

ACCREDITED HOME LENDERS HOLDING CO
Form DEF 14A
April 22, 2005
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SCHEDULE 14A INFORMATION

**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

Accredited Home Lenders Holding Co.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1. Title of each class of securities to which transaction applies:

2. Aggregate number of securities to which transaction applies:

3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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

6. Amount Previously Paid:

7. Form, Schedule or Registration Statement No.:

8. Filing Party:

9. Date Filed:

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April 26, 2005

Dear Stockholder:

You are cordially invited to attend this year's annual meeting of stockholders, which will be held on Thursday, May 26, 2005 at 2:00 p.m. local time, at the Company's principal offices, 15090 Avenue of Science, San Diego, California 92128.

The Notice of Annual Meeting of Stockholders and a Proxy Statement, which follow this letter, describe the formal business to be conducted at the meeting.

I urge you to use this opportunity to take part in the affairs of the Company by voting on the business to come before this meeting. After reading the Proxy Statement, please promptly mark, sign, date and return the enclosed proxy card in the prepaid envelope to ensure that your shares will be represented at the meeting. Regardless of the number of shares you own, your careful consideration of, and vote on, the matters raised at the meeting are important to the Company.

A copy of the Company's Annual Report to Stockholders is also enclosed for your information. At the annual meeting we will review the Company's activities over the past year and our plans for the future. The Board of Directors and management look forward to seeing you at the annual meeting.

Sincerely yours,

James A. Konrath

Chairman of the Board and Chief Executive Officer

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ACCREDITED HOME LENDERS HOLDING CO.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held May 26, 2005

TO THE STOCKHOLDERS:

Notice is hereby given that the annual meeting of the stockholders of Accredited Home Lenders Holding Co., a Delaware corporation, will be held on May 26, 2005, at 2:00 p.m. local time, at our principal offices located at 15090 Avenue of Science, San Diego, California 92128, for the following purposes:

1. To elect three Class II directors to hold office for a three-year term and until their respective successors are elected and qualified. The Board has nominated the following persons for election at the meeting: Ray W. McKewon, James H. Berglund and Joseph J. Lydon. As previously announced, Mr. McKewon has informed us that he intends to retire as our Executive Vice President and Secretary on July 15, 2005. If re-elected to our Board of Directors at the annual meeting, Mr. McKewon has informed us that he intends to serve as a director through the date of his retirement, and at such time he would step down from our Board of Directors.
2. To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2005.
3. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

Stockholders of record at the close of business on March 30, 2005 are entitled to notice of, and to vote at, this meeting or any adjournment or postponement thereof. For ten days prior to the meeting, a complete list of stockholders entitled to vote at the meeting will be available for examination by any stockholder, for any purpose relating to the meeting, during ordinary business hours at our principal offices located at 15090 Avenue of Science, San Diego, California 92128.

By order of the Board of Directors,

James A. Konrath
Chairman of the Board and Chief Executive Officer

San Diego, California

April 26, 2005

IMPORTANT: Please fill in, date, sign and promptly mail the enclosed proxy card in the accompanying postage-paid envelope to ensure that your shares are represented at the meeting. If you attend the meeting, you may choose to vote in person even if you have previously sent in your proxy card.

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PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS

The accompanying proxy is solicited by the Board of Directors of Accredited Home Lenders Holding Co., a Delaware corporation (*Accredited* or the *Company*), for use at our annual meeting of stockholders to be held on May 26, 2005, or any adjournment or postponement thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. This proxy statement and the enclosed proxy are being mailed to stockholders on or about April 26, 2005.

SOLICITATION AND VOTING

Voting Securities. Only stockholders of record as of the close of business on March 30, 2005 will be entitled to vote at the meeting and any adjournment thereof. As of that time, we had 20,895,786 shares of common stock outstanding, all of which are entitled to vote with respect to all matters to be acted upon at the annual meeting. Each stockholder of record as of that date is entitled to one vote for each share of common stock held by him or her. Our Bylaws provide that a majority of all of the shares of the stock entitled to vote, whether present in person or represented by proxy, shall constitute a quorum for the transaction of business at the meeting. Votes for and against a proposal, abstentions and broker non-votes will each be counted as shares present for purposes of determining the presence of a quorum.

