UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2005

or

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

For the transition period from __________ to __________

Commission File Number 0-50179

ACCREDITED HOME LENDERS HOLDING CO.

(Exact name of registrant as specified in its charter)

Delaware	**04-3669482**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

15090 Avenue of Science

San Diego, California 92128

(Address of principal executive offices) (Zip Code)

Registrant s telephone number, including area code: 858-676-2100

Former name, former address and former fiscal year, if changed since last report: Not applicable.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x or No ¨

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes x or No ¨

The number of outstanding shares of the registrant s common stock as of April 30, 2005 was 21,698,889.

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FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements. When used in this report, statements which are not historical in nature, including the words anticipate, estimate, should, expect, believe, intend and similar expressions are intended to identify forward-looking statements. Th include statements containing a projection of revenues, earnings or losses, capital expenditures, dividends, capital structure or other financial terms.

The forward-looking statements in this report are based upon our management s beliefs, assumptions and expectations of our future operations and economic performance, taking into account the information currently available to them. These statements are not statements of historical fact. Forward-looking statements involve risks and uncertainties, some of which are not currently known to us, that may cause our actual results, performance or financial condition to be materially different from the expectations of future results, performance or financial condition we express or imply in any forward-looking statements. Some of the important factors that could cause our actual results, performance or financial condition to differ materially from expectations are:

- changes in demand for, or value of, mortgage loans due to the attributes of the loans we originate; the characteristics of our borrowers; and fluctuations in the real estate market, interest rates or the market in which we sell or securitize our loans;
- the degree and nature of our competition;
- a general deterioration in economic or political conditions;
- our ability to protect and hedge our mortgage loan portfolio against adverse interest rate movements;
- changes in government regulations that affect our ability to originate and service mortgage loans;
- changes in the credit markets, which affect our ability to borrow money to originate mortgage loans;
- our ability to employ and retain qualified employees; and
- the other factors referenced in this report, including, without limitation, under the section entitled ITEM 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this report might not occur. We qualify any and all of our forward-looking statements entirely by these cautionary factors.

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In this Form 10-Q, unless the context requires otherwise, Accredited, Company, we, our, and us means Accredited Home Lenders Holding Co. and its subsidiaries.

PART I

ITEM 1. Financial Statements

ACCREDITED HOME LENDERS HOLDING CO. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except par value and per share amounts)

	March 31, 2005	December 31, 2004
	(Unaudited)	
ASSETS		
Cash and cash equivalents	$ 62,835	$ 35,155
Restricted cash	6,054	4,589
Mortgage loans held for sale, net of reserve of $19,906 and $17,065, respectively	1,947,326	1,790,134
Mortgage loans held for investment, net of reserve of $69,298 and $60,138 respectively	5,277,564	4,690,758
Furniture, fixtures and equipment, net	33,784	34,763
Other receivables	56,674	57,658
Deferred income tax asset	10,749	34,250
Prepaid expenses and other assets	58,263	41,070
Total assets	$ 7,453,249	$ 6,688,377
LIABILITIES AND STOCKHOLDERS EQUITY		
LIABILITIES:		
Warehouse credit facilities	$ 2,391,848	$ 2,204,860
Securitization bond financing	4,504,863	3,954,115
Income taxes payable	2,146	22,310
Accounts payable and accrued liabilities	46,429	46,615
Total liabilities	6,945,286	6,227,900
COMMITMENTS AND CONTINGENCIES (Note 12)		
MINORITY INTEREST IN SUBSIDIARY	97,922	97,922
STOCKHOLDERS EQUITY:		
Preferred stock, $.001 par value; authorized 5,000,000 shares; no shares issued or outstanding		
Common stock, $.001 par value; authorized 40,000,000 shares; issued and outstanding 21,647,140 shares and 21,379,690 shares, respectively (including 750,556 and 585,545, respectively, of restricted stock awarded under the deferred compensation plan)	22	21
Additional paid-in capital	93,119	84,281
Unearned compensation	(17,689)	(12,058)
Accumulated other comprehensive income	15,033	2,042

Retained earnings	319,556	288,269
Total stockholders equity	410,041	362,555
Total liabilities and stockholders equity	$ 7,453,249	$ 6,688,377

The accompanying notes are an integral part of these consolidated financial statements.

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ACCREDITED HOME LENDERS HOLDING CO. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	Three Months Ended March 31,	
	2005	**2004**
	(Unaudited)	
REVENUES:		
Interest income	$ 124,893	$ 60,626
Interest expense	(54,327)	(20,930)
Net interest income	70,566	39,696
Provision for losses	(17,937)	(7,449)
Net interest income after provision	52,629	32,247
Gain on sale of loans	66,463	54,730
Loan servicing income	2,115	1,563
Other income	1,831	1,905
Total net revenues	123,038	90,445
OPERATING EXPENSES:		
Salaries, wages and benefits	42,427	35,255
General and administrative expenses	13,093	9,587
Occupancy	5,023	3,853
Advertising and promotion	4,107	2,466
Depreciation and amortization	3,404	1,774
Total operating expenses	68,054	52,935
Income before income taxes and minority interest	54,984	37,510
Income tax provision	21,202	15,004
Minority interest dividends on preferred stock of subsidiary	2,495	
Net income	$ 31,287	$ 22,506
Earnings per common share:		
Basic	$ 1.50	$ 1.12
Diluted	$ 1.43	$ 1.05
Weighted average shares outstanding:		
Basic	20,851	20,119
Diluted	21,847	21,504

The accompanying notes are an integral part of these consolidated financial statements.

