

OptimumBank Holdings, Inc.
Form 4
March 13, 2008

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Check this box
if no longer
subject to
Section 16.
Form 4 or
Form 5
obligations
may continue.
See Instruction
1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF
SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,
Section 17(a) of the Public Utility Holding Company Act of 1935 or Section
30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB
Number: 3235-0287
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2005
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(Print or Type Responses)

1. Name and Address of Reporting Person *
WILLIS LARRY

(Last) (First) (Middle)

**C/O OPTIMUMBANK
HOLDINGS, 2477 E
COMMERCIAL BOULEVARD**

(Street)

FORT LAUDERDALE, FL 33308

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading
Symbol
OptimumBank Holdings, Inc.
[OPHC]

3. Date of Earliest Transaction
(Month/Day/Year)
03/13/2008

4. If Amendment, Date Original
Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to
Issuer

(Check all applicable)

☒ Director ☐ 10% Owner
☐ Officer (give title below) ☐ Other (specify below)

6. Individual or Joint/Group Filing(Check
Applicable Line)
☒ Form filed by One Reporting Person
☐ Form filed by More than One Reporting
Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)		
			Code	V	Amount	(A) or (D)	Price		
COMMON STOCK	03/13/2008		A		97	A	\$ 10.25	6,208 ⁽¹⁾	D
COMMON STOCK	03/13/2008		A		165	A	\$ 9.12	6,373 ⁽¹⁾	D
COMMON STOCK	03/13/2008		A		121	A	\$ 8.21	6,494 ⁽¹⁾	D
COMMON STOCK	03/13/2008		A		126	A	\$ 8	6,620 ⁽¹⁾	D
								110 ⁽¹⁾	I

COMMON
STOCKBY
DAUGHTERCOMMON
STOCK63,291 ⁽¹⁾ IBY
ANNETTE
WILLIS
INSURANCE
AGENCY P/S
PLAN

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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(9-02)**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Own Follo Repor Trans (Instr
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares

Reporting Owners

Reporting Owner Name / Address**Relationships**

Director 10% Owner Officer Other

WILLIS LARRY
C/O OPTIMUMBANK HOLDINGS
2477 E COMMERCIAL BOULEVARD
FORT LAUDERDALE, FL 33308

X

Signatures

/s/ Albert J. Finch, Attorney-in-Fact for Larry
Willis

03/13/2008

**Signature of Reporting Person

Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Shares amounts have been adjusted to reflect the 5% stock dividend distributed on July 12, 2007

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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Table of Contents

REPORT OF THE COMPENSATION COMMITTEE ON EXECUTIVE COMPENSATION

The Compensation Committee of the Board of Directors is comprised of non-employee directors. The members of the Compensation Committee are Mr. Berglund, Mr. Erickson and Mr. Espy. As part of a planned rotation, Mr. Espy replaced Mr. Berglund as the Compensation Committee's Chairperson effective January 25, 2006. Each member of the Compensation Committee has been affirmatively determined by the Board of Directors to be an independent director as defined by the NASDAQ Marketplace rules. The Compensation Committee is responsible for managing the compensation of the executive officers of the Company, including the review and approval of policies governing such compensation, review of the performance of the executive officers and determining or recommending to the Board of Directors the compensation levels for executive officers.

The Compensation Committee's compensation policies with respect to executive officers are designed to attract, retain and reward executive officers who contribute to the Company's success, to align executive officer compensation with the Company's performance and to motivate executive officers to achieve the Company's business objectives, always with stockholder value in mind. The Company uses salary, cash bonuses, stock option grants and restricted stock grants to implement these policies.

