

IMPAC MORTGAGE HOLDINGS INC
Form PRE 14A
December 22, 2008

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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)

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IMPAC MORTGAGE HOLDINGS, INC.
19500 Jamboree Road, Irvine, CA 92612
949-475-3600

PROXY STATEMENT

**FOR SPECIAL MEETING OF STOCKHOLDERS TO BE HELD
, 2009, AT 9:00 A.M. (PACIFIC STANDARD TIME)**

This proxy statement is delivered to you by Impac Mortgage Holdings, Inc., a Maryland corporation ("IMH," "we," "our," "us," or the "Company"), in connection with the special meeting of stockholders to be held on _____, 2009 at 9:00 a.m. (Pacific Standard Time) at the Company's offices located at 19500 Jamboree Road, Irvine, California 92612 (the "Meeting"). We are sending this proxy statement and the enclosed proxy to our stockholders of record as of January 6, 2009 commencing on or about January _____, 2009.

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS

General

Q: Why am I receiving these materials?

A: The Board of Directors of the Company (the "Board") is providing these proxy materials to you in connection with the solicitation of proxies for exercise at the Meeting. As a holder of our Common Stock, par value \$0.01 per share (the "Common Stock"), you are invited to attend the Meeting and are requested to vote on the items of business described in this proxy statement.

Q: Why are you having a Special Meeting?

A: We are holding a special meeting to seek approval from holders of Common Stock to amend our Charter (the "Charter") to modify the terms of both our 9.375% Series B Cumulative Redeemable Preferred Stock, \$0.01 par value per share, ("Series B Preferred Stock"), and our 9.125% Series C Cumulative Redeemable Preferred Stock, \$0.01 par value per share, ("Series C Preferred Stock" and together with the Series B Preferred Stock, the "Preferred Stock"). See "Effects of the Proposed Amendment on the Company's Preferred Stock" under Proposal No. 1 for a more detailed discussion of the proposed modifications. In connection with seeking approval from the holders of Common Stock to amend our Charter, we are concurrently conducting a consent solicitation of the holders of Preferred Stock to obtain their approval of the proposed amendments to modify the terms of the Preferred Stock and a tender and exchange offer (the "Exchange Offer") to the holders of our Preferred Stock to permit them to exchange their shares of Preferred Stock for shares of Common Stock, par value \$0.01 per share (the "Common Stock"). For each tendered share of Series B Preferred Stock accepted for exchange by us in the Exchange Offer, the holder will receive _____ shares of Common Stock, and for each tendered share of Series C Preferred Stock accepted for exchange by us in the Exchange Offer, the holder will receive _____ shares of Common Stock. On July 10, 2008, at our annual meeting, our stockholders previously approved the potential issuance of in excess of 20% of our outstanding shares of Common Stock in connection with a possible exchange of the Preferred Stock for Common Stock.

Modification to Preferred Stock

Q. Why are you also conducting an Exchange Offer?

A: In 2007 and 2008, 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 has recently

been restructured, and settled a portion of our outstanding repurchase claims, while also reducing our operating costs and liabilities. In the first quarter of 2008, the Company entered into an agreement with a real estate marketing company to generate advisory fees. In November 2008, the Company and the real estate marketing company agreed to terminate the advisory services agreement and, as a result of the termination, the Company received a payment of approximately \$37 million, inclusive of the \$7.4 million receivable included in other assets in the consolidated balance sheet at September 30, 2008.

One of our goals in this challenging market environment has been to align the costs of our operations to the cash flows from our long-term mortgage portfolio (residual interests in securitizations) and master servicing portfolio. The aggregate dividends on the outstanding Preferred Stock are approximately \$14.9 million per year. Our Board believes that the Exchange Offer is in the best interests of our stockholders because the acceptance of such an offer 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.

The completion of the Exchange Offer will eliminate our obligation to pay accrued and unpaid dividends on the Preferred Stock and will make future dividends non-cumulative. 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 due to our ongoing obligations under our trust preferred securities and our Preferred Stock. We further believe that this exchange could offer the current holders of Preferred Stock greater liquidity as holders of Common Stock and may have the effect of increasing stockholders' equity. By offering to exchange shares of Common Stock for the outstanding shares of Preferred Stock, we are offering holders of our Preferred Stock an interest in the class of our securities that will participate in any future growth of the Company.

Q: What vote is required from the holders of Common Stock to approve the amendments to the Company's Charter modifying the terms of each series of Preferred Stock?

A: The amendments to the Company's Charter to modify the terms of each of our existing series of Preferred Stock requires 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.

Approval of Proposal No. 1 by the holders of Common Stock alone will not result in a modification of our Charter. Holders of 66²/₃% of our Preferred Stock also must vote to approve or consent to the proposed amendments. We are seeking the approval of the holders of Preferred Stock to the proposed amendments in the consent solicitation that is a part of the Exchange Offer.

Q: If Proposal No. 1 to modify the terms of the Company's Preferred Stock is approved, what will be the consequences to the Company?

A: In connection with seeking approval to amend the Company's Charter to modify the terms of the Preferred Stock, we are also conducting the Exchange Offer. The closing of the Exchange Offer and effectuating the exchange of the shares is subject to receiving approval of Proposal No. 1 from our holders of Common Stock. Shares of Preferred Stock that are exchanged for shares of Common Stock in the Exchange Offer will revert to the status of authorized but unissued shares of preferred stock. If all of the holders of Preferred Stock exchange their shares in the Exchange Offer, we will increase the number of outstanding shares of Common Stock by _____ shares, or _____%.

