

IMPAC MORTGAGE HOLDINGS INC

Form 424B5

February 06, 2004

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[THIS FILING IS MADE PURSUANT TO RULE 424(b)(5)

UNDER THE SECURITIES ACT OF 1933 IN CONNECTION

WITH REGISTRATION NO. 333-111517]

PROSPECTUS SUPPLEMENT
(to prospectus dated January 9, 2004)

February 5, 2004

5,000,000 Shares

Impac Mortgage Holdings, Inc.

Common Stock

We are a mortgage real estate investment trust and a nationwide acquirer and originator of non-conforming Alt-A mortgage loans. We also provide warehouse and repurchase financing to originators of mortgage loans.

We are offering 5,000,000 shares of our common stock, par value \$0.01 per share.

Our common stock is listed on the New York Stock Exchange under the symbol IMH. The last reported sale price of our common stock on that exchange on February 5, 2004 was \$19.75 per share.

Before buying any of these shares of common stock, you should carefully consider the risk factors described in Risk Factors beginning on page 2 of the accompanying prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the

contrary is a criminal offense.

	Per share	Total
Public offering price	\$ 19.500	\$ 97,500,000
Underwriting discounts and commissions	\$ 0.975	\$ 4,875,000
Proceeds, before expenses, to us	\$ 18.525	\$ 92,625,000

We have granted the underwriters a 30-day option to purchase up to an additional 750,000 shares of our common stock to cover over-allotments at the public offering price per share, less the underwriting discounts and commissions.

The underwriters are offering the shares of common stock as described in Underwriting. Delivery of the shares will be made on or about February 11, 2004.

UBS Investment Bank

Friedman Billings Ramsey

Sandler O Neill & Partners, L.P.

JMP Securities

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You should rely only on the information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. The information in this prospectus supplement and the accompanying prospectus is accurate only as of the date such information is presented. Our business, financial condition, results of operations and prospects may have changed since such dates.

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Forward-looking information

This prospectus supplement and the accompanying prospectus contain or incorporate by reference certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements, some of which are based on various assumptions and events that are beyond our control, may be identified by reference to a future period or periods or by the use of forward-looking terminology, such as *may*, *will*, *believe*, *expect*, *anticipate*, *continue* or similar terms or variations of those terms or the negative of those terms. Actual results could differ materially from those set forth in forward-looking statements due to a variety of factors, including, but not limited to, the ability to generate sufficient liquidity, including raising equity capital, the size and frequency of our securitizations and the amount of interest we earn on our mortgage loans, interest rate fluctuations on our assets that differ from those on our liabilities, changes in the difference between short-term and long-term interest rates, increase in prepayment rates on our mortgage assets, changes in assumptions regarding estimated loan losses or fair value amounts, the availability of financing and, if available, the terms of any financing, changes in origination and resale pricing of mortgage loans, growth in markets which the company serves, and changes in general market and economic conditions. For a discussion of the risks and uncertainties that could cause actual results to differ from those contained in the forward-looking statements, see *Risk Factors* in the accompanying prospectus and under *Business-Risk Factors* in our Annual Report on Form 10-K for the year ended December 31, 2002 and *Management's Discussion and Analysis of Financial Condition and Results of Operations-Risk Factors* in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2003. We do not undertake, and specifically disclaim any obligation, to publicly release the results of any revisions that may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

We encourage you to read this prospectus supplement and the accompanying prospectus, as well as the information that is incorporated by reference in this prospectus supplement and the accompanying prospectus, in their entirety. You should carefully consider the factors set forth under *Risk Factors* beginning on page 2 of the accompanying prospectus and in the other reports referred to above before making an investment decision to purchase shares of our common stock. Unless the context otherwise requires, references to *we*, *us*, or *the company* in this prospectus supplement mean Impac Mortgage Holdings, Inc. and its subsidiaries, IMH Assets Corp., Impac Warehouse Lending Group, Inc., Impac Multifamily Capital Corporation and Impac Funding Corporation (together with its wholly-owned subsidiaries, Impac Secured Assets Corp. and Novelle Financial Services, Inc.). Unless otherwise indicated, the information in this prospectus supplement does not give effect to the exercise of the underwriters' over-allotment option.