Broker Non-Votes. A broker non-vote occurs when a broker submits a proxy card with respect to shares held in a fiduciary capacity (typically referred to as being held in street name) but declines to vote on a particular matter because the broker has not received voting instructions from the beneficial owner. Under the rules that govern brokers who are voting with respect to shares held in street name, brokers have the discretion to vote such shares on routine matters, but not on non-routine matters. Routine matters include the election of directors, increases in authorized common stock for general corporate purposes and ratification of auditors. Non-routine matters include amendments to stock plans.

Solicitation of Proxies. We will bear the cost of soliciting proxies. In addition to soliciting stockholders by mail through our employees, we will request banks, brokers and other custodians, nominees and fiduciaries to solicit customers for whom they hold our stock and will reimburse them for their reasonable, out-of-pocket costs. We may use the services of our officers, directors and others to solicit proxies, personally or by telephone, without additional compensation. In addition, we have retained InvestorCom, Inc., a proxy solicitation firm, for assistance in connection with the annual meeting at a cost of approximately \$3,500.00 plus reasonable out-of-pocket expenses.

Voting of Proxies. All valid proxies received before the meeting will be exercised. All shares represented by a proxy will be voted, and where a proxy specifies a stockholder's choice with respect to any matter to be acted upon, the shares will be voted in accordance with that specification. If no choice is indicated on the proxy, the shares will be voted for each proposal. A stockholder giving a proxy has the power to revoke his or her proxy at any time before it is exercised by delivering to the Secretary of Accredited Home Lenders Holding Co. a written instrument revoking the proxy or a duly executed proxy with a later date, or by attending the meeting and voting in person.

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We have a classified Board of Directors (the *Board*) currently consisting of three Class I directors, three Class II directors and two Class III directors, who will serve until the annual meetings of stockholders to be held in 2007, 2005 and 2006, respectively, and until their respective successors are duly elected and qualified. At each annual meeting of stockholders, directors are elected for a term of three years to succeed those directors whose terms expire at the date of that annual meeting. The Board's nominees for election by the stockholders at our 2005 annual meeting are the current Class II members of the Board, Ray W. McKewon, James H. Berglund and Joseph J. Lydon. If elected, except as set forth below with respect to Mr. McKewon, the nominees will serve as directors until our Annual Meeting of Stockholders in 2008 and until their successors are elected and qualified. As previously announced, Mr. McKewon has informed us that he intends to retire as our Executive Vice President and Secretary on July 15, 2005. If re-elected to our Board of Directors at the annual meeting, Mr. McKewon has informed us that he intends to serve as a director through the date of his retirement, and at such time he would step down from our Board of Directors. Our Amended and Restated Certificate of Incorporation and our Bylaws would permit a majority of our remaining directors to fill the vacancy left by the stepping down of Mr. McKewon from our Board of Directors; however, at the present time, we have not made any definitive plans with respect to the filling of the vacancy on the Board that will be created by Mr. McKewon's departure. If any of the nominees declines to serve or becomes unavailable for any reason, or if an additional vacancy occurs before the election (although we know of no reason to anticipate that this will occur), the proxies may be voted for such substitute nominees as our Board of Directors may designate.

If a quorum is present and voting, the three nominees for Class II director receiving the highest number of votes will be elected as Class II directors. Abstentions and broker non-votes have no effect on the result of the vote; however, abstentions and broker non-votes will be counted as shares present for purposes of determining the presence of a quorum.

The Board of Directors recommends a vote FOR the nominees named above.

The following table sets forth, for our current directors, including the Class II nominees to be elected at this meeting, information with respect to their ages and background.

<u>Name</u>	<u>Position with our Company</u>	<u>Age</u>	<u>Director Since</u>
<i>Class II directors whose terms expire in 2005 and who are nominated for election at the 2005 annual meeting:</i>			
Ray W. McKewon	Director, Executive Vice President and Secretary	56	1990
James H. Berglund (2)(3)	Director	72	1999
Joseph J. Lydon	President and Chief Operating Officer	46	2004
<i>Class III directors whose terms expire in 2006:</i>			
Jody A. Gunderson (1)	Director	41	2000
Richard T. Pratt, DBA(1)(2)	Director	68	2003
<i>Class II directors whose terms expire in 2007:</i>			
James A. Konrath	Director, Chairman of the Board and Chief Executive Officer	58	1990
Gary M. Erickson(2)(3)	Director (Lead Director)	53	2003
Bowers W. Espy(1)(3)	Director	54	2004

-
- (1) Member of the Audit Committee.
 - (2) Member of the Nominating and Corporate Governance Committee.
 - (3) Member of the Compensation Committee.

