfolio, maintaining the long-term mortgage portfolio and seeking potential acquisitions to grow its business. The incentive compensation received by the named executive officers during 2017, which is based on existing programs, reflects the Company s growth. The Compensation Committee s goal is to provide executive management incentive compensation that will motivate them to successfully implement the Company s strategies, maintain its business and seek opportunities that will grow and strengthen the Company s mortgage business.

Compensation Decision-Making

General Background. We rely upon our judgment in making compensation decisions, after reviewing the performance of the Company, including its short- and long-term strategies, current economic and market conditions, and carefully evaluating an executive s performance during the year against established goals, leadership qualities, operational performance, business responsibilities, and career with the Company, current compensation arrangements and long-term potential to enhance stockholder value. Our main objective in establishing compensation arrangements is to set criteria that are consistent with the Company s business strategies. Generally, in evaluating performance, we review the following criteria:

- strategic goals and objectives, such as acquisitions, dispositions or joint ventures;
- individual management objectives for some executives that relate to the Company s strategies;
- achieving specific operational goals for the Company or particular business led by the executive officer, including portfolio management and portfolio earnings; and
- supporting our corporate values by promoting compliance with internal ethics policies and legal obligations.

Our executive compensation program and policies depends on the position and responsibilities for each executive officer but remain consistent with our objectives. We seek to achieve an appropriate mix between guaranteed and at-risk compensation, as well as a balance between cash and equity compensation. Our mix of compensation elements is designed not only to reward past performance, but also to proactively encourage long-term future performance through a combination of cash and equity incentive awards.

Role of Management, Consultants and Peers Groups

In reviewing and making compensation decisions of other executive officers, the Committee has in the past and may in the future consult with the Company s Chief Executive Officer, President and other executive officers. These officers review the performance of the other executive officers, provide annual recommendations for individual management objectives, and provide input on strategic initiatives. Mr. Tomkinson had also been given authority to negotiate employment terms for executive officers that report to him within certain parameters as approved by the Compensation Committee.

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Although the Compensation Committee has explored the use of compensation consultants, and has used compensation consultants in the past, it did not use or rely on reports of compensation consultants during 2017 in connection with determining appropriate compensation and arrangements for the named executive officers.

Elements of our Executive Compensation Program

Historically and for 2017, our executive compensation program consisted of the following elements:

(1) ***base salary;***

(2) ***quarterly and annual cash-based incentive compensation;***

(3) ***discretionary bonuses;***

(4) ***stock- based plans and equity awards;***

(5) ***fringe benefits*** including standard employee health, welfare and retirement benefits; and

(6) ***severance benefits.***

We do not have formal policies relating to the allocation of total compensation among the various elements. However, both management and the Committee believe that executives holding more senior positions have substantial influence over our financial performance, and, therefore, should have a greater amount of their compensation at-risk based on the Company s financial performance.

Because the mortgage lending market has continued to change and evolve since 2008, we generally enter into short term (1 to 2 year) employment agreements with our executive officers. The previous employment agreement with Joe Tomkinson, which was originally entered into in 2013 expired at the end of 2017. We entered into a new employment agreement with Mr. Tomkinson in February 2018 and, in March 2018, Mr. Tomkinson notified us that he will be stepping down as CEO of the Company on July 31, 2018. The employment agreements with Todd Taylor and Ron Morrison also expired at the end of 2017 and, although there are no existing written agreements, we are generally compensating each officer pursuant to the terms of the expired agreements. These employment agreements are further described below under Employment Agreements.

Base Salary

The Committee typically sets an executive s base salary with the objective of attracting and retaining highly qualified individuals for the relevant position and rewarding individual performance. When setting and adjusting individual executive salary levels, the Committee considers the relevant established salary range, the executive officer s responsibilities, experience, potential, individual performance, and contribution to the

Company. The Committee also considers other factors such as our overall corporate budget for annual merit increases, unique skills, demand in the labor market and succession planning.

The base salaries for our named executive officers have essentially remained unchanged since 2010. This is consistent with our philosophy that an increase in an executive s compensation should be related to the Company s performance.

Quarterly and Annual Cash-Based Incentive Compensation

We have historically used cash-based incentive compensation to emphasize and reward the attainment of certain annual or quarterly financial goals and corporate or individual performance metrics. The objective is to select performance metrics that provide a meaningful measure of our success in implementing our short-term business strategies that yield long-term benefits, such as maintaining and growing the Company s mortgage business and maintaining the amount of mortgage loans in the Company s long-term mortgage portfolio, credit quality and portfolio earnings. Mr. Tomkinson and our former President received annual bonuses based on adjusted net earnings, while Messrs. Taylor and Morrison each received a quarterly incentive bonus based on the achievement of mutually agreed upon management objectives.

