

AMERICAN HOME MORTGAGE INVESTMENT CORP

Form 424B5

December 10, 2004

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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-111546

PROSPECTUS SUPPLEMENT

(to prospectus dated January 12, 2004)

American Home Mortgage Investment Corp.
3,000,000 Shares
9.25% Series B Cumulative Redeemable Preferred Stock
Liquidation Preference \$25.00 Per Share

We are offering 3,000,000 shares of our 9.25% Series B Cumulative Redeemable Preferred Stock, par value \$0.01 per share, which we sometimes refer to in this prospectus supplement as the Series B Preferred Stock. We will pay cumulative dividends on the Series B Preferred Stock, when, as and if declared by our Board of Directors, in the amount of \$2.3125 per share each year, which is equivalent to 9.25% of the \$25.00 liquidation preference per share. Dividends on the Series B Preferred Stock will be payable quarterly in arrears on the last calendar day of each January, April, July and October or, if such day is not a business day, the next succeeding business day. The first expected dividend payment date in respect of the Series B Preferred Stock offered hereby will be January 31, 2005. Holders of shares of the Series B Preferred Stock generally will have no voting rights, but will have limited voting rights if we fail to pay dividends for six or more quarters (whether or not consecutive) and in certain other events.

We may not redeem the Series B Preferred Stock before December 15, 2009, except in limited circumstances to preserve our status as a real estate investment trust, or a REIT. On or after December 15, 2009, we may, at our option, redeem the Series B Preferred Stock, in whole or in part, at any time and from time to time, for cash at a price of \$25.00 per share, plus accumulated and unpaid dividends, if any, to the date of redemption. Any partial redemption will be on a pro rata basis, by lot or by any other equitable manner that we determine. The Series B Preferred Stock has no stated maturity date and we are not required to redeem the Series B Preferred Stock. The Series B Preferred Stock is not convertible into any of our property or other securities.

We are organized and conduct our operations to qualify as a REIT for federal income tax purposes. To assist us in complying with certain federal income tax requirements applicable to REITs, our charter contains certain restrictions relating to the ownership and transfer of our stock, including ownership limits of 6.5% of all of the outstanding shares of our common stock or our common stock together with our preferred stock of any class or series, and 9.8% of the outstanding shares of the Series B Preferred Stock. See Description of Series B Preferred Stock in this prospectus supplement and Description of Capital Stock Restrictions on Ownership and Transfer in the accompanying prospectus for a discussion of these restrictions.

We have granted an option to the underwriters to purchase from us up to 450,000 additional shares of our Series B Preferred Stock within 30 days following the date of this prospectus supplement to cover over-allotments, if any.

No market currently exists for our Series B Preferred Stock. We have applied to list the Series B Preferred Stock on the New York Stock Exchange, or NYSE, under the symbol AHM PrB. Our common stock is listed on the NYSE under the symbol AHM and our 9.75% Series A Cumulative Redeemable Preferred Stock, or Series A Preferred Stock, is listed on the NYSE under the symbol AHM PrA.

Investing in our Series B Preferred Stock involves risks. See Risk Factors beginning on page S-13 of this prospectus supplement and page 7 of the accompanying prospectus to read about some of the risks you should consider before buying shares of our Series B Preferred Stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	<u>Per Share</u>	<u>Total</u>
Public offering price	\$ 25.0000	\$ 75,000,000
Underwriting discounts and commissions	\$ 0.7875	\$ 2,362,500
Proceeds, before expenses, to us	\$ 24.2125	\$ 72,637,500

We expect that the Series B Preferred Stock will be ready for delivery to purchasers in book-entry form through The Depository Trust Company on or about December 15, 2004.

Friedman Billings Ramsey

Stifel, Nicolaus & Company

Incorporated

RBC Capital Markets

Advest, Inc.

The date of this prospectus supplement is December 9, 2004.

You should rely only on the information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with additional or different information. If anyone provides you with additional, different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. The information in this prospectus supplement and the accompanying prospectus is current only as of the date such information is presented. Our business, financial condition, results of operations and prospects may have changed since such dates.

The information in this prospectus supplement updates information in the accompanying prospectus and, to the extent it is inconsistent with the information in the accompanying prospectus, replaces such information.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document contains two parts. The first part is this prospectus supplement, which describes the specific terms of the Series B Preferred Stock we are offering and certain other matters relating to us. The second part, the accompanying prospectus, gives more general information about securities we may offer from time to time, some of which does not apply to the Series B Preferred Stock. You should read this entire prospectus supplement, as well as the accompanying prospectus, and the documents incorporated by reference that are described under "Where You Can Find More Information" in each of this prospectus supplement and accompanying prospectus.

To the extent any inconsistency or conflict exists between the information included in this prospectus supplement and the information included in the accompanying prospectus, the information included or incorporated by reference in this prospectus supplement updates and supersedes the information in the accompanying prospectus. This prospectus supplement incorporates by reference important business and financial information about us that is not included in or delivered with this prospectus supplement.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information required by the Securities Exchange Act of 1934, as amended, or the Exchange Act, with the Securities and Exchange Commission, or SEC. You may read and copy any of these filed documents at the SEC's public reference room located at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the SEC's public reference room. Our SEC filings are also available to the public from the SEC's website at <http://www.sec.gov>. Copies of these reports, proxy statements and other information can also be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

Our website is <http://www.americanhm.com>. We make available free of charge on our website, via a link to a third party website, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements and Forms 3, 4 and 5 filed on behalf of directors and executive officers and any amendments to such reports filed or furnished pursuant to the Exchange Act as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. Unless specifically incorporated by reference into this prospectus supplement or the accompanying prospectus, information contained on our website is not, and should not be interpreted to be, part of this prospectus supplement or the accompanying prospectus.

This prospectus supplement is part of a registration statement and does not contain all of the information included in the registration statement. Whenever a reference is made in this prospectus supplement to any contract or other document of ours, you should refer to the exhibits that are a part of the registration statement or the prospectus supplement for a copy of the referenced contract or document. Statements contained in this prospectus supplement concerning the provisions of any documents are necessarily summaries of those documents, and each statement is qualified in its entirety by reference to the copy of the document filed with the SEC.

The SEC allows us to incorporate by reference into this prospectus supplement information that we file with the SEC in other documents. This means that we can disclose important information to you by referring you to other documents filed separately with the SEC. The information that we incorporate by reference is considered to be part of this prospectus supplement, and information that we file later with the SEC will automatically update and supersede the information contained in this prospectus supplement.

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In addition to the documents listed under *Where You Can Find More Information* in the accompanying prospectus, the following documents filed with the SEC pursuant to Section 13 of the Exchange Act (File No. 001-31916) are incorporated by reference in this prospectus supplement:

Our Annual Report on Form 10-K for the fiscal year ended December 31, 2003, including those portions incorporated by reference therein of our Definitive Proxy Statement on Schedule 14A filed with the SEC on April 29, 2004;

Our Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2004, June 30, 2004 and September 30, 2004; and

Our Current Reports on Form 8-K dated January 12, 2004, February 12, 2004, June 21, 2004, July 28, 2004, August 30, 2004 and November 30, 2004.

All documents that we will file with the SEC under the provisions of Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus supplement and prior to the termination of any offering of securities under this prospectus supplement shall be deemed to be incorporated by reference and to be a part of this prospectus supplement from the date such documents are filed, provided, however, that we are not incorporating by reference any information furnished under Item 2.02 or Item 7.01 of any Current Report on Form 8-K.

We will provide to you, without charge, a copy of any or all documents incorporated by reference into this prospectus supplement except the exhibits to those documents (unless they are specifically incorporated by reference in those documents). You may request copies by writing or telephoning: Alan B. Horn, Esq., Secretary, American Home Mortgage Investment Corp., 520 Broadhollow Road, Melville, New York 11747, telephone number (516) 949-3900.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus contain certain forward-looking statements within the meaning of the federal securities laws. These statements may be made directly in this prospectus supplement or the accompanying prospectus, or may be made a part of this prospectus supplement or the accompanying prospectus by reference to other documents filed with the SEC by us.

Some of the forward-looking statements can be identified by the use of forward-looking words. When used in our documents or in any oral presentation, statements that are not historical in nature, including the words anticipate, may, estimate, should, seek, expect, plan, intend, and similar words, or the negatives of those words, are intended to identify forward-looking statements. They also include statements containing a projection of revenues, earnings (loss), capital expenditures, dividends, capital structure or other financial terms. Certain statements regarding the following particularly are forward-looking in nature:

our business strategy;

future performance, developments, market forecasts or projected dividends;

projected acquisitions or joint ventures; and

projected capital expenditures.

It is important to note that the description of our business in general, and our securities holdings in particular, is a statement about our operations as of a specific point in time. It is not meant to be construed as an investment policy, and the types of assets we hold, the amount of leverage we use, the liabilities we incur and other characteristics of our assets and liabilities are subject to reevaluation and change without notice.

The forward-looking statements in this prospectus supplement and the accompanying prospectus are based on our management's beliefs, assumptions and expectations of our future economic performance, taking into account the information currently available to it. These statements are not statements of historical fact. Forward-looking statements are subject to a number of factors, 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 position. These factors include, without limitation:

our limited operating history with respect to our portfolio strategy;

the ability of our management to change or modify our portfolio strategy without advance notice to stockholders which may cause us to suffer losses;

our need for a significant amount of cash to operate our business;

risks associated with the use of leverage;

failure to maintain our status as a REIT;

changes in federal and state tax laws affecting REITs;

repayment speeds within the mortgage-backed securities market;

changes in federal and state regulation of mortgage banking;

disruptions in the market for repurchase facilities;

failure to match the interest rates on our borrowings with the interest rates on the mortgage-backed securities we hold;

the overall environment for interest rates and their subsequent effect on our business;

dividends declared by us that are not as high as expected;

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risks associated with equity investments and the general volatility of the capital markets and the market price of our common stock;

competition for business and personnel;

our ability to identify and complete acquisitions and successfully integrate the businesses we acquire;

general economic, political, market, financial or legal conditions; and

the other factors referenced in this prospectus supplement and the accompanying prospectus, including, without limitation, those under the Risk Factors section.

In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus supplement and the accompanying prospectus might not occur, and we qualify any and all of our forward-looking statements entirely by these cautionary factors. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this prospectus supplement or the accompanying prospectus or as of the date of any document incorporated by reference in this prospectus supplement and the accompanying prospectus, as applicable. Such forward-looking statements are inherently uncertain, and you must recognize that actual results may differ from expectations. We are not under any obligation, and we expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

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SUMMARY

The following is a summary of selected information contained elsewhere in this prospectus supplement, the accompanying prospectus or incorporated by reference into this prospectus supplement or the accompanying prospectus. Before making an investment decision, you should read this summary together with the more detailed information set forth in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference, including the Risk Factors sections beginning on page S-13 of this prospectus supplement and page 7 of the accompanying prospectus and in the documents incorporated by reference in this prospectus supplement or the accompanying prospectus, the section entitled Certain U.S. Federal Income Tax Considerations beginning on page S-35 of this prospectus supplement and the consolidated financial statements and the notes to these consolidated financial statements appearing in the documents incorporated by reference. Unless otherwise indicated, the information contained in this prospectus supplement assumes that the underwriters will not exercise their option to purchase up to 450,000 additional shares of Series B Preferred Stock to cover over-allotments, if any.