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James A. Konrath, 58, co-founded Accredited and has served as its Chairman of the Board and Chief Executive Officer since its formation in 1990. In addition, Mr. Konrath served as Accredited's President from 1990 to 1998. Prior to founding Accredited, Mr. Konrath was the President and Chief Executive Officer of Security Pacific Financial Services, Inc., where he managed over 1,900 people in more than 300 consumer finance offices, from 1986 to 1989. From 1983 to 1986, Mr. Konrath was the President and Chief Executive Officer of Security Pacific Housing Services, where he founded a new subsidiary focused on manufactured housing loans. Mr. Konrath earned his Bachelor of Arts degree in Accounting with a minor in Economics from the University of Wisconsin Whitewater in 1969. Mr. Konrath also serves as a Trustee, Chairman of the Board and Chief Executive Officer of Accredited Mortgage Loan REIT Trust (the REIT), our indirect REIT subsidiary that has outstanding publicly held preferred shares.

James H. Berglund, 72, has served as a director of Accredited since September 1999. Mr. Berglund is chairperson of the Compensation Committee and a member of the Nominating and Corporate Governance Committee of Accredited's Board. Mr. Berglund currently serves as a general partner and managing director of Enterprise Partners Venture Capital, positions he has held since 1985. Prior to his current positions with Enterprise Partners Venture Capital, Mr. Berglund was President and a director of Continuous Curve Contact Lenses, Inc., a publicly traded company in the contact lens field that was acquired by Revlon in 1980. Mr. Berglund earned his Bachelor of Science degree in Economics from the University of Wisconsin in 1954 and Doctor of Optometry degree from Pacific University in 1960. Mr. Berglund is a board member of several private companies and a director of Captiva Software Corporation, a publicly traded company. Mr. Berglund also serves as a Trustee of the REIT.

Gary M. Erickson, 53, has served as a director of Accredited since March 2003 and as Lead Director since January 2004. Mr. Erickson is chairperson of the Nominating and Corporate Governance Committee and a member of the Compensation Committee of the Board. Mr. Erickson is currently practicing law at the Law Offices of Gary Erickson, emphasizing business law, estate planning, real estate law and taxation. In April 2004, Mr. Erickson retired as an active duty Navy Captain in command of a Navy reserve region consisting of 10,000 personnel assigned to 330 reserve units. He has also served as the Deputy Commander and Chief of Staff for the Commander, Naval Surface Forces, U.S. Pacific Fleet. As a commander, he performed Chief Executive Officer equivalent functions for operational forces comprised of 5,500 personnel assigned to twelve Navy ships and managed assets valued in excess of \$8 billion. As Chief of Staff, he performed Chief Operating Officer equivalent functions for the 23,000 personnel assigned to all Navy ships and shore support activities in the Pacific Fleet. Mr. Erickson served in the Navy from 1974 to 2004. Mr. Erickson earned a Juris Doctor degree from the Lewis and Clark Law School in 1983 and a Master of Laws degree in Taxation from the University of San Diego School of Law in 1992. Mr. Erickson is a member of the State Bars of California and Oregon and is a licensed real estate broker in California. Mr. Erickson also serves as a Trustee of the REIT.

