

Accredited Mortgage Loan REIT Trust

Form 10-Q

November 09, 2005

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 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 001-32276

ACCREDITED MORTGAGE LOAN REIT TRUST

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(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

35-2231035
(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 ⁽¹⁾ or No

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes or No

The number of outstanding shares of the registrant's common stock as of November 8, 2005 was 100,000.

(1) See explanatory note.

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EXPLANATORY NOTE

Accredited Mortgage Loan REIT Trust (the REIT), an indirect subsidiary of Accredited Home Lenders Holding Co. (Accredited), commenced filing annual, quarterly and other reports with the Securities and Exchange Commission (SEC) pursuant to Section 13 and Section 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), on March 30, 2005, with the filing of a Current Report on Form 8-K dated March 29, 2005. Prior to that time, the REIT had not filed reports pursuant to the Exchange Act in reliance on Rule 12h-5 under the Exchange Act. All of the REIT s outstanding common shares are indirectly owned by Accredited. The only publicly traded securities of the REIT currently are the REIT s outstanding 9.75% Series A Perpetual Cumulative Preferred Shares (the Series A Preferred Shares). Payments in respect of the Series A Preferred Shares are fully and unconditionally guaranteed by Accredited, an Exchange Act reporting company. The REIT has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act since the REIT commenced Exchange Act reporting on March 30, 2005.

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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. These statements 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:

an increase in mortgage loan payment default rates due to a general deterioration in economic or political conditions, fluctuations in the real estate markets, an increase in unemployment rates, and/or an increase in interest rates that results in higher loan payment amounts for the borrower;

a decline in interest income due to a decrease in the difference between our cost of capital and the income generated by payments on our securitized mortgage loan pools;

changes in demand for mortgage backed securities that affect our ability to issue notes to fund our securitizations;

our ability to protect and hedge our mortgage loan portfolio against adverse interest rate movements;

our ability to maintain status as a real estate investment trust and the corresponding tax treatment;

the degree and nature of Accredited Home Lenders, Inc.'s (AHL) competition that may impact the value of the loans originated by AHL;

a change in the financial stability of Accredited, which guarantees the dividend payments on our 9.75% Series A Perpetual Cumulative Preferred Shares (Series A Preferred Shares);

an increase in the rate of prepayments on securitized mortgage loans that could reduce the amount of cash flow distributed to us in respect of excess interest;

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

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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, REIT, we, our, and us means Accredited Mortgage Loan REIT Trust.

PART I**ITEM 1. Financial Statements****ACCREDITED MORTGAGE LOAN REIT TRUST****BALANCE SHEETS**

(Dollars in thousands, except par value amounts)

	September 30, 2005	December 31, 2004
	(Unaudited)	
ASSETS		
Cash and cash equivalents	\$ 1,101	\$ 4,018
Mortgage loans held for investment, net of reserves of \$87,748 and \$54,960, respectively	5,642,847	4,056,306
Other receivables	62,445	29,983
Prepaid expenses and other assets	40,024	19,924
Receivable from parent	176,765	15,214
	<u> </u>	<u> </u>
Total assets	\$ 5,923,182	\$ 4,125,445
	<u> </u>	<u> </u>
LIABILITIES AND STOCKHOLDERS EQUITY		
LIABILITIES:		
Securitization bond financing	\$ 5,550,348	\$ 3,954,115
Accrued interest payable	5,541	5,206
	<u> </u>	<u> </u>
Total liabilities	5,555,889	3,959,321
	<u> </u>	<u> </u>
STOCKHOLDERS EQUITY:		
Preferred stock, \$1.00 par value, authorized 200,000,000 shares; 4,093,678 shares designated, issued and outstanding as 9.75% Series A Perpetual Cumulative Preferred Shares with an aggregate liquidation preference of \$102,342 at September 30, 2005 and December 31, 2004	4,094	4,094
Common stock, \$0.01 par value; authorized 100,000,000 shares; 100,000 shares issued and outstanding	1	1
Additional paid-in capital	231,354	163,287
Other comprehensive income	22,040	3,348
Retained earnings (deficit)	109,804	(4,606)
	<u> </u>	<u> </u>
Total stockholders equity	367,293	166,124
	<u> </u>	<u> </u>

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Total liabilities and stockholders' equity	\$ 5,923,182	\$ 4,125,445
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The accompanying notes are an integral part of these financial statements.