In this prospectus supplement, unless the context indicates otherwise, references to the Company, we, our and us refer to the activities and the assets and liabilities of American Home Mortgage Investment Corp., including our subsidiaries, American Home Mortgage Holdings, Inc., a Delaware corporation, which is sometimes referred to in this prospectus supplement as AHM Holdings, American Home Mortgage Corp., a New York corporation, American Home Mortgage Servicing, Inc. (formerly known as Columbia National, Incorporated), a Maryland corporation, and American Home Mortgage Acceptance, Inc., a Maryland corporation. References in this prospectus supplement to AHM Investment refer solely to American Home Mortgage Investment Corp. AHM Investment was formed in order to combine the businesses of AHM Holdings and Apex Mortgage Capital, Inc., which is sometimes referred to in this prospectus supplement as Apex, and to reorganize those businesses into a real estate investment trust, or REIT, with a taxable mortgage origination subsidiary. The business combination of AHM Holdings and Apex was completed on December 3, 2003. The historical financial information presented in this prospectus supplement generally reflects the financial results of AHM Holdings prior to the formation of AHM Investment and the merger with Apex. See Our Company Company History on page S-5 of this prospectus supplement.

Our Company

We are in the business of investing in mortgage-backed securities resulting from the securitization of primarily prime-quality, residential mortgage loans that we originate and service. Self-originating the loans underlying our securities allows us to invest in those securities at a lower cost than acquiring similar assets in the capital markets, and therefore is expected to enhance the return we earn on those securities. Our business strategy is to securitize most of the adjustable-rate mortgage, or ARM, loans that we originate, to hold a portion of the securities resulting from these securitizations, to service those loans underlying our securities and to sell the fixed-rate mortgage loans that we originate. Generally, loans we originate are high-credit-quality, prime loans that are either eligible for sale to Fannie Mae or Freddie Mac, or are jumbo loans for borrowers with high FICO credit scores, typically 680 or above. We have elected in our tax return for the year ended December 31, 2003 to be treated as a REIT, and we expect to qualify as a REIT for federal income tax purposes from our date of incorporation. Consequently, the net interest income we earn on the securities we hold generally will not be subject to federal income tax to the extent we distribute those earnings to stockholders.

We originate loans through our mortgage banking operation, which originated approximately \$21.7 billion in aggregate principal amount of loans in 2003 and for the third quarter of 2004 was ranked as the nation's 21st largest residential mortgage lender according to *National Mortgage News*. We offer a broad array of home mortgage products through an extensive nationwide network of retail loan production offices as well as through our wholesale and Internet mortgage lending operations. We currently operate more than 300 loan production offices in 40 states and make loans throughout all 50 states. Our mortgage banking operation also services the loans underlying the securities we create as well as certain of the loans

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we sell to third-party purchasers. The aggregate principal amount of loans we serviced was approximately \$13.6 billion as of September 30, 2004.

We seek to generate attractive, long-term investment returns from the mortgage-backed securities that we hold. We believe that our return is enhanced as the result of our ability to self-originate the mortgage loans underlying these securities, which results in a lower acquisition cost of the securities, and not from anticipating market forces, such as the direction of interest rates. We seek to limit our exposure to fluctuating interest rates by attempting to match the duration of our liabilities and hedges with the duration of our mortgage-backed securities holdings. We also seek to reduce risk by holding primarily securities backed by ARM loans with investment characteristics that are less sensitive to changes in interest rates and that are easier to match-fund than fixed-rate loans.

We hold our mortgage-backed securities directly or in our qualified REIT subsidiary, or QRS, while part of our origination business and all of our servicing business are housed in our taxable REIT subsidiaries, or TRSs. The net interest income that we earn on our mortgage-backed securities that are held through our QRS generally will constitute REIT taxable income, and we are required by federal tax laws to distribute at least 90% of such REIT taxable income to our stockholders. We generally will not be subject to federal income tax on such income to the extent that such income is distributed. By contrast, income that we earn on activities we conduct in our TRSs, including sourcing, selling and servicing mortgage loans, will be subject to federal and state corporate income tax. We may retain any after-tax income generated by our TRSs, and, as a result, may increase our consolidated equity capital and thereby grow our business through retained earnings. We may, however, dividend all or a portion of our after-tax TRS earnings to our stockholders, subject to REIT qualifying limitations. See *Certain U.S. Federal Income Tax Considerations* in this prospectus supplement.

Mortgage-Backed Securities Holdings

Our current portfolio strategy, which is subject to change at any time without advance notice to our stockholders and which we expect may change from time to time, is to use our equity capital and borrowed funds to invest in mortgage-backed securities resulting from the securitization of loans we originate, thereby producing net interest income. Accordingly, we expect net interest income from our securities to be the largest component of our earnings in the future. We believe that the cost advantage we obtain from self-originating loans and holding such loans in securitized form in the REIT or our QRS is primarily the result of two economic factors. First, through self-origination, we avoid the intermediation costs associated with purchasing mortgage assets in the capital markets. Second, the REIT or our QRS is able to acquire loan applications from our TRSs, rather than purchase closed loans, at a price substantially less than the purchase price of a closed loan. We expect that our strategy and the use of borrowings to leverage the mortgage-backed securities we hold will produce an attractive return for our stockholders. As of September 30, 2004, we held approximately \$7.3 billion of mortgage-backed securities and \$398.7 million of mortgage loans awaiting securitization, substantially all of which were backed by or were ARM loans. Of these mortgage-backed securities, approximately 41% were backed by loans we originated and approximately 59% were mortgage-backed securities purchased in the capital markets. During the remainder of 2004 and throughout 2005, we expect the percentage of securities we hold that are backed by self-originated loans to increase until this type of security constitutes substantially all of our portfolio.

We seek to avoid many of the risks typically associated with companies that purchase mortgage-backed securities in the capital markets. For example, we attempt to closely match the duration of our liabilities and hedges with the duration of our mortgage-backed securities holdings. We also structure our liabilities to mitigate potential negative effects of changes in the relationship between short-term and longer-term interest rates. A substantial portion of the securities we hold are either obligations of Fannie Mae or Freddie Mac or are rated AAA by Standard & Poor's. Finally, substantially all of our securities are backed by ARM loans. Because we are focused on holding ARM loans rather than fixed-rate loans, we believe we will be less adversely affected by prepayments due to falling interest rates or a reduction in our net interest income due to rising interest rates.

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We generally borrow a substantial portion of the funds required to invest in our mortgage-backed securities, and will seek to maintain an overall debt-to-equity ratio ranging from 10:1 to 12:1. The liabilities we use to fund our portfolio of mortgage-backed securities are primarily repurchase agreements with maturities ranging from one to twelve months. We use interest rate swaps to extend the duration of our liabilities to attempt to match the duration of our assets. We use repurchase agreements with laddered maturities to reduce the risk of a disruption in the repurchase market. We also believe we are less susceptible to a disruption in the repurchase market because we hold primarily Fannie Mae and Freddie Mac securities and securities rated AAA by Standard & Poor's, which have typically been eligible for repurchase market financing even when repurchase financing was not available for other classes of mortgage assets.

Under our current business strategy, we expect to maximize the operational and tax benefits provided by our REIT structure. Our TRSs accept and process loan applications. Loan applications that meet the requirements of the REIT, which typically consist of ARMs and hybrid ARMs, are then sold by our TRSs to our QRS, while loans that do not meet these requirements are closed and sold to third-party purchasers. The associated servicing rights of all loans originated by our QRS are retained by our TRSs. We generate net interest income from our portfolio of mortgage loans and mortgage-backed securities, which is the difference between (i) the interest income we receive from mortgage loans and mortgage-backed securities we hold and (ii) the interest we pay, plus certain administrative costs.

Origination Business

Our loan origination business originates primarily first mortgages on one-to-four family dwellings through our retail and wholesale loan origination channels, each of which accounted for approximately half of our total loan originations during the third quarter of 2004. We seek to utilize a combination of skilled loan officers, state of the art technology, a broad and fairly priced product line and a high level of customer service to successfully compete in the marketplace. Once a consumer applies for a loan, our mortgage banking operation processes and underwrites the consumer's application and we fund the consumer's loan by drawing on a warehouse line of credit. The loan is then typically either securitized and the resulting securities held by us as a long-term investment or sold by us for a profit.

Our loan origination business has rapidly grown its market share and scale. The aggregate principal amount of our total loan originations has grown from \$12.2 billion in 2002 to \$21.7 billion in 2003. We believe our growth has made our mortgage banking operation more profitable and more effective at serving our customers. Specifically, growth in originations has lowered the per-loan cost of our centralized support operations and, consequently, our overall per-loan cost of origination. Our growth has also given us a relatively large presence in the secondary mortgage market, and, as a result, has improved our ability to execute loan sales to third-party purchasers. In addition, our size has enabled us to negotiate better terms with warehouse lenders and credit enhancers such as Fannie Mae and Freddie Mac. Finally, our size has made it possible for us to profitably enter businesses ancillary to mortgage lending, such as mortgage reinsurance, title brokerage and vendor management.

We currently conduct lending through more than 300 loan production offices located in 40 states across the United States, through mortgage brokers and through our Internet call center, which serves customers located in all 50 states. In the third quarter of 2004, our retail activities, which are conducted through our community loan production offices and Internet call center, accounted for approximately 51% of our loan originations, while mortgage brokers accounted for approximately 49% of our originations. We offer a broad array of mortgage products, but primarily make high-credit-quality loans; more than 54% of our originations are eligible for Fannie Mae, Freddie Mac or Ginnie Mae programs, while most of the balance of our loans consists of jumbo loans for borrowers with high FICO credit scores, typically 680 or above. In the third quarter of 2004, approximately 56% of our loan originations carried adjustable interest rates or hybrid interest rates, while approximately 44% carried fixed interest rates.

AHM Holdings has grown its loan origination franchise substantially since becoming a public company in October of 1999. In 2003, the aggregate principal amount of our loan originations was

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approximately \$21.7 billion, compared to \$12.2 billion in 2002, \$7.8 billion in 2001 and \$3.0 billion in 2000. Our growth has resulted principally from growing our network of loan production offices by acquisitions and internally growing loan production offices so acquired. We have increased our number of loan production offices by acquiring small to mid-sized mortgage businesses. AHM Holdings has completed seven such acquisitions since December of 1999. In each acquisition, we have generally retained and grown the acquired company's loan production offices while substantially eliminating their centralized support operations and associated costs. These acquisitions have significantly increased our origination capability. Our strategy is to continue to opportunistically seek acquisitions to grow our loan origination business.

Growth in AHM Holdings' business with mortgage brokers has resulted from adding additional branches and account executives in our mortgage broker channel and increasing the depth of our mortgage broker support capabilities.

Servicing Business

Our servicing business services the loans that back our portfolio of self-originated mortgage-backed securities. It also services loans owned by others, which are typically loans that we or our predecessors originated and sold. As of September 30, 2004, our TRSs serviced approximately 87,704 loans with an aggregate principal amount of approximately \$13.6 billion. The average annual servicing fee on our servicing portfolio as of September 30, 2004 was 0.354% of the principal amount of each loan we service for others. Our servicing business collects mortgage payments, administers tax and insurance escrows, seeks to mitigate losses on defaulted loans and responds to borrower inquiries. Our servicing capabilities have received the Select Servicer rating from Standard & Poor's.