Bowers W. Espy, 54, has served as a director of Accredited since July 2004. Mr. Espy has 30 years of experience in mortgage and corporate finance. Mr. Espy is a member of the Audit Committee and the Compensation Committee of the Board. Mr. Espy joined Merrill Lynch as vice president, mortgage finance officer and mortgage securities trader in 1983. In 1985, he established Merrill Lynch's first residential and commercial whole loan trading department. In 1987, he was named executive vice president and chief operating officer of Merrill Lynch Mortgage Capital Inc., responsible for all mortgage securitization activity, CMO issuance and the operation of Merrill Lynch's mortgage banking subsidiary. From 1989 to 1993, as managing director of investment banking and head of the financial institutions restructuring group, Mr. Espy had responsibility for the acquisition of residential and commercial loan portfolios and consumer receivables, primarily from the Resolution Trust Corporation. He was named co-head of the depository institutions mergers and acquisitions department in 1993 where, among other assignments, he served as senior advisor to Dime Savings Bank of New York in a financial institution rights offering. Prior to joining Merrill Lynch in 1983, Mr. Espy served as deputy director of financial analysis and policy research at Federal Home Loan Bank Board in Washington, DC. In 2000, Mr. Espy joined LinkShare Corporation, a pioneering online affiliate marketing company, as senior vice president and chief financial officer. Mr. Espy earned a Bachelor of Science degree in business administration in 1972 and a Master of Arts degree in economics in 1976 from the University of Florida. Mr. Espy also serves as a Trustee of the REIT.

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Jody A. Gunderson, 41, has served as a director of Accredited since January 2000. Ms. Gunderson is chairperson of the Audit Committee of Accredited's Board. Ms. Gunderson currently serves as a managing director at Cargill Value Investment, a position that she has held since 1998. In that position Ms. Gunderson manages investments in portfolios of credit-intensive residential mortgage loans and consumer loans and manages co-investment and servicing relationships. From 1994 to 1998, Ms. Gunderson served as an investment manager at Cargill Value Investment, providing capital to subprime mortgage companies and other specialty finance companies. From 1985 to 1994, Ms. Gunderson worked at PricewaterhouseCoopers LLP. She was a manager in the financial services industry practice where she served investment fund, commercial banking and thrift clients. Ms. Gunderson earned her Bachelor of Science degree in Accounting from the University of Minnesota in 1986 and is a certified public accountant in Minnesota (inactive). Ms. Gunderson also serves as a Trustee of the REIT.

Joseph J. Lydon, 46, has served as Accredited's President and Chief Operating Officer since May 1998, and as a director since July 2004. From February 1997 until that time, Mr. Lydon was Accredited's Director of Sales and Marketing. From 1993 to 1997, Mr. Lydon was the Executive Vice President for the western division of Ford Consumer Finance, a division of The Associates First Capital Corporation. From 1977 to 1993, Mr. Lydon worked at Security Pacific Financial Services, Inc. where he ultimately became a Senior Vice President with full profit and loss responsibilities and oversight of six divisions. Mr. Lydon earned his Bachelor of Science degree in Management from Pepperdine University in 1991. Mr. Lydon also serves as Trustee and President of the REIT.

Ray W. McKewon, 56, co-founded Accredited and has served as our Executive Vice President, Secretary and a director since its formation in 1990. From 1980 to 1990, Mr. McKewon was a managing partner of the Enterprise Management Company, a venture capital firm that he founded. Mr. McKewon earned his Bachelor of Science degree in Mathematics and his Bachelor of Arts degree in English from the University of Oklahoma in 1970, and his Masters degree in Business Administration from Pepperdine University in 1975. Mr. McKewon has announced his retirement as Executive Vice President, Secretary of Accredited effective as of July 15, 2005. Mr. McKewon also serves as Trustee, Executive Vice President and Secretary of the REIT.

Richard T. Pratt, DBA, 68, has served as a director of Accredited since March 2003. Dr. Pratt is a member of the Audit and Nominating and Corporate Governance Committees of Accredited's Board. Dr. Pratt is currently the Chairman of Richard T. Pratt Associates, a position he has held since 1992, at which he performs consulting activities. Dr. Pratt held the positions of Associate Professor and Professor of Finance at the David Eccles School of Business at the University of Utah from 1966 to 1997, when he retired. From 1991 to 1994, Dr. Pratt served as a Managing Director of the Financial Institutions Group of Merrill Lynch. From 1983 to 1991, Dr. Pratt served as Chairman of Merrill Lynch Mortgage, Inc., a subsidiary of Merrill Lynch & Company. Dr. Pratt was Chairman of the Federal Home Loan Mortgage Corporation from 1981 to 1983, and served as Chairman of the Federal Savings and Loan Insurance Corporation during that time. Dr. Pratt was also the presidential appointee serving as Chairman of the Federal Home Loan Bank Board from 1981 to 1983. In addition, Dr. Pratt currently serves as a director of American Residential Investment Trust, Inc., a position he has held since 1997, and as a director of Celtic Bank, Salt Lake City, a position he has held since 2001. Dr. Pratt received his Bachelor of Science degree in Finance from the University of Utah in 1960, his Masters in Business Administration from the University of Utah in 1961, and his Doctor of Business Administration from Indiana University in 1966. Dr. Pratt also serves as a Trustee of the REIT.