The Common Stock issued will dilute the percentage ownership of the holders of Common Stock currently outstanding, and the potential for resale of the Common Stock could have an adverse effect on the trading price of our Common Stock.

Q: If Proposal No. 1 to modify the terms of the Company's Preferred Stock is NOT approved, what will be the consequences to the Company?

A: If our stockholders do not approve the modification of the terms of the Preferred Stock, the Preferred Stock will remain issued and outstanding, and entitled to all of the rights associated with the Preferred Stock as further described in this proxy statement. Furthermore, the Exchange Offer will be terminated. The Preferred Stock ranks senior to our Common Stock with respect to the payment of distributions and the distribution of assets upon liquidation, dissolution or winding up. There are 2,000,000 and 4,470,600 shares of Series B Preferred Stock and Series C Preferred Stock outstanding, respectively. The holders of the Preferred Stock will continue to be entitled to the applicable dividend and liquidation preferences if this proposal is not approved by both the holders of Common Stock and the holders of Preferred Stock.

Q: What are the general voting rights of the holders of Common Stock?

A: Each share of Common Stock is entitled to one vote, subject to the provisions of our Charter regarding restrictions on transfer of stock, and will be fully paid and nonassessable upon issuance. Shares of Common Stock have no preference, conversion, exchange, redemption, appraisal, sinking fund, preemptive or cumulative voting rights.

Q: What are the voting rights of the holders of Preferred Stock?

A: The Preferred Stock generally has no voting rights. However, if we do not pay dividends on any outstanding Preferred Stock for six or more quarterly periods (whether or not consecutive), holders of the Preferred Stock, voting separately as a class, will be entitled to elect two additional directors to the Company's Board to serve until all unpaid dividends have been paid or declared and set apart for payment, provided that any such directors, if elected, must not cause us to violate the corporate governance requirement of the NYSE that listed companies must have a majority of independent directors.

In addition, the affirmative vote of holders of at least 66²/₃% of the outstanding shares of Preferred Stock is required to (a) authorize or create, or increase the authorized or issued amount of, any class or series of capital stock ranking prior to the Preferred Stock with respect to the payment of distributions and the distribution of assets upon liquidation, dissolution or winding up or reclassify any of our authorized capital stock into such shares, or create, authorize or issue any obligation or security convertible into or evidencing the right to purchase any such shares; or (b) amend, alter or repeal any of the provisions of our Charter so as to materially and adversely affect the Preferred Stock, provided that any increase or decrease in the amount of the authorized preferred stock, including the Preferred Stock, or the creation or issuance of any additional preferred stock or other series of preferred stock that we may issue, or any increase in the amount of authorized shares of such series, in each case ranking on a parity with or junior to the preferred stock that we may issue with respect to the payment of distributions and the distribution of assets upon liquidation, dissolution or winding up, shall be deemed to not materially and adversely affect such terms of the Series B Preferred Stock and Series C Preferred Stock; or (c) enter into, approve, or otherwise facilitate a binding share exchange or reclassification involving the Preferred Stock that materially and adversely affects the Preferred Stock or a consolidation, merger or similar transaction unless in the case of a binding share exchange, reclassification, consolidation, merger or other similar transactions the shares of Preferred Stock remain outstanding and materially unchanged or, in the case of any such merger or consolidation with respect to which we are not the surviving or resulting entity, the shares are converted into or exchanged for preference securities of the surviving or resulting entity or its ultimate parent, in each case with preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications, and terms or conditions of redemption of the Preferred Stock that are not individually or in the aggregate materially less favorable to the holders of the Preferred Stock.

Q: Do the holders of Preferred Stock have any other rights?

A: Upon the voluntary or involuntary liquidation, dissolution or winding up of our affairs, each share of Preferred Stock will receive, before any payments are made to the holders of our Common Stock, \$25.00 per share, plus in each case, a premium of \$.50 per share up to but not including May 28, 2009, in the case of the Series B Preferred Stock, and \$.50 per share up to but not including November 23, 2009, in the case of the Series C Preferred Stock, and accrued and unpaid dividends whether or not declared. If, upon any liquidation, dissolution or winding up of our affairs, the cash distributable among holders of Preferred Stock is insufficient to pay in full the liquidation preference of the Preferred Stock as described above, then our remaining assets (or the proceeds thereof) will be distributed among the holders of the Preferred Stock and any such other parity stock and in proportion to the amounts that would be payable on the Preferred Stock if all amounts payable thereon were paid in full. After payment of the full amount of the liquidating distributions, including the applicable premium, if any, to which they are entitled, the holders of the Preferred Stock will have no right or claim to any of our remaining assets. Our consolidation or merger with or into any other corporation, trust or entity, or the sale, lease or conveyance of all or substantially all of our assets or business, is not be deemed to constitute a liquidation, dissolution or winding up of us for purposes of the Preferred Stock.

Q: Are holders of Preferred Stock entitled to dividends?

A: The holders of the Series B Preferred Stock and Series C Preferred Stock are entitled to cumulative quarterly dividends equal to 9.375% and 9.125% of the \$25.00 liquidation preference per annum (equivalent to \$2.34375 and \$2.28125 per share), respectively, which is equal to an aggregate of \$14.9 million per year. Dividends on the Preferred Stock accrue whether or not current payment of dividends is prohibited, whether or not we have earnings, whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are declared. Accrued but unpaid dividends on the Preferred Stock accumulate as of the dividend payment date on which they first become payable. Although to date, the Company has paid all quarterly dividends on the Preferred Stock, we announced on December 10, 2008 that our Board will not declare, and we will not pay, a fourth quarter 2008 dividend on our Preferred Stock and that our Board approved the deferral of payments on our trust preferred securities due in December 2008 and January 2009. Pursuant to the terms of the trust preferred securities, we will be prohibited from paying dividends on our capital stock until such time as the obligations on the trust preferred securities are current. We are exploring the modification or elimination of the trust preferred obligations in order to decrease our payment obligations in some manner, which may include issuing additional shares of our Common Stock in connection with modifying or eliminating the trust preferred obligations; however, we can not assure you that we will be successful in modifying or eliminating these obligations.

