

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

YUK YING LUI, On Behalf of Plaintiff and
All Others Similarly Situated,

Plaintiff,

vs.

AMERICAN HOME MORTGAGE
INVESTMENT CORP., MICHAEL
STRAUSS, AND STEPHEN A. HOZIE,

Defendants.

Civil Action No.

JURY TRIAL DEMANDED

**CLASS ACTION COMPLAINT FOR VIOLATIONS
OF FEDERAL SECURITIES LAWS**

Plaintiff, individually and on behalf of all other persons similarly situated, by Plaintiff's undersigned attorneys, for Plaintiff's complaint against Defendants, alleges the following based upon personal knowledge as to Plaintiff and Plaintiff's own acts, and upon information and belief as to all other matters, based on, inter alia, the investigation conducted by and through Plaintiff's attorneys, which included, amongst other things, a review of the Defendants' press releases, Securities and Exchange Commission ("SEC") filings by American Home Mortgage Investment Corp. ("American Home" or the "Company") and media reports about the Company. Plaintiff believes that substantial evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE CASE

1. This is a securities class action on behalf of Plaintiff and all other persons or entities, except for Defendants, who purchased or otherwise acquired the securities of American Home Mortgage Investment Corp. (the "Class") during the period July 26, 2006 and through July 27, 2007, inclusive (the "Class Period"), seeking to pursue remedies under the Securities Exchange Act of 1934 (the "Exchange Act").

JURISDICTION AND VENUE

2. Jurisdiction is conferred by §27 of the Exchange Act. The claims asserted herein arise under §§10(b) and 20(a) of the 1934 Act and Rule 10b-5. This Court has jurisdiction over the subject matter of this action under 28 U.S. C. §§1331 and 1337, and §27 of the 1934 Act.

3. Venue is proper in this District pursuant to §27 of the 1934 Act and 28 U.S. C. §1391(b). The corporate headquarters of American Home Mortgage Investment Corp. are located in the District.

4. In connection with the acts and conduct alleged herein, Defendants, directly and indirectly, used the means and instrumentalities of interstate commerce, including the United States mails and the facilities of the national securities exchanges.

PARTIES

5. Plaintiff Yuk Ling Lui purchased shares of stock at artificially inflated prices during the Class Period. Plaintiff was damaged as undisclosed facts became known, and the artificial inflation was removed from the stock price, as set forth in the accompanying certification, which is incorporated herein by reference herein.

6. American Home Mortgage Investment Corp., a real estate investment trust (REIT), engages in the investment and origination of residential mortgage loans in the United States. The company primarily originates and sells securitized adjustable-rate mortgage loans, as well as engages in the sale of mortgage loans to institutional investors and servicing mortgage loans owned by others. Its products also comprise conventional conforming fixed rate loans, alternate "A" loans, jumbo fixed rate loans, home equity or second mortgage loans, government fixed rate loans, non-prime loans, construction loans, and bridge loans. The Company's headquarters are located at 538 Broadhollow Road, Melville, New York and trades on the New York Stock Exchange under the ticker symbol "AHM."

7. Defendant Michael Strauss ("Strauss") was Founder, Chairman, Chief Executive Officer, and President of American Home.

8. Defendant Stephen A. Hozie ("Hozie") was Chief Financial Officer ("CFO") of American Home.

9. The individuals named as Defendants in ¶¶7-8 are referred to herein as the "Individual Defendants." The Individual Defendants, because of their positions with the Company, possessed the power and authority to control the contents of American Home quarterly reports, press releases and presentations to securities analysts, money and

portfolio managers and institutional investors, *i.e.*, the market. Each Defendant was provided with copies of the Company's reports and press releases alleged herein to be misleading prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected.

10. Because of their positions and access to material non-public information available to them but not to the public, each of these Defendants knew that the adverse facts specified herein had not been disclosed to and were being concealed from the public and that the positive representations which were being made were then materially false and misleading. The Individual Defendants are liable for the false statements pleaded herein, as those statements were each "group-published" information, the result of the collective actions of the Individual Defendants.