Base salaries of executive officers are reviewed annually by the Compensation Committee and consideration is generally given to (i) salary recommendations from the Chief Executive Officer, (ii) individual performance of executive officers for the previous fiscal year, (iii) financial results of the Company for the previous year, and (iv) compensation information available for the industry and the Company's publicly-traded peers. Incentive compensation for executive officers was provided for in 2005 under the Company's Management Incentive Plan approved by the Compensation Committee (the Incentive Plan). The Incentive Plan authorized both cash and restricted stock awards based on a combination of the Company's performance and the individual's performance. The Incentive Plan established maximum levels of awards that could be granted based upon the Company's attaining different levels of net income, and actual awards to executive officers were based upon individual performance, as determined by the Compensation Committee with input from the Chief Executive Officer. In 2005, the Compensation Committee determined compensation for the Company's Chief Executive Officer, Mr. Konrath, in the same manner as for other executive officers except that the maximum award amounts under the Incentive Plan for the Chief Executive Officer (and for the President, the Executive Vice President and the Director of Operations) were established at higher levels than for other executive officers. In awarding Mr. Konrath the maximum award amounts available under the Incentive Plan with respect to 2005, the Compensation Committee took into account the Company's record volume and profits for 2005 and the performance of the Company's stock during the year and publicly-available information about compensation at similarly-situated companies in the industry.

Section 162(m) of the Internal Revenue Code restricts deductibility of executive compensation paid to the Company's chief executive officer and each of the four other most highly compensated executive officers holding office at the end of any year (named executive officers) to the extent such compensation exceeds \$1,000,000 for any of such officers in any year and does not qualify for an exception under Section 162(m) or related regulations. The Compensation Committee's policy is to qualify its executive compensation for deductibility under applicable tax laws to the extent practicable. Toward that end, the Compensation Committee adopted the Company's Long-Term Performance Plan effective as of January 1, 2006 (LTPP). If approved by the stockholders at our 2006 annual meeting, payments that may be made to named executive officers under the LTPP may qualify as deductible for U.S. federal income tax purposes, even if they exceed \$1,000,000. For 2006, the Compensation Committee has designated the Chief Executive Officer, President, Executive Vice President, Director of Operations, Chief Financial Officer and General Counsel as participants in the LTPP. It has also removed those officers from participation in the Incentive Compensation Plan for Executive Management and Incentive Compensation Plan for Senior Management, as applicable, except to the extent of any guaranteed bonus (see Proposal No. 2. Approval of the Material Terms of the Accredited Home Lenders Holding Co. Long Term Performance Plan).

Table of Contents

The Board believes that the LTPP benefits stockholders by linking a portion of executive compensation to performance and by qualifying amounts paid pursuant to the Plan for a U.S. federal income tax deduction. Income related to grants of restricted stock outside of the LTPP generally does not qualify for an exemption; however, the Compensation Committee believes that the retention value of grants of the restricted stock that were made with respect to 2005 outweighs the limitation on the deductibility of income related to such grants. In the future, the Compensation Committee will continue to evaluate the advisability of qualifying its executive compensation for full deductibility.

COMPENSATION COMMITTEE

Mr. Espy (Chairperson)

Mr. Berglund

Mr. Erickson

Table of Contents

REPORT OF THE AUDIT COMMITTEE

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including internal control systems. Our independent registered public accounting firm, Grant Thornton LLP, is responsible for expressing an opinion as to the conformity of our audited financial statements with generally accepted accounting principles.

The Audit Committee consists of three directors each of whom, in the judgment of the Board, is an independent director as defined by the NASDAQ Marketplace rules. The Audit Committee acts pursuant to a written charter that has been adopted by the Board of Directors. The members of the Audit Committee are Ms. Gunderson, Mr. Espy and Dr. Pratt.

The Audit Committee has met and has reviewed and discussed with management and Grant Thornton LLP our audited financial statements as of and for the year ended December 31, 2005. The Audit Committee has also discussed and reviewed with the auditors all matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees). The Audit Committee has met with Grant Thornton LLP, with and without management present, to discuss the overall scope of Grant Thornton LLP's audit, the results of its examinations, its evaluations of the Company's internal controls and the overall quality of its financial reporting.

The Audit Committee has received from the auditors a formal written statement describing all relationships between the auditors and the Company that might bear on the auditors' independence consistent with Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), discussed with the auditors any relationships that may impact their objectivity and independence, and satisfied itself as to the auditors' independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005.