Q: May the Company redeem the Preferred Stock?

A: We may not redeem the Series B Preferred Stock and Series C Preferred Stock prior to May 28, 2009 and November 23, 2009, respectively, except in limited circumstances to preserve our status as a REIT. On or after those dates, we may, at our option, redeem the Series B Preferred Stock and Series C Preferred Stock, as applicable, in whole or in part, at any time and from time to time, for cash at \$25.00 per share, plus accrued and unpaid dividends, if any, to and including the redemption date. The Series B Preferred Stock and Series C Preferred Stock have a minimum liquidation preference of \$25.00 per share, or an aggregate liquidation preference of approximately \$161.8 million.

Q: What happens if the Company does not declare and pay dividends to the holders of Preferred Stock?

A: Unless full cumulative dividends on the Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for payment for all past dividend periods and the then current dividend period: (i) no dividends (other than in shares of

Common Stock or in shares of any series of preferred stock that we may issue ranking junior to the preferred stock as to the payment of distributions and the distribution of assets upon liquidation) shall be declared or paid or set aside for payment; (ii) no distribution shall be declared or made upon shares of our Common Stock; and (iii) no shares of our Common Stock shall be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such shares) by us (except for transfers made pursuant to the provisions of our Charter relating to restrictions on ownership and transfers of our capital stock designed to ensure that we remain qualified as a REIT for federal income tax purposes).

Board Recommendations

Q: *How does the Board Recommend I vote on the proposal?*

A: The Board recommends a vote FOR approval of the amendments to the Company's Charter to modify the terms of the Preferred Stock.

VOTING OF SHARES

Solicitation of Proxies

Our Board is soliciting the enclosed proxy. We will bear the cost of this solicitation of proxies. Solicitations will be made by mail. We may, in a limited number of instances, solicit proxies personally or by telephone. The Company has retained D.F. King & Co., Inc., a proxy solicitation firm, for assistance with the distribution of the materials to beneficial stockholders and the solicitation of proxies for the special meeting at a cost of approximately \$20,000 and reimbursement of reasonable out-of-pocket expenses. We will reimburse banks, brokerage firms, other custodians, nominees and fiduciaries for reasonable expenses incurred in sending proxy materials to beneficial owners of our shares.

Voting Requirements

Your vote is important. Your shares can be voted at the Meeting only if you are present in person or represented by proxy. Even if you plan to attend the Meeting, we urge you to vote in advance. Under Maryland law, a stockholder may authorize another person as proxy via electronic or telephonic means. Therefore, you may direct your vote electronically by accessing the website located at www.voteproxy.com and following the on-screen instructions or by calling the toll-free number listed on your proxy card. Please have your proxy card in hand when going online or calling. **If you instruct the voting of your shares electronically, you do not need to return your proxy card.** If you choose to vote by mail, simply mark your proxy card, and then date, sign and return it in the postage-paid envelope provided.

Stockholders who hold their shares beneficially in street name through a nominee (such as a bank or broker) may be able to vote by telephone or the Internet as well as by mail. You should follow the instructions you receive from your nominee to vote these shares. If you are a stockholder who owns shares through a broker and attends the Meeting intending to vote at the Meeting, you should bring a letter from your broker identifying you as the beneficial owner of the shares and acknowledging that you will vote your shares.

Quorum; Voting Rights

Holders of our Common Stock of record at the close of business on January 6, 2009 (the "Record Date") will be entitled to vote at the Meeting. There were 76,100,524 shares of Common Stock, \$0.01 par value per share, outstanding at that date. Each share of our Common Stock is entitled to one vote and the presence, in person or by proxy, of holders of a majority of the outstanding shares of our Common Stock is necessary to constitute a quorum for the Meeting.

Counting of Votes

If a proxy in the accompanying form is duly executed and returned, the shares represented by the proxy will be voted as directed. All properly executed proxies delivered pursuant to this solicitation and not revoked will be voted at the Meeting in accordance with the directions given. If you sign and return your proxy card without giving specific voting instructions, your shares will be voted FOR the proposal to amend the Company's Charter to modify the terms of the Preferred Stock. Representatives of our transfer agent will assist us in the tabulation of the votes.

Votes Required

The amendments to the Company's Charter to modify the terms of each of our existing series of Preferred Stock requires 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, as well as the affirmative

vote of the holders of 66²/₃% of the outstanding shares of the Preferred Stock, voting as a single class separate from the holders of Common Stock. We are not seeking the approval of the holders of the Preferred Stock at the Meeting but are seeking that approval in the consent solicitation that is part of the Exchange Offer.

Effect of Abstentions and Broker Non-Votes

An abstention is the voluntary act of not voting by a stockholder who is present at a meeting and entitled to vote. A broker non-vote occurs when a broker nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary power for that particular item and has not received instructions from the beneficial owner.

Abstentions and broker non-votes will be treated as present and entitled to vote for purposes of determining the presence of a quorum. However, abstentions and broker non-votes will have the same effect as a vote "against" the proposal to amend the terms of the preferred stock.