We expect our servicing business to grow as we increase our portfolio of self-originated mortgage-backed securities. Our servicing business enables us to retain an ongoing business relationship with our borrowers, which we believe makes it more likely that we will earn those borrowers' business when they need a new loan or wish to refinance an existing loan. We believe that our servicing capability also enables us to sell loans to Fannie Mae, Freddie Mac and Ginnie Mae on more advantageous terms than if we did not service our originations.

Competitive Advantages

We believe that we have several competitive advantages compared to other mortgage REITs. These competitive advantages include the following:

We believe that our net origination costs through self-origination typically have been lower than the price at which traditional mortgage REITs purchase similar mortgage loans on the open market. We believe that this lower cost allows us to earn a higher yield than mortgage REITs that primarily purchase assets in the capital markets.

Because we believe we can earn a higher yield than mortgage REITs that primarily purchase their assets in the capital markets, we can afford to sacrifice a portion of this yield to reduce (i) our interest rate risk, by limiting our portfolio to ARMs and attempting to match-fund our liabilities and hedges with our assets and (ii) our credit risk, by focusing on highly rated assets.

We believe that we have a competitive advantage over other mortgage REITs that self-originate mortgage-backed securities because we typically originate a larger volume of loans than those companies and, consequently, can select the types of loans we would like to retain as long-term assets specifically, high-credit-quality ARM loans.

We believe that other competitive advantages of our mortgage banking business include the following:

We expect that the net interest income generated by our portfolio of mortgage-backed securities will become the most substantial component of our revenue, thereby reducing the volatility

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generally experienced by mortgage banking companies that sell all or a majority of their loan products and do not maintain a portfolio of mortgage-backed securities.

Our origination and servicing businesses are countercyclical. During periods of falling interest rates, the results of originations are expected to be strong, while our servicing business is expected to experience losses. Conversely, during periods of rising interest rates, the results from originations are expected to diminish, while net income from servicing is expected to increase. Despite this counterbalancing effect of our servicing business, during a period of rising interest rates, we expect the impact of the rising interest rates to reduce the profitability of our business, since we do not expect the diminished results of originations to be fully offset by increases in net income from our servicing business.

We have the scale and skills that support a robust set of capabilities in the areas of sales support and marketing, technology, product development and training. These capabilities enhance the effectiveness of our loan officers and account executives in the marketplace and enable us to better serve our customers.

We offer our customers a broad array of products through our substantial retail branch network, wholesale mortgage broker network and Internet presence. We believe reaching customers through multiple channels with balanced and multi-faceted products enhances the stability of our origination business and reduces its vulnerability to changes in the mortgage market. Our retail channel allows us to maintain a direct relationship with our customers that we believe fosters customer loyalty for future business.

As a result of our loan servicing business, we maintain a relationship with a large number of our customers and, consequently, are more likely to earn those customers' business when they need a new loan or when they wish to refinance existing loans. In addition, through our loan servicing business, we are able to maintain control over our collection and default mitigation processes and better manage the credit performance of borrowers.

Company History

AHM Investment was incorporated in July 2003 under the laws of the State of Maryland. AHM Investment was formed in order to combine the net assets of Apex with the mortgage origination and servicing businesses of AHM Holdings. In December 2003, AHM Investment became the parent company of AHM Holdings through an internal reorganization and acquired Apex by merger. In connection with these transactions, our common stock was exchanged for the outstanding shares of common stock of AHM Holdings and Apex. Our strategy in combining the net assets of Apex with the origination and servicing businesses of AHM Holdings was to realize the benefits of holding a portfolio of self-originated mortgage-backed securities as well as certain other competitive advantages, described above.

Prior to our conversion into a REIT, our business strategy was to sell substantially all of the loans that we originated, and the largest component of our net income was generated by the gain on sale of such loans. Our historical financial results prior to 2004 reflect this discontinued strategy of selling virtually all of the loans that we originated. Since our REIT conversion, our business strategy is to hold a portion of the mortgage-backed securities resulting from the securitization of ARM loans we originate, and, consequently, we believe that the largest component of our net income in the future will be net interest income generated by our holdings. While we expect that holding our originations in securitized form will be beneficial to our financial results, we cannot assure you that our new business strategy will be successful.

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Ratio Information

The ratio of earnings to fixed charges for the fiscal years ended December 31, 1999, December 31, 2000, December 31, 2001, December 31, 2002 and December 31, 2003 was 1.95, 1.48, 2.07, 2.95 and 2.84, respectively. The ratio of earnings to combined fixed charges and preferred stock dividends for the nine months ended September 30, 2004 was 1.50. See **Ratio Information** in this prospectus supplement.

Recent Developments

On September 8, 2004, we declared a third quarter 2004 common stock dividend of \$0.61 per share payable to common stockholders of record on October 5, 2004. This dividend was paid on October 21, 2004.

On September 8, 2004, we also declared a dividend on our Series A Preferred Stock of \$0.76663 per share which included \$0.15724 per share for the period from July 8, 2004 to July 31, 2004, and \$0.60939 per share for the regular quarterly period from August 1, 2004 to October 31, 2004, both payable to holders of record of Series A Preferred Stock on October 5, 2004. This dividend was paid on November 1, 2004.

General Information

Our executive offices are located at 520 Broadhollow Road, Melville, New York 11747, and our telephone number is (516) 949-3900. Our website is <http://www.americanhm.com>. Unless specifically incorporated by reference into this prospectus supplement or the accompanying prospectus, information contained on our website is not, and should not be interpreted to be, part of this prospectus supplement or the accompanying prospectus.

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The Offering

The following is a brief summary of certain terms of this offering. For a more complete description of the terms of the Series B Preferred Stock, see Description of Series B Preferred Stock in this prospectus supplement. Except for the annual dividend rate, date of optional redemption and date that dividends begin accumulating, the terms of our Series B Preferred Stock are substantially the same as the terms of our outstanding Series A Preferred Stock.

Series B Preferred Stock offered	3,000,000 shares of 9.25% Series B Cumulative Redeemable Preferred Stock (or 3,450,000 shares if the underwriters exercise their over-allotment option in full).
Price per share	\$25.00.
Liquidation preference	If we liquidate, dissolve or wind up, holders of the Series B Preferred Stock will have the right to receive \$25.00 per share, plus all accumulated and unpaid dividends (whether or not declared) to the date of payment, before any payments are made to the holders of our common stock or to the holders of equity securities the terms of which provide that such equity securities will rank junior to the Series B Preferred Stock. The rights of holders of Series B Preferred Stock to receive their liquidation preference also will be subject to the proportionate rights of any other class or series of our capital stock ranking on a parity with the Series B Preferred Stock as to liquidation, including our Series A Preferred Stock.
Dividends	<p>Holders of the Series B Preferred Stock will be entitled to receive, when, as and if declared by our Board of Directors, cumulative cash dividends on the Series B Preferred Stock at an annual rate of 9.25% of the \$25.00 liquidation preference (equivalent to \$2.3125 per year per share of Series B Preferred Stock). To the extent declared by our Board of Directors, dividends will be payable quarterly in arrears on the last calendar day of each January, April, July and October or, if such day is not a business day, the next succeeding business day. Dividends on the Series B Preferred Stock will be cumulative from and including the date of original issuance, which is expected to be December 15, 2004. The first dividend is expected to be paid on January 31, 2005. Each share of Series B Preferred Stock issued and outstanding on the record date for the first dividend payment on the Series B Preferred Stock following the initial issuance of shares of Series B Preferred Stock, which is expected to be on December 15, 2004, shall accumulate dividends from the earliest date on which any shares of the Series B Preferred Stock were issued and shall receive the same dividend payment regardless of the date on which such share was actually issued.</p> <p>Dividends on the Series B Preferred Stock will accumulate whether or not we have earnings, whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are declared by our Board of Directors.</p>
Maturity	The Series B Preferred Stock has no stated maturity date and we are not required to redeem the Series B Preferred Stock. Accordingly, the Series B Preferred Stock will remain outstanding indefinitely, unless we decide to redeem it or it is otherwise cancelled or exchanged.

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Optional redemption	We may not redeem the Series B Preferred Stock prior to December 15, 2009, except in limited circumstances to enforce the limitations on ownership necessary to preserve our tax qualification as a REIT as described in this prospectus supplement and the accompanying prospectus. On or after December 15, 2009, we may, at our option, redeem the Series B Preferred Stock, in whole or part, at any time and from time to time, for cash at a price of \$25.00 per share, plus accumulated and unpaid dividends (whether or not declared), if any, to the date of redemption. Any partial redemption generally will be on a pro rata basis. We are not required to set aside funds to redeem the Series B Preferred Stock.
No conversion	The Series B Preferred Stock is not convertible into any of our property or other securities.
Form	The Series B Preferred Stock will be issued and maintained in book-entry form registered in the name of the nominee of The Depository Trust Company except under limited circumstances.
Ranking	<p>The Series B Preferred Stock will, with respect to dividend rights, redemption rights and rights upon our voluntary or involuntary liquidation, dissolution or winding up, rank:</p> <p>(i) senior to our common stock and to all equity securities the terms of which provide that such equity securities will rank junior to the Series B Preferred Stock;</p> <p>(ii) junior to all equity securities the terms of which provide that such equity securities will rank senior to the Series B Preferred Stock, and to all of our existing and future debt, including, prior to conversion of such debt, any debt convertible into our equity securities; and</p> <p>(iii) on a parity with all equity securities issued by us (including our Series A Preferred Stock) other than those referred to in (i) and (ii) above.</p>
Limited voting rights	Holders of Series B Preferred Stock will generally have no voting rights. However, if we are in arrears on dividends on the Series B Preferred Stock for six or more quarterly periods, whether or not consecutive, holders of the Series B Preferred Stock (voting separately as a class with all other classes or series of our equity securities upon which like voting rights have been conferred or are exercisable, including the Series A Preferred Stock) will be entitled to vote to elect two additional directors to serve on our Board of Directors, until all dividends accumulated for all past dividend periods with respect to the Series B Preferred Stock and any other class or series of parity preferred stock have been paid or declared and a sum sufficient for the payment of such dividends set aside for payment. In addition, we will not be permitted under the terms of the Series B Preferred Stock to create a class or series of capital stock ranking senior to the Series B Preferred Stock, and we may not make certain material adverse changes to the terms of the Series B Preferred Stock, in each case without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series B Preferred Stock. See Description of Series B Preferred Stock Voting Rights in this prospectus supplement.