SCIENTER ALLEGATIONS

11. In addition to the above-described involvement, each Individual Defendant had knowledge of American Home problems. Defendant Hozie, as CFO, reported the Company's financial results, including during conference calls, to stock analysts, investors and the market. Communications with the market, as well as internal reports showing American Home forecasted and actual growth were prepared under their direction. Defendant Strauss, as CEO, necessarily knew, and then falsely communicated the Company's performance and prospects to analysts, including in conference calls with stock analysts, as well as reports on Company operations, financing and press releases issued by the Company. Each Individual Defendant sought to demonstrate that he could lead the Company successfully and generate the growth expected by the market.

DEFENDANTS' FALSE AND MISLEADING STATEMENTS

MADE DURING THE CLASS PERIOD

12. On July 26, 2006, at the beginning of the Class Period, the Company issued a press release entitled, "American Home Mortgage Announces Second Quarter Results - Earnings are \$1.37 per diluted share - Quarterly Loan Production reaches a record \$14.9 billion - Common Stock Dividend Policy increased to \$1.01 per share per quarter, or \$4.04 per share on an annualized basis - 2006 Earnings Guidance of \$4.85 to \$5.15 per diluted share reaffirmed." The press release stated in part:

Michael Strauss, American Home's Chief Executive Officer, commented, "The second quarter of 2006 was highly successful for our company. During the quarter, our portfolio net interest income reached a record \$33.9 million, while our production business experienced record originations, record market share, a strong gain on sale margin and improved warehouse income. During the quarter, we continued to execute our strategy of retaining a portion of our loan production for our investment portfolio, by adding \$1.2 billion of loans to our portfolio at quarter-end. These loans are carried at cost, and are expected to enhance our future portfolio earnings. We also continued to adhere to our core risk mitigation strategies including targeting a duration- neutral "matched book," and purchasing mortgage insurance to protect against credit losses. Today approximately half of the loans we hold are insured, either through borrower or lender-paid mortgage insurance. In addition to these core risk mitigation strategies, we recently began hedging the value of our mortgage servicing assets against the possibility of declining interest rates.

"Our company is again reaffirming our annual earnings guidance of \$4.85 to \$5.15 per diluted share. Our earnings guidance is based on, among other factors, annual loan originations of \$55 billion to \$60 billion. I am very pleased to report that, based on our company's performance and prospects, the Board of Directors has again voted to increase the dividend policy for our common stockholders. The new policy is \$1.01 per share per quarter, or \$4.04 per share on an annualized basis. The increased dividend is expected to become effective for the dividend expected to be paid in October 2006."

EARNINGS GUIDANCE

American Home is reaffirming its 2006 earnings guidance of \$4.85 to \$5.15 per diluted share. The Company expects the distribution of 2006 earnings among the year's quarters will be affected by seasonality in the Company's loan origination segment and by progressively increasing net interest income due to the Company's buildup of its investment portfolio.

DIVIDEND POLICY

Based on the Company's projections for earnings and cash flow, its Board of Directors has raised the Company's common stock dividend policy to \$1.01 per share per quarter, or \$4.04 per share on an annualized basis. The Company's dividend policy does not constitute an obligation to pay dividends, which only occurs when its Board of Directors declares a dividend. The dividend policy is subject to ongoing review by the Board of Directors based on, among other things, the Company's business prospects, financial condition, earnings projections and cash flow projections, and the Board may, when it deems doing so is advisable, lower or eliminate the dividend without prior notice. The new dividend policy of \$1.01 per share per quarter is expected to commence beginning in October 2006.