AUDIT COMMITTEE

Ms. Gunderson (Chairperson)

Mr. Espy

Dr. Pratt

Table of Contents

COMPARISON OF STOCKHOLDER RETURN

Set forth below is a line graph comparing the annual percentage change in the cumulative total return on our common stock with the cumulative total returns of the CRSP Total Return Index for the NASDAQ Stock Market and the NASDAQ Total Return Index for Mortgage Bankers and Brokers (SIC 6160-6169) for the period commencing on February 14, 2003, the date of our initial public offering and ending on December 31, 2005.

Comparison of Cumulative Total Return From February 14, 2003 through December 31, 2005(1)

of the Company, CRSP Total Return Index for the NASDAQ Stock Market

and NASDAQ Total Return Index for Mortgage Bankers and Brokers (SIC 6160-6169)

-
- (1) Assumes that \$100 was invested on February 14, 2003 at the closing price on the date of our initial public offering, in our common stock and each index, and that all dividends have been reinvested. No cash dividends have been declared on our common stock. Stockholder returns over the indicated period should not be considered indicative of future stockholder returns.

Table of Contents

STOCKHOLDER PROPOSALS TO BE PRESENTED AT NEXT ANNUAL MEETING

Stockholder proposals may be included in our proxy materials for an annual meeting so long as they are provided to us on a timely basis and satisfy the other conditions set forth in applicable SEC rules. For a stockholder proposal to be included in our proxy materials for the 2007 annual meeting, the proposal must be received at our principal executive offices, addressed to the Secretary, not later than January 5, 2007. Stockholder business that is not intended for inclusion in our proxy materials may be brought before the annual meeting so long as we receive notice of the proposal as specified by our Bylaws, addressed to the Secretary at our principal executive offices, not later than January 5, 2007.

HOUSEHOLDING

We have adopted the process called "householding" for mailing the annual report and proxy statement in order to reduce printing costs and postage fees. Householding means that stockholders who share the same last name and address will receive only one copy of the annual report and proxy statement, unless we receive contrary instructions from any stockholder at that address. We will continue to mail a proxy card to each stockholder of record.

If you prefer to receive multiple copies of the proxy statement and annual report at the same address, additional copies will be provided to you promptly upon request. If you are a stockholder of record, you may contact us by writing c/o the Secretary at our corporate headquarters. Eligible stockholders of record receiving multiple copies of the annual report and proxy statement can request householding by contacting us in the same manner.

If you are a beneficial owner, you can request additional copies of the proxy statement and annual report or you can request householding by notifying your broker, bank or nominee.

TRANSACTION OF OTHER BUSINESS

At the date of this Proxy Statement, the Board of Directors knows of no other business that will be conducted at the 2006 Annual Meeting other than as described in this Proxy Statement. If any other matter or matters are properly brought before the meeting, or any adjournment or postponement of the meeting, it is the intention of the persons named in the accompanying form of proxy to vote the proxy on such matters in accordance with their discretion.

MISCELLANEOUS

The information referred to under the captions "Report of the Compensation Committee on Executive Compensation," "Report of the Audit Committee" and "Comparison of Stockholder Return" (i) shall not be deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or the liabilities of Section 18 of the Securities Exchange Act of 1934 ("1934 Act"), and (ii) notwithstanding anything to the contrary that may be contained in any filing by the Company under the 1934 Act or the Securities Act of 1933, shall not be deemed to be incorporated by reference in any such filing.

Table of Contents

A copy of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, as filed with the SEC, including the financial statements and financial statement schedules, excluding exhibits, may be obtained by stockholders without charge by written request addressed to Investor Relations, 15090 Avenue of Science, San Diego, California 92108 or may be accessed on the Internet at www.accredhome.com under the Investors/Shareholders link.

By order of the Board of Directors,

James A. Konrath

Chairman of the Board and Chief Executive Officer

May 5, 2006

Table of Contents

Appendix A

**CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS
OF
ACCREDITED HOME LENDERS HOLDING CO.**

I. PURPOSE

This Charter specifies the scope of the responsibilities of the Audit Committee (the "Committee") of the Board of Directors (the "Board") of Accredited Home Lenders Holding Co. (the "Company") and the manner in which those responsibilities shall be performed, including its structure, processes and membership requirements.