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Absence of a trading market	The Series B Preferred Stock is a new issue of securities with no established trading market. Accordingly, we cannot provide any assurance as to the development or liquidity of any market for the Series B Preferred Stock. See <u>Underwriting</u> in this prospectus supplement.
Listing	We have applied to list the Series B Preferred Stock on the NYSE under the symbol AHM PrB. We expect that trading of the Series B Preferred Stock, if any, will commence within 30 days after the initial delivery of the Series B Preferred Stock or as soon as practicable thereafter.
Restrictions on ownership	In order to ensure that we continue to qualify as a REIT for federal income tax purposes, we must meet certain requirements concerning the ownership of our outstanding shares of capital stock. Specifically, our charter provides that, subject to certain exceptions, no person shall own more than 6.5% of either the total number or the value of the total number of outstanding shares of our (i) common stock or (ii) common stock together with preferred stock of any class or series. Additionally, the articles supplementary creating the Series B Preferred Stock provide that, subject to certain exceptions, no person shall own more than 9.8% of either the total number or the value of the total number of outstanding shares of the Series B Preferred Stock. See <u>Description of Series B Preferred Stock Restrictions on Ownership and Transfer</u> in this prospectus supplement and <u>Description of Capital Stock Restrictions on Ownership and Transfer</u> in the accompanying prospectus. Ownership of our Series A Preferred Stock is similarly restricted.
Use of proceeds	We intend to use the net proceeds of the offering, which are estimated to be \$72.3 million, for general corporate purposes, including investing in mortgage-backed securities. We may also temporarily invest funds that are not immediately needed for these purposes in other short-term marketable securities or use them to make payments on our borrowings. Net proceeds are what we expect to receive after paying underwriting discounts and estimated offering expenses. See <u>Use of Proceeds</u> in this prospectus supplement for more information.
Settlement date	We expect that the shares of Series B Preferred Stock will be ready for delivery to purchasers on or about December 15, 2004.
Risk factors	Investing in our Series B Preferred Stock involves a number of risks, some of which are described under <u>Risk Factors</u> beginning on page S-13 of this prospectus supplement and page 7 of the accompanying prospectus and in the documents incorporated by reference in this prospectus supplement or the accompanying prospectus, under the section entitled <u>Certain U.S. Federal Income Tax Considerations</u> beginning on page S-35 of this prospectus supplement.

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Summary Selected Financial Data

The following selected consolidated financial data as of and for each of the years in the four-year period ended December 31, 2002 is derived from the audited consolidated financial statements of AHM Holdings included in its applicable Annual Report on Form 10-K. The following selected consolidated financial data as of and for the year ended December 31, 2003 is derived from our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2003. The following selected consolidated financial data as of and for the nine months ended September 30, 2003 and 2004 is derived from the unaudited consolidated financial statements included in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2004. The unaudited consolidated financial statements include all adjustments, consisting of normal recurring adjustments, which we consider necessary for a fair presentation of our financial position and results of operations for these periods. You should not assume that the interim results below indicate results that we will achieve in the future or that our results for the nine months ended September 30, 2004 are indicative of our results for the remainder of 2004. The operating data below is derived from unaudited financial information that we have compiled.

The selected information set forth below should be read in conjunction with our consolidated financial statements and related notes, as well as Management's Discussion and Analysis of Financial Condition and Results of Operations, for the year ended December 31, 2003, incorporated by reference in this prospectus supplement from our Annual Report on Form 10-K for the year ended December 31, 2003, and for the nine months ended September 30, 2004, incorporated by reference in this prospectus supplement from our Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.

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	As of and for the Years Ended December 31,					As of and for the Nine Months Ended September 30,	
	1999	2000	2001	2002	2003	2003	2004
(in thousands, except per share data, ratios and interest rates)							
Statement of Income Data:							
Gain on sales of loans and mortgage-backed securities	\$ 21,957	\$ 52,731	\$ 118,554	\$ 216,595	\$ 382,236	\$ 323,070	\$ 217,446
Net interest income	1,704	3,271	9,098	23,671	45,148	37,327	65,751
Net loan servicing fees (loss)				(11,592)	(2,482)	(20,063)	(4,134)
Total revenues ⁽¹⁾	24,862	58,280	128,053	232,821	432,131	345,926	284,616
Total non-interest expenses	19,525	48,114	87,466	164,368	309,147	241,038	213,298
Income before income tax (benefit) expense	5,302	9,658	41,701	67,560	122,017	104,888	71,318
Income tax (benefit) expense	1,441	4,267	16,253	28,075	48,223	43,004	(26,330)
Net income available to common shareholders	3,861	5,391	25,448	39,485	73,794	61,884	96,000
Per share data:							
Basic earnings per share	\$ 0.69	\$ 0.63	\$ 2.45	\$ 2.72	\$ 4.16	\$ 3.64	\$ 2.61
Diluted earnings per share	0.69	0.63	2.34	2.65	4.07	3.57	2.58
Dividends declared per share			0.12	0.15	0.91	0.36	1.77
Weighted average number of shares outstanding:							
Basic	5,595	8,580	10,374	14,509	17,727	17,003	36,737
Diluted	5,603	8,580	10,883	14,891	18,113	17,358	37,198
Balance Sheet Data (end of period):							
Cash and cash equivalents	\$ 3,414	\$ 6,005	\$ 26,393	\$ 24,416	\$ 53,148	\$ 49,583	\$ 186,480
Mortgage-backed securities					1,763,628		7,331,888
Mortgage loans held for sale, net	65,115	143,967	419,351	831,981	1,223,827	1,667,486	1,131,661
Mortgage servicing rights, net	34	37	46	109,023	117,784	103,021	160,435
Total assets	85,884	183,532	501,125	1,119,050	3,402,390	2,017,652	9,076,995
Warehouse lines of credit	56,805	130,484	351,454	728,466	1,121,760	1,530,110	547,584
Reverse repurchase agreements					1,344,327		6,899,024
Total liabilities	67,861	156,339	421,931	954,430	3,003,911	1,791,105	8,286,003
Total stockholders equity	18,000	26,612	78,617	164,096	397,970	226,547	790,992
Ratios:							
Return on average equity ⁽²⁾	32.20%	24.66%	54.15%	32.52%	34.11%	42.10%	19.25%

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Debt to equity ratio ⁽³⁾	3.45x	5.37x	4.96x	5.11x	6.51x	7.24x	10.22x
Operating Data:							
Loan originations	\$ 1,348,000	\$ 3,043,000	\$ 7,766,000	\$ 12,196,000	\$ 21,705,250	\$ 17,559,833	\$ 16,325,007
Retail	1,166,000	2,749,000	6,495,000	10,329,000	16,386,791	14,071,858	7,782,314
Wholesale	182,000	294,000	1,271,000	1,867,000	5,318,459	3,487,975	8,542,693
Loans sold to third parties	1,330,000	2,967,000	7,497,000	12,331,000	20,758,110	16,767,000	10,742,870
Loan servicing portfolio loans sold or securitized	7,400	7,900	23,951	8,541,723	8,272,294	7,785,171	12,539,467
Loans securitized and held					586,573		2,628,533
Gross interest rate on mortgage- backed securities ⁽⁴⁾					4.0%		3.5%

- (1) Total revenues consists of net interest income and non-interest income.
- (2) This measure is calculated by dividing net income available to common shareholders by the average stockholders equity outstanding during the year expressed as a percentage.
- (3) This ratio is calculated by dividing debt, which is comprised of reverse repurchase agreements, warehouse lines of credit, commercial paper and other borrowings, by stockholders equity.
- (4) This rate does not reflect yield to maturity.

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Results of Operations Overview

Net income available to common shareholders for the nine months ended September 30, 2004, was \$96.0 million, compared to \$61.9 million for the nine months ended September 30, 2003, an increase of \$34.1 million, or 55.1%. This increase was the result of a \$69.4 million decrease in income tax expense, a \$28.4 million increase in net interest income and a \$27.7 million decrease in non-interest expense, partly offset by an \$89.7 million decrease in non-interest income and a \$1.7 million increase in dividends on preferred stock. The \$89.7 million decrease in non-interest income consists of a \$225.0 million decrease in gain on sales of mortgage loans, partly offset by a \$119.4 million increase in realized and unrealized gain on mortgage-backed securities and derivatives and a \$15.9 million increase in net loan servicing fees in the nine months ended September 30, 2004 versus the nine months ended September 30, 2003. For additional information regarding our results of operations for the nine months ended September 30, 2003 and 2004, please see Management's Discussion and Analysis of Financial Condition and Results of Operations for the nine months ended September 30, 2004, incorporated by reference in this prospectus supplement from our Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.

Net income for the year ended December 31, 2003 was \$73.8 million, compared to \$39.5 million for the year ended December 31, 2002, an increase of \$34.3 million, or 86.8%. This increase was the result of a \$177.8 million increase in non-interest income, a \$21.5 million increase in net interest income, partly offset by a \$144.9 million increase in non-interest expense and a \$20.1 million increase in income tax expense. For additional information regarding our results of operations for the years ended December 31, 2002 and 2003, please see Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2003, incorporated by reference in this prospectus supplement from our Annual Report on Form 10-K for the year ended December 31, 2003.

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RISK FACTORS

The Series B Preferred Stock offered by this prospectus supplement is subject to substantial risks, some of which are described below, under the Risk Factors sections beginning on page 7 of the accompanying prospectus and in the documents incorporated by reference in this prospectus supplement or the accompanying prospectus and under Certain U.S. Federal Income Tax Considerations beginning on page S-35 of this prospectus supplement. The risk factors listed below are in addition to the risk factors described elsewhere in this prospectus supplement, in the accompanying prospectus and in the documents incorporated by reference in this prospectus supplement or the accompanying prospectus. You should carefully read this section, the Risk Factors sections beginning on page 7 of the accompanying prospectus and in the documents incorporated by reference in this prospectus supplement or in the accompanying prospectus and the Certain U.S. Federal Income Tax Considerations section beginning on page S-35 of this prospectus supplement before purchasing shares of Series B Preferred Stock in this offering. Our business, financial condition or results of operations could be harmed by any of these risks. Similarly, these risks could cause the market price of our Series B Preferred Stock to decline and you might lose all or part of your investment. Our forward-looking statements in this prospectus supplement, the accompanying prospectus and in the documents incorporated by reference in this prospectus supplement or the accompanying prospectus are subject to the following risks and uncertainties. The risks described below, elsewhere in this prospectus supplement, in the accompanying prospectus and in the documents incorporated by reference in this prospectus supplement or the accompanying prospectus are not the only ones facing us, and additional risks not presently known to us or that we currently deem immaterial might also impair our business operations.

Risks Relating to Our Business

We have a limited operating history with respect to our portfolio strategy, which limits your ability to evaluate a key component of our business strategy and our growth prospects and increases your investment risk; we are dependent on the securitization markets.

Historically, our business has consisted primarily of the origination and sale of mortgage loans. We currently intend to retain a substantial portion of the loans that we originate on a long-term basis, in the form of mortgage-backed securities secured by these loans. Under our current business strategy, we must securitize a portion of the loans we originate to produce mortgage-backed securities. Our ability to complete securitizations will depend upon a number of factors, including conditions in the securities markets generally and conditions in the mortgage-backed securities market. A disruption in the securitization market or a change in the market's demand for our securities may have a material adverse effect on our results of operations, financial condition and business prospects. In addition, poor performance of our previously securitized loans could limit our ability to access the securitization market. If we are unable to securitize our loans efficiently, then our revenues for the duration of our investment in those loans would decline, which would lower our earnings for the time the loans remain in our portfolio. We cannot assure you that we will be able to complete loan securitizations on favorable terms, or at all.