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ACCREDITED HOME LENDERS HOLDING CO. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Three Months Ended March 31,	
	2005	**2004**
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 31,287	$ 22,506
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	3,404	1,774
Provision for losses	17,937	7,449
Minority interest dividends paid on preferred stock of subsidiary	2,495	
Deferred income tax provision (benefit)	14,829	(2,236)
Unrealized loss on risk derivatives	10,103	(5,762)
Reclassification adjustment into earnings for realized gain on derivatives	(2,297)	
Other	720	529
Changes in operating assets and liabilities:		
Restricted cash	(1,460)	(5,451)
Gross changes in mortgage loans held for sale:		
Mortgage loans held for sale originated, net of fees	(3,231,355)	(2,388,770)
Cost of loans sold, net of fees	2,088,240	1,582,909
Principal payments received on loans held for sale	24,346	11,274
Other receivables	2,433	(12,238)
Prepaid expenses and other assets	6,801	(8,195)
Income taxes payable	(18,508)	11,611
Accounts payable and accrued liabilities	(482)	6,556
Net cash used in operating activities	(1,051,507)	(778,044)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Principal payments received on loans held for investment	349,191	123,734
Capital expenditures	(2,427)	(7,414)
Net cash provided by investing activities	346,764	116,320
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from warehouse credit facilities	186,988	301,005
Proceeds from issuance of securitization bond financing, net of fees	899,374	503,104
Payments on securitization bond financing	(351,901)	(135,346)
Payments on capital leases		(7)
Proceeds from sale of common stock through employee stock plans	525	391
Payment by consolidated subsidiary of preferred stock dividends	(2,495)	
Net cash provided by financing activities	732,491	669,147

Effect of exchange rate changes on cash	(68)	
Net increase in cash and cash equivalents	27,680	7,423
Beginning balance, cash and cash equivalents	35,155	27,119
Ending balance, cash and cash equivalents	$ 62,835	$ 34,542

The accompanying notes are an integral part of these consolidated financial statements.

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ACCREDITED HOME LENDERS HOLDING CO. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of Accredited Home Lenders Holding Co. (AHLHC), a Delaware corporation, its wholly owned subsidiaries, Accredited Home Lenders, Inc. (AHL) and Accredited Home Lenders Canada, Inc., and AHL s subsidiary Accredited Mortgage Loan REIT Trust (the REIT) (collectively referred to as Accredited).

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005. All intercompany balances and transactions are eliminated in consolidation. The unaudited consolidated financial statements presented herein should be read in conjunction with the audited consolidated financial statements and related notes thereto included in AHLHC s Annual Report on Form 10-K for the year ended December 31, 2004.

Accredited engages in the business of originating, financing, securitizing, selling and servicing non-prime mortgage loans secured by residential real estate. Accredited focuses on borrowers who may not meet conforming underwriting guidelines because of higher loan-to-value ratios, the nature or absence of income documentation, limited credit histories, high levels of consumer debt, or past credit difficulties. Accredited originates loans primarily based upon the borrower s willingness and ability to repay the loan and the adequacy of the collateral.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of financial statement presentation, Accredited considers all liquid investments with an original maturity of three months or less to be cash equivalents.

Mortgage Banking Activities

Accredited originates, finances, securitizes, sells and services mortgage loans secured by residential real estate. Accredited recognizes interest income on loans held for sale and investment from the time that it originates the loan until the time the loans are sold or securitized. Interest income is also recognized over the life of the loans that Accredited has securitized in structures that require financing treatment. Gains on sale of loans are recognized upon the sale of loans for a premium to various third-party investors under purchase and sale agreements. Loan sales may be either on a servicing retained or released basis. Loan servicing income represents all contractual and ancillary servicing revenue for loans that Accredited services for others, net of subservicing costs and Accredited s servicing costs, and amortization of mortgage servicing rights. Subservicing costs are the amounts Accredited pays to others to service loans on Accredited s behalf.

In the ordinary course of business, an investor may request that Accredited refund a portion of the premium paid on the sale of mortgage loans if a loan is prepaid in full within a certain amount of time from the date of sale. Accredited records a reserve for estimated premium recapture on loans sold, which is charged to gain on sale of loans.

Mortgage Loans Held for Sale

Mortgage loans held for sale are carried at the lower of aggregate cost (including hedge basis adjustments) or market. Market is determined by current investor commitments or, in the absence of such commitments, upon current investor commitments for loans of similar credit quality. Market valuation reserves have been provided on certain non-performing loans and other loans held for sale based upon Accredited s estimate of probable losses, generally based on Accredited s loss history for such loans. Valuation adjustments are charged against operations.

Gains or losses resulting from loan sales are recognized at the time of sale, based on the difference between the net sales proceeds and the allocated book value of the loans sold. During the three months ended March 31, 2005 and 2004, Accredited sold $2.1 billion and $1.6 billion, respectively, of loans with mortgage servicing rights released.

Mortgage Loans Held for Investment and Securitization Bond Financing

Mortgage loans held for investment include loans that Accredited has securitized in structures that require financing treatment as well as mortgage loans held for securitization. During each of the three-month periods ended March 31, 2005 and 2004, Accredited completed one securitization of mortgage loans totaling $917.2 million and $505.0 million, respectively, that were structured as financings under SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities a replacement of FASB Statement No. 125.*

These securitizations are structured legally as sales, but for accounting purposes are treated as financings under SFAS No. 140. These securitizations do not meet the qualifying special purpose entity criteria under SFAS No. 140 and related interpretations because after the loans are securitized, the securitization trusts may acquire derivatives relating to beneficial interests retained by Accredited and, Accredited, as servicer, subject to applicable contractual provisions, has discretion, consistent with prudent mortgage servicing practices, to determine whether to sell or work out any loans securitized through the securitization trusts that become troubled. Accordingly, the loans remain on the balance sheet as loans held for investment , retained interests are not created, and securitization bond financing replaces the warehouse debt originally associated with the loans held for investment. Accredited records interest income on loans held for investment and interest expense on the bonds issued in the securitizations over the life of the securitizations. Deferred debt issuance costs and discounts related to the bonds are amortized on a level yield basis over the estimated life of the bonds.