The Board of Directors has determined that, other than Mr. Konrath, Mr. Lydon and Mr. McKewon, each of the members of the Board is an independent director as defined by the NASDAQ Marketplace rules.

Board Meetings and Committees

The Board held five meetings during the fiscal year ended December 31, 2004. The Board has an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. During the last fiscal year, no director attended fewer than 75% of the total number of meetings of the Board and all of the committees of the Board on which such director served during that period.

Audit Committee. The members of the Audit Committee during fiscal 2004 were Ms. Gunderson, Mr. Espy, John M. Robbins and Dr. Pratt. In February 2004, Mr. Robbins resigned from the Board. At that time, Mr. Erickson was appointed to replace him. Upon Mr. Espy's appointment to the Board in July 2004, Mr. Erickson was replaced by Mr. Espy on the Audit Committee. Each of the members of the Audit Committee are independent as defined by the NASDAQ Marketplace rules. The Audit Committee acts pursuant to a written charter adopted by the

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Board of Directors. The functions of the Audit Committee include retaining our independent registered public accounting firm, reviewing their independence, reviewing and approving the planned scope of our annual audit, reviewing and approving any fee arrangements with our auditors, overseeing their audit work, reviewing and pre-approving any non-audit services that may be performed by them, reviewing the adequacy of accounting and financial controls, reviewing our critical accounting policies and reviewing and approving any related party transactions. The Board has determined that Ms. Gunderson is an audit committee financial expert, as defined in the rules of the Securities and Exchange Commission (the "SEC"). The Audit Committee held 11 meetings during the 2004 fiscal year.

Compensation Committee. The members of the Compensation Committee during fiscal 2004 were Mr. Berglund, Mr. Espy, Mr. Erickson and Ms. Gunderson. Upon Mr. Espy's appointment to the Board in July 2004, Mr. Espy replaced Ms. Gunderson on the Compensation Committee. Each of the members of the Compensation Committee is independent as defined by the NASDAQ Marketplace rules. The Compensation Committee sets the salary and bonus earned by the Chief Executive Officer, reviews and approves salary and bonus levels for other executive officers and approves stock option grants to executive officers. The Compensation Committee held five meetings during the 2004 fiscal year.

Nominating and Corporate Governance Committee. The members of the Nominating and Corporate Governance Committee (the "Governance Committee") during fiscal 2004 were Mr. Berglund, Mr. Erickson, Dr. Pratt and Mr. Robbins. In February 2004, Mr. Robbins resigned from the Board, and the Board then appointed Dr. Pratt to the Governance Committee to replace Mr. Robbins. Each of the members of the Governance Committee is independent as defined by the NASDAQ Marketplace rules. The Governance Committee considers qualified candidates for appointment and nomination for election to the Board and makes recommendations concerning such candidates, develops corporate governance principles for recommendation to the Board and oversees the regular evaluation of our directors and management. The Governance Committee held six meetings during the 2004 fiscal year. The Governance Committee will consider nominees recommended by stockholders. See "Director Nominations" for a description of the procedures to be followed in submitting recommendations.

Director Nominations

Consistent with its charter, the Governance Committee will evaluate and recommend director nominees to the Board for each election of directors.

In fulfilling its responsibilities, the Governance Committee considers the following factors:

the appropriate size of the Company's Board and its committees;

the needs of the Company with respect to the particular talents and experience of its directors;

the knowledge, skills and experience of nominees, including experience in mortgage banking, business, finance, administration or public service, in light of prevailing business conditions and the knowledge, skills and experience already possessed by other members of the Board;

experience with accounting rules and practices;

applicable regulatory and securities exchange/association requirements;

appreciation of the relationship of the Company's business to the changing needs of society; and

a balance between the benefit of continuity and the desire for a fresh perspective provided by new members.