Our business requires a significant amount of cash, and if it is not available, our business and financial performance will be significantly harmed.

We require substantial cash to fund our loan originations, to pay our loan origination expenses, to hold our loans pending securitization or sale and to fund our portfolio of mortgage-backed securities. We also need cash to meet our working capital, minimum REIT dividend distribution requirements and other needs. Cash could be required to meet margin calls under the terms of our borrowings in the event that there is a decline in the market value of our loans that collateralize our debt, the terms of our debt become less attractive or for other reasons.

In addition, if our income as calculated for federal income tax purposes exceeds our cash flow from operations, we could be forced to borrow or raise capital on unfavorable terms in order to make the distributions to avoid federal income tax and maintain our REIT status.

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We expect that our primary sources of cash will consist of:

our repurchase facilities, warehouse lines of credit, mortgage servicing credit facilities and a commercial paper program;

the net interest income we earn on our mortgage-backed securities holdings;

the income we earn from originating and selling mortgage loans; and

the income we earn from servicing mortgage loans.

Pending sale or securitization of a pool of mortgage loans, we will originate mortgage loans that we finance through borrowings from our warehouse lines of credit. It is possible that our warehouse lenders could experience changes in their ability to advance funds to us, independent of our performance or the performance of our loans. In addition, if the regulatory capital requirements imposed on our lenders change, our lenders may be required to increase significantly the cost of the lines of credit that they provide to us.

As of September 30, 2004, we financed \$547.6 million of loans through five warehouse lines of credit. Each of these facilities is cancelable by the lender for cause at any time. As of November 4, 2004, the aggregate balance outstanding under these facilities was approximately \$1.3 billion. Four of these facilities are subject to periodic renewal and one has no expiration date. We cannot provide any assurances that we will be able to extend these existing facilities on favorable terms, or at all. If we are not able to renew any of these credit facilities or arrange for new financing on terms acceptable to us, or if we default on our covenants or are otherwise unable to access funds under any of these facilities, we may not be able to originate new loans or continue to fund our operations, which would have a material adverse effect on our business, financial condition, liquidity and results of operations.

In connection with those loans we securitize other than through guaranteed performance swaps and similar transactions with Fannie Mae, Freddie Mac, Ginnie Mae and the Federal Home Loan Banks, we plan to provide credit enhancement for a portion of the securities that we sell, called senior securities, to improve the price at which we sell them. Our current expectation is that this credit enhancement for the senior securities will be primarily in the form of either designating another portion of the securities we issue as subordinate securities (on which the credit risk from the loans is concentrated), paying for financial guaranty insurance policies for the loans, or both. If we use financial guaranty insurance policies, and the expense of these insurance policies increases, the net interest income we receive will be reduced. While we plan to use credit enhancement features in the future, we cannot assure you that these features will be available at costs that would allow us to achieve the desired level of net interest income from the securitizations that we anticipate being able to achieve.

We may not be able to achieve our optimal leverage.

We use leverage as a strategy to increase the return to our investors. However, we may not be able to achieve our desired leverage for various reasons, including, but not limited to, the following:

we determine that the leverage would expose us to excessive risk;

our lenders do not make funding available to us on acceptable terms; or

our lenders require that we provide additional collateral to cover our borrowings.

Our use of repurchase facilities to borrow funds may be limited or curtailed in the event of disruptions in the repurchase market.

We will rely upon repurchase facilities in order to finance our portfolio of mortgage-backed securities. Our repurchase facilities are dependent on our counterparties' ability to resell our obligations to third-party purchasers. There have been in the past, and in the future there may be, disruptions in the repurchase market. If there is a disruption of the repurchase market generally, or if one of our counterparties is itself unable to access the repurchase market, our access to this source of liquidity could be adversely affected.

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Our use of repurchase agreements to borrow funds may give our lenders greater rights in the event that either we or a lender files for bankruptcy.

Our borrowings under repurchase agreements may qualify for special treatment under the bankruptcy code, giving our lenders the ability to avoid the automatic stay provisions of the bankruptcy code and to take possession of and liquidate our collateral under the repurchase agreements without delay in the event that we file for bankruptcy. Furthermore, the special treatment of repurchase agreements under the bankruptcy code may make it difficult for us to recover our pledged assets in the event that a lender files for bankruptcy. Thus, the use of repurchase agreements exposes our pledged assets to risk in the event of a bankruptcy filing by either a lender or us.

Our efforts to match fund our mortgage-backed securities with our borrowings may not be effective to protect against losses due to movements in interest rates.

The interest rates on our borrowings generally adjust more frequently than the interest rates on our ARM mortgage-backed securities. Accordingly, in a period of rising interest rates, we could experience a decrease in net income or a net loss because the interest rates on our borrowings adjust faster than the interest rates on our ARM mortgage-backed securities.

Although we attempt to limit our exposure to changing interest rates by matching as closely as possible the duration of our liabilities and hedges with the duration of our mortgage loan holdings, our liabilities, hedges and assets could react differently than we expect in response to changes in interest rates, which would cause us to suffer significant losses. Matched funding is difficult, if not impossible, to achieve, and there can be no assurances that our efforts to match fund will protect us against losses.

Our credit facilities contain covenants that restrict our operations and any default under our credit facilities would have a material adverse effect on our financial condition.

Our existing warehouse and repurchase facilities contain extensive restrictions and covenants and require us to maintain or satisfy specified financial ratios and tests, including maintenance of asset quality and portfolio performance tests. Failure to meet or satisfy any of these covenants, financial ratios or financial tests could result in an event of default under these agreements. These agreements are typically recourse loans that are secured by specific mortgage loans pledged under those agreements. The agreements also contain cross-default provisions, so that if an event of default occurs under any agreement, the lenders could elect to declare all amounts outstanding under all of our agreements to be immediately due and payable, enforce their interests against collateral pledged under the agreements and, in certain circumstances, restrict our ability to make additional borrowings.

Our warehouse and repurchase facilities contain additional restrictions and covenants that may:

restrict the ability of our TRSs to make distributions to us;

restrict our ability to make certain investments or acquisitions; and

restrict our ability to engage in certain mergers or consolidations.

These restrictions may interfere with our ability to obtain financing or to engage in other business activities, which may have a material adverse effect on our business, financial condition, liquidity and results of operations.

Our credit facilities are subject to margin calls based on the lender's opinion of the value of our loan collateral. An unanticipated large margin call could harm our liquidity.

The amount of financing we receive under our credit facilities depends in large part on the lender's valuation of the mortgage loans that secure the financings. Each such facility provides the lender the right, under certain circumstances, to reevaluate the loan collateral that secures our outstanding borrowings at any time. In the event the lender determines that the value of the loan collateral has decreased, it has the right to initiate a margin call. A margin call would require us to provide the lender with additional

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collateral or to repay a portion of the outstanding borrowings. Any such margin call could harm our liquidity, results of operations, financial condition and business prospects.

If the prepayment rates for our mortgage loans are higher than expected, our results of operations may be significantly harmed.

The rate and timing of unscheduled payments and collections of principal on our loans is impossible to predict accurately and will be affected by a variety of factors including, without limitation, the level of prevailing interest rates, the availability of lender credit and other economic, demographic, geographic, tax and legal factors. In general, however, if prevailing interest rates fall significantly below the interest rate on a loan, the borrower is more likely to prepay the then higher-rate loan than if prevailing rates remain at or above the interest rate on the loan. Unscheduled principal prepayments could adversely affect our results of operations to the extent we are unable to reinvest the funds we receive at an equivalent or higher yield rate, if at all. In addition, a large amount of prepayments, especially prepayments on loans with interest rates that are high relative to the rest of the asset pool, will likely decrease the net interest income we receive.

We may suffer credit losses with respect to, and be required to repurchase, loans that we originate and sell, regardless of credit enhancements that we purchase.

Although we typically purchase credit enhancements from Fannie Mae and Freddie Mac with respect to the agency-eligible ARM loans that we originate and sell, we may nevertheless suffer credit losses with respect to these loans if we do not originate the loans correctly. We also may be required to repurchase the loans under these circumstances. In addition, we may suffer credit losses on non-agency eligible securities to the extent that they do not have, or have only limited, credit enhancements. Credit enhancements will not protect us from such credit losses or repurchase obligations.

Our ability to pay our dividends depends upon the availability of funds and our actual operating results. If funds are not available or our actual operating results are below our expectations, we may need to sell assets or borrow funds to pay these distributions.

Dividends or distributions on shares of our common stock may reduce the funds of our company that are legally available for payment of future dividends on the Series B Preferred Stock. In addition, if we do not generate sufficient cash flow from ongoing operations (including principal payments and interest payments on our mortgage-backed securities) to fund our dividends, we may need to sell mortgage-backed securities or borrow funds by entering into repurchase agreements or otherwise borrowing funds under our lines of credit to pay the distributions. If we were to borrow funds on a regular basis to make distributions in excess of operating cash flow, it is likely that our operating results and our stock price would be adversely affected.

Our Board of Directors or management may change our operating policies and strategies without prior notice or stockholder approval and such changes could harm our business and results of operations and the value of our stock.

Our Board of Directors and, in certain cases, our management, have the authority to modify or waive our current operating policies and our strategies without prior notice and without stockholder approval. We cannot predict the effect any changes to our current operating policies and strategies would have on our business, operating results and value of our stock and it is possible that the effects might be adverse.

We depend upon distributions from our operating subsidiaries to fund our operations and may, as a result, be subordinate to the rights of their existing and future creditors.

We conduct substantially all of our operations through our subsidiaries. Without independent means of generating operating revenue, we depend on distributions and other payments from the subsidiaries to make distributions to our stockholders. Our subsidiaries must first satisfy their cash needs, which may

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include salaries of our executive officers, insurance, professional fees and service of indebtedness that may be outstanding at various times before making distributions. Financial covenants under future credit agreements, or provisions of the laws of Maryland, where we and our QRS are organized, or Delaware or New York, where our other operating subsidiaries are organized, may limit our subsidiaries' ability to make sufficient dividend, distribution or other payments to permit us to make distributions to stockholders. By virtue of our holding company status, our Series B Preferred Stock is structurally junior in right of payment to all existing and future liabilities of our subsidiaries. The inability of our operating subsidiaries to make distributions to us could have a material adverse effect on our results of operations, financial condition and business.

As a mortgage lender we must comply with numerous licensing requirements, and our inability to remain in compliance with such requirements could adversely affect our operations and our reputation generally.

Like other mortgage companies, we must comply with the applicable licensing and other regulatory requirements of each jurisdiction in which we are authorized to lend. These requirements are quite complex and vary from jurisdiction to jurisdiction. We monitor and regularly review our compliance with such requirements. From time to time we are subject to examination by regulators, and if it is determined that we are not in compliance with the applicable requirements, we may be fined, and our license to lend in one or more jurisdictions may be suspended or revoked. We have in the past violated, and we may in the future violate, certain aspects of the licensing requirements in some jurisdictions. Although the past violations of which we are aware have not had a material adverse effect on our business, operations or reputation, we cannot assure you that future or past violations of which we are not aware will not have such an effect.

The conduct of the independent brokers through whom we originate our wholesale loans could subject us to fines or other penalties.