Revocability of Proxy

Any proxy given may be revoked at any time prior to its exercise by notifying the Secretary of the Company in writing of such revocation, by duly executing and delivering another proxy bearing a later date (including an Internet or telephone vote), or by attending and voting in person at the Meeting.

Householding

"Householding" is a program, approved by the Securities and Exchange Commission (the "SEC"), which allows companies and intermediaries (*e.g.*, brokers) to satisfy the delivery requirements for proxy statements and annual reports by delivering only one package of stockholder proxy materials to any household at which two or more stockholders reside. If you and other residents at your mailing address own shares of our Common Stock in street name, your broker or bank may have notified you that your household will receive only one copy of our proxy materials. Once you have received notice from your broker that they will be "householding" materials to your address, "householding" will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in "householding" and would prefer to receive a separate proxy statement, or if you are receiving multiple copies of the proxy statement and wish to receive only one, please notify your broker if your shares are held in a brokerage account. If you hold shares of our Common Stock in your own name as a holder of record, "householding" will not apply to your shares.

Postponement or Adjournment of Meeting

If a quorum is not present or represented, our bylaws permit the stockholders entitled to vote at the Meeting, present in person or represented by proxy, to adjourn the Meeting from time to time to a date not more than 120 days after the original record date without notice other than the announcement at the Meeting.

**PROPOSAL NO 1:
MODIFY TERMS OF PREFERRED STOCK**

In 2007 and 2008, 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 has recently been restructured, and settled a portion of our outstanding repurchase claims, while also reducing our operating costs and liabilities. As a result of this uncertain market and the decrease in our assets and estimated taxable income, we have not declared a dividend on shares of our Common Stock since March 31, 2007.

On January 1, 2009, the Board approved amendments to the Company's Charter to modify the terms of our Preferred Stock as described in this proxy statement. The Board directed that a proposal to approve these amendments be submitted to the holders of Common Stock for their consideration at a special meeting, and to the holders of the Preferred Stock, voting as a single class separate from the holders of Common Stock, in a consent solicitation. The proposed amended text of the affected provisions of our Charter is set forth in Annex A and Annex B to this proxy statement, marked to show changes against the current text of the Charter. The proposed amendments would make the following changes to the provisions of the each of the Series B Preferred Stock and Series C Preferred Stock:

1. make dividends non-cumulative and eliminate any accrued but unpaid dividends for all dividend periods ended before the effective date of the amendments;
2. 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;
3. eliminate any premiums payable upon the liquidation, dissolution or winding up of the Company;
4. eliminate the provision prohibiting the Company from electing to redeem the Preferred Stock prior to the fifth year anniversary of the issuance of the applicable Preferred Stock;
5. 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;
6. eliminate the right of holders of the Preferred Stock to elect two additional directors if Preferred Stock dividends have been in arrears for six or more quarterly periods; and
7. eliminate the right of holders of the Preferred Stock to consent to or approve the authorization or issuance of preferred stock senior to the Preferred Stock.

Under Maryland law and our Charter, the approval of Proposal No. 1 requires 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, and the vote or consent of the holders of 66²/₃% of the outstanding shares of the Preferred Stock, voting as a single class separate from the holders of Common Stock. At the Meeting, the Company is seeking the approval of the holders of the Company's Common Stock to amend our Charter to modify the terms of the Series B Preferred Stock and Series C Preferred Stock. The Company will require that the holders of the Preferred Stock consent to the modifications to the terms of each series of Preferred Stock as a condition to tendering their shares in the Exchange Offer. We are not seeking the approval of the holders of the Preferred Stock at the Meeting, but are seeking that approval in the consent solicitation that is part of the Exchange Offer.

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If Proposal No. 1 is approved by holders of Common Stock at the Meeting, the amendments to modify the terms of each series of our Preferred Stock will not become effective with respect to any series unless it is also approved by the requisite consent of the holders of Preferred Stock and Articles of Amendment setting forth the amendments are filed with the State Department of Assessments and Taxation of Maryland. At any time before or after our stockholders approve the proposed amendments, our Board may determine to make less than all of the modifications described above to the terms of any or all of our series of Preferred Stock. If this occurs, we will file Articles of Amendment that include only the modifications that our Board determine to make. Even if some or all of the provisions of the proposed amendments are approved by our stockholders as required by Maryland law and our Charter, we will not file Articles of Amendment to amend our Charter to modify any of the terms of our Preferred Stock unless a sufficient number of holders of Preferred Stock have tendered their Preferred Stock to allow us to complete the Exchange Offer.

The Company's Series B Preferred Stock and Series C Preferred Stock are currently quoted on the over-the-counter pink sheets.

Effects of the Proposed Amendments on the Company's Preferred Stock

In addition to the effects described above, the paragraphs below describe the effects of the proposed amendments to the Company's Charter to modify the terms of the Series B Preferred Stock and Series C Preferred Stock. Only holders of the Company's Preferred Stock who do not tender their shares in the Exchange Offer will remain holders of such Preferred Stock after the proposed modifications are approved by our stockholders and become effective. A majority of our Board may determine to make less than all of the modifications described herein to the terms of any or all of the Series B Preferred Stock and Series C Preferred Stock, so the amendments, when they take effect, may not have all of the effects described in this proxy statement. The following summary of the effects of the proposed amendments does not purport to be complete and is subject to and qualified in its entirety by reference to the text of the amendments, as set forth in its entirety in Annex A and Annex B.