Accredited periodically evaluates the need for or the adequacy of the allowance for loan losses on its loans held for investment. Provision for loan losses on loans held for investment is made in an amount sufficient to maintain credit loss allowances at a level considered appropriate to cover probable losses in the portfolio. Accredited defines a loan as non-accruing at the time the loan becomes 90 days or more delinquent under its payment terms. Probable losses are determined based on segmenting the portfolio relating to their contractual delinquency status and applying Accredited s historical loss experience. Accredited also uses other analytical tools to determine the reasonableness of the allowance for loan losses. Loss estimates are reviewed periodically and adjustments are reported in earnings. As these estimates are influenced by factors outside of Accredited s control, there is uncertainty inherent in these estimates, making it reasonably possible that they could change. Carrying values are written down to fair value when the loan is foreclosed upon or deemed uncollectible.

Derivative Financial Instruments

As part of Accredited s interest rate management process, Accredited uses derivative financial instruments such as Eurodollar futures and options. In connection with five of Accredited s securitizations structured as financings, Accredited entered into interest rate cap agreements. In connection with two of Accredited s securitizations structured as financings, Accredited entered into interest rate swap agreements. It is not Accredited s policy to use derivatives to speculate on interest rates. In accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended and interpreted, derivative financial instruments are reported on the consolidated balance sheets at their fair value.

Fair Value Hedges

Accredited designates certain derivative financial instruments as hedge instruments under SFAS No. 133, and at trade date, these instruments and their hedging relationship are identified, designated and documented. For derivative financial instruments designated as hedge instruments, Accredited evaluates the effectiveness of these hedges against the mortgage loans being hedged to ensure that there remains adequate correlation in the hedge relationship. To hedge the effect of interest rate changes on the fair value of mortgage loans held for sale, Accredited uses derivatives as fair value hedges under SFAS No. 133. Once the hedge relationship is established, the realized and unrealized changes in fair value of both the hedge instrument and mortgage loans are recognized in the period in which the changes occur. Any change in the fair value of mortgage loans held for sale recognized as a result of hedge accounting is reversed at the time Accredited sells the mortgage loans. This

results in a correspondingly higher or lower gain on sale revenue at such time. The net amount recorded in the consolidated statements of operations is referred to as hedge ineffectiveness.

Cash Flow Hedges

During the third quarter of 2004, Accredited implemented the use of cash flow hedging on its securitization debt under SFAS No. 133. Pursuant to SFAS No. 133, hedge instruments have been designated as hedging the exposure to variability of cash flows from our securitization debt attributable to interest rate risk. Cash flow hedge accounting requires that the effective portion of the gain or loss in the fair value of a derivative instrument designated as a hedge be reported as a component of other comprehensive income in stockholders equity, and recognized into earnings in the period during which the hedged transaction affects earnings pursuant to SFAS No. 133. At the inception of the hedge and on an ongoing basis, Accredited assesses whether the derivatives used in hedging transactions are highly effective in offsetting changes in cash flows of the hedged items. When it is determined that a derivative is not highly effective as a hedge, Accredited discontinues cash flow hedge accounting prospectively. In the instance cash flow hedge accounting is discontinued, the derivative will continue to be recorded on the balance sheet at its fair value. Any change in the fair value of a derivative no longer qualifying as an effective hedge is recognized in current period earnings. For terminated hedges or hedges that no longer qualify as effective, the effective portion previously recorded remains in other comprehensive income and continues to be amortized or accreted into earnings with the hedged item. The ineffective portion on the derivative instrument is reported in current earnings as a component of interest expense.

For derivative financial instruments not designated as hedge instruments, unrealized changes in fair value are recognized in the period in which the changes occur and realized gains and losses are recognized in the period in which such instruments are settled.

Provision for Losses

Market valuation adjustments have been recorded on certain nonperforming loans, other loans held for sale and real estate owned. These adjustments are based on Accredited s estimate of probable losses, calculated using loss severity and loss frequency rate assumptions and are based on the value that Accredited could reasonably expect to obtain from a sale, that is, other than in a forced or liquidation sale. Provision for losses on loans held for investment is recorded in an amount sufficient to maintain the allowance for loan losses at a level considered appropriate to cover probable losses on such loans. Provision for losses also includes net losses on real estate owned. Accredited accrues liabilities associated with loans sold which may be required to be repurchased due to breaches of representations and warranties or early payment defaults. Accredited periodically evaluates the estimates used in calculating expected losses and adjustments are reported in earnings. As these estimates are influenced by factors outside of Accredited s control and as uncertainty is inherent in these estimates, actual amounts charged-off could differ from amounts recorded.

Interest Income

Interest income is recorded when earned. Interest income represents the interest earned on loans held for sale during the period prior to their securitization or sale, loans held for investment and mortgage-related securities. For loans which are 90 days or more delinquent, Accredited reverses income previously recognized but not collected, and ceases to accrue income until all past-due amounts are collected. In addition, Accredited calculates an effective yield based on the carrying amount of the mortgage-related securities and Accredited s then-current estimates of future cash flows and recognizes accretion income, which is included as a component of interest income.

Escrow and Fiduciary Funds

Accredited maintains segregated bank accounts in trust for the benefit of investors for payments on securitized loans and mortgage loans serviced for investors. Accredited also maintains bank accounts for the benefit of borrowers property tax and hazard insurance premium payments that are escrowed by borrowers. These bank accounts totaled $120.5 million and $101.9 million at March 31, 2005 and December 31, 2004, respectively, and are excluded from Accredited s assets and liabilities.

Income Taxes

Deferred tax assets and liabilities are determined based on temporary differences between financial reporting and tax basis of assets and liabilities and are measured by applying enacted tax rates and laws to taxable years in which such temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. If necessary, a valuation allowance is established based on management s determination of the likelihood of realization of deferred tax assets.