The primary purposes of the Committee are to (i) oversee the accounting and financial reporting process of the Company and the audits of the Company's financial statements, and (ii) to assist the Board in fulfilling its oversight responsibilities by reviewing and reporting to the Board on the integrity of the financial reports and other financial information provided by the Company to any governmental body or to the public, and on the Company's compliance with legal and regulatory requirements. The Committee shall also review the qualifications, independence and performance, and approve the terms of engagement of the Company's independent auditor, review the performance of the Company's internal audit function and prepare any reports required of the Committee under rules of the Securities and Exchange Commission ("SEC").

The Company shall provide appropriate funding, as determined by the Committee, to permit the Committee to perform its duties under this Charter, to compensate its advisors and to compensate any registered public accounting firm engaged for the purpose of rendering or issuing an audit report or related work or performing other audit, review or attest services for the Company. The Committee, at its discretion, has the authority to initiate investigations, and hire legal, accounting or other outside advisors or experts to assist the Committee, as it deems necessary to fulfill its duties under this Charter. The Committee may also perform such other activities consistent with this Charter, the Company's Bylaws and governing law, as the Committee or the Board deems necessary or appropriate.

II. ORGANIZATION AND MEMBERSHIP REQUIREMENTS

The Committee shall comprise three or more directors selected by the Board, each of whom shall satisfy the independence and experience requirements of both the The Nasdaq Stock Market and the New York Stock Exchange. In addition, the Committee shall not include any member who:

has participated in the preparation of the financial statements of the Company or any current subsidiary at any time during the past three (3) years;

accepts any consulting, advisory, or other compensatory fee, directly or indirectly, from the Company, other than in his or her capacity as a member of the Committee, the Board, or any other committee of the Board; or

is an affiliate of the Company or any subsidiary of the Company, other than a director who meets the independence requirements of both the The Nasdaq Stock Market and the New York Stock Exchange.

Each member of the Committee must be able to read and understand fundamental financial statements, including a balance sheet, income statement and cash flow statement. In addition, at least one member shall have (i) past employment experience in finance or accounting, professional certification in accounting, or other comparable experience or background resulting in the individual being financially sophisticated, which may include being or having been a chief executive, chief financial or other senior officer with financial oversight responsibilities, and (ii) relevant accounting or related financial management expertise, such qualification to be interpreted by the Board in its business judgment. No Committee member shall simultaneously serve on the audit

A-1

Table of Contents

committee of more than three public companies without prior disclosure to the Committee and the Board and an affirmative determination by the Board that such service does not impair the ability of such member to serve effectively on the Committee, which determination shall be disclosed in the annual proxy statement.

The members of the Committee shall be appointed by the Board on the recommendation of the Nominating and Corporate Governance Committee and shall serve until their successors are duly elected and qualified or their earlier resignation or removal. Any member of the Committee may be replaced by the Board on the recommendation of the Nominating and Corporate Governance Committee. Unless a chairman is elected by the full Board, the members of the Committee may designate a chairman by majority vote of the full Committee membership.

III. MEETINGS

The Committee shall meet at least four times a year, with the authority to convene additional meetings, as circumstances require. A majority of the members shall represent a quorum of the Committee, and, if a quorum is present, any action approved by at least a majority of the members present shall represent the valid action of the Committee. The Committee may form and delegate authority to subcommittees, or to one or more members of the Committee, when appropriate. The Committee shall meet with management, the internal auditor and the independent auditor in separate executive sessions as appropriate. The Committee shall meet with the independent auditor and management on a quarterly basis to review the Company's financial statements and financial reports. The Committee shall maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.

IV. COMMITTEE AUTHORITY AND RESPONSIBILITIES

To fulfill its responsibilities and duties, the Committee shall:

A. Oversight of the Company's Independent Auditor

1. Be directly and solely responsible for the appointment, compensation, retention and oversight of any independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) engaged by the Company for the purpose of preparing or issuing an audit report or related work, with each such auditor reporting directly to the Committee.