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Recent developments

We announced our earnings results for both the quarterly period and for the year ended December 31, 2003 in a press release, certain portions of which were filed with the Securities and Exchange Commission on a Current Report on Form 8-K on January 30, 2004. You should read the information presented below together with the portion of the information presented in our earnings release that was filed on our Form 8-K and incorporated by reference into this prospectus supplement and the accompanying prospectus. Information presented below for 2003 is unaudited.

Our net earnings for 2003 were \$127.2 million, or \$2.46 per diluted share, compared to net earnings of \$74.9 million, or \$1.84 per diluted share, for 2002. Net earnings for the fourth quarter of 2003 were \$38.6 million, or \$0.70 per diluted share, compared to net earnings of \$22.1 million, or \$0.50 per diluted share, for the fourth quarter of 2002, and \$33.4 million, or \$0.63 per diluted share, for the third quarter of 2003.

During fiscal year 2003, we accomplished the following:

- Ø earnings per share increased 34% to \$2.46 as compared to \$1.84 for 2002;
- Ø cash dividends declared in 2003 increased to \$2.05 per share as compared to \$1.76 per share for 2002;
- Ø total assets increased 62% to \$10.7 billion at year-end from \$6.6 billion as of the prior year-end;
- Ø book value per share increased 35% to \$9.02 at year-end as compared to \$6.70 as of the prior year-end;
- Ø return on average assets and equity was 1.55% and 38.26%, respectively, as compared to 1.70% and 28.70%, respectively, for 2002;
- Ø Impac Funding Corporation, our mortgage operations, acquired and originated \$9.5 billion of primarily non-conforming Alt-A mortgages as compared to \$5.9 billion for 2002;
- Ø our long-term investment operations retained \$5.8 billion of Alt-A mortgages and originated \$290.5 million of small-balance, multi-family mortgages as compared to \$3.9 billion and \$25.8 million, respectively, for 2002; and
- Ø allowance for loan losses increased to \$38.6 million, or 39 basis points of loans provided for, at year-end as compared to \$26.6 million, or 45 basis points of loans provided for, as of the prior year-end.

Set forth below are certain balance sheet data and statement of operations data for the periods indicated:

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	As of December 31,	
	2003	2002
(dollar amounts in thousands, except per share data)	(unaudited)	
Balance sheet data:		
Cash and cash equivalents	\$ 127,381	\$ 113,345
CMO collateral	8,735,434	5,149,680
Total assets	10,674,657	6,551,773
CMO borrowings	8,526,838	5,041,751
Total liabilities	10,166,167	6,248,285
Total equity	508,490	303,488
Diluted book value per common share	\$ 9.02	\$ 6.70
Assets to equity ratio	20.99:1	21.59:1
Debt to equity ratio	19.85:1	20.48:1

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	For the three months ended December 31,		For the year ended December 31,	
	2003	2002	2003	2002
(dollar amounts in thousands, except per share data)	(unaudited)		(unaudited)	
Statement of operations data:				
Interest income	\$ 97,985	\$ 72,419	\$ 340,827	\$ 226,416
Interest expense	59,210	47,120	220,931	144,807
Net interest income	38,775	25,299	119,896	81,609
Provision for loan losses	3,490	6,546	24,853	19,848
Net interest income after loan loss provision	35,285	18,753	95,043	61,761
Total non-interest income	32,775	5,547	93,674	21,582
Total non-interest expense	25,899	2,191	49,504	8,426
Total income taxes ⁽¹⁾	3,610		11,982	
Net earnings	\$ 38,551	\$ 22,109	\$ 127,231	\$ 74,917
Net earnings per share:				
Basic	\$ 0.72	\$ 0.50	\$ 2.51	\$ 1.87
Diluted	0.70	0.50	2.46	1.84
Dividends declared per common share	0.55	0.48	2.05	1.76

- (1) Income taxes recorded in 2003 are due to the consolidation of Impac Funding Corporation for the six months ended December 31, 2003 as a result of the acquisition of the common stock of Impac Funding Corporation.