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Real Estate Owned

Real estate acquired in settlement of loans generally results when property collateralizing a loan is foreclosed upon or otherwise acquired by Accredited in satisfaction of the loan. Real estate acquired through foreclosure is carried at fair value less costs to dispose. Fair value is based on the net amount that Accredited could reasonably expect to receive for the asset in a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale. Adjustments to the carrying value of real estate owned are made through valuation allowances and charge-offs recognized through a charge to earnings. Legal fees and other direct costs incurred after foreclosure are expensed as incurred. At March 31, 2005 and December 31, 2004, real estate owned amounting to $8.5 million and $6.1 million, net of valuation allowances, respectively, is included in other assets.

Stock-Based Compensation

Accredited currently accounts for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion (APB) No. 25, *Accounting for Stock Issued to Employees* and related interpretations. Accordingly, compensation cost for stock options is measured as the excess, if any, of the fair value of Accredited s stock at the date of grant over the grant price.

SFAS No. 123, *Accounting for Stock-Based Compensation,* encourages, but does not require, companies to record compensation cost for stock-based employee compensation plans at fair value.

Accredited has adopted the disclosure only provisions of SFAS No. 123. Had compensation cost for Accredited s stock-based compensation plans been determined based on the fair value at the grant date for options consistent with the provisions of SFAS No. 123, Accredited s net income would have been reduced to the pro forma amounts in the following table.

	Three Months Ended March 31,	
	2005	**2004**
	(In thousands, except per share amounts)	
Net income, as reported	$ 31,287	$ 22,506
Add: Stock-based compensation included in reported net income, net of tax	28	28
Deduct: Stock-based employee compensation expense determined using fair value method, net of tax	(758)	(627)
Pro forma net income	$ 30,557	$ 21,907
Earnings per share:		
Basic as reported	$ 1.50	$ 1.12
Basic pro forma	$ 1.47	$ 1.09
Diluted as reported	$ 1.43	$ 1.05

Diluted pro forma	$ 1.40	$ 1.02

The fair value of each option grant and purchase right is estimated as of the date of the grant using the Black-Scholes option-pricing model. The weighted average risk free rate applied is for a period commensurate with the expected life of the options or purchase rights. Accredited s historical volatility is used for options or purchase rights where there is sufficient history to correspond with the term of the option or purchase right. Where there is insufficient history due to the limited time that Accredited has been a publicly traded company, Accredited s volatility is calculated as an average of its own volatility and the mean of its closest competitors volatility for the respective periods. The underlying assumptions used to estimate the fair values of options and purchase rights granted are as follows:

	Three Months Ended March 31,	
	2005	**2004**
Weighted average risk free rate for options	3.31%	1.99%
Weighted average risk free rate for purchase rights	2.63%	1.02%
Weighted average expected option life	2.6 yrs	2.7 yrs
Expected purchase right life	0.5 yrs	0.5 yrs
Expected stock price volatility for options	45%	57%
Expected stock price volatility for purchase rights	45%	51%
Expected dividend yield		
Weighted average fair value of options granted with an exercise price equal to market price on grant date	$ 14.41	$ 14.76
Weighted average fair value of purchase rights granted	$ 13.90	$ 8.99

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In December 2004, the FASB issued a revision of SFAS No. 123, which also supersedes APB 25. The compliance date for the revised standard was extended by the Securities and Exchange Commission (the SEC) in April 2005. The revision, as extended by the SEC, applies to all options granted after December 31, 2005 and requires the recognition of compensation expense in the financial statements for all share-based payment transactions subsequent to that date.

Comprehensive Income

Other comprehensive income includes unrealized gains and losses that are excluded from the consolidated Statements of Operations and are reported as a separate component in stockholders equity. The unrealized gains and losses include unrealized gains and losses on the effective portion of cash flow hedges and foreign currency translation adjustments.

Accumulated other comprehensive income and comprehensive income are determined as follows:

	Accumulated Other Comprehensive Income	Comprehensive Income
	(In thousands)	(Unaudited)
Balance at December 31, 2003	$	
Net income		$ 22,506
Balance at March 31, 2004	$	$ 22,506
Balance at December 31, 2004	$ 2,042	
Net income		$ 31,287
Net unrealized gains on cash flow hedges, net of taxes of $9,589	14,377	14,377
Reclassification adjustment into earnings for realized gain on derivatives, net of taxes of $917	(1,379)	(1,379)
Foreign currency translation adjustments	(7)	(7)
Balance at March 31, 2005	$ 15,033	$ 44,278

Segment Reporting

Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. These segments should engage in business activities and have discrete financial information available, such as revenue, expenses, and assets. While Accredited s management monitors originations and notional sales gains by wholesale and retail channels, it does not record any of the actual financial results other than direct expenses by these groups. In addition, the retail originations have generally been less than 10% of total originations over the past five years. Accordingly, Accredited operates in one reportable operating segment.

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Reclassifications

Certain items in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on reported net income. A reclassification of $139,000 in net realized and unrealized gains on insurance contracts used to fund the Company s deferred compensation plan previously reported in other income to salaries, wages and benefits was made in the consolidated statement of operations for the three months ended March 31, 2004 to conform to the March 31, 2005 presentation.

Recently Issued Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board issued a revision of SFAS No. 123, *Accounting for Stock-Based Compensation*, which also supersedes APB 25, Accounting for Stock Issued to Employees. The revised standard eliminates the alternative to use Opinion 25 s intrinsic value method of accounting and eliminates the disclosure only provisions of SFAS No. 123. The compliance date for the revised standard was extended by the Securities and Exchange Commission (the SEC) in April 2005. The revision, as extended by the SEC, applies to all awards granted after December 31, 2005 and requires the recognition of the cost of employee services received in exchange for awards of equity instruments based on the grant-date fair value of those awards and applies to all stock options and awards granted after December 31, 2005 and requires the recognition of compensation expense in the financial statements for all share-based payment transactions subsequent to that date. The revision also requires the prospective recognition of compensation expense in the financial statements for all unvested options as of January 1, 2006. Adoption of this standard on January 1, 2006 will have a slightly negative impact on our earnings based on the pro forma data in the table above.