13. On, October 26, 2006, the Company issued a press release entitled, "American Home Mortgage Announces Third Quarter Results - Earnings are \$1.36 per diluted share - Quarterly loan production reaches a record \$15.3 billion - Common stock dividend policy increased to \$1.06 per share per quarter, or \$4.24 per share on an annualized basis - 2006 earnings guidance of \$4.85 to \$5.15 per share reaffirmed." The press release stated in part:

Michael Strauss, American Home's Chief Executive Officer, commented, "I am pleased by our company's results during the third quarter. In particular, earnings per share were strong at \$1.36, while dividends and book value per share continued to advance from second quarter levels. Our company's third quarter results were accomplished during a period that was particularly difficult for our industry; a period that included the adverse impacts of an inverted yield curve, falling national housing prices, reduced national loan originations, and servicing write-downs due to lower interest rates. These difficult conditions are reflected in American Home's third quarter results which include a significant mortgage servicing asset write-down, a lower although still constructive gain-on-sale margin, high credit expense for reserving necessitated by sharply higher delinquencies and loan repurchases, and finally, lower warehouse net interest due to a narrower spread between new loan yields and funding yields. These factors were offset in our company's third quarter results however, by record portfolio net interest income, record loan production and record servicing and ancillary fee income, as well as by lower expenses in our loan production business. In addition, our company did not experience a loss in its mortgage-backed securities portfolio as had been the case in several of the previous quarters, but instead had a net portfolio gain of \$3.4 million. I believe our company's strong results in this challenging environment illustrate the underlying earnings power of our businesses.

"During the quarter, our company added \$906.8 million of newly originated loans to its portfolio of loans held for investment. These loans are carried at their cost, have an unrecognized fair value in excess of cost of \$15.5 million, and are projected to yield 7.01% over their estimated life. As investors know, one of our company's core strategies is to grow ongoing portfolio net interest income by increasing our holdings of self-originated loans benefited by a low cost basis.

"Based on our third quarter results and our outlook for the fourth quarter, our company is reaffirming its 2006 earnings guidance of \$4.85 to \$5.15 per share, and its guidance for annual loan originations of \$55 billion to \$60 billion.

"As was previously announced, earlier this month our company completed its purchase of Flower Bank, a federal savings bank located in Chicago, Illinois. This purchase represents an important milestone in our company's development. Although Flower Bank will grow slowly, eventually our strategic plan is to be able to provide additional consumer financial services to our customers and the general public. Through this strategy we expect to increase the return from our customer base and our customer acquisition expenditures as well as to diversify the sources of earnings from our operating subsidiaries.

"I am very pleased to announce that based on our company's earnings and prospects, our Board of Directors has again increased our company's quarterly dividend policy on its common stock by \$0.05 per share. The new per share common stock dividend policy is \$1.06 per quarter, or \$4.24 on an annualized basis. The new dividend policy is expected to take effect with our January dividend payment, although our company is not obligated to pay dividends until such dividends are declared by our Board of Directors, and our Board of Directors may change our company's dividend policy at any time without prior notice."

EARNINGS GUIDANCE

With this earnings announcement, American Home is reaffirming its 2006 earnings guidance of \$4.85 to \$5.15 per diluted share. The Company's earnings guidance is based on uncertain assumptions about factors that will affect the Company's fourth quarter, 2006 results including: that net interest margins will remain near constant, that gain-on-sale margins will decline slightly, that originations will decline slightly, that expenses as a percentage of loan production will remain constant, that credit loss related expenses will continue to increase and that the Company will not experience significant write-downs or write-ups in the value of its assets due to changing interest rates or credit spreads which are not offset by the Company's hedges. Results differing from the Company's assumptions for these factors as well as many other factors may cause the Company's actual results to differ from its earnings guidance. With this earnings release, the Company is also reaffirming its guidance for 2006 loan production of \$55 billion to \$60 billion.