Table of Contents**ACCREDITED MORTGAGE LOAN REIT TRUST****STATEMENTS OF OPERATIONS***(In thousands, except per share amounts)(Unaudited)*

	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2005	Inception (May 4, 2004) to September 30, 2004
REVENUES:				
Interest income (including \$1,151, \$20, \$1,582 and \$20 from parent)	\$ 109,369	\$ 30,898	\$ 288,957	\$ 36,512
Interest expense	(52,811)	(10,732)	(131,939)	(12,574)
Net interest income	56,558	20,166	157,018	23,938
Provision for losses	(2,578)	(2,432)	(12,624)	(3,642)
Net interest income after provision	53,980	17,734	144,394	20,296
Other income	502	117	859	118
Total net revenues	54,482	17,851	145,253	20,414
OPERATING EXPENSES:				
Management fee assessed by parent	6,750	2,317	18,247	2,660
Direct general and administrative expenses	51	5	112	5
Total operating expenses	6,801	2,322	18,359	2,665
Net income	47,681	15,529	126,894	17,749
Dividends on preferred stock	(2,495)	(1,160)	(7,484)	(1,160)
Net income available to common stockholders	\$ 45,186	\$ 14,369	\$ 119,410	\$ 16,589
Basic and diluted earnings per common share	\$ 451.86	\$ 143.69	\$ 1,194.10	\$ 165.89
Weighted average shares outstanding for basic and diluted	100	100	100	100

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

Table of Contents**ACCREDITED MORTGAGE LOAN REIT TRUST****STATEMENTS OF CASH FLOWS***(In thousands)(Unaudited)*

	Nine Months Ended September 30, 2005	Inception (May 4, 2004) to September 30, 2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 126,894	\$ 17,749
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of net deferred origination costs (fees) on securitized loans	(2,388)	1,402
Amortization of bond discount	782	
Provision for losses	12,624	3,642
Unrealized loss on derivatives	(6,808)	
Adjustment into earnings for gain on derivatives from other comprehensive income	(10,023)	(1,140)
Changes in operating assets and liabilities:		
Other receivables	(32,207)	(8,904)
Prepaid expenses and other assets	32,610	(4,435)
Accrued interest payable	335	(35)
Net cash provided by operating activities	121,819	8,279
CASH FLOWS FROM INVESTING ACTIVITIES:		
Principal payments received on mortgage loans held for investment	1,403,252	91,683
Net cash provided by investing activities	1,403,252	91,683
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of securitization bond financing, net of fees	3,003,173	1,662,568
Payments on securitization bond financing	(1,417,245)	(95,492)
	(2,942,626)	(1,721,052)

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Payments on temporary credit facilities

Net payments to parent	(5,000)	
Capital contributions from parent	3,000	26,000
Net increase in receivable from parent	(161,806)	
Payments of preferred stock dividends	(7,484)	(1,160)
Proceeds from preferred stock offering of the consolidated subsidiary		84,094
Net cash used in financing activities	(1,527,988)	(45,042)
Net (decrease) increase in cash and cash equivalents	(2,917)	54,920
Beginning balance cash and cash equivalents	4,018	
Ending balance cash and cash equivalents	\$ 1,101	\$ 54,920

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid during the period for interest	\$ 144,911	\$ 8,440
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SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

Transfer of loans held for investment to real estate owned, net of reserves, included in other assets	\$ 5,538	\$
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Detail of assets and liabilities contributed from parent:

Mortgage loans, net of reserves, deferred origination costs and fair value basis adjustments for hedge accounting	\$ 3,007,919	\$ 2,616,151
Outstanding balances on warehouse credit facilities	(2,942,626)	(2,616,151)
Net capital contributions from parent	\$ 65,293	\$

Amount beneficially owned:

As of December 31, 2014, BRH Holdings may be deemed to be the beneficial owner of 222,680,477 Class A shares, consisting of the 222,680,477

AOG Units held by Holdings (which are exchangeable into Class A shares on a one-for-one basis).

As of December 31, 2014, Holdings may be deemed to be the beneficial owner of 222,680,477 Class A shares, consisting of the 222,680,477 AOG Units it holds, assuming that it exchanges all AOG Units for Class A shares.

As of December 31, 2014, Leon Black, by virtue of his control of BRH Holdings, may be deemed to be the beneficial owner of 222,680,477 Class A shares, consisting of the 222,680,477 AOG Units held by Holdings. Mr. Black disclaims any beneficial ownership of these Class A shares, except to the extent of his personal pecuniary interest therein.

As of December 31, 2014, Joshua Harris, by virtue of his control of BRH Holdings, may be deemed to be the beneficial owner of 222,680,477 Class A shares, consisting of the 222,680,477 AOG Units held by Holdings. Mr. Harris disclaims any beneficial ownership of these Class A shares, except to the extent of his personal pecuniary interest therein.