2. Periodically review and discuss with the independent auditor (i) the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, and (ii) any formal written statements received from the independent auditor consistent with and in satisfaction of Independence Standards Board Standard No. 1, as amended, including without limitation, descriptions of (x) all relationships between the independent auditor and the Company, (y) any disclosed relationships or services that may impact the independent auditor's objectivity and independence and (z) whether any of the Company's senior finance personnel were recently employed by the independent auditor.

3. Obtain and review annually a report from the independent auditor describing (i) the independent auditor's internal quality-control procedures, (ii) any material issues raised by the most recent internal quality-control review or peer reviews or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, and any steps taken to deal with such issues, and (iii) all relationships between the independent auditor and the Company.

4. Evaluate annually the qualifications, performance and independence of the independent auditor, including a review of whether the independent auditor's quality-control procedures are adequate and a review and evaluation of the lead partner of the independent auditor, taking into account the opinions of management and the Company's internal auditors, and report to the Board on its conclusions, together with any recommendations for additional action.

Table of Contents

5. Consult with the independent auditor to assure the rotation of the lead audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit every five years, consider issues related to the timing of such rotation and the transition to new lead and reviewing partners, and consider whether, in order to assure continuing auditor independence, there should be regular rotation of the audit firm, and report to the Board on its conclusions.

6. Approve in advance the engagement of the independent auditor for all audit services and non-audit services, based on independence, qualifications and, if applicable, performance, and approve the fees and other terms of any such engagement; provided, however, that (i) the Committee may establish pre-approval policies and procedures for any engagement to render such services, provided that such policies and procedures (x) are detailed as to particular services are detailed as to particular services, (y) do not involve delegation to management of the Committee's responsibilities hereunder and (z) provide that, at its next scheduled meeting, the Committee is informed as to each such service for which the independent auditor is engaged pursuant to such policies and procedures; and (ii) the Committee may delegate to one or more members of the Committee the authority to grant pre-approvals for such services, provided that the decisions of such member(s) to grant any such pre-approval shall be presented to the Committee at its next scheduled meeting.

7. Meet with the independent auditor prior to the audit to discuss the planning and staffing of the audit. Discuss with the independent auditor the responsibilities, budget and staffing of the internal audit functions.

8. Approve as necessary the termination of the engagement of the independent auditor.

9. Establish policies for the hiring of employees or former employees of the independent auditor who participated in any capacity in the audit of the Company, taking into account the impact of such policies on auditor independence.

10. Regularly review with the independent auditor any significant difficulties encountered during the course of the audit, any restrictions on the scope of work or access to required information and any significant disagreement among management and the independent auditor in connection with the preparation of the financial statements. Review with the independent auditor any accounting adjustments that were noted or proposed by the independent auditor but that were passed (as immaterial or otherwise), any communications between the audit team and the independent auditor's national office respecting auditing or accounting issues presented by the engagement, any management or internal control letter or schedule of unadjusted differences issued, or proposed to be issued, by the independent auditor to the Company, or any other material written communication provided by the independent auditor to the Company's management.

11. Review with the independent auditor the critical accounting policies and practices used by the Company, all alternative treatments of financial information within generally accepted accounting principles (GAAP) that the independent auditor has discussed with management, the ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent auditor.

B. Review of Financial Reporting, Policies and Processes

1. Review and discuss with management and the independent auditor the Company's annual audited financial statements and any certification, report, opinion or review rendered by the independent auditor, and recommend to the Board whether the audited financial statements should be included in the Company's annual report on Form 10-K.