The Governance Committee's goal is to assemble a Board that brings to the Company a variety of perspectives and skills derived from high quality business and professional experience. In doing so, the Governance Committee also considers candidates with appropriate non-business backgrounds.

Other than the foregoing, there are no stated minimum criteria for director nominees. However, the Governance Committee may also consider such other factors as it may deem are in the best interests of the Company

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and its stockholders. The Governance Committee does, however, recognize that at least one member of the Board should meet the criteria for an audit committee financial expert as defined by SEC rules, and that at least a majority of the members of the Board must meet the definition of independent director under the NASDAQ Marketplace rules. The Governance Committee also believes it appropriate for certain key members of the Company's management to participate as members of the Board.

The Governance Committee identifies nominees by first evaluating the current members of the Board willing to continue in service. Current members of the Board with skills and experience that are relevant to the Company's business and who are willing to continue in service are considered for re-nomination, balancing the value of continuity of service by existing members of the Board with that of obtaining a new perspective. If any member of the Board up for re-election at an upcoming annual meeting of stockholders does not wish to continue in service, the Governance Committee identifies the desired skills and experience of a new nominee in light of the criteria above. Current members of the Governance Committee and Board will be polled for suggestions as to individuals meeting the criteria of the Governance Committee. Research may also be performed to identify qualified individuals. If the Governance Committee believes that the Board requires additional candidates for nomination, the Governance Committee may explore alternative sources for identifying additional candidates. This may include engaging, as appropriate, a third party search firm to assist in identifying qualified candidates.

The Governance Committee will evaluate any recommendation for director nominee proposed by a stockholder who (i) has continuously held at least 1% of the outstanding shares of the Company's common stock entitled to vote at the annual meeting of stockholders for at least one year prior to the date the stockholder makes the recommendation and (ii) undertakes to continue to hold the common stock through the date of the meeting. In order to be evaluated in connection with the Company's established procedures for evaluating potential director nominees, any recommendation for director nominee submitted by a qualifying stockholder must be received by the Company no later than 120 days prior to the anniversary of the date proxy statements were mailed to stockholders in connection with the prior year's annual meeting of stockholders. Any stockholder recommendation for director nominee must be submitted to the Company's Corporate Secretary in writing at 15090 Avenue of Science, San Diego, California 92128 and must contain the following information:

a statement by the stockholder that he/she is the holder of at least 1% of the Company's common stock and that the stock has been held for at least a year prior to the date of the submission and that the stockholder will continue to hold the shares through the date of the annual meeting of stockholders;

the candidate's name, age, contact information and current principal occupation or employment;

a description of the candidate's qualifications and business experience during, at a minimum, the last five years, including his/her principal occupation and employment and the name and principal business of any corporation or other organization in which the candidate was employed;

the candidate's resume; and

three references.

The Governance Committee will evaluate recommendations for director nominees submitted by directors, management or qualifying stockholders in the same manner, using the criteria stated above.

All directors and director nominees will submit a completed form of directors' and officers' questionnaire as part of the nominating process. The process may also include interviews and additional background and reference checks for non-incumbent nominees, at the discretion of the

Governance Committee.

Communications with Directors

For information concerning our policy on Communications with Directors, stockholders may visit our website at www.accredhome.com and select Corporate Governance under the Investors/Shareholders link.

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Director Attendance at Annual Meetings

For information concerning our policy on Director Attendance at Annual Meetings, stockholders may visit our website at www.accredhome.com and select Corporate Governance under the Investors/Shareholders link.

Committee Charters and Other Corporate Governance Materials

The Board has adopted a written charter for each of the committees described above. In addition, the Audit Committee has adopted, and the Board has approved, a Code of Ethics for Employees and Directors that applies to all of our employees, officers and directors. Links to these materials are available on our website at www.accredhome.com under the heading Corporate Governance on the Investors/Shareholders link. A copy of the written charter of our Audit Committee, as adopted by our Board of Directors, is attached to this proxy statement as Appendix A.

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Deloitte & Touche LLP has been the Company's independent registered public accounting firm since 1997 and has been selected by the Audit Committee of the Board of Directors as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2005. Although the Company is not required to seek stockholder approval of this appointment, the Board of Directors believes it to be sound corporate governance to do so. In the event that the stockholders fail to ratify the appointment, the Audit Committee will investigate the reasons for stockholder rejection and will reconsider the appointment. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of a different independent auditing firm during the year if the Audit Committee believes that such a change would be in the best interests of the Company and its stockholders. A representative of Deloitte & Touche LLP is expected to be present at the annual meeting, with the opportunity to make a statement if the representative desires to do so, and is expected to be available to respond to appropriate questions.