DIVIDEND POLICY

Based on the Company's projections for earnings and cash flow, its Board of Directors has raised the Company's common stock dividend policy to \$1.06 per share per quarter, or \$4.24 per share on an annualized basis. The Company's dividend policy does not constitute an obligation to pay dividends, which only occurs when its Board of Directors declares a dividend. The dividend policy is subject to ongoing review by the Board of Directors based on, among other things, the Company's business prospects, financial condition, earnings projections and cash flow projections, and the Board may, when it deems doing so is advisable, lower or eliminate the dividend without prior notice. The new dividend policy of \$1.06 per share per quarter is expected to commence beginning in January 2007.

14. On January 25, 2007, the Company issued a release entitled "American Home Mortgage Announces Fourth Quarter and Full Year Results - Earnings are \$1.21 per diluted share for the fourth quarter and \$4.96 for the full year 2006 - Origination volumes are a record \$15.5 billion for the fourth quarter and a record \$58.9 billion for the full year 2006 - Common stock dividend policy increased to \$1.12 per share per quarter, or \$4.48 per share on an annualized basis - 2007 earnings guidance is \$5.40 to \$5.70 per diluted share." The press release stated in part:

Michael Strauss, American Home's Chief Executive Officer commented, "The fourth quarter was highly successful for our company with earnings of \$1.21 per diluted share. During the quarter, we added \$1.0 billion of recently originated loans to our portfolio, which are carried at cost. Loan origination volume was a record \$15.5 billion due to our company achieving a record market share of 2.48% of national originations. Net interest income was stable while our servicing portfolio produced record revenues. During the quarter, our company did however experience its highest delinquency related charges to date, which reduced our quarterly earnings.

The fourth quarter concluded a very successful year for our company, with earnings per diluted share reaching a record \$4.96. By comparison, diluted earnings per share were \$3.97 in 2005, \$3.74 in 2004, \$4.07 in 2003 and \$2.65 in 2002*. A key financial goal for our company in 2007 is to continue our multi-year growth trend in earnings per share. During 2006, our company's return on average common equity was 22.7%, which surpassed our target of 20%, and compares favorably to 2005 when our adjusted return on average common equity was 19.7%. Also during 2006 our company originated \$58.9 billion of loans compared to \$45.3

billion in 2005. Finally, during 2006, our company reached a milestone as, for the first time; its revenues exceeded \$1.0 billion.

In this earnings release, our company is providing 2007 earnings guidance of \$5.40 to \$5.70 per fully diluted share with the earnings per diluted share for each quarter in 2007 projected to be approximately 9% to 15% higher than for the comparable quarter in 2006. Our earnings guidance is based on stable net interest margins applied to a growing portfolio of loans held for investment, loan production of \$68 billion to \$74 billion, and a reduction in gain on sale margins of approximately 12 basis points. Lower gain on sale margins are expected in part because delinquency losses on loans held for sale, including losses due to repurchases, are projected to continue at high levels throughout 2007. Projections for continued high losses are based on our company's view that while there are signs that housing prices are starting to stabilize, future abatements in foreclosure activity will lag a recovery in the housing market. As a result, our 2007 earnings guidance anticipates a highly stressed credit environment.

Not included in our earnings guidance are potential benefits from new strategies that offer the possibility of higher portfolio income, increased loan production and reduced income tax expense. Our company will keep investors apprised if material benefits from these strategies become likely.

I am very pleased to announce that based on our company's results and prospects, our Board of Directors has voted to increase our company's dividend policy by \$0.06 to \$1.12 per share per quarter or \$4.48 per share on an annualized basis. The new dividend policy is expected to take effect with our April dividend payment. Please note, however, that our company is not obligated to pay dividends until such dividends are declared by our Board of Directors, and our Board of Directors may change our company's dividend policy at any time without prior notice."