2. Review and discuss with management and the independent auditor the Company's quarterly financial statements.

Table of Contents

3. Review and discuss with management and the independent auditor the Company's disclosure under Management's Discussion and Analysis of Financial Condition and Results of Operations appearing in the Company's periodic reports.
4. Review and discuss earnings press releases and other information provided to securities analysts and rating agencies, including any pro forma or adjusted financial information.
5. Periodically meet separately with management, the internal auditor and with the independent auditor.
6. Review with management and the independent auditor any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
7. Review with management its assessment of the effectiveness and adequacy of the Company's internal control structure and procedures for financial reporting (Internal Controls), review with the independent auditor the attestation to and report on the assessment made by management, and consider with management, the internal auditor and the independent auditor whether any changes to the Internal Controls are appropriate in light of management's assessment or the independent auditor's attestation.
8. Review with management its evaluation of the Company's procedures and controls designed to assure that information required to be disclosed in its periodic public reports is recorded, processed, summarized and reported in such reports within the time periods specified by the SEC for the filing of such reports (Disclosure Controls), and consider whether any changes are appropriate in light of management's evaluation of the effectiveness of such Disclosure Controls.
9. Review and discuss with management and the independent auditor any off-balance sheet transactions or structures and their effect on the Company's financial results and operations, as well as the disclosure regarding such transactions and structures in the Company's public filings.
10. Review with management and the independent auditor the effect of regulatory and accounting initiatives on the financial statements. Review any major issues regarding accounting principles and financial statement presentations, including any significant changes in selection of an application of accounting principles. Consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the independent auditor or management.
11. Review any analyses prepared by management and/or the independent or internal auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including the effects of alternative GAAP methods on the financial statements.
12. Review any special audit steps adopted in light of material control deficiencies. Review with the independent auditor and management the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented.
13. Review the appointment and replacement of the internal auditors.
14. Review the significant reports to management prepared by the internal auditors.
15. Discuss with management and the internal auditors the internal auditors' responsibilities, budget and staffing and the planned scope of internal audits.

Table of Contents

C. Risk Management, Related Party Transactions, Legal Compliance and Ethics

1. Review with the chief executive and chief financial officer of the Company any report on significant deficiencies in the design or operation of the Internal Controls that could adversely affect the Company's ability to record, process, summarize or report financial data, any material weaknesses in Internal Controls identified to the auditors, and any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's Internal Controls.
2. Review and approve any related-party transactions, after reviewing each such transaction for potential conflicts of interests and other improprieties.
3. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. Adopt, as necessary, appropriate remedial measures or actions with respect to such complaints or concerns.
4. Adopt a Code of Ethics for all employees and directors which includes the Company's principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions, which meets the requirements of Item 406 of the SEC's Regulation S-K, and provide for and review prompt disclosure to the public of any change in, or waiver of, such Code of Ethics.
5. As requested by the Board, review and investigate conduct alleged by the Board to be in violation of the Company's Code of Ethics, and adopt as necessary or appropriate, remedial, disciplinary, or other measures with respect to such conduct.
6. Discuss with management and the independent auditor any correspondence with regulators or governmental agencies that raise material issues regarding the Company's financial statements or accounting policies.
7. Discuss guidelines and policies to govern the process by which risk assessment and management is undertaken and handled. Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.
8. Review with the Company's general counsel and report to the Board on litigation, material government investigations and compliance with applicable legal requirements and the Company's Code of Ethics.
9. Prepare the report required by the rules of the SEC to be included in the Company's annual proxy statement.
10. Develop, in coordination with the Nominating and Corporate Governance Committee, and implement an annual performance evaluation of the Committee.
11. Regularly report to the Board on the Committee's activities, recommendations and conclusions.
12. Review and reassess the Charter's adequacy at least annually.

Table of Contents

Appendix B

ACCREDITED HOME LENDERS HOLDING CO.

LONG-TERM PERFORMANCE PLAN

(EFFECTIVE JANUARY 1, 2006)

PURPOSE

The purpose of this Long-Term Performance Plan ("Plan") is to motivate and reward eligible employees by making a portion of their compensation dependent on the achievement of certain Objective Business Criteria related to the performance of Accredited Home Lenders Holding Co. (the "Company") and its operating units. This Plan is designed to ensure that the incentives paid hereunder to executive officers of the Company are deductible under Section 162(m) of the Internal Revenue Code of 1986, as amended, and the regulations and interpretations promulgated thereunder (the "Code"). Accordingly, the material terms of this Plan as to covered employees under Code Section 162(m) are subject to the approval of the Company's stockholders pursuant to Code Section 162(m).