The following table sets forth the aggregate fees billed to Accredited Home Lenders Holding Co. for the fiscal years ended December 31, 2003 and December 31, 2004 by Deloitte & Touche LLP:

	<u>Fiscal 2003</u>	<u>Fiscal 2004</u>
<i>Audit Fees (1)</i>	\$ 293,330	\$ 873,600
<i>Audit-Related Fees (2)</i>	\$ 20,040	\$ 647,635
<i>Tax Fees (3)</i>	\$ 209,744	\$ 250,286
<i>All Other Fees (4)</i>	\$ 97,500	\$ 169,330

- (1) *Audit Fees* consist of fees billed for professional services rendered for the audit of the Company's consolidated annual financial statements, for the audit of the REIT's annual financial statements and review of interim consolidated financial statements included in quarterly reports and services that are normally provided by Deloitte & Touche LLP in connection with statutory and regulatory filings or engagements.
- (2) *Audit-Related Fees* consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's consolidated financial statements and are not reported under *Audit Fees* (including, for 2004, compliance testing related to internal controls as required by Section 404 of the Sarbanes-Oxley Act of 2002). This category includes miscellaneous audit-related inquiries throughout the fiscal year.
- (3) *Tax Fees* consist of fees billed for professional services rendered for tax compliance, tax advice and tax planning. These services include assistance regarding federal and state tax compliance, tax audits and miscellaneous tax questions throughout the fiscal year.
- (4) *All Other Fees* consist of fees for products and services other than the services reported above. These services include agreed upon procedures on the securitizations that occurred during the fiscal year.

The Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by our independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services. The independent registered public accounting firm and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent registered public accounting firm in accordance with this pre-approval. The chair of the Audit Committee is also authorized, pursuant to delegated authority, to pre-approve additional services on a case-by-case basis, and such approvals are communicated to the full Audit Committee at its next meeting.

Table of Contents**Vote Required and Board of Directors Recommendation**

If a quorum is present, approval of this proposal requires the affirmative vote of a majority of the votes cast on the proposal at the annual meeting. Abstentions and broker non-votes will each be counted as present for purposes of determining the presence of a quorum but will not have any effect on the outcome of the proposal.

The Board of Directors recommends a vote FOR the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2005.

STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of March 30, 2005, certain information with respect to the beneficial ownership of the Company's common stock by (i) each stockholder known by the Company to be the beneficial owner of more than 5% of the Company's common stock, (ii) each director and director-nominee, (iii) each executive officer named in the Summary Compensation Table below, and (iv) all directors and executive officers of the Company as a group.

Beneficial Owner(1)	Number of Shares Beneficially Owned(2)	Percent(3)
Earnest Partners, LLC(4) 75 Fourteenth Street, Suite 2300 Atlanta, GA 30309	2,391,981	11.4%
Perry Corp.(5) 599 Lexington Avenue New York, NY 10022	1,675,000	8.0%
Goldman Sachs Asset Management, L.P.(6) 32 Old Slip New York, NY 10005	1,320,515	6.3%
Wasatch Advisors, Inc.(7) 150 Social Hall Avenue Salt Lake City, UT 84111	1,309,280	6.3%
James A. Konrath(8)	1,852,660	8.9%
Joseph J. Lydon(9)	900,000	4.3%
Ray W. McKewon(10)	824,630	3.9%
Jeffrey W. Crawford(11)	52,645	*
Jody A. Gunderson(12)	45,344	*
John S. Buchanan(13)	28,366	*
Richard T. Pratt(14)	15,580	*
James H. Berglund(15)	8,750	*
Gary M. Erickson(16)	8,750	*
Bowers W. Espy	0	*
Directors and executive officers as a group (16 persons)(17)	3,955,108	18.9%

* Less than 1%.

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- (1) Except as otherwise indicated, the persons named in this table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them, subject to community property laws where applicable and to the information contained in the footnotes to this table.
- (2) Under the rules of the SEC, a person is deemed to be the beneficial owner of shares that can be acquired by such person within 60 days.