EARNINGS GUIDANCE

The Company is providing earnings guidance for 2007 of \$5.40 to \$5.70 per diluted share. Quarterly earnings per diluted share are projected to be approximately 9% to 15% higher for each quarter in 2007 compared to the comparable quarter in 2006. Key projections underlying the Company's guidance are that 1) net interest margins will remain stable and the balance of loans held for investment and carried at cost will continue to grow, 2) that loan production will range between \$68 billion and \$74 billion with higher production in the second and third quarters, and lower production in the first and fourth quarter, 3) that the Company's gain on sale margin from loans sold will decline by approximately 12 basis points, in part due to continued high delinquency charges associated with the Company's loans held for sale, and 4) that the Company will not experience significant losses net of hedges due

to write-downs of its portfolio assets and / or its servicing assets. It is important to note that actual results, which are different than any one or more than one of the key projections, may prevent the Company from achieving its earnings guidance, and may instead result in losses. In addition, factors other than the key projections listed herein may cause the Company to fail to achieve its earnings guidance and may result in losses as more fully described under Risk Factors in the Company's Annual Report filed on Form 10-K with the Securities and Exchange Commission.

DIVIDEND POLICY

Based on the Company's projections for earnings and cash flow, its Board of Directors has raised the Company's common stock dividend policy to \$1.12 per share per quarter, or \$4.48 per share on an annualized basis. The Company's dividend policy does not constitute an obligation to pay dividends, which only occurs when its Board of Directors declares a dividend. The dividend policy is subject to ongoing review by the Board of Directors based on, among other things, the Company's business prospects, financial condition, earnings projections and cash flow projections, and the Board may, when it deems doing so is advisable, lower or eliminate the dividend without prior notice. The new dividend policy of \$1.12 per share per quarter is expected to commence beginning in April 2007.

15. On March 6, 2007, the Company issued a press release entitled "American Home Mortgage Investment Corp. Provides Supplemental Information Regarding its Portfolio and Originations." The press release purported to state accurate statistical information regarding the nature and quality of the Company's loan portfolio, inclusive of underwriting guidelines and standards ascribed to the individual asset types contained within the portfolio.

16. On April 6, 2007, the Company issued a press release entitled "American Home Mortgage Expects Reduced Earnings in the First Quarter and Full Year 2007 - Market conditions are expected to reduce gain on sale revenues and necessitate write-downs of low investment grade and residual securities - The Company now sees first quarter earnings per diluted share of \$0.40 to \$0.60 and full year 2007 earnings per diluted share of \$3.75 to \$4.25 - Common stock dividend policy is changed to \$0.70 per share per quarter or \$2.80 on an annualized basis." The press release stated in part:

Michael Strauss, American Home's Chairman and Chief Executive Officer, commented, "During March, conditions in the secondary mortgage and mortgage securities markets changed sharply. In particular, these markets were characterized by far few buyers offering materially lower prices, both for loan pools and for "AA", "A", "BBB" and residual mortgage securities. These changes had a significant, adverse impact on our Company's first quarter results, reducing our gain on sale revenue and causing mark-to-market losses in our portfolio. While the market may recover, and while we will attempt to restore our gain on sale margins by raising interest rates charged to consumers, our working assumption must be that current market conditions will persist and that our gain on sale margins will not recover through the balance of the year. Consequently, I am disappointed to report that our Company is lowering its full year earnings guidance and its dividend policy."

17. On April 30, 2007, the Company issued a press release entitled "Federated American Home Mortgage Investment Corp. Announces Common Stock Offering." The press release pointed to a prospectus for the Offering, which failed to fully disclose the issues facing the Company.

18. Defendants' statements as contained in ¶¶12-17 above were false and misleading. Amongst other things, defendants' disclosures served to actively conceal (i) the true extent of the growing level of loan delinquencies and resulting adverse impact on the Company's earnings and profits; (ii) the growing inability of the Company to securitize or sell its loans, caused in part by the declining quality of its loan portfolio; and (iii) that the Company failed to incur necessary asset impairment charges, to adjust downward the value of its loan portfolio.