2. CONCENTRATIONS OF RISK

Significant Customers

During the three months ended March 31, 2005, Accredited sold $634.8 million, $593.9 million and $231.3 million in loans to three separate investors, which represented 30%, 28% and 11%, respectively, of total loans sold. During the three months ended March 31, 2004, Accredited sold $516.9 million, $299.9 million and $153.1 million in loans to three separate investors, which represented 33%, 19% and 10%, respectively, of total loans sold. No other sales to individual investors accounted for more than 10% of total loans sold during the three months ended March 31, 2005 and 2004.

Credit Repurchase Risk

Accredited s sales of mortgage loans are subject to standard mortgage industry representations and warranties, material violations of which may require Accredited to repurchase one or more mortgage loans, including provisions requiring Accredited to repurchase a loan if a borrower fails to make one or more of the first loan payments due on the loan. During the three months ended March 31, 2005 and 2004 loans repurchased totaled $17.2 million and $3.7 million, respectively, pursuant to the these provisions. At March 31, 2005 and December 31, 2004, the reserve for potential future repurchases totaled $5.5 million and $5.1 million, respectively.

Geographical Concentration

Properties securing the mortgage loans in Accredited s servicing portfolio, including loans subserviced, are geographically dispersed throughout the United States and, to a much lesser extent, in Canada. At March 31, 2005 and December 31, 2004, 28% and 29%, respectively, of the unpaid principal balance of mortgage loans in Accredited s servicing portfolio were secured by properties located in California. The remaining properties securing mortgage loans serviced did not exceed 10% in any other state at March 31, 2005 or December 31, 2004.

Loan originations are geographically dispersed throughout the United States and, to a much lesser extent, in Canada. During the three months ended March 31, 2005, 22% and 10% of loans originated were collateralized by properties located in California and Florida, respectively. During the three months ended March 31, 2004, 31% of loans originated were collateralized by properties located in California. The remaining originations did not exceed 10% in any other state during either of these periods.

An overall decline in the economy or the residential real estate market, or the occurrence of a natural disaster that is not covered by standard homeowners insurance policies, such as an earthquake, hurricane or wildfire, could decrease the value of mortgaged properties. This, in turn, would increase the risk of delinquency, default or foreclosure on mortgage loans in our portfolio or that we have sold to others. This could restrict our ability to originate, sell, or securitize mortgage loans, and significantly harm our business, financial condition, liquidity and results of operations.

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3. MORTGAGE LOANS

Mortgage loans held for sale Mortgage loans held for sale were as follows:

	March 31, 2005	December 31, 2004
	(In thousands)	
	(Unaudited)	
Mortgage loans held for sale principal balance	$ 1,967,741	$ 1,805,620
Basis adjustment for fair value hedge accounting	(3,648)	5
Net deferred origination costs	3,139	1,574
Market reserve	(19,906)	(17,065)
Mortgage loans held for sale, net	$ 1,947,326	$ 1,790,134

Mortgage loans held for investment Mortgage loans held for investment were as follows:

	March 31, 2005	December 31, 2004
	(In thousands)	
	(Unaudited)	
Mortgage loans held for investment principal balance	$ 4,667,616	$ 4,101,982
Mortgage loans held for securitization	676,715	642,451
Basis adjustment for fair value hedge accounting	9,451	12,365
Net deferred origination fees	(6,920)	(5,902)
Allowance for loan losses	(69,298)	(60,138)
Mortgage loans held for investment, net	$ 5,277,564	$ 4,690,758

Reserves for losses - Activity in the reserves was as follows:

	Balance at Beginning of Year	Provision for Losses	Chargeoffs, net	Transfers	Balance at End of Period
	(In thousands) (Unaudited)				
Three Months Ended March 31,:					
2005:					
Mortgage loans held for sale	$ 17,065	$ 4,386	$ (1,545)	$	$ 19,906
Mortgage loans held for investment	60,138	10,085	(925)		69,298
Real estate owned	4,405	2,763	(772)		6,396

Reserve for repurchases included in accrued liabilities	5,126	703	(368)		5,461
Total	$ 86,734	$ 17,937	$ (3,610)	$	$ 101,061
2004:					
Mortgage loans held for sale	$ 9,698	$ 2,094	$ (840)	$ (927)	$ 10,025
Mortgage loans held for investment	21,761	5,057	(262)	160	26,716
Real estate owned	2,328	(109)	(1,226)	767	1,760
Reserve for repurchases included in accrued liabilities	5,445	407	(67)		5,785
Total	$ 39,232	$ 7,449	$ (2,395)	$	$ 44,286

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The following tables summarize the historical loss and delinquency amounts for the serviced portfolio, including mortgage loans and real estate owned:

	At March 31, 2005		Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
	Total Principal Amount	Delinquent Principal Over 90 Days	Credit Losses, net of recoveries	Credit Losses, net of recoveries
	(In thousands) (Unaudited)			
Mortgage loans held for sale(1)	$ 1,967,741	$ 18,667	$ 1,913	$ 907
Mortgage loans held for investment	5,344,331	29,673	925	262
Real estate owned	14,897	14,897	772	1,226
Off-balance sheet serviced portfolio(2)	149,133	17,718	1,054	1,525
Total	$ 7,476,102	$ 80,955	$ 4,664	$ 3,920

	At December 31, 2004	
	Total Principal Amount	Delinquent Principal Over 90 Days
	(In thousands)	
Mortgage loans held for sale(1)	$ 1,805,620	$ 18,556
Mortgage loans held for investment	4,744,433	22,634
Real estate owned	10,526	10,526
Off-balance sheet serviced portfolio(2)	171,002	20,324
Total	$ 6,731,581	$ 72,040

(1) Includes loans repurchased.