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Although the Compensation Committee has provides cash-based incentive compensation based on the Company s financial performance, it is also starting to include equity as a component of incentive compensation. Pursuant to the employment agreement entered into in March 2018 with George Mangiaracina, the Company s newly appointed President, a portion of Mr. Mangiaracina s annual bonus for 2018, if approved, will consist of shares of restricted stock. For further description of Mr. Mangiaracina s employment agreement, see Employment Agreements below.

Performance Metrics. Historically, cash incentive awards were typically driven by a combination of taxable net income, return on equity, and production goals. Based on these performance metrics, contractual incentive compensation was directly tied to the Company s financial performance. We believe that these performance metrics for our executive officers have previously contributed to our success in prior years in meeting our strategic objectives of maintaining and growing our overall business and that the management objectives for the CFO and GC provide a strong corporate environment. Similar to the operating performance metrics that have been used with other executive officers, Mr. Mangiaracina s 2018 annual bonus will be based on implementation of the Company s business plan, assisting the Chief Financial Officer in addressing key enterprise risk areas and internal controls, and improving the overall performance and direction of the Company as measured by GAAP, including operating income, capital raise activities, merchant bank activities, and mergers and acquisitions.

Incentive bonuses for our CEO and former President were based on a percentage of the Company s adjusted net earnings, subject to a cap provided that there is no cap on the Annual Bonus if the officer pre-elects on or before December 31 of the prior year to receive 5.0% of adjusted net earnings during a year. For 2016, Messrs. Tomkinson and Ashmore each elected to receive 5.0% of adjusted net earnings with no cap; however, no such election was made for 2017. Furthermore, Mr. Tomkinson did not receive payment of an incentive bonus since the calculation of the amount on which the bonus is determined did not provide adjusted net earnings, which is consistent with our performance during 2017.

The incentive compensation for Taylor and Morrison was based on management objectives. Mr. Taylor s incentive compensation may be up to 65% of his base salary, while Mr. Morrison s incentive compensation may be up to 50% of his base salary. Their incentive compensation was determined and paid on a quarterly basis. Mr. Taylor s management objectives for his quarterly incentive compensation during 2017 included the hiring of accounting personnel, completing internal controls for a recent acquisition, completing public offerings and new warehouse financing, and improvements to financing reporting and technology. Mr. Morrison s management objectives for his quarterly incentive compensation during 2017 were based on corporate actions, such as the Company s office lease, legal aspects of equity and debt financing and staffing.

Stock-Based Plans and Equity Awards

We believe that long-term performance is aided by the use of stock-based awards which create an ownership culture amongst our executive officers that fosters beneficial, long-term performance by the Company. We have established an equity incentive plan to provide our employees, including our executive officers, as well as our directors and consultants, with incentives to help align their interests with the interests of stockholders. The Compensation Committee believes that the use of stock-based awards promotes our overall executive compensation objectives and expects that stock options will continue to be a significant source of potential compensation for our executives. All of our awards are nonqualified stock option grants with time-based vesting.

The Committee believes granting stock options to our executive officers encourages the creation of long-term value for our stockholders and promotes employee retention and stock ownership, all of which serve our overall compensation objectives. The number of shares of our common stock under a stock option that is granted to an officer is determined by taking into consideration the officer s position with the Company, overall individual performance, our performance and an estimate of the long-term value of the award considering current base salary and any cash bonus awarded. Other than the individual limit of 450,000 shares that may be awarded during any fiscal year, we do not have any limit on the amount of options or awards that may be granted to any executive officer. The Compensation Committee determines the appropriate criteria for granting awards to executive officers, which generally include individual performance, our strategic goals and our financial condition. The exercise price of any stock option issued by us is the closing price per share of common stock on the stock exchange on the grant date. The Compensation Committee generally has issued awards under the Company s equity incentive plan once a year and the number of shares under options granted to each named executive officer is based on position and seniority.

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Fringe Benefits

Health Benefits

During 2017, we provided the following benefits to all of our U.S. salaried employees, including the named executive officers: medical, dental and prescription coverage, company-paid short- and long- term disability insurance, and paid vacation and holidays.

Retirement Benefits

We maintain the Impac Companies 401(k) Savings Plan for all full time employees, including the executive officers, with at least six months of service. The 401(k) Plan provides that each participant may contribute up to 25% of salary pursuant to certain restrictions. The Company contributes to the participant s plan account at the end of each plan year 50% of the first 4% of salary contributed by a participant. Subject to the rules for maintaining the tax status of the 401(k) Plan, an additional company contribution may be made at our discretion, as determined by the Board of Directors. Contributions made by us to the plan for the year ended December 31, 2017 was approximately $895,000. There were no discretionary matching contributions recorded during the year ended December 31, 2017.