As of December 31, 2014, Marc Rowan, by virtue of his control of BRH Holdings, may be deemed to be the beneficial owner of 222,680,477 Class A shares, consisting of the 222,680,477 AOG Units held by Holdings. Mr. Rowan disclaims any beneficial ownership of these Class A shares, except to the extent of his personal pecuniary interest therein.

(b) Percent of class:

Based on approximately 340,727,030 voting Class A shares outstanding (after giving effect to the exchange of outstanding AOG Units), as of December 31, 2014, each of BRH Holdings GP, Ltd., AP Professional Holdings, L.P., Leon Black, Joshua Harris and Marc Rowan may be deemed to be the beneficial owner of approximately 65.4% of the total percentage of the voting power of the Class A shares of the Issuer.

(c) Number of shares as to which such person has:

(i) Sole power to vote or to direct the vote:

See Item 5 of each cover page.

(ii) Shared power to vote or to direct the vote:

See Item 6 of each cover page.

(iii) Sole power to dispose or to direct the disposition of:

See Item 7 of each cover page.

(iv) Shared power to dispose or to direct the disposition of:

See Item 8 of each cover page.

CUSIP No.
037612306

SCHEDULE 13G

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- ITEM 5. OWNERSHIP OF FIVE PERCENT OR LESS OF A CLASS.
N/A
- ITEM 6. OWNERSHIP OF MORE THAN FIVE PERCENT ON BEHALF OF ANOTHER PERSON.
N/A
- ITEM 7. IDENTIFICATION AND CLASSIFICATION OF THE SUBSIDIARY WHICH ACQUIRED THE SECURITY BEING REPORTED ON BY THE PARENT HOLDING COMPANY.
N/A
- ITEM 8. IDENTIFICATION AND CLASSIFICATION OF MEMBERS OF THE GROUP.
N/A
- ITEM 9. NOTICE OF DISSOLUTION OF GROUP
N/A
- ITEM 10. CERTIFICATIONS.
N/A
-

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: February 17, 2015

BRH HOLDINGS GP, LTD.

By: /s/ John J. Suydam
Name: John J. Suydam
Title: Vice President

AP PROFESSIONAL HOLDINGS, L.P.

By: BRH HOLDINGS GP, LTD.,
its General Partner

By: /s/ John J. Suydam
Name: John J. Suydam
Title: Vice President

LEON BLACK

By: /s/ Leon Black
Name: Leon Black

JOSHUA HARRIS

By: /s/ Joshua Harris
Name: Joshua Harris

MARC ROWAN

By: /s/ Marc Rowan
Name: Marc Rowan

Exhibit Index

Exhibit No.	Description
1	Joint Filing Agreement, dated February 14, 2013, among BRH Holdings GP, Ltd., AP Professional Holdings, L.P., Leon Black, Joshua Harris and Marc Rowan

Exhibit 1

JOINT FILING AGREEMENT

BRH Holdings GP, Ltd., AP Professional Holdings, L.P., Leon Black, Joshua Harris and Marc Rowan (the “Filing Persons”), hereby agree to file jointly a Schedule 13G and any amendments thereto relating to the aggregate ownership by each of the Filing Persons of any voting equity security of a class which is registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as required by Rule 13d-1 and Rule 13d-2 promulgated under the Exchange Act, and hereby agree that this agreement be included as an Exhibit to such joint filing. Each of the Filing Persons agrees that the information set forth in such Schedule 13G and any amendments thereto with respect to such Filing Person will be true, complete and correct as of the date of such Schedule 13G or such amendment, to the best of such Filing Person’s knowledge and belief, after reasonable inquiry. Each of the Filing Persons makes no representations as to the accuracy or adequacy of the information set forth in the Schedule 13G or any amendments thereto with respect to any other Filing Person. Each of the Filing Persons shall promptly notify the other Filing Persons if any of the information set forth in the Schedule 13G or any amendments thereto shall become inaccurate in any material respect or if said person learns of information that would require an amendment to the Schedule 13G.

[Signature Page Follows]

IN WITNESS WHEREOF, each of the undersigned has executed this Joint Filing Agreement as of this 14th day of February, 2013

BRH HOLDINGS GP, LTD.

By: /s/ John J. Suydam
Name: John J. Suydam
Title: Vice President

AP PROFESSIONAL HOLDINGS, L.P.

By: BRH HOLDINGS GP, LTD.,
its General Partner

By: /s/ John J. Suydam
Name: John J. Suydam
Title: Vice President

LEON BLACK

By: /s/ Leon Black
Name: Leon Black

JOSHUA HARRIS

By: /s/ Joshua Harris
Name: Joshua Harris

MARC ROWAN

By: /s/ Marc Rowan
Name: Marc Rowan