Reduction of Voting Rights

Currently, our Charter provides that, whenever dividends on any series of Preferred Stock is in arrears for six or more quarterly periods, whether or not consecutive, the Preferred Stock, voting as a single class together with any other series of preferred stock ranking on a parity with the Preferred Stock as to the payment of distributions and the distribution of assets upon liquidation ("Parity Preferred") upon which like voting rights have been conferred and are exercisable, will be entitled to elect two additional directors. The term of these two additional directors will end, and the number of directors will automatically decrease by two, at such time as all dividends accumulated on shares of the Preferred Stock or any Parity Preferred have been paid in full or declared and set apart for payment.

Our Charter provides that, as long as shares of either series of the Preferred Stock remain outstanding, without the approval of holders of 66²/₃% of the outstanding shares of the Preferred Stock, voting as a single class together with any Parity Preferred that we may issue upon which like voting have been conferred and are exercisable, we may not:

1. authorize or create, or increase the authorized or issued amount of, any class or series of capital stock ranking prior to such series of Preferred Stock with respect to payment of distributions and the distribution of assets upon liquidation, dissolution or winding up or reclassify any authorized capital stock of the company into any such shares, or create, authorize or issue any obligation or security convertible into or evidencing the right to purchase any such shares;

2. subject to certain exceptions, amend, alter or repeal any of the provisions of the Charter, so as to materially and adversely affect any preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications, or terms or conditions of redemption of the series of Preferred Stock or the holders thereof; or
3. subject to certain exceptions, enter into, approve, or otherwise facilitate a binding share exchange or reclassification involving any series of Preferred Stock that materially and adversely affects any of the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications, or terms or conditions of redemption of such series of Preferred Stock or a consolidation, merger or similar transaction involving the Company.

The proposed amendments apply to each series of Preferred Stock and would eliminate all of the voting rights of the Preferred Stock described above, except for the right to approve certain amendments to our Charter. If approved, the proposed amendments would eliminate the right of holders of Preferred Stock to become involved in management of the Company by electing directors upon the Company's failure to pay dividends.

After the effectiveness of the proposed amendments, the sole voting right of holders of any series of Preferred Stock will be to approve any amendment, alteration or repeal of any provision of the Company's Charter, whether by merger or consolidation or otherwise (each, an "Event"), so as to materially and adversely affect any right, preference, privilege or voting power of that series of Preferred Stock or the holders thereof. The occurrence of an Event will not be considered to materially and adversely affect the rights of the holders of any series of Preferred Stock if shares of the series (or shares issued by a surviving entity in substitution for the series) remain outstanding with their terms materially unchanged (taking into account that upon the occurrence of an Event, the Company may not be the surviving entity). In addition, an increase in the number of authorized or outstanding shares of that series of Preferred Stock, or the authorization, creation, issuance or increase in the authorized or outstanding number of shares of any class or series of stock ranking senior to, on a parity with or junior to that series of Preferred Stock, will also not be considered to materially and adversely affect the rights of the holders of that series of Preferred Stock.

Modifications to Dividend Rights

Currently, the Company's Charter provides that dividends on each existing series of Preferred Stock accrue and are cumulative, and holders of each series of Preferred Stock are entitled to receive full cumulative dividends accrued on outstanding shares of each series of Preferred Stock for all past dividend periods (and any partial portion of the then-current dividend period) upon the occurrence of certain events, including the redemption of such shares or the Company's liquidation or dissolution. The Company must pay or declare and set apart for payment full cumulative dividends accrued for all past dividend periods on shares of each series of Preferred Stock before the Company may pay dividends on, or redeem or repurchase, shares of Common Stock, Parity Preferred or shares of stock ranking junior to the series of Preferred Stock with respect to the payment of distributions and the distribution of assets upon liquidation ("Junior Preferred"). On December 10, 2008 we announced that our Board will not declare, and we will not pay, a fourth quarter 2008 dividend on our Preferred Stock.

Upon the effectiveness of the proposed amendments, the Preferred Stock will no longer have the right to receive dividends accrued during any past dividend period, including any dividend period ended before the proposed amendments become effective, and any dividends accrued during past dividend periods will no longer be payable upon redemption of shares of any series of Preferred Stock or upon liquidation or dissolution of the Company. The proposed amendments would eliminate each of the other restrictions described above and allow the Company to declare and pay dividends on shares of Common Stock, Parity Preferred or Junior Preferred, or redeem, repurchase or make other payments

to holders of Common Stock, Parity Preferred or Junior Preferred without paying or setting apart for payment any dividends on shares of any series of Preferred Stock. The proposed amendments would also allow the Company to repurchase less than all of the shares of any series of Preferred Stock, or redeem or repurchase shares of another series of preferred stock, without declaring and paying or setting apart for payment any dividends on the other outstanding shares of Preferred Stock.

The proposed amendments will not change the other terms of the Preferred Stock relating to dividends, including the base rate at which dividends accrue, the payment dates for dividends or provisions of our Charter that require us, if we pay less than the full amount of dividends for any dividend period, to pay dividends among the holders of each series of the Preferred Stock pro rata, based on the respective amounts of unpaid dividends that are payable on each such share of Preferred Stock and Parity Preferred for such period.

Modifications to Liquidation Rights

The Company's Charter requires it, upon any voluntary or involuntary liquidation, dissolution or winding up of the Company, to pay to the holders of each series of the Preferred Stock, the \$25.00 liquidation preference per share, an amount equal to any accrued and unpaid dividends to the date of payment, and a premium of \$0.50 per share up to but not including May 28, 2009, in the case of the Series B Preferred Stock, and \$0.50 per share up to but including November 23, 2009, in the case of the Series C Preferred Stock. The proposed amendments would eliminate the right to receive upon liquidation the amount of any accrued and unpaid dividends and any premiums, although holders of the Preferred Stock would still be entitled to receive the liquidation preference per share.