Severance

Generally, all the named executive officers are entitled to certain severance benefits under the terms of each officer s respective employment agreement, which are on file with the SEC. Severance benefits are intended to ease the consequences of an unexpected or involuntary termination of employment and give the executive an opportunity to find new employment. In February 2018, we entered into a new employment agreement with Mr. Tomkinson that provides, among other benefits, a severance of $300,000 per year for a period of three years. On March 20, 2018, Mr. Tomkinson notified us that he is resigning as CEO as of July 31, 2018. In connection with the departure of William Ashmore, who was the Company s previous President from 1995 until his departure in November 2017, we entered into a severance agreement with him pursuant to which he will receive for a 3-year period following January 1, 2018 $250,000 per year. Messers Taylor and Morrison each are entitled to severance compensation equal to the lesser of 12 months or the balance payable through the contract term of base salary and earned incentive compensation. The Committee believes that different severance payments periods for different named executive officers are reasonable in light of each officer s position, value to the Company and length of service. We do not provide for change of control payments. Please see the discussions below entitled Employment Agreements and Potential Payments upon Termination and Change-in Control for a further description of severance payments for each Named Executive Officer.

Perquisites

The Committee typically prefers to compensate our executive officers in cash and equity rather than with perquisites and does not view perquisites as a significant element of our total compensation structure. Executive officers usually receive a car allowance.

Tax and Accounting Implications

Deductibility of Executive Compensation

Under Section 162(m) of the Internal Revenue Code, publicly-held corporations may not take a tax deduction for compensation in excess of $1 million paid to any of the executive officers named in the Summary Compensation Table during any fiscal year. Prior to 2018, certain performance-based compensation was exempt from this $1 million limitation on deductibility if, among other conditions, the plan had been approved by shareholders. This exemption from the limitation has been removed from Section 162(m) of the Code and is no longer applicable for federal income tax deductibility purposes. However, the California Revenue and Taxation Code has not yet been conformed to this recent change to the Internal Revenue Code eliminating the exemption from this limitation for performance-based compensation. Consequently (absent changes to California s tax laws), deduction of such performance-based compensation would not be limited for California tax deduction purposes by the California tax law corresponding to Section 162(m) of the Internal Revenue Code.

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The Compensation Committee regularly reviews our compensation programs to determine the deductibility of the future compensation paid or awarded pursuant thereto and will seek guidance with respect to changes to our existing compensation program that will enable the Company to continue to attract and retain key individuals while optimizing the deductibility to the Company of amounts paid as compensation. The Compensation Committee considers deductibility with respect to compensation arrangements for executives, and to the extent applicable, intends to qualify for the exception. However, this policy does not rule out the possibility that compensation may be approved that may not qualify for the compensation deduction if, in light of all applicable circumstances, it would be in the best interests of the Company for such compensation to be paid.

Compensation Risk Management

As part of its annual review of our executive compensation program, the Compensation Committee reviews with management the design and operation of our incentive compensation arrangements for senior management, including executive officers, to determine if such programs might encourage inappropriate risk-taking that could have a material adverse effect on the Company. The Compensation Committee considered, among other things, the features of the Company s compensation program that are designed to mitigate compensation-related risk, such as the performance objectives and target levels for incentive awards (which are based on overall Company performance), and its compensation recoupment policy. The Compensation Committee also considered our internal control structure which, among other things, limits the number of persons authorized to execute material agreements, requires approval of our board of directors for matters outside of the ordinary course and its whistle blower program. Based upon the above, the Compensation Committee concluded that any risks arising from the Company s compensation plans, policies and practices are not reasonably likely to have a material adverse effect on the Company.

Impact of Shareholder Advisory Vote

At our 2016 annual meeting (the last meeting at which there was a say-on-pay proposal), our shareholders approved, in a non-binding advisory vote, our current executive compensation with approximately 92% of the votes cast on the proposal at the annual meeting affirmatively giving their approval (with broker non-votes and abstentions having no effect on the vote). Accordingly, we believe that this vote ratifies our executive compensation philosophy and policies, as currently adopted and implemented, and we intend to continue such philosophy and policies.

COMPENSATION COMMITTEE REPORT

The information contained in this Compensation Committee Report shall not 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 such filing (except to the extent that we specifically incorporate this information by reference) and shall not otherwise be deemed soliciting material or filed with the Securities and Exchange Commission or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Securities Exchange Act of 1934 (except to the extent that we specifically request that this information be treated as soliciting material or specifically incorporate this information by reference).

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis section of this proxy statement with management. Based on this review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis section be included in this proxy statement.

Submitted by the Compensation Committee:

Thomas B. Akin
Stephan R. Peers
James Walsh
Leigh Abrams

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Summary Compensation Table

The following table presents compensation earned by our executive officers for the years ended December 31, 2017, 2016 and 2015 (the Named Executive Officers). William S. Ashmore, the Company s former President and a former director, resigned from the Company on November 21, 2017. The compensation for Messrs. Tomkinson and Ashmore is based on employment agreements that were previously in effect, which are further described below under Employment Agreements.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Option Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)(3)	All Other Compensation ($)(4)	Total ($)
Joseph R. Tomkinson	2017	600,000		179,400		37,200	816,600
Chairman of the Board and	2016						