PARTICIPANTS

The participants in this Plan shall be key employees of the Company, as determined by the Committee.

THE COMMITTEE

The Committee shall consist of at least two outside directors of the Company that satisfy the requirements of Code Section 162(m). The Committee shall have the sole discretion and authority to administer and interpret this Plan in accordance with Code Section 162(m). Unless the Board provides otherwise, the Compensation Committee of the Company's Board of Directors shall be the Committee.

AMOUNT OF BONUS

A participant's bonus payment, if any, is based on (i) an individual target set by the Committee in writing with respect to the Performance Period and (ii) the Objective Business Criterion or Criteria for the Performance Period (increased or decreased, in each case in accordance with factors adopted by the Committee with respect to the Performance Period that relate to unusual items).

MAXIMUM BONUS

No bonus in excess of five million dollars (\$5,000,000) will be paid to any participant with respect to a Performance Period. The Committee may also reduce an individual's bonus calculated under Section 4 in its sole discretion.

OBJECTIVE BUSINESS CRITERIA

This Plan's Objective Business Criteria may include one or more of the following: (a) sales revenue; (b) gross margin; (c) operating margin; (d) profit margin; (e) operating income; (f) pre-tax profit; (g) earnings before interest and taxes; (h) earnings before interest, taxes, depreciation and amortization; (i) net income; (j) expenses; (k) market price of the shares; (l) earnings per share; (m) return on stockholder equity; (n) return on capital; (o) return on net assets; (p) return on investment; (q) internal rate of return; (r) economic value added; (s) market share; (t) customer service; (u) customer satisfaction; (v) total stockholder return; (w) free cash flow; (x) budget; (y) internal audit/risk assessment; (z) group or corporate financial goals; (aa) dividends; (bb)

Table of Contents

attainment of strategic and operational initiatives; (cc) cost to originate loans; (dd) loan quality; (ee) loan origination; (ff) loan delinquency rates; (gg) liquidity management; (hh) loan losses; (ii) net interest income; (jj) net interest income margin; (kk) expense ratio; (ll) debt to capitalization; (mm) debt to equity; (nn) comparisons with various stock market indices; (oo) increase in number of customers; (pp) reductions in costs (or limits on cost increases); (qq) mortgage loans; (rr) resolution of administrative or judicial proceedings or disputes; (ss) employee retention, development, succession planning; (tt) diversity; (uu) compliance; and (vv) such other Criteria as determined by the Committee, each with respect to the Company and/or any operating unit(s) of the Company, as determined by the Committee in its sole discretion. Bonuses to be paid to participants who are not subject to the limitations of Code Section 162(m) may take into account other factors.

PERFORMANCE PERIODS

A Performance Period shall be, with respect to a participant, any period not exceeding three years, as determined by the Committee in its sole discretion. The selection and adjustment of applicable Objective Business Criteria, and the establishment of targets, shall occur in compliance with the rules of Code Section 162(m).

PAYMENT OF BONUS

Subject to the Committee's discretion, the payment of a bonus under the Plan generally requires that the participant be on the Company's payroll as of the date the bonus is to be paid. The Committee may make exceptions to this requirement in the case of retirement, death or disability or under other circumstances, as determined by the Committee in its sole discretion. Bonus payments may be made (i) in cash, and/or (ii) in shares of common stock granted under an equity compensation plan of the Company. The number of shares granted shall be determined by dividing the cash amount forgone by the fair market value (as defined under the equity compensation plan) of a share on the date in question, rounded down to the nearest whole share. No bonus shall be paid unless and until the Committee certifies in writing the extent to which the Objective Business Criterion/Criteria applicable to a participant have been achieved or exceeded. The Committee, in its sole discretion, may permit a participant to defer receipt of any amounts that would otherwise be delivered to the participant under this Plan. Any such deferral elections shall be subject to such rules and procedures as determined by the Committee in its sole discretion, and such deferrals shall be structured to comply with the requirements of Code Section 409A.