(2) Includes off-balance sheet mortgage loans sold servicing retained or securitized, and real estate owned.

4. OTHER RECEIVABLES

Other receivables were as follows:

	March 31, 2005	December 31, 2004

	(In thousands)	
	(Unaudited)	
Accrued interest on mortgage loans	$ 31,963	$ 28,852
Deposit in derivative margin account	12,381	15,457
Corporate, escrow and servicing advances	10,367	10,491
Other	1,963	2,858
Total	$ 56,674	$ 57,658

5. DERIVATIVE FINANCIAL INSTRUMENTS

Fair Value Hedges

Accredited uses hedge accounting as required by SFAS No. 133 for certain derivative financial instruments used to hedge its mortgage loans held for sale and mortgage loans held for investment. At March 31, 2005 and December 31, 2004 fair value hedge basis adjustments of ($3.6 million) and $5,000, respectively, are included as an addition to (a reduction in) mortgage loans held for sale related to the $935.8 million and $1.6 billion, respectively, of such loans designated as the hedged assets. Hedge ineffectiveness associated with these fair value hedges of ($0.2 million) and $0.4 million was recorded in earnings during the three months ended March 31, 2005 and 2004, respectively, and is included as an addition to (a reduction in) gain on sale of loans in the consolidated statements of operations.

At March 31, 2005 and December 31, 2004, fair value hedge basis adjustments of $9.5 million and $12.4 million, respectively, are included in loans held for investment. Hedge ineffectiveness associated with these fair value hedges of zero and ($0.1) million was recorded in earnings during the three months ended March 31, 2005 and 2004, respectively, and is included as a reduction in interest income in the consolidated statements of operations.

Cash Flow Hedges

During the third quarter of 2004, Accredited implemented the use of cash flow hedge accounting on its securitization debt under SFAS No. 133. Previously Accredited had been using fair value hedge accounting, but elected to add this alternative method to accommodate elements of the REIT requirements. The net impact on earnings is not expected to be materially different under the two methods. Effective unrealized gains, net of effective unrealized losses, associated with cash flow hedges of $24.0 million, reduced by related tax liabilities of $9.6 million, were recorded in other comprehensive income during the three months ended March 31, 2005, which is reported as a component of stockholders equity. These contracts settle on various dates ranging from April 2005 to March 2012. A total of $16.7 million in net effective gains before taxes, included in other comprehensive income at March 31, 2005, is expected to be reclassified into earnings during the next twelve months. Hedge ineffectiveness associated with cash flow hedges of $1.1 million was recorded in earnings during the three months ended March 31, 2005, and is included as a component of interest expense in the consolidated statements of operations.

Futures Contracts, Options Contracts, Interest Rate Swap and Cap Agreements and Margin Accounts

At March 31, 2005 Accredited had outstanding futures contracts, options contracts and interest rate swap agreements which were designated as hedge instruments, as well as interest rate cap agreements. At March 31, 2005 and December 31, 2004, the fair value of the margin account balances required for these derivatives and the futures contracts was $12.4 million and $15.5 million, respectively, and is included in other receivables. At March 31, 2005, the fair value of the options contracts, interest rate swap and cap agreements was $2.7 million, $11.3 million and $0.3 million, respectively, and is included in other assets. At December 31, 2004, the fair value of the options contracts, interest rate swap and cap agreements was $1.0 million, $1.8 million and $0.3 million, respectively. The total net liquidation value at March 31, 2005 and December 31, 2004 of these derivatives and related margin account balances was $26.7 million and $18.6 million, respectively. A gain of $1.7 million on derivative instruments not designated for SFAS No. 133 hedge accounting treatment was recorded in interest expense on the statement of operations during the three months ended March 31, 2005 relating to the gain in value of interest rate cap agreements and interest rate swap agreements.

Margin Accounts

The change in fair value of derivative financial instruments and the related hedged asset recorded in earnings was as follows:

	Interest Income	Interest Expense	Gain on Sale	Other Income	Total
		(In thousands) (Unaudited)			
Three months ended March 31,:					
2005:					
Net unrealized gain (loss)	$ (1,778)	$ (5,351)	$ (3,011)	$ 37	$ (10,103)
Net realized gain		10,215	9,773	27	20,015

Total	$ (1,778)	$ 4,864	$ 6,762	$ 64	$ 9,912
2004:					
Net unrealized gain (loss)	$ (1,506)	$	$ 7,287	$ (19)	$ 5,762
Net realized loss	(1,791)		(12,675)	(329)	(14,795)
Total	$ (3,297)	$	$ (5,388)	$ (348)	$ (9,033)

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6. WAREHOUSE CREDIT FACILITIES

Outstanding warehouse credit facilities consisted of the following:

	March 31, 2005	December 31, 2004
	(In thousands)	
	(Unaudited)	
A $660 million warehouse credit facility expiring December 15, 2006, collateralized by performing, aged and delinquent loans, bearing interest based on One-Month LIBOR (rate was 3.820% to 5.370% at March 31, 2005)	$ 573,445	$ 266,436
A $600 million combined warehouse credit facility expiring December 8, 2005, collateralized by performing, aged and delinquent loans and REO property, bearing interest based on One-Month LIBOR (rate was 3.810% to 4.035% at March 31, 2005)	562,613	210,979
A $600 million warehouse credit facility expiring November 7, 2005, collateralized by performing, aged and delinquent loans, bearing interest based on One-Month LIBOR (rate was 3.820% to 3.970% at March 31, 2005)	401,721	371,213
A $500 million combined warehouse credit facility expiring July 30, 2005, collateralized by performing, aged and delinquent loans and REO property, bearing interest based on One-Month LIBOR (rate was 3.750% to 6.350% at March 31, 2005)	312,926	376,290
A $650 million warehouse credit facility expiring May 27, 2005, collateralized by performing, aged and delinquent loans, bearing interest based on One-Month LIBOR (rate was 3.770% to 4.470% at March 31, 2005)	219,954	277,280
A $650 million combined warehouse credit facility expiring October 7, 2005, collateralized by performing, aged and delinquent loans and REO property, bearing interest based on One-Month LIBOR (rate was 3.725% to 4.000% at March 31, 2005)	161,713	404,816
A $300 million warehouse credit facility expiring August 1, 2005, collateralized by performing, aged and delinquent loans, bearing interest based on One-Month LIBOR (rate was 3.975% at March 31, 2005)	139,492	269,020
A $40 million warehouse credit facility expiring August 31, 2005, collateralized by performing loans, bearing interest based on the prime rate (rate was 3.370% to 3.620% at March 31, 2005)	19,984	28,826
Total warehouse credit facilities	$ 2,391,848	$ 2,204,860