Modifications to Optional Redemption Provisions

Our Charter prohibits us from electing to redeem shares of each series of Preferred Stock prior to the applicable fifth year anniversary of the issuance of each series of Preferred Stock and, after such dates, permits us to redeem shares of each series of Preferred Stock for a redemption price equal to the \$25.00 liquidation preference per share, plus all accrued and unpaid dividends to and including the date fixed for redemption without interest. Our Charter requires us to declare and pay, or set apart for payment, all cumulative dividends for all past dividend periods on each series of Preferred Stock before we redeem less than all of the outstanding shares of that series of Preferred Stock. Further, unless full cumulative dividends on all shares of any series of Preferred Stock shall have been, or contemporaneously are, declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for all past dividend periods and the then current dividend period, no shares of that series of Preferred Stock shall be redeemed unless all outstanding shares of that series of Preferred Stock are simultaneously redeemed. The proposed amendments would allow the Company to complete the Exchange Offer without paying accrued dividends on any shares of Preferred Stock, including any shares that will remain outstanding following the completion of the Exchange Offer.

The proposed amendments would also allow the Company to elect to redeem any number of shares of any series of Preferred Stock, at any time, for a redemption price equal to the liquidation preference per share, without paying or declaring and setting apart for payment any accrued but unpaid dividends on the redeemed shares of Preferred Stock or paying or declaring and setting apart for payment any dividends to holders of any other series of preferred stock. If the redemption date for shares of any series of Preferred Stock falls after the record date but before the payment date of any dividend declared by the Company on that series of Preferred Stock, holders of any redeemed shares of such series of Preferred Stock will be entitled to receive the dividend when and as paid by the Company. The proposed amendments will not change the existing procedures for redemption of any series of the Preferred Stock or the requirement that, if we redeem less than all of the shares of any series of Preferred Stock, we will redeem shares of such series pro rata among the holders of that

series in proportion to the number of shares held by such stockholders or by lot or by any other equitable manner determined by the Board.

Benefits for the Company

We will not be able to complete the Exchange Offer unless the proposed amendments to our Charter to modify the terms of the Preferred Stock described above, and set forth in Annex A and Annex B to this proxy statement, are approved by holders of a majority of the outstanding shares of Common Stock entitled to vote and by holders of 66²/₃% of the outstanding shares of the Preferred Stock, voting as a single class separate from the holders of the Common Stock.

The Board believes there will be significant adverse consequences to the Company if the proposed amendments described above are not approved by either the holders of Common Stock or Preferred Stock. 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. Plus, we would most likely not be able to raise additional capital if we cannot pay dividends on the Preferred Stock or satisfy our outstanding obligations. On December 10, 2008 we announced that our Board will not declare, and we will not pay, a fourth quarter 2008 dividend on our Preferred Stock and that our Board approved the deferral of payments on our trust preferred securities. As a result, we would not be able to accomplish our goals, rebuild our business, and, given the limited opportunities available in the financial market, we would be required to change our current plan of operations, which we cannot determine at this time but could include a wind down of the Company.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR PROPOSAL 1, TO APPROVE AMENDMENTS TO THE COMPANY'S CHARTER TO MODIFY THE TERMS OF EACH SERIES OF THE COMPANY'S PREFERRED STOCK. PROXIES WILL BE VOTED FOR SUCH APPROVAL UNLESS INSTRUCTIONS TO THE CONTRARY ARE INDICATED IN THE PROXY.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information known to us with respect to beneficial ownership of our Common Stock as of the Record Date by (i) each director, (ii) each named executive officer, (iii) each person known to us to beneficially own more than five percent of our Common Stock, and (iv) all directors and executive officers as a group. Unless otherwise indicated in the footnotes to the table, the beneficial owners named have, to our knowledge, sole voting and investment power with respect to the shares beneficially owned, subject to community property laws where applicable.

Name of Beneficial Owner(1)	Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned
Ronald Gutfleish(2)	5,252,552	6.9%
Kelly Capital Investments, LLC(3)	3,831,806	5.0%
Joseph R. Tomkinson(4)	753,740	*
William S. Ashmore(5)	494,606	*
James Walsh(6)	129,182	*
Frank P. Filippis(6)	108,515	*
Stephan R. Peers(6)	115,848	*
Leigh J. Abrams(7)	106,265	*
Todd R. Taylor(8)	76,259	*
Directors and executive officers as a group (8 persons)(9)	2,033,332	2.7%

*
Less than 1%

(1) Except as otherwise noted, all named beneficial owners can be contacted at 19500 Jamboree Road, Irvine, California 92612.

(2) Based on a Schedule 13G filed on February 14, 2008, Mr. Gutfleish is the managing member of two limited liability companies, which manage one or more private investment funds that hold the Company's shares. Mr. Gutfleish has shares voting and investment power over the shares. The address for Mr. Gutfleish is c/o Elm Ridge Capital Management, LLC, 3 West Main Street, 3rd Floor, Irvington, New York 10533.

(3) Based on a Schedule 13D filed on January 10, 2008, the shares are also beneficially owned by Kelly Capital, LLC, which owns all of the outstanding membership interests of Kelly Capital Investments, LLC, and Michael Kelly, whose trust owns the membership interests of Kelly Capital, LLC. The address is c/o Kelly Capital, LLC, 225 Broadway, 18th Floor, San Diego, CA 92101.

(4) Includes (i) options to purchase 390,000 shares that are exercisable or exercisable within 60 days of January 6, 2009 and (ii) 285,205 shares held in trust with Mr. Tomkinson as trustee.