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The offering

Common stock offered	5,000,000 shares ⁽¹⁾
Common stock to be outstanding after this offering	61,373,867 shares ⁽¹⁾⁽²⁾
New York Stock Exchange symbol	IMH
Use of proceeds	We are raising funds in this offering for general corporate purposes.
Risk factors	Investing in our common stock involves certain risks, which are described under Risk Factors in the accompanying prospectus and the periodic reports incorporated herein by reference.

(1) Excludes up to 750,000 shares of our common stock that we may issue and sell upon the exercise of the underwriters' over-allotment option.

(2) Based on 56,373,867 shares outstanding as of February 4, 2004. Excludes, as of February 4, 2004, 3,383,279 shares of common stock granted under our stock option plans that are issuable upon the exercise of options with a weighted average exercise price of \$10.61 per share, 1,023,736 of which are currently exercisable at a weighted average exercise price of \$5.67 per share.

Use of proceeds

Based on the public offering price of \$19.50 per share, we will receive approximately \$92,475,000 in net proceeds from the sale of the shares of our common stock in this offering, or approximately \$106,368,750 if the underwriters' over-allotment option is exercised in full, after payment of our estimated expenses related to this offering and underwriting discounts and commissions.

We intend to use the net proceeds from this offering for general corporate purposes.

Price range of common stock

On June 11, 2003, our common stock was listed and began trading on the New York Stock Exchange, or NYSE, under the symbol IMH. Prior to that, our common stock was listed on the American Stock Exchange under the symbol IMH. The following table summarizes the high and low sales prices for our common stock for the periods indicated:

	2004		2003		2002	
	High	Low	High	Low	High	Low
First Quarter (for 2004 only, through February 5, 2004)	\$ 21.28	\$ 18.25	\$ 13.23	\$ 11.05	\$ 9.55	\$ 7.80
Second Quarter			16.97	12.46	13.48	8.85
Third Quarter			16.55	12.50	13.10	8.16
Fourth Quarter			19.21	14.80	12.28	9.08

On February 5, 2004, the last reported sale price of our common stock on the NYSE was \$19.75 per share. As of February 4, 2004, there were 558 holders of record (including holders who are nominees for an undetermined number of beneficial owners) of our common stock.

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Capitalization

The following table sets forth our capitalization as of September 30, 2003:

Ø on a historical basis; and

Ø on an as adjusted basis to reflect the issuance and sale of 5,000,000 shares of our common stock in this offering at the public offering price of \$19.50 per share and the application of the net proceeds of that sale as described in Use of Proceeds.

The information set forth in the following table should be read in conjunction with, and is qualified in its entirety by, the consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2002, and each of our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2003, June 30, 2003 and September 30, 2003, which are incorporated by reference into the accompanying prospectus.

	As of September 30, 2003	
	Historical	As adjusted⁽¹⁾
	(unaudited)	
(dollars in thousands, except share and per share data)		
Stockholders' equity:		
Common stock, par value \$0.01 per share, 200,000,000 shares authorized; 53,069,072 shares issued and outstanding, actual; 61,273,372 shares issued and outstanding, as adjusted ⁽²⁾⁽³⁾	\$ 531	\$ 613
Additional paid-in capital ⁽³⁾	575,436	721,239
Accumulated other comprehensive loss	(23,486)	(23,486)
Cumulative dividends declared	(277,439)	(277,439)
Retained earnings	155,092	155,092
Total stockholders' equity	\$ 430,134	\$ 576,019
Book value per share	\$ 8.11	\$ 9.40