At March 31, 2005, Accredited was in compliance with all covenant requirements for each of the facilities. Accredited s warehouse and other credit facilities contain customary covenants including minimum liquidity, profitability and net worth requirements and limitations on other indebtedness. If Accredited fails to comply with any of these covenants or otherwise defaults under a facility, the lender has the right to terminate the facility and require immediate repayment that may require sale of the collateral at less than optimal terms. In addition, if Accredited defaults under one facility, it would generally trigger a default under Accredited s other facilities.

Accredited anticipates that its borrowings will be repaid from net proceeds from the sale of loans and other assets, cash flows from operations, or from refinancing the borrowings. Accredited believes that it can continue to comply with loan covenants and that other alternative sources of credit are available to Accredited to repay maturing loans if anticipated asset sales are not completed by loan due dates.

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7. SECURITIZATION BOND FINANCING

Securitization bond financing consisted of the following:

	March 31, 2005	December 31, 2004
	(In thousands)	
	(Unaudited)	
Series 2002-1 securitization with a stated maturity date of July 25, 2032 and an interest rate of 4.93% for the fixed portion of the bond and One-Month LIBOR plus 0.32% for the variable rate portion of the bond	$ 58,694	$ 64,644
Series 2002-2 securitization with a stated maturity date range of January 25, 2033 through February 25, 2033 and an interest rate of 4.48% for the fixed portion of the bond and a range of One-Month LIBOR plus 0.49% to One-Month LIBOR plus 0.50% for the variable rate portions of the bond	193,765	221,021
Series 2003-1 securitization with a stated maturity date of June 25, 2033 and an interest rate of 3.58% for the fixed portion of the bond and a range of One-Month LIBOR plus 0.35% to One-Month LIBOR plus 0.38% for the variable rate portions of the bond	128,125	147,530
Series 2003-2 securitization with a stated maturity date of October 25, 2033 and an interest rate of 4.23% for the fixed portion of the bond and a range of One-Month LIBOR plus 0.35% to One-Month LIBOR plus 0.37% for the variable rate portions of the bond	222,994	251,278
Series 2003-3 securitization with a stated maturity date of January 25, 2034 and an interest rate of 4.46% for the fixed portion of the bond and One-Month LIBOR plus 0.38% for the variable rate portions of the bond	296,671	342,386
Series 2004-1 securitization with a stated maturity date of April 25, 2034 and an interest rate of One-Month LIBOR plus 0.30%	333,036	384,857
Series 2004-2 securitization with a stated maturity date of July 25, 2034 and an interest rate range of One-Month LIBOR plus 0.29% to One-Month LIBOR plus 0.30%	552,669	604,229
Series 2004-3 securitization with a stated maturity date of October 25, 2034 and an interest rate range of 2.90% to 5.25% for the fixed portions of the bond and a range of One-Month LIBOR plus 0.17% to One-Month LIBOR plus 2.50% for the variable rate portions of the bond	864,624	928,914
Series 2004-4 securitization with a stated maturity date of January 25, 2035 and an interest rate of 5.25% for the fixed portion of the bond and a range of One-Month LIBOR plus 0.15% to One-Month LIBOR plus 1.80% for the variable rate portions of the bond	967,044	1,012,214
Series 2005-1 securitization with a stated maturity date of April 25, 2035 and an interest rate of range of One-Month LIBOR plus 0.10% to One-Month LIBOR plus 2.50%	891,009	
	4,508,631	3,957,073
Unamortized bond discounts	(3,768)	(2,958)
Total securitization bond financing, net	$ 4,504,863	$ 3,954,115

The bonds are collateralized by loans held for investment with an aggregate outstanding principal balance of $4.7 billion and $4.1 billion as of March 31, 2005 and December 31, 2004, respectively. Unamortized debt issuance costs, included in prepaid and other assets, are $15.7 million and $14.1 million at March 31, 2005 and December 31, 2004, respectively.

Amounts collected on the mortgage loans are remitted to the respective trustees, who in turn distribute such amounts each month to the bondholders, together with other amounts received related to the mortgage loans, net of fees payable to Accredited, the trustee and the insurer of the bonds. Any remaining funds after payment of fees and distribution of principal and interest is known as excess interest.

The securitization agreements require that a certain level of overcollateralization be maintained for the bonds. A portion of the excess interest may be initially distributed as principal to the bondholders to increase the level of overcollateralization. Once a certain level of overcollateralization has been reached, excess interest is no longer distributed as principal to the bondholders, but, rather, is passed through to Accredited. Should the level of overcollateralization fall below a required level, excess interest will again be paid as principal to the bondholders until the required level has been reached.

The securitization agreements provide that if delinquencies or losses on the underlying mortgage loans exceed certain maximums, the required levels of credit enhancement would be increased.

Due to the potential for prepayments of mortgage loans, the early distribution of principal to the bondholders and the optional clean-up call, the bonds are not necessarily expected to be outstanding through the stated maturity date set forth above.