The mortgage brokers through whom we originate wholesale loans have parallel and separate legal obligations to which they are subject. While these laws may not explicitly hold the originating lenders responsible for the legal violations of mortgage brokers, federal and state agencies increasingly have sought to impose such liability. Recently, for example, the United States Federal Trade Commission, or the FTC, entered into a settlement agreement with a mortgage lender where the FTC characterized a broker that had placed all of its loan production with a single lender as the agent of the lender; the FTC imposed a fine on the lender in part because, as principal, the lender was legally responsible for the mortgage broker's unfair and deceptive acts and practices. The United States Department of Justice in the past has sought to hold mortgage lenders responsible for the pricing practices of mortgage brokers, alleging that the mortgage lender is directly responsible for the total fees and charges paid by the borrower under the Fair Housing Act even if the lender neither dictated what the mortgage broker could charge nor kept the money for its own account. We exercise little or no control over the activities of the independent mortgage brokers from whom we obtain our wholesale loans. Nevertheless, we may be subject to claims for fines or other penalties based upon the conduct of our independent mortgage brokers.

We depend on brokers for a substantial portion of our loan production.

We depend, to a large extent, on brokers for our originations of mortgage loans. Our brokers are not contractually obligated to do business with us. Further, our competitors also have relationships with the same brokers and actively compete with us in our efforts to expand our broker networks. Accordingly, we cannot assure you that we will be successful in maintaining our existing relationships or expanding our broker networks. The failure to do so could negatively impact the volume and pricing of our loans, which could have a material adverse effect on our business, financial condition, liquidity and results of operations.

Complying with REIT requirements may limit our ability to hedge effectively.

The REIT provisions of the Internal Revenue Code substantially limit our ability to hedge mortgage-backed securities and related borrowings. Under these provisions, our annual income from qualified hedges,

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together with any other income not generated from qualified REIT real estate assets, must be less than 25% of our gross income and, through 2004, we must limit our aggregate qualified hedging income (together with aggregate income we receive from certain services) to less than 5% of our annual gross income. As a result, we might in the future be required to limit our use of advantageous hedging techniques. Unhedged positions could leave us exposed to greater risks associated with changes in interest rates than we would otherwise bear.

We may fail to qualify as a REIT and be subject to tax.

If we are compelled to sell qualifying REIT assets, or we have insufficient cash flow to originate or purchase qualifying REIT assets, we may have insufficient qualifying REIT assets, in which case we may fail to qualify as a REIT. See Certain U.S. Federal Income Tax Considerations Failure to Qualify as a REIT in this prospectus supplement.

To qualify as a REIT, not more than 20% of the value of our total assets may be represented by the securities of one or more TRSs at the close of any calendar quarter, subject to certain cure periods. See Certain U.S. Federal Income Tax Considerations Requirements for Qualification as a REIT Asset Tests. We monitor the value of our investment in our TRSs in relation to our other assets to comply with the 20% asset test. There cannot be complete assurance that we will be successful in that effort. In certain cases, we may need to borrow from third parties to acquire additional qualifying REIT assets or increase the amount and frequency of dividends from our TRSs in order to comply with the 20% asset test. Moreover, there can be no assurance that the Internal Revenue Service will not disagree with our determinations of value. If the Internal Revenue Service determines that the value of our investment in our TRSs was more than 20% of the value of our total assets at the close of any calendar quarter, we could lose our REIT status.

Our TRSs earn income from activities that are prohibited for REITs, and owe income taxes on the taxable income from these activities. For example, our TRSs earn income from loan origination and sales activities, as well as from other origination and servicing functions, which would generally not be qualifying income for purposes of the gross income tests applicable to REITs or might otherwise be subject to adverse tax liability if the income were generated by a REIT.

We may, at some point in the future, borrow funds from one or more of our TRSs. Although any such intercompany borrowings will be structured so as to constitute indebtedness for all tax purposes, no assurance can be given that the Internal Revenue Service will not challenge such arrangements, in which case the borrowing may be characterized as a dividend distribution to us by our TRS. Any such characterization may cause us to fail one or more of the REIT requirements.

Even if we continue to qualify as a REIT, we may nevertheless be subject to taxes (and possibly excise taxes) on undistributed income, net income from certain prohibited transactions (including certain transactions between us and our TRSs), and state and local taxes. Prohibited transactions could include transactions in which loans are sold by our QRS rather than by our TRSs. In addition, in the event that any transactions between us or our QRS and our TRSs are determined not to be on an arm's-length basis, we could be subject to excise taxes on such transactions. We believe that all such transactions are conducted on an arm's-length basis, but there can be no assurance that the Internal Revenue Service will not successfully contest the arm's-length nature of such transactions or that we will otherwise be able to avoid application of excise taxes or other additional taxes. Any such taxes could affect our overall profitability and the amounts of distributions to our stockholders.

Our management has limited experience operating a REIT and we cannot assure you that our management's past experience will be sufficient to successfully manage our business as a REIT.

The requirements for qualifying as a REIT are highly technical and complex. We have limited experience as a REIT and our management has limited experience in complying with the income, asset and other limitations imposed by the REIT provisions of the Internal Revenue Code. The REIT provisions are complex and the failure to comply with those provisions in a timely manner could prevent us from qualifying as a REIT or could force us to pay unexpected taxes and penalties. In such event, our net

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income would be substantially reduced, and we could incur a loss, which could materially harm our results of operation, financial condition and business prospects.

If warehouse lenders and securitization underwriters face exposure stemming from legal violations committed by the companies to whom they provide financing or underwriting services, this could increase our borrowing costs and harm the market for whole loans and mortgage-backed securities.

In June 2003, a California jury found a warehouse lender and securitization underwriter liable in part for fraud on consumers committed by a lender to whom it provided financing and underwriting services. The jury found that the investment bank was aware of the fraud and substantially assisted the lender in perpetrating the fraud by providing financing and underwriting services that allowed the lender to continue to operate, and held the bank liable for 10% of the plaintiff's damages. This is the first case we know of in which an investment bank was held partly responsible for violations committed by the bank's mortgage lender customer. If other courts or regulators adopt this theory, investment banks may face increased litigation as they are named as defendants in lawsuits and regulatory actions against the mortgage companies with which they do business. Some investment banks may exit the business, charge more for warehouse lending or reduce the prices they pay for whole loans in order to build in the costs of this potential litigation. This could, in turn, harm our results of operations, financial condition and business prospects.

We are subject to losses due to fraudulent and negligent acts on the part of loan applicants, mortgage brokers, other vendors and our employees.

When we originate mortgage loans, we rely heavily upon information supplied by third parties, including the information contained in the loan application, property appraisal, title information and employment and income documentation. If any of this information is intentionally or negligently misrepresented and such misrepresentation is not detected prior to loan funding, the value of the loan may be significantly lower than expected. Whether a misrepresentation is made by the loan applicant, the mortgage broker, another third party or one of our employees, we generally bear the risk of loss associated with the misrepresentation. A loan subject to a material misrepresentation is typically unsaleable or subject to repurchase if it is sold prior to detection of the misrepresentation, the persons and entities involved are often difficult to locate and it is often difficult to collect any monetary losses that we have suffered from the misrepresentation.

We have controls and processes designed to help us identify misrepresented information in our loan origination operations. We cannot assure you, however, that we have detected or will detect all misrepresented information in our loan originations.

A material difference between the assumptions used in the determination of the value of our residual interests and our actual experience could harm our financial position.

As of September 30, 2004, the value on our balance sheet of our residual interests from securitization transactions was \$77.1 million. The value of these residuals is a function of the delinquency, loss, prepayment speed and discount rate assumptions we use. It is extremely difficult to validate the assumptions we use in valuing our residual interests. In the future, if our actual experience differs materially from these assumptions, our cash flow, financial condition, results of operations and business prospects could be harmed.

An interruption in or breach of our information systems may result in lost business.

We rely heavily upon communications and information systems to conduct our business. Any failure or interruption or breach in security of our information systems or the third-party information systems on which we rely could cause underwriting or other delays and could result in fewer loan applications being received, slower processing of applications and reduced efficiency in loan servicing. We are required to comply with significant federal and state regulations with respect to the handling of customer information, and a failure, interruption or breach of our information systems could result in regulatory action and litigation against us. We

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cannot assure you that such failures or interruptions will not occur or if they do occur that they will be adequately addressed by us or the third parties on which we rely. The occurrence of any failures or interruptions could harm our results of operations, financial condition and business prospects.

Risks Relating to Our Series B Preferred Stock

The Series B Preferred Stock is a new issuance, does not have an established trading market and such a market may not develop, which may negatively affect the market value of the Series B Preferred Stock and your ability to transfer or sell your shares.

The shares of Series B Preferred Stock are a new issue of securities with no established trading market. Since the securities have no stated maturity date, investors seeking liquidity will be limited to selling their shares in the secondary market. We have applied to list the Series B Preferred Stock on the NYSE under the symbol AHM PrB. We expect that trading of the Series B Preferred Stock will commence, if at all, within 30 days after the initial delivery of the Series B Preferred Stock. However, an active trading market for the shares on the NYSE may not develop or, even if it develops, may not be sustained, in which case the trading price of the shares could be adversely affected and your ability to transfer your shares will be limited.

Numerous factors may affect the trading price of the Series B Preferred Stock.

Even if an active trading market for the Series B Preferred Stock does develop on the NYSE, the shares may trade at prices higher or lower than their initial offering price. The trading price of our Series B Preferred Stock may depend on many factors, including:

prevailing interest rates;

the market for similar securities;

additional issuances by us of other series or classes of preferred stock;

general economic conditions; and

our financial condition, performance and prospects.

Investors in our Series B Preferred Stock may experience losses, volatility and poor liquidity, and we may reduce or delay payment of our dividends in a variety of circumstances.

Our earnings, cash flow, book value and dividends can be volatile and difficult to predict. Investors should not rely on predictions or management's beliefs. Although we seek to pay a regular dividend on the Series B Preferred Stock at a rate that is sustainable, we may reduce, cancel or delay our dividend payments in the future for a variety of reasons. We may not provide public warnings of such dividend reductions, cancellations or payment delays prior to their occurrence. Fluctuations in our current and prospective earnings, cash flow and dividends, the market for similar securities, as well as many other factors such as perceptions, economic conditions and stock market conditions, can affect the price of our Series B Preferred Stock. For example, higher market interest rates could cause the market price of our Series B Preferred Stock to go down. Investors may experience volatile returns and material losses. In addition, liquidity in the trading of our stock may be insufficient to allow investors to sell their stock in a timely manner or at a reasonable price.

The Series B Preferred Stock is subordinated to our existing and future debt.

As of September 30, 2004, our total indebtedness was approximately \$8.1 billion. We may incur additional debt in the future, and we are generally not limited in the total amount of debt we may incur. Payment of amounts due on our Series B Preferred Stock will be subordinated to all of our existing and future debt.

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The Series B Preferred Stock has not been rated.