AMENDMENT AND TERMINATION

The Board of Directors reserves the right to amend or terminate this Plan at any time with respect to future services of participants. Plan amendments will require stockholder approval only to the extent required by applicable law.

LEGAL CONSTRUCTION

Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural. In the event any provision of this Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of this Plan, and this Plan shall be construed and enforced as if the illegal or invalid provision had not been included. The granting of awards under this Plan shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required. This Plan and all awards shall be construed in accordance with and governed by the laws of the State of Delaware, but without regard to its conflict of law provisions. Captions are provided herein for convenience only, and shall not serve as a basis for interpretation or construction of this Plan.

Table of Contents

Please Mark Values as in this Example

FOR ALL NOMINEES

WITHHOLD AUTHORITY for all nominees

INSTRUCTION: To withhold authority to vote for any individual nominee, write that nominee's name in the space provided above.

ACCREDITED HOME LENDERS HOLDING CO.

C/O U.S. STOCK TRANSFER CORPORATION 1745 GARDENIA AVENUE, SUITE 200 GLENDALE, CALIFORNIA 91204-2991 (818) 502-1404

TO VOTE BY MAIL, PLEASE DETACH THE PROXY CARD HERE

1. Election of two Class III Directors.

Nominees: (01) Jody A. Gunderson

(02) Richard T. Pratt, DBA

FOR ALL Nominees EXCEPT

2. To approve the material terms of the Accredited Home Lenders Holding Co. Long-Term Performance Plan.

FOR AGAINST ABSTAIN

3. To ratify the appointment of Grant Thornton LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2006.

FOR AGAINST ABSTAIN

4. To vote and otherwise represent the undersigned on any other matter that may properly come before the meeting or any adjournment or postponement thereof in the discretion of the Proxy holder.

The undersigned acknowledges receipt of the Notice & Proxy Statement for the 2006 Annual Meeting of Stockholders (the terms of each of which are incorporated by reference herein) and the Annual Report to Stockholders for the year ended December 31, 2005.

Stockholders should date this proxy and sign here exactly as name appears at left. If stock is held jointly, both owners should sign this proxy. Executors, administrators, trustees, guardians and others signing in a representative capacity should indicate the capacity in which they sign.

Signature

Date:

Signature

Date:

Table of Contents

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Table of Contents

PROXY

ACCREDITED HOME LENDERS HOLDING CO.

PROXY FOR ANNUAL MEETING OF STOCKHOLDERS June 8, 2006

Solicited on Behalf of the Board of Directors

The undersigned holder(s) of Common Stock of Accredited Home Lenders Holding Co., a Delaware corporation (the "Company"), hereby appoint(s) James A. Konrath and Joseph J. Lydon, or either of them, as proxies for the undersigned, with power of substitution in each of them, to attend the Annual Meeting of Stockholders of the Company to be held at the Company's principal offices, 15090 Avenue of Science, San Diego, California 92128, on Thursday, June 8, 2006 at 4:00 p.m., local time, and any adjournment or postponement thereof, to cast on behalf of the undersigned all votes that the undersigned is entitled to cast at such meeting and otherwise to represent the undersigned with all powers possessed by the undersigned if personally present at the meeting. The undersigned hereby revokes any proxy heretofore given with respect to the meeting.

A vote FOR Proposals 1, 2 and 3 and granting the proxies discretionary authority is recommended by the Board of Directors of the Company. The votes entitled to be cast by the undersigned will be cast as instructed on the reverse hereof. If this Proxy is executed but no instruction is given, the votes entitled to be cast by the undersigned will be cast for each of the nominees for director and for the other proposal. Additionally, the votes entitled to be cast by the undersigned will be cast in the discretion of the Proxy holder on any other matter that may properly come before the meeting or any adjournment or postponement thereof.

IMPORTANT: Please cast your vote (i) by telephone at (888) 426-7035; (ii) via the Internet at www.proxyvoting.com/lend; or (iii) by filling in, dating, signing and promptly mailing this 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 voted by phone or over the Internet or sent in your proxy card.

(Continued on other side)

SEE REVERSE SIDE

SEE REVERSE SIDE