THE TRUTH UNFOLDS

19. On June 28, 2007, Defendants shocked the market with a press release entitled, "American Home Mortgage Provides Mid-Quarter Update - Company will establish additional reserves for delinquent loan repurchases that are likely to cause a loss for the second quarter of 2007 - 2007 Earnings Guidance Withdrawn, but Quarterly

Dividend Policy of \$0.70 per Share Affirmed Company Has Issued \$125 million of 9.75% Convertible Trust Preferred Securities to Funds Managed by Marathon Asset Management, LLC.” The press release stated in part:

American Home Mortgage Investment Corp. (NYSE: AHM) announced today that it will take substantial charges for credit-related expenses in the second quarter. As a result, the Company's second quarter financial results are uncertain, and it is likely the Company will experience a second quarter loss. As has been previously described, the Company's credit-related expenses have been primarily caused by the three month "timely payment" warranty the Company granted to loan buyers who purchased stated income loans with high loan to value ratios from the Company. The Company has stopped making these types of loans. Consequently, the Company believes that the high credit-related charges resulting from prior loan sales will diminish as the three month "timely payment" warranty expires.

Michael Strauss, American Home's Chief Executive Officer, commented, "Our company's goal is to put the impact from the discontinued products behind us. A benefit of the substantial reserves we are establishing in the second quarter is that the discontinued product's impact on our future financial results is likely to diminish. As we put the impact from the discontinued products behind us, the positive contributions from our portfolio, mortgage origination franchise and loan servicing business will again drive our results. Altogether, the second quarter will be a period of "clean-up" as the impact from the discontinued products continues to wind down."

While charges related to repurchases of discontinued products will have a significant impact on the Company's second quarter results, new repurchase claims have dropped substantially as the second quarter has progressed. Specifically, claims reached a high in April, but May and June claims have declined approximately 53% from April levels. Claims are typically made shortly after the expiration of the warranty period. The reduction in new claims is a result of the expiration of the three month "timely payment" warranty on loans previously sold by the Company. Claims and related reserves are expected to continue to trend lower in the third and fourth quarters.

SECOND QUARTER LOSS WILL BE LIMITED

The Company's delinquency-related charges in the second quarter will be substantial. In addition, the Company expects that it will reclassify a portion of its other comprehensive loss. The reclassification will be charged to current quarter earnings, but will reduce other comprehensive loss by a like amount, and consequently will not affect the Company's equity. Altogether, the total amount of loss in the second quarter is expected to be contained. Specifically, the Company expects that its total stockholder's equity will actually be higher at the end of the second quarter compared to the first quarter of 2007.

EARNINGS GUIDANCE WITHDRAWN

Because of Company's second quarter results and current conditions in the mortgage industry, the Company is withdrawing its previously issued earnings guidance for 2007. The Company expects to reestablish earnings guidance toward year-end.

DIVIDENDS POLICY REAFFIRMED

While losses from the "timely payment" warranty on discontinued products will drive the Company's second quarter results, base results from the Company's mortgage origination business have benefited from a stabilization of the secondary mortgage market. Specifically, the Company's loan pools offered for sale are now attracting multiple bidders and are being traded at supportive prices. Based on the Company's ongoing revenue from its portfolio, loan sales and servicing fees, the Company is reaffirming its quarterly dividend policy of \$0.70 per common share. The dividend policy is subject to change without notice, and the Company's Board of Directors may reduce or eliminate the dividends if it believes the Company's prospects warrant such a change.

ISSUANCE OF CONVERTIBLE TRUST PREFERRED SECURITIES

The Company also announced today that it has issued in a private placement \$125 million of convertible trust preferred securities to funds managed by Marathon Asset Management, LLC. The trust preferred securities pay a dividend of 9.75% per annum, and are convertible into the Company's common stock at an initial conversion price of \$25.57 per share. The conversion price is subject to limited downward adjustments based on the performance of the Company's shares and its common dividend yield.