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- (3) Calculated on the basis of 20,895,786 shares of common stock outstanding as of March 30, 2005, provided that any additional shares of common stock that a stockholder has the right to acquire within 60 days after March 30, 2005, are deemed to be outstanding for the purpose of calculating that stockholder's percentage beneficial ownership.
- (4) Based on a Schedule 13G filed by Earnest Partners, LLC on February 10, 2005. Earnest Partners, LLC retains sole voting power with respect to 1,331,800 of its 2,391,981 shares, and shares voting power with respect to 650,481 of its 2,391,981 shares. Earnest Partners, LLC retains sole dispositive power with respect to all 2,391,981 shares.
- (5) Based on a Schedule 13G filed by Perry Corp. with the SEC on February 10, 2005. Perry Corp. is a private investment firm, and Richard C. Perry is its President and sole stockholder. Perry Corp. retains sole voting and dispositive power with respect to all of its 1,675,000 shares. Mr. Perry disclaims any beneficial ownership interest of the shares of common stock held by any funds for which Perry Corp. acts as the general partner and/or investment adviser, except for that portion of such shares that relates to his economic interest in such shares.
- (6) Based on a Schedule 13G filed by Goldman Sachs Asset Management, L.P. with the SEC on February 11, 2005. Goldman Sachs Asset Management retains sole voting power on 1,054,865 of its 1,320,515 shares and sole dispositive power with respect to all of its 1,320,515 shares.
- (7) Based on a Schedule 13G filed by Wasatch Advisors, Inc. with the SEC on February 15, 2005. Wasatch Advisors, Inc. retains sole voting and dispositive power with respect to all of its 1,309,280 shares.
- (8) Includes 1,352,660 shares held in a family trust and 500,000 shares held in annuity trusts.
- (9) Shares are held in a family trust.
- (10) Includes 824,430 shares held directly and 200 shares held indirectly by the spouse.
- (11) Includes 2,739 shares subject to options that may be exercised within 60 days of March 30, 2005.
- (12) Includes 41,594 shares subject to options that may be exercised within 60 days of March 30, 2005.
- (13) Includes 8,688 shares subject to options that may be exercised within 60 days of March 30, 2005.
- (14) Includes 8,750 shares subject to options that may be exercised within 60 days of March 30, 2005.
- (15) Includes 8,750 shares subject to options that may be exercised within 60 days of March 30, 2005.
- (16) Includes 8,750 shares subject to options that may be exercised within 60 days of March 30, 2005.
- (17) See notes 8 through 16. Includes 121,784 shares subject to options exercisable within 60 days of March 30, 2005.

Table of Contents**EXECUTIVE COMPENSATION AND OTHER MATTERS**

The following table sets forth, for the fiscal years ended December 31, 2004, 2003 and 2002 all compensation earned for services rendered in all capacities by the Chief Executive Officer and each of the other top four executive officers whose salary and bonus exceeded \$100,000 in 2004. These five officers are referred to as the named executive officers. No individual who would otherwise have been includable in such table has resigned or otherwise terminated employment during 2004. The compensation table excludes other compensation in the form of perquisites and other personal benefits that constitute the lesser of \$50,000 or 10% of the total annual salary and bonus earned by each of the named executive officers in 2004, 2003 and 2002. In addition, the compensation described in this table does not include medical, group life insurance or other benefits which are available generally to all of our salaried employees.

Summary Compensation Table

Name and Principal Position		Annual Compensation		Long-Term Compensation Awards		
		Salary	Bonus(1)	Restricted Stock Awards(2)	Securities Underlying Options	All Other Compensation(3)
James A. Konrath Chairman and Chief Executive Officer	2004	\$ 357,083	\$ 446,354	\$ 803,438		\$ 6,833
	2003	\$ 318,983	\$ 398,729	\$ 382,782		\$ 6,958
	2002	\$ 250,892	\$ 313,615			\$ 6,000
Joseph J. Lydon President and Chief Operating Officer	2004	\$ 357,083	\$ 446,354	\$ 803,438		\$
	2003	\$ 320,987	\$ 401,234	\$ 385,185		\$
	2002	\$ 274,743	\$ 343,429			\$ 244,500