(5) Includes (i) options to purchase 350,000 shares that are exercisable or exercisable within 60 days of January 6, 2008 and (ii) 79,665 shares held in trust with Mr. Ashmore as trustee.

(6) Includes options to purchase 100,416 shares that are exercisable or exercisable within 60 days of January 6, 2008.

(7) Includes options to purchase 89,166 shares that are exercisable or exercisable within 60 days of January 6, 2008.

(8) Includes options to purchase 74,999 shares that are exercisable or exercisable within 60 days of January 6, 2008.

(9) Includes options to purchase an aggregate of 1,405,413 shares that are exercisable or exercisable within 60 days of January 6, 2008.

STOCKHOLDER PROPOSALS

Proposals to be Included in Proxy Statement

Stockholders are hereby notified that if they wish a proposal to be included in our proxy statement and form of proxy relating to the 2009 annual meeting of stockholders, they must deliver a written copy of their proposal no later than February 11, 2009. If the date of next year's annual meeting is changed by more than 30 days from the date of this year's meeting which was held on July 10, 2008, then the deadline is a reasonable time before we begin to print and mail proxy materials. Proposals must comply with the proxy rules relating to stockholder proposals, in particular Rule 14a-8 under the Securities Exchange Act of 1934, as amended, in order to be included in our proxy materials.

Proposals to be Submitted for Special Meeting

Stockholders who wish to submit a proposal for consideration at our special meeting of stockholders must submit the proposal to the Company in a reasonable time before we begin to print and send this proxy statement to our stockholders.

Mailing Instructions

In each case, proposals should be delivered to 19500 Jamboree Road, Irvine, California 92612, Attention: Ron Morrison, Secretary. To avoid controversy and establish timely receipt by us, it is suggested that stockholders send their proposals by certified mail return receipt requested.

INCORPORATION BY REFERENCE

The SEC allows us to "incorporate by reference" information into this Proxy Statement, which means that we can disclose important information to you by referring you to other documents that we have filed separately with the SEC and are delivering to you with the copy of this Proxy Statement. The information incorporated by reference is deemed to be part of this Proxy Statement. This Proxy Statement incorporates by reference the following documents:

- (i) Annual Report on Form 10-K for the year ended December 31, 2007, filed with the SEC on May 21, 2008; and
- (ii) Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2008, filed with the SEC on November 12, 2008.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available over the Internet at the SEC's web site at www.sec.gov. You may also read and copy any of our SEC filings at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for more information on the Public Reference Room and its copy charges.

Our Internet website address is www.impaccompanies.com. We make available free of charge, through our Internet website, under the "Investors Investor Information SEC Filings" section, our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K and any amendments to those reports that we file or furnish pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The information contained in or accessible from our Internet website is not part of this Proxy Statement.

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We filed a Schedule TO pursuant to Rule 13e-4 under the Exchange Act to furnish certain information about the Exchange Offer and Consent Solicitation. You may obtain copies of the Schedule TO (and any amendments to those documents) in the manner described above.

We have not authorized anyone to give any information or make any representation about the proposals that is different from, or in addition to, that contained in this Proxy Statement. Therefore, you should not rely on any other information. The information contained in this Proxy Statement speaks only as of the date of this Proxy Statement unless the information specifically indicates that another date applies.

OTHER BUSINESS

The Board does not know of any other matter to be acted upon at the Meeting. However, if any other matter shall properly come before the Meeting, the proxy holders named in the proxy accompanying this proxy statement will have authority to vote all proxies in accordance with their discretion.

By Order of the Board of Directors

Ronald M. Morrison, Secretary

Dated: _____, 2009
Irvine, California

ANNEX A

**Amendment to the Company's Charter
Series B Preferred Stock**

A-1

IMPAC MORTGAGE HOLDINGS, INC.

~~Articles of Amendment~~Articles Supplementary
~~9.375% Series B Cumulative Redeemable Preferred Stock~~

Impac Mortgage Holdings, Inc., a Maryland corporation (the "Corporation"), hereby certifies to the State Department of Assessments and Taxation of Maryland that:

FIRST: ~~Under a power contained in Article VI of the Articles of Amendment and Restatement of the Corporation, as amended and supplemented (the "Charter"), the Board of Directors by duly adopted resolutions classified and designated 7,500,000 shares of authorized but unissued Preferred Stock (as defined in the Charter) as shares of 9.375% Series B Cumulative Redeemable Preferred Stock accepted for record by the State Department of Assessments and Taxation of Maryland on May 26, 2004 (the "Articles Supplementary") and forming a part of the charter of the Corporation (the "Charter") shall be amended as follows: with the following preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications, and terms and conditions of redemption, which, upon any restatement of the Charter, shall become part of Article VI of the Charter, with any necessary or appropriate renumbering or relettering of the sections or subsections hereof.~~

1. The Articles Supplementary shall be amended and restated and replaced as follows:

Series B Preferred Stock

(1) DESIGNATION AND NUMBER. A series of preferred stock, designated the "9.375% Series B Cumulative Redeemable Preferred Stock" (the "Series B Preferred Stock"), is hereby established. The number of shares of the Series B Preferred Stock shall be ~~7,500,000~~2,000,000.

(2) RANK. The Series B Preferred Stock shall, with respect to the payment of distributions and the distribution of assets upon liquidation, dissolution or winding up of the Corporation, rank (a) senior to all classes or series of Common Stock, to the Series A Junior Participating Preferred Stock (as defined in the Charter) and to all equity securities of the Corporation the terms of which specifically provide that such equity securities rank junior to such Series B Preferred Stock; (b) on a parity with all equity securities issued by the Corporation the terms of which specifically provide that such equity securities rank on parity with the Series B Preferred Stock; and (c) junior to all equity securities issued by the Corporation the terms of which specifically provide that such equity securities rank senior to the Series B Preferred Stock. The term "equity securities" shall not include convertible debt securities.