20. Following the shocking press release of June 28, 2007, shares of American Home stock tumbled \$2.53 or 12.1%, closing at \$18.38 on volume of 5.2 million shares. Investors were shocked to learn that the Company's financial condition had deteriorated dramatically, with little reason to expect improvement in the near term. Nevertheless, Defendants made no attempts to issue corrective disclosures regarding the condition of the Company and continued to actively conceal liquidity issues and the rapidly deteriorating financial health and condition of the Company's assets. Shares of American Home stock continued to decline in value, trading as low as \$10.76 per share on July 19, 2007.

21. Following this, on July 27, 2007, after the close of the markets, the Company issued another shocking press release entitled "American Home Mortgage Investment Corp. Delays Payment of Quarterly Common Stock and Series A and Series B Preferred Stock Dividends." The press release, pointing to management's intention to suspend payment of an expected quarterly cash dividend, stated in part:

MELVILLE, N.Y., Jul 27, 2007 (BUSINESS WIRE) -- American Home Mortgage Investment Corp. (NYSE: AHM) announced today that its Board of Directors has decided to delay payment of its quarterly cash dividend on the Company's common stock and anticipates delaying payment of its quarterly cash dividends on its Series A Cumulative Redeemable Preferred Stock and Series B Cumulative Redeemable Preferred Stock in order to preserve liquidity until it obtains a better understanding of the impact that current market conditions in the mortgage industry and the broader credit market will have on the Company's balance sheet and overall liquidity. The disruption in the credit markets in the past few weeks has been unprecedented in the Company's experience and has caused major write-downs of its loan and security portfolios and consequently has caused significant margin calls with respect to its credit facilities.

The quarterly cash dividend of \$0.70 per share on the Company's common stock had been declared on June 15, 2007 and was to be paid on July 27, 2007 to all shareholders of record as of July 9, 2007. The Series A Preferred Stock dividend and Series B Preferred Stock dividend had been declared on June 15, 2007 and are payable on July 31, 2007, to shareholders of record as of July 9, 2007.

22. As the result of Defendant's partially corrective disclosures towards the end of the Class Period, the Company's stock price staged a dramatic decline, beginning on June 28, 2007, as the price of American Home stock tumbled 12.1%, to \$18.38 per share, then continued to decline until July 27, 2007, when trading in the stock was halted on the NYSE. Following from the news of July 27, 2007, the price of American Home stock fell again, to \$1.04 a share, for a loss of \$9.43 or 90%, on heavy volume of over 31.3 million shares. As a result, the price of American Home shares fell from its intermediate high of \$35.99 on February 7, 2007, to \$1.04 per share on July 31, 2007, for an overall loss of 97% in value or \$1.7 billion in overall market capitalization.

LOSS CAUSATION/ECONOMIC DAMAGES

23. Defendants' false and misleading statements and omissions had the intended effect and caused American Home stock to trade at artificially inflated levels throughout the Class Period, reaching an intermediate high of \$35.99 on February 7, 2007, before tumbling to \$18.38 per share on June 29, 2007 – a 12.1% decline. Following this, on July 31, 2007, the price of American Home stock collapsed to \$1.04 per share once trading was resumed on July 31, 2007 – an overall 97% decline in value of American Home shares.

24. The declines in the price of American Home stock on June 28, 2007 and July 31, 2007 were the direct result of the unraveling and disclosure of the nature and extent of Defendants' fraud as the truth finally leaked into and was absorbed by the market. The timing and magnitude of the American Home stock price declines negate any inference that the loss suffered by Plaintiff and other Class members was caused by changed market conditions, macroeconomic or industry factors or Company-specific facts unrelated to the Defendants' fraudulent conduct.

APPLICABILITY OF PRESUMPTION OF RELIANCE

FRAUD-ON-THE-MARKET DOCTRINE

25. At all relevant times, the market for American Home was an efficient market, for the following reasons, among others:

(a) American Home met the requirements for listing, and was listed and actively traded on the NYSE, a highly efficient and automated market;

(b) As a regulated issuer, Defendants filed periodic public reports with the SEC; and

(c) Defendants regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the national circuits of major newswire services and

through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services.