- (1) After deducting underwriting discounts and commissions and estimated offering expenses payable by us in this offering. Assumes (i) no exercise of the underwriters' over-allotment option to purchase up to an additional 750,000 shares of common stock, (ii) net proceeds per share of \$18.525 and (iii) estimated aggregate offering expenses of approximately \$150,000.
- (2) Excludes, as of February 4, 2004, 3,383,279 shares of common stock granted under our stock option plans that are issuable upon the exercise of options with a weighted average exercise price of \$10.61 per share, 1,023,736 of which are currently exercisable at a weighted average exercise price of \$5.67 per share.
- (3) On an as adjusted basis, includes (i) \$14.4 million in net proceeds from the sale of 904,300 shares of common stock sold since September 30, 2003 to December 31, 2003 pursuant to our equity distribution agreement and (ii) \$39.0 million in net proceeds from the sale of

2,300,000 shares in December 2003.

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We and the underwriters named below have entered into an underwriting agreement concerning the shares of common stock being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of shares of common stock indicated next to its name in the following table. The underwriters are obligated to purchase all of the shares of common stock, other than those covered by the over-allotment option described below, if they purchase any of the shares of common stock.

Underwriters	Number of Shares
UBS Securities LLC	2,500,000
Friedman, Billings, Ramsey & Co., Inc.	1,750,000
Sandler O'Neill & Partners, L.P.	500,000
JMP Securities LLC	250,000
Total	5,000,000

If the underwriters sell more shares of common stock than the total number set forth in the table above, the underwriters have a 30-day option to buy up to an additional 750,000 shares of common stock from us, at the public offering price less the underwriting discounts and commissions, to cover these sales. If any shares of common stock are purchased under this option, the underwriters will severally purchase shares of common stock in approximately the same proportion as set forth in the table above.

The following table provides information regarding the amount of the discount to be paid to the underwriters:

	No exercise of over-allotment option	Full exercise of over-allotment option
Per share	\$ 0.975	\$ 0.975
Total	\$ 4,875,000	\$ 5,606,250

We estimate that our total expenses of this offering, excluding underwriting discounts and commissions, will be approximately \$150,000.

Shares of common stock sold by the underwriters to the public will initially be offered at the public offering price set forth on the cover of this prospectus supplement. Any shares of common stock sold by the underwriters to securities dealers may be sold at a discount of up to \$0.59 per share from the public offering price. Any of the securities dealers may resell any shares of common stock purchased from the underwriters to other brokers or dealers at a discount of up to \$0.10 per share from the public offering price. If all of the shares of common stock are not sold at the public offering price, the underwriters may change the offering price and the other selling terms.

We have agreed that, subject to certain exceptions related to options granted under existing employee benefit plans, for a period of 90 days from the date of this prospectus supplement, we will not, without the prior written consent of UBS Securities LLC, on behalf of the underwriters, dispose of or hedge any shares of our common stock or any securities convertible into or exchangeable for our common stock. Each of our executive officers and directors has agreed that for a period of 45 days after the date of this prospectus supplement, subject to certain exceptions related to options granted under existing employee benefit plans, not to sell or hedge any shares of our common stock or any securities convertible into or exchangeable for shares of our common stock owned by them, without the prior written consent of UBS Securities LLC, on behalf of the underwriters. UBS Securities LLC, on behalf of the underwriters, in its sole discretion may release any of the securities subject to these lock-up agreements at any time without notice.

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Underwriting

In connection with this offering, the underwriters may purchase and sell shares of our common stock in the open market. These transactions may include stabilizing transactions, short sales and purchases to cover positions created by short sales. Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of our common stock while this offering is in progress. Short sales involve the sale by the underwriters of a greater number of shares of common stock than they are required to purchase in this offering. Short sales may be either covered short sales or naked short sales. Covered short sales are sales made in an amount not greater than the underwriters' over-allotment option to purchase additional shares in this offering. The underwriters may close out any covered short position by either exercising their over-allotment option or purchasing shares of common stock in the open market. In determining the source of shares of common stock to close out the covered short position, the underwriters will consider, among other things, the price of shares of common stock available for purchase in the open market as compared to the price at which they may purchase shares of common stock through the over-allotment option. Naked short sales are sales in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing shares of common stock in the open market. A naked short position is more likely to be created if the underwriters are concerned there may be downward pressure on the price of shares in the open market after pricing that could adversely affect investors who purchase shares in this offering.