We have not sought to obtain a rating for the Series B Preferred Stock. No assurance can be given, however, that one or more rating agencies might not independently determine to issue such a rating or that such a rating, if issued, would not adversely affect the market price of our Series B Preferred Stock. In addition, we may elect in the future to obtain a rating of our Series B Preferred Stock, which could adversely impact the market price of our Series B Preferred Stock. Any such ratings only reflect the views of the rating agency or agencies issuing the ratings and such ratings could be revised downward or withdrawn entirely at the discretion of the issuing rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of a rating could have an adverse effect on the market price of our Series B Preferred Stock.

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USE OF PROCEEDS

We intend to use the net proceeds from the sale of our Series B Preferred Stock for general corporate purposes, including investing in mortgage-backed securities. We may also temporarily invest funds that are not immediately needed for these purposes in other short-term marketable securities or use them to make payments on our borrowings.

We estimate that the net proceeds to us from the sale of the shares of Series B Preferred Stock we are offering in this prospectus supplement will be approximately \$72.3 million. If the underwriters exercise their over-allotment option in full, our net proceeds are estimated to be approximately \$83.2 million. Net proceeds are what we expect to receive after paying underwriting discounts and estimated offering expenses.

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The following table sets forth our actual capitalization at September 30, 2004, and as adjusted to give effect to the expected issuance of 3,000,000 shares of our Series B Preferred Stock and the application of the estimated net proceeds therefrom based upon a public offering price of \$25.00 per share. The capitalization information set forth in the table below is qualified by the more detailed consolidated financial statements and related notes included in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.

	September 30, 2004	
	Actual	As Adjusted ⁽¹⁾
(in thousands)		
Stockholders Equity:		
Cumulative Redeemable Preferred Stock, par value \$0.01 per share, 10,000,000 shares authorized:		
9.75% Series A, 2,150,000 shares issued and outstanding	\$ 50,857	\$ 50,857
9.25% Series B, none (actual) and 3,000,000 shares (as adjusted) issued and outstanding		72,288
Common stock, par value \$0.01 per share, 100,000,000 shares authorized, 40,184,333 shares issued and outstanding ⁽²⁾	402	402
Additional paid-in capital	629,807	629,807
Retained earnings	151,297	151,297
Accumulated other comprehensive loss	(41,371)	(41,371)
Total stockholders equity	\$ 790,992	\$ 863,280

- (1) After deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Assumes no exercise of the underwriters' over-allotment option to purchase up to an additional 450,000 shares of Series B Preferred Stock.
- (2) Excludes 1,184,006 shares of common stock that are reserved for issuance upon exercise of outstanding options granted under our 1999 Omnibus Stock Incentive Plan as of October 31, 2004.

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The ratio of earnings to fixed charges was calculated by dividing the sum of fixed charges into the sum of earnings before taxes and minority interests plus fixed charges and distributed income of equity investees. Fixed charges consist of interest expense and certain other expenses. Equity investees are investments that we account for using the equity method of accounting.

The table below sets forth the ratio of earnings to fixed charges for the fiscal years ended December 31, 1999, December 31, 2000, December 31, 2001, December 31, 2002 and December 31, 2003.

	Years Ended December 31,				
	1999	2000	2001	2002	2003
Ratio of earnings to fixed charges	1.95	1.48	2.07	2.95	2.84

The ratio of earnings to combined fixed charges and preferred stock dividends was calculated by dividing the sum of fixed charges and preferred stock dividends into the sum of earnings before taxes and fixed charges. Fixed charges consist of interest expense and certain other expenses. Preferred stock dividends represent the pre-tax earnings necessary to cover the dividends on our preferred stock, assuming such earnings are taxed at our consolidated effective tax rate.

The table below sets forth the ratio of earnings to combined fixed charges and preferred stock dividends for the nine months ended September 30, 2004.

	Nine Months Ended September 30, 2004
Ratio of earnings to combined fixed charges and preferred stock dividends ⁽¹⁾	1.50

(1) We did not have any preferred stock outstanding prior to the initial issuance of our Series A Preferred Stock on July 7, 2004.

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DESCRIPTION OF SERIES B PREFERRED STOCK

The following is a summary of the material terms and provisions of the Series B Preferred Stock. The Series B Preferred Stock is more completely described in our charter, our bylaws and the articles supplementary to our charter establishing the Series B Preferred Stock, a form of which is incorporated by reference in this prospectus supplement from our Current Report on Form 8-K filed with the SEC on November 30, 2004.

General

Under our charter, our Board of Directors is authorized to issue 110,000,000 shares of stock, of which up to 100,000,000 shares may be common stock and up to 10,000,000 shares may be preferred stock. As of September 30, 2004, there were 40,184,333 shares of common stock issued and outstanding and 2,150,000 shares of our Series A Preferred Stock issued and outstanding. Prior to the consummation of this offering, we will cause to be filed with the State Department of Assessments and Taxation of Maryland articles supplementary establishing the terms of the Series B Preferred Stock offered hereby. At that time, there will be no classes or series of preferred stock authorized other than the Series A Preferred Stock and the Series B Preferred Stock.

Our charter authorizes our Board of Directors, subject to the provisions of our charter, to classify or reclassify any unissued shares of our stock into shares of common stock or preferred stock or any class or series of preferred stock, or shares of preference stock, special stock or other stock. Prior to the issuance of shares of preferred stock of each class, our Board of Directors is required by Maryland law and our charter to set the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each such class. Thus, our Board of Directors, without stockholder approval, could authorize the issuance of shares of preferred stock with terms and conditions which could have the effect of delaying, deferring or preventing a transaction or a change in control of us that might involve a premium price for holders of shares of preferred stock or shares of our common stock or otherwise be in the stockholders' best interest, or that could adversely affect the rights and powers of the Series B Preferred Stock. See Certain provisions of Maryland law and our charter and bylaws could hinder, delay or prevent a change in control in the section of the accompanying prospectus entitled Risk Factors.

Under Maryland law, a stockholder is generally not personally liable for our obligations solely as a result of his or her status as a stockholder.

Liquidation Preference

Upon our voluntary or involuntary liquidation, dissolution or winding up, holders of Series B Preferred Stock will be entitled to receive out of our assets legally available for distribution to stockholders (after payment or provision for all of our debts and other liabilities) a liquidating distribution in the amount of the liquidation preference of \$25.00 per share applicable to the Series B Preferred Stock, plus any accumulated and unpaid dividends to the date of payment, whether or not declared, before any distribution of assets is made to holders of our common stock or any other shares of our equity securities ranking junior to the Series B Preferred Stock as to liquidation rights.

If, upon our voluntary or involuntary liquidation, dissolution or winding up, our available assets are insufficient to pay the full amount of the liquidating distributions on all outstanding shares of Series B Preferred Stock and the corresponding amounts payable on all shares of each other class or series of capital stock ranking, as to liquidation rights, on a parity with the Series B Preferred Stock in the distribution of assets (including our Series A Preferred Stock) then the holders of the Series B Preferred Stock and each such other class or series of capital stock ranking, as to voluntary or involuntary liquidation rights, on a parity with the Series B Preferred Stock will share ratably in any distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled after any required payment to the holders of any senior securities.

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After payment of the full amount of the liquidating distributions to which they are entitled, the holders of Series B Preferred Stock will have no right or claim to any of our remaining assets.

Our consolidation or merger with or into another entity, the merger of another entity with or into us, a statutory share exchange by us, or the sale, lease, transfer or conveyance of all or substantially all of our property or business, will in each case not be deemed to constitute a liquidation, dissolution or winding up of the Company.

Maryland law does not permit our Board of Directors to authorize a distribution if, after giving effect to the distribution, (i) the corporation would not be able to pay its obligations as they become due in the ordinary course of business or (ii) the corporation's total assets would be less than its total liabilities. Under Maryland law, unless the corporation's charter provides otherwise, liquidation preferences of stockholders whose preferential rights on dissolution are superior to those receiving the distribution are considered liabilities for the purpose of this test. As permitted by Maryland law, the articles supplementary creating the Series B Preferred Stock provide that the liquidation preference of outstanding shares of Series B Preferred Stock will not be added to our total liabilities in determining whether we may make a dividend or other distribution (other than upon voluntary or involuntary dissolution, liquidation or winding up) on our shares of common stock (or any other class or series of stock that is junior to the Series B Preferred Stock with respect to liquidating distributions).

Dividends

Holders of record of Series B Preferred Stock will be entitled to receive, when, as and if declared by our Board of Directors, out of legally available funds, cumulative preferential cash dividends at the annual rate of 9.25% of the \$25.00 liquidation preference, which is equivalent to \$2.3125 per share of Series B Preferred Stock per year.

To the extent declared by our Board of Directors, dividends will be payable quarterly in arrears on the last calendar day of each January, April, July and October or, if not a business day, the next succeeding business day (and without any interest or other payment in respect of any such delay). Dividends on our Series B Preferred Stock will be cumulative from and including the date of original issuance, which is expected to be December 15, 2004. The first dividend is expected to be paid on January 31, 2005. Each share of Series B Preferred Stock issued and outstanding on the record date for the first dividend payment on the Series B Preferred Stock following the initial issuance of shares of Series B Preferred Stock, which is expected to be on December 15, 2004, shall accumulate dividends from the earliest date on which any shares of the Series B Preferred Stock were issued and shall receive the same dividend payment regardless of the date on which such share was actually issued. We will pro rate and compute this initial dividend and any other dividend payable for a partial dividend period on the basis of a 360-day year consisting of twelve 30-day months.

We will pay dividends to holders of record as they appear in our share records at the close of business on the applicable dividend record date. The dividend record date will be such date that our Board of Directors designates for the payment of dividends that is not more than 30 nor less than 10 days prior to the dividend payment date.

No dividend on the Series B Preferred Stock will be declared or paid or set apart for payment by us if such declaration, payment or setting apart for payment would violate any of our agreements or is restricted or prohibited by law.

Notwithstanding the foregoing, dividends on the Series B Preferred Stock will accumulate whether or not we have earnings, whether or not there are funds legally available for payment of dividends and whether or not such dividends are declared by our Board of Directors. Accumulated but unpaid dividends will accumulate as of the dividend payment date on which they first become payable or on the date of redemption, as the case may be.

When dividends are not paid in full (or a sum sufficient for such full payment is not so set apart) on the Series B Preferred Stock and all other equity securities ranking on a parity as to dividends with the

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Series B Preferred Stock (including our Series A Preferred Stock), all dividends declared upon the Series B Preferred Stock and any other equity securities ranking on a parity as to dividends with the Series B Preferred Stock (including our Series A Preferred Stock) shall be declared on a pro rata basis so that the amount of dividends declared per share of Series B Preferred Stock and such other equity securities shall in all cases bear to each other the same ratio that accumulated dividends per share on the Series B Preferred Stock and such other equity securities (which shall not include any accumulation in respect of unpaid dividends for prior dividends periods if such other equity securities do not have a cumulative dividend, which our Series A Preferred Stock does) bear to each other. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on the Series B Preferred Stock that may be in arrears.