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The following table summarizes the expected repayments relating to the securitization bond financing at March 31, 2005 and are based on anticipated receipts of principal and interest on underlying mortgage loan collateral using historical prepayment speeds:

	(In thousands) (Unaudited)
Nine months ending December 31, 2005	$ 1,066,405
Years Ending December 31:	
2006	1,405,621
2007	872,085
2008	436,349
2009	285,526
2010	175,716
Thereafter	266,929
Discount	(3,768)
Total	$ 4,504,863

8. INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The tax effects of significant items comprising Accredited s net deferred tax asset were as follows:

	March 31, 2005	December 31, 2004
	(In thousands)	
	(Unaudited)	
Deferred tax assets:		
Loans held for sale	$ 15,445	$ 14,702
Market reserve on loans held for sale	10,385	5,591
Loan securitizations	15,333	5,907
State taxes	2,829	1,549
Other reserves and accruals	2,967	2,057
Total deferred tax assets	46,959	29,806
Deferred tax liabilities:		
Mortgage-related securities	(10,647)	(11,518)
Investment in real estate investment trust	(15,567)	
Cash flow hedging	(9,996)	(1,325)
Total deferred tax liabilities	(36,210)	(11,486)

Net deferred tax asset	$ 10,749	$ 34,250

The income tax provision consists of the following:

	Three Months Ended March 31,	
	2005	2004
	(In thousands) (Unaudited)	
Current:		
Federal	$ 4,849	$ 13,542
State	1,524	3,698
Total current provision	6,373	17,240
Deferred:		
Federal	12,307	(1,372)
State	2,522	(864)
Total deferred provision (benefit)	14,829	(2,236)
Total provision	$ 21,202	$ 15,004

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The deferred income tax expense resulted from temporary differences in the recognition of revenues and expenses for tax and financial statement purposes.

The following is a reconciliation of the provision computed using the statutory federal income tax rate to the income tax provision reflected in the statements of operations:

	Three Months Ended March 31,	
	2005	2004
	(In thousands)	(Unaudited)
Federal income tax at statutory rate	$ 19,244	$ 13,128
State income tax, net of federal effects	2,630	1,842
REIT dividends on preferred stock	(873)	
Other	201	34
Total provision	$ 21,202	$ 15,004

Accredited recorded $1.7 million and $2.3 million, during the three months ended March 31, 2005 and 2004, respectively, as a reduction in income taxes payable for corporate tax deductions arising from the sale by employees of common stock they acquired from employee stock plans prior to the fulfillment of the required tax holding periods for such stock. These benefits have been reflected as additional paid in capital in the accompanying consolidated statements of stockholders equity.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities were as follows:

	March 31, 2005	December 31, 2004
	(In thousands)	
Accrued liabilities general	$ 19,332	$ 18,093
Accrued liabilities payroll	18,945	20,678
Reserve for repurchases	5,461	5,126
Reserve for premium recapture	2,149	2,410
Accounts payable	542	308
Total	$ 46,429	$ 46,615

10. MINORITY INTEREST IN SUBSIDIARY

In May 2004, AHL formed a subsidiary, Accredited Mortgage Loan REIT Trust, for the purpose of acquiring, holding and managing real estate assets. All of the outstanding common shares of the REIT are held by AHL, which in turn is a wholly owned subsidiary of AHLHC. Our intention is to hold all loans held for investment and related securitized bond financing activities in this trust. The REIT intends to elect to be taxed as a real estate investment trust and to comply with the provisions of the Internal Revenue Code with respect thereto. Accordingly, the REIT will generally not be subject to federal or state income tax to the extent that its distributions to shareholders satisfy the real estate investment trust requirements and certain asset, income and share ownership tests are met.

In January 2005, the REIT s board of trustees declared and the REIT paid a dividend on common stock of $50 per common share or $5.0 million. On March 2, 2005, the REIT s board of trustees declared quarterly cash dividends on the preferred shares at the rate of $0.609375 per share. The $2.5 million cash dividends were paid on March 31, 2005, to preferred stockholders on record at the close of business on March 15, 2005.

AHLHC irrevocably and unconditionally agrees to pay in full to the holders of each share of the REIT s Series A Preferred Shares, as and when due, regardless of any defense, right of set-off or counterclaim which the REIT or Accredited may have or assert: (i) all accrued and unpaid dividends (whether or not declared) payable on the REIT s Series A Preferred Shares, (ii) the redemption price (including all accrued and unpaid dividends) payable with respect to any of the REIT s Series A Preferred Shares redeemed by the REIT and (iii) the liquidation preference, if any, payable with respect to any of the REIT s Series A Preferred Shares. AHLHC s guarantee is subordinated in right of payment to AHLHC s indebtedness, on parity with the most senior class of AHLHC s preferred stock and senior to AHLHC s common stock. At March 31, 2005, the aggregate

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redemption value of the total preferred shares outstanding was $102.3 million. Based on total preferred shares outstanding at December 31, 2004, the REIT s current annual preferred dividend obligation totals $10.0 million.

The preferred shares are reported as minority interest in subsidiary in our consolidated balance sheet.

11. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding and the weighted average number of unissued, vested restricted common stock awards for the period. Diluted earnings per share reflects the potential dilution that could occur if net income were divided by the weighted average number of common shares and unissued, vested restricted common stock awards, plus potential common shares from outstanding stock options and unvested restricted stock awards where the effect of those securities is dilutive. The computations for basic and diluted earnings per share are as follows:

	Net Income (numerator)	Shares (denominator)	Per Share Amount
	(In thousands, except per share amounts) (Unaudited)		
Three Months Ended March 31,:			
2005:			
Basic earnings per share	$ 31,287	20,851	$ 1.50
Effect of dilutive shares:			
Stock options		762	
Restricted stock		234	
Diluted earnings per share	$ 31,287	21,847	$ 1.43
Potentially dilutive stock options not included above since they are antidilutive		221	
2004:			
Basic earnings per share	$ 22,506	20,119	$ 1.12
Effect of dilutive shares:	&		