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the other underwriters a portion of the underwriting discount received by it because the other underwriters have repurchased shares of common stock sold by, or for the account of, that underwriter in stabilizing or short covering transactions.

These activities by the underwriters may stabilize, maintain or otherwise affect the market price of our common stock. As a result, the price of our common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. These transactions may be effected on the NYSE or otherwise.

No underwriter is obligated to conduct market-making activities in our common stock and any such activities may be discontinued at any time without notice, at the sole discretion of the underwriter. We have agreed to indemnify the several underwriters against some liabilities, including liabilities under the Securities Act of 1933, as amended, and to contribute to payments that the underwriters may be required to make in respect thereof.

The underwriters, or their respective affiliates, have from time to time in the past provided, and may from time to time in the future provide, investment banking and general financing services to us for which they have in the past received, and may in the future receive, customary compensation. We have a secured repurchase facility with UBS Securities LLC that we use in our warehouse lending operations. Stephan R. Peers, a managing director of Sandler O'Neill & Partners, L.P., is also one of our directors.

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Legal matters

Certain legal matters will be passed upon for us by Kirkpatrick & Lockhart LLP, Los Angeles, California. All matters of Maryland law, including the validity of the shares of our common stock, will be passed upon for us by McKee Nelson LLP, Washington, D.C. In addition, McKee Nelson LLP is providing the legal opinions referred to under Federal Income Tax Considerations on page 30 of the accompanying prospectus. The validity of the shares of common stock offered hereby will be passed upon for the underwriters by Sullivan & Cromwell LLP, New York, New York. With respect to all matters of Maryland law, Sullivan & Cromwell LLP will rely upon the legal opinion of McKee Nelson LLP.

Experts

The consolidated financial statements of Impac Mortgage Holdings, Inc. and of Impac Funding Corporation (collectively, the Companies) as of December 31, 2002 and 2001, and for each of the years in the three-year period ended December 31, 2002, have been incorporated by reference in the accompanying prospectus and in the registration statement in reliance upon the report of KPMG LLP, independent auditors, incorporated by reference therein, and upon the authority of said firm as experts in accounting and auditing. KPMG's reports include an explanatory paragraph which states that the Companies changed their method of accounting for derivative instruments and hedging activities in 2001.

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PROSPECTUS

\$500,000,000

IMPAC MORTGAGE HOLDINGS, INC.

**COMMON STOCK, PREFERRED STOCK,
DEBT SECURITIES, WARRANTS AND UNITS**

Impac Mortgage Holdings, Inc. may sell to the public:

common stock

preferred stock

debt securities

warrants to purchase common stock

warrants to purchase preferred stock

warrants to purchase debt securities

units

Unless the context otherwise indicates, common stock refers to the common stock, par value \$0.01 per share, of Impac Mortgage Holdings, Inc. and the associated preferred stock purchase rights issued under our rights agreement, as amended, dated October 7, 1998.

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We will provide specific terms of each issuance of these securities in supplements to this prospectus. We urge you to read this prospectus and any accompanying prospectus supplement, which will describe the specific terms of the common stock, the preferred stock, the debt securities, the warrants and the units carefully before you make your investment decision.

We may sell these securities to or through underwriters, dealers or agents, or we may sell the securities directly to investors on our own behalf.

Our common stock is listed on the New York Stock Exchange under the symbol IMH.

An investment in the securities being offered involves significant risks.

See Risk Factors beginning on page 2.

This prospectus may not be used to consummate sales of these securities unless it is accompanied by a prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is January 9, 2004.

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