26. As a result of the foregoing, the market for the securities of American Home promptly digested current information regarding American Home from all publicly available sources and reflected such information in stock prices of American Home. Under these circumstances, all persons who purchased or acquired the securities of American Home during the Class Period suffered similar injury through their purchase of the aforementioned securities at artificially inflated prices and a presumption of reliance applies.

NO SAFE HARBOR

27. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this complaint. Many of the specific statements pleaded herein were not identified as “forward-looking statements” when made. To the extent there were any forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory safe harbor does apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the particular speaker knew that the particular forward-looking statement was false, and/or the forward-looking statement was authorized and/or approved by executive officer(s) of Defendants who knew that those statements were false when made.

CLASS ACTION ALLEGATIONS

28. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all persons who purchased American Home publicly traded securities on the open market during the Class Period (the “Class”). Excluded from the Class are Defendants.

29. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. American Home had more than 49 million shares of stock outstanding, owned by thousands of persons.

30. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

- (a) Whether the Exchange Act was violated by Defendants;
- (b) Whether Defendants misrepresented material facts;
- (c) Whether Defendants’ statements omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;
- (d) Whether Defendants knew or deliberately disregarded that their statements were false and misleading;
- (e) Whether the prices of American Home publicly traded securities were artificially inflated; and
- (f) The extent of damage sustained by Class members and the appropriate measure of damages.

31. Plaintiff's claims are typical of those of the Class because Plaintiff and the Class sustained damages from Defendants' wrongful conduct.

32. Plaintiff will adequately protect the interests of the Class and has retained counsel who are experienced in class action securities litigation. Plaintiff has no interests which conflict with those of the Class.

33. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

COUNT I

For Violation of §10(b) of the 1934 Act and Rule 10b 5

Against All Defendants

34. Plaintiff incorporates ¶¶1-33 by reference.

35. During the Class Period, Defendants disseminated, approved or deliberately disregarded the false statements specified above, which they knew or should have known were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements, in light of the circumstances under which they were made, not misleading.

36. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

- (a) Employed devices, schemes, and artifices to defraud;
- (b) Made untrue statements of material facts or omitted to state material facts necessary in order to make the statements, in light of the circumstances under which they were made, not misleading; or
- (c) Engaged in acts, practices, and a course of business that operated as a fraud or deceit upon Plaintiff and others similarly situated in connection with their

purchases of publicly traded American Home publicly traded securities during the Class Period.

37. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for American Home publicly traded securities. Plaintiff and the Class would not have purchased American Home publicly traded securities at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by Defendants' misleading statements. When the truth was revealed, the artificial inflation in the price of the stock purchased by Plaintiff and the Class was removed, and Plaintiff and the Class suffered losses.

38. As a direct and proximate result of these Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their purchases of American Home publicly traded securities during the Class Period.

COUNT II

For Violation of §20(a) of the 1934 Act

Against All Defendants

39. Plaintiff incorporates ¶¶1-38 by reference.

40. The Individual Defendants acted as controlling persons of American Home within the meaning of §20(a) of the Exchange Act. By reason of their positions as officers and/or directors of American Home, the Individual Defendants had the power and authority to cause American Home to engage in the wrongful conduct complained of herein. By reason of such conduct, the Individual Defendants and American Home are liable pursuant to §20(a) of the Exchange Act.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for judgment as follows:

- A. Declaring this action to be a proper class action pursuant to Fed.R.Civ.P. 23;
- B. Awarding Plaintiff and the members of the Class compensatory damages;
- C. Awarding Plaintiff and other members of the Class pre-judgment and post-judgment interest, as well as reasonable attorneys' fees, expert witness fees, and other costs and disbursements;
- D. Awarding Plaintiff and other members of the Class any other relief as the Court may deem just and proper.

JURY DEMAND

Plaintiff hereby demands a trial by jury on all causes of action so triable.

DATED: August 2, 2007

Respectfully submitted,

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