- (3) DIVIDENDS.

(a) Holders of the then outstanding shares of Series B Preferred Stock shall be entitled to receive, when and as authorized by the Board of Directors, out of funds legally available for the payment of dividends, ~~cumulative preferential~~ cash dividends at the rate of 9.375% of the \$25.00 liquidation preference per annum (equivalent to a fixed annual amount of \$2.34375 per share). Such dividends shall ~~not~~ be cumulative ~~from the first date on which any Series B Preferred Stock is issued~~ and shall, if declared, be payable quarterly ~~in arrears~~ on March 31, June 30, September 30, and December 31 of each year or, if not a business day, the prior preceding business day (each, a "Dividend Payment Date"). Any dividend payable on the Series B Preferred Stock for any partial dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months ~~(it being understood that the dividend payable on June 30, 2004 will be for less than the full dividend period)~~. Dividends will be payable to holders of record as they appear in the stock records of the Corporation at the close of business on the applicable record date, which shall be the first day of the calendar month on which the applicable Dividend Payment Date falls or on such other date designated

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by the Board of Directors of the Corporation for the payment of dividends that is not more than 60 nor less than 10 days prior to such Dividend Payment Date (each, a "Dividend Record Date").

(b) No dividends on shares of Series B Preferred Stock shall be declared by the Corporation or paid or set apart for payment by the Corporation at such time as the terms and provisions of any agreement of the Corporation, including any agreement relating to its indebtedness, prohibit such declaration, payment or setting apart for payment or provide that such declaration, payment or setting apart for payment would constitute a breach thereof or a default thereunder, or if such declaration or payment shall be restricted or prohibited by law.

~~(c) Notwithstanding the foregoing, dividends on the Series B Preferred Stock shall accrue whether or not the terms and provisions set forth in Section 3(b) hereof at any time prohibit the current payment of dividends, whether or not the Corporation has earnings, whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are declared. Accrued but unpaid dividends on the Series B Preferred Stock will accumulate as of the Dividend Payment Date on which they first become payable. The Corporation shall not be obligated to pay any unpaid dividend accrued on or prior to the effective date of these Articles of Amendment.~~

~~(d) Except as provided in Section 3(e) below, unless full cumulative dividends on the Series B Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for payment for all past dividend periods and the then current dividend period, no dividends (other than in shares of Common Stock or in shares of any series of preferred stock making junior to the Series B Preferred Stock as to the payment of distributions and the distribution of assets upon liquidation) shall be declared or paid or set aside for payment nor shall any other distribution be declared or made upon the Common Stock, or any preferred stock of the Corporation ranking junior to or on a parity with the Series B Preferred Stock as to the payment of distributions and the distribution of assets upon liquidation, nor shall any shares of Common Stock, or any shares of preferred stock of the Corporation ranking junior to or on a parity with the Series B Preferred Stock as to the payment of distributions and the distribution of assets upon liquidation be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such shares) by the Corporation (except by conversion into or exchange for other capital stock of the Corporation ranking junior to the Series B Preferred Stock as to the payment of distributions and the distribution of assets upon liquidation and except for transfers made pursuant to the provisions of Article VII of the Charter). Intentionally Omitted.~~

(e) When dividends are not paid in full (or a sum sufficient for such full payment is not so set apart) on the Series B Preferred Stock and the shares of any other series of preferred stock ranking on a parity as to dividends with the Series B Preferred Stock, all dividends declared upon the Series B Preferred Stock and any other series of preferred stock ranking on a parity as to dividends with the Series B Preferred Stock in that respective quarter shall be declared pro rata so that the amount of dividends declared per share of Series B Preferred Stock and such other series of preferred stock shall in all cases bear to each other the same ratio ~~that accrued dividends per share on the Series B Preferred Stock and such other series of preferred stock (which shall not include any accrual in respect of unpaid dividends for prior dividend periods if such preferred stock does not have a cumulative dividend) bear to each other~~ in that respective quarter. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on Series B Preferred Stock which ~~may be in arrears~~ is declared but unpaid.

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(f) Any dividend payment made on shares of the Series B Preferred Stock shall first be credited against the earliest ~~accrued~~declared but unpaid dividend due with respect to such shares which remains payable. Holders of the Series B Preferred Stock shall not be entitled to any dividend, whether payable in cash, property or stock in excess of ~~full cumulative~~ dividends on the Series B Preferred Stock which have been declared as described above.

(4) LIQUIDATION DISTRIBUTION.

(a) Upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, the holders of shares of Series B Preferred Stock then outstanding are entitled to be paid out of the assets of the Corporation, legally available for distribution to its stockholders, the sum of ~~(a)~~ a liquidation preference of \$25.00 per share, ~~(b) an amount equal to any accrued and unpaid dividends (whether or not declared) to the date of payment and (c) the applicable premium (expressed in dollar amount) per share during the applicable period as set forth in the table below,~~ before any distribution of assets is made to holders of Common Stock or any series of preferred stock of the Corporation that ranks junior to the Series B Preferred Stock ~~as to liquidation rights.~~

12 Month Period	Applicable Premium
May 28, 2004 to May 27, 2005	\$ 2.00
May 28, 2005 to May 27, 2006	\$ 1.75
May 28, 2006 to May 27, 2007	\$ 1.50