Except as provided in the immediately preceding paragraph, unless full cumulative dividends, whether or not declared, on the Series B Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient set apart for payment for all past dividend periods:

no dividends may be declared or paid or set aside for payment and no other distribution of cash or other property may be declared or made upon our shares of common stock or any other shares of our equity securities ranking junior to or on a parity with the Series B Preferred Stock as to distributions or upon liquidation, dissolution or winding up, other than distributions in kind of our common stock or other shares of our equity securities ranking junior to Series B Preferred Stock as to dividends and upon liquidation, dissolution or winding up; and

no shares of common stock or any other shares of our equity securities ranking junior to or on a parity with the Series B Preferred Stock as to distributions or upon liquidation, dissolution or winding up may be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such shares) by us, except by conversion into or exchange for other shares ranking junior to the Series B Preferred Stock as to dividends and amounts upon liquidation, dissolution or winding up, and except pursuant to the provisions of our charter and the articles supplementary creating the Series B Preferred Stock providing for limitations on ownership and transfer in order to ensure that we remain qualified as a REIT.

Accumulated but unpaid dividends on the Series B Preferred Stock will not bear interest, and holders of Series B Preferred Stock will not be entitled to any distribution, whether payable in cash, property or shares, in excess of full cumulative dividends on the Series B Preferred Stock as described above. We will credit any dividend payment we make on the Series B Preferred Stock against the earliest accumulated but unpaid dividend due with respect to the Series B Preferred Stock which remains payable.

Maturity

The Series B Preferred Stock does not have a stated maturity and is not subject to any sinking fund or mandatory redemption provisions. We are not required to redeem the Series B Preferred Stock. Accordingly, the Series B Preferred Stock will remain outstanding indefinitely, unless we decide to redeem it or it is otherwise cancelled or exchanged.

Redemption

The Series B Preferred Stock will not be redeemable prior to December 15, 2009, except in limited circumstances. On or after December 15, 2009, we, at our option, upon giving the notice described below, may redeem the Series B Preferred Stock, in whole or from time to time in part, for cash, at a redemption price of \$25.00 per share, plus accumulated and unpaid dividends on the shares of Series B Preferred Stock held to the date of redemption, whether or not declared.

If we redeem fewer than all of the outstanding shares of Series B Preferred Stock, our Board of Directors will determine the number of shares to be redeemed. In such circumstances, the Series B Preferred Stock to be redeemed generally will be selected pro rata (as nearly as may be practicable

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without creating fractional shares), by lot or in another equitable manner determined by our Board of Directors. If such redemption is to be by lot and as a result of such redemption any holder of Series B Preferred Stock would become a holder of a number of shares of Series B Preferred Stock in excess of the ownership limits described in this prospectus supplement and the accompanying prospectus because such holder's shares of Series B Preferred Stock were not redeemed, or were only redeemed in part, then, we will redeem the requisite number of shares of Series B Preferred Stock from such holder so that such stockholder will not hold in excess of the ownership limits subsequent to such redemption or otherwise transfer the shares as described in this prospectus supplement and the accompanying prospectus.

Unless full accumulated dividends on all shares of Series B Preferred Stock have been or contemporaneously are declared and paid, or are declared and a sum sufficient for payment for all past dividend periods and the current dividend period is set apart, we will not redeem any shares of Series B Preferred Stock unless we simultaneously redeem all outstanding shares of Series B Preferred Stock.

Unless full cumulative dividends on all outstanding shares of Series B Preferred Stock have been or contemporaneously are declared and paid, or are declared and a sum sufficient for payment for all past dividend periods is set apart, we will not purchase or otherwise acquire directly or indirectly any shares of Series B Preferred Stock or any other shares of our equity securities ranking junior to or on a parity with the Series B Preferred Stock as to dividends or upon liquidation, dissolution or winding up, except by conversion into or exchange for shares ranking junior to the Series B Preferred Stock as to distributions and upon liquidation, dissolution or winding up.

Notwithstanding the foregoing, our charter and the articles supplementary creating the Series B Preferred Stock permit us to purchase the Series B Preferred Stock at any time in order to preserve our REIT status and enforce against an individual holder the restrictions on ownership described in this prospectus supplement and the accompanying prospectus. See **Restrictions on Ownership and Transfer** in this prospectus supplement and **Description of Capital Stock** **Restrictions on Ownership and Transfer** in the accompanying prospectus. The restrictions described in the preceding paragraphs also do not prevent the purchase or acquisition of Series B Preferred Stock pursuant to a purchase or exchange offer made on the same terms to all holders of the Series B Preferred Stock.

In the event that the redemption date falls after a dividend record date and prior to the corresponding dividend payment date, each holder of Series B Preferred Stock at the close of business on such dividend record date will be entitled to the dividend payable on such shares on the corresponding dividend payment date notwithstanding the redemption of such shares before the dividend payment date. Except as provided in the preceding sentence, and except to the extent the redemption price includes all accumulated and unpaid dividends, we will make no payment or allowance for unpaid dividends, whether or not in arrears, on Series B Preferred Stock to be redeemed.

We will mail to record holders of Series B Preferred Stock to be redeemed a notice of redemption no less than 30 days nor more than 60 days before the redemption date. We will send the notice to each holder's address as shown on our share transfer books. Each notice will state, in addition to any information required by law or by the applicable rules of any exchange upon which the Series B Preferred Stock may be listed or admitted to trading, the following:

the redemption date;

the redemption price;

the number of shares of Series B Preferred Stock to be redeemed;

the place where holders may surrender certificates evidencing shares of Series B Preferred Stock for payment of the redemption price; and

that the dividends on the Series B Preferred Stock to be redeemed will cease to accumulate on the redemption date.

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If we redeem fewer than all of the outstanding shares of Series B Preferred Stock held by any holder, the notice mailed to such holder will also specify the number of shares of Series B Preferred Stock to be redeemed from such holder.

On or after the date fixed for redemption, each holder of shares of Series B Preferred Stock to be redeemed must present and surrender each certificate representing his or her shares of such Series B Preferred Stock to us at the place designated in the applicable notice and thereupon such holder shall be entitled to the redemption price of such shares and any accumulated and unpaid dividends payable upon such redemption upon such surrender, and each surrendered certificate will be cancelled. If fewer than all the shares represented by any such certificate representing shares of Series B Preferred Stock are to be redeemed, a new certificate will be issued representing the unredeemed shares.

At our election, on or prior to a redemption date, we may irrevocably deposit the redemption price (including accumulated and unpaid dividends) of the Series B Preferred Stock so called for redemption in trust for the holders thereof with a bank or trust company, in which case the notice to holders of the Series B Preferred Stock to be redeemed will (i) state the date of such deposit, (ii) specify the office of such bank or trust company as the place of payment of the redemption price and (iii) require such holders to surrender the certificates representing such shares at such place on or about the date fixed in such redemption notice (which may not be later than such redemption date) against payment of the redemption price (including all accumulated and unpaid dividends to the redemption date). Any interest or other earnings earned on the redemption date (including all accumulated and unpaid dividends) deposited with a bank or trust company will be paid to us. Any monies so deposited which remain unclaimed by the holders of the shares of Series B Preferred Stock at the end of two years after the redemption date will be returned to us by such bank or trust company.

If notice of redemption of any shares of Series B Preferred Stock has been given and if funds necessary for such redemption have been set aside by us in trust for the benefit of the holders of such shares, then from and after the date of redemption, all dividends will cease to accumulate on the Series B Preferred Stock designated for redemption and all of your rights as a holder of the Series B Preferred Stock will terminate with respect to such shares, except the right to receive the redemption price (including accumulated and unpaid dividends up to the date of redemption).

Conversion

The shares of Series B Preferred Stock are not convertible into or exchangeable for any of our property or other securities.

Ranking

The Series B Preferred Stock, with respect to dividend rights and the distribution of assets upon our liquidation, dissolution or winding up, will rank:

(i) senior to our common stock and to all equity securities, the terms of which provide that such equity securities will rank junior to the Series B Preferred Stock;

(ii) junior to all equity securities, the terms of which provide that such equity securities will rank senior to the Series B Preferred Stock, and to all of our existing and future debt, including, prior to conversion of such debt, any debt convertible into our equity securities; and

(iii) on a parity with all equity securities issued by us (including our Series A Preferred Stock) other than those referred to in (i) and (ii) above.

Voting Rights

Holders of Series B Preferred Stock will not have any voting rights, except as set forth below.

Whenever dividends on any shares of our Series B Preferred Stock are in arrears for six or more quarterly periods, whether or not consecutive, the number of directors then constituting our Board of

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Directors will be increased by two members, if not already increased by reason of similar types of provisions with respect to shares of parity stock of any other class or series that is entitled to similar voting rights (including our Series A Preferred Stock), which we refer to in this prospectus supplement as the voting preferred stock, and the holders of shares of our Series B Preferred Stock, together with the holders of shares of all other voting preferred stock then entitled to exercise similar voting rights (including our Series A Preferred Stock), voting as a single class regardless of series, will be entitled to vote for the election of the two additional directors at any annual meeting of stockholders or at a special meeting of the holders of our Series B Preferred Stock and of the voting preferred stock called for that purpose. We must call such special meeting upon the request of holders of at least 20% of the shares of our Series B Preferred Stock then outstanding or the holders of outstanding shares of any other equity securities on a parity with the Series B Preferred Stock with respect to which dividends are unpaid. In the case of such a written request, such special meeting will be held within 90 days after the delivery of such request and, in either case, at the place and upon the notice provided by law and in our bylaws, provided that we will not be required to call such a special meeting if such request is received less than 120 days before the date fixed for the next annual meeting of stockholders, and the holders of all classes of outstanding voting preferred stock are offered the opportunity to elect such directors at such annual meeting of stockholders. Directors so elected will serve until the next annual meeting of our stockholders or until their respective successors are elected and qualified. If, prior to the end of the term of any director so elected, any vacancy in the office of such director shall occur, during the continuance of a default in dividends on the Series B Preferred Stock and/or voting preferred stock, such vacancy will be filled for the unexpired term of such former director by the election of a new director by the remaining director or directors so elected, or if there is no such remaining director, by vote of holders of a majority of the outstanding Series B Preferred Stock and any voting preferred stock then entitled to exercise similar voting rights (voting as a single class). If and whenever dividends in arrears in respect of all past dividend periods on outstanding shares of our Series B Preferred Stock and any other shares of voting preferred stock have been paid or declared and set apart for payment, then the right of the holders of our Series B Preferred Stock and of such other voting preferred stock to elect the additional two directors will cease, the terms of office of the directors will terminate and the number of directors constituting our Board of Directors will be reduced accordingly.

So long as any shares of Series B Preferred Stock remain outstanding, we may not, without the affirmative vote or consent of holders of at least two-thirds of the outstanding Series B Preferred Stock, given in person or by proxy, voting separately as a class, either in writing or at a meeting:

authorize, or create, or increase the authorized or issued amount of, any class or series of equity securities ranking senior to the outstanding Series B Preferred Stock with respect to the payment of dividends or the distribution of assets upon our voluntary or involuntary liquidation, dissolution or winding up;

reclassify any authorized equity securities into any equity securities senior to the Series B Preferred Stock;

create, authorize or issue any obligation or security convertible into or evidencing the right to purchase any equity securities senior to the Series B Preferred Stock; or

amend, alter or repeal the provisions of our charter (including the articles supplementary for the Series B Preferred Stock), whether by merger, consolidation or otherwise, so as to materially and adversely affect any right, preference, privilege or voting power of the Series B Preferred Stock or the holders of the Series B Preferred Stock.

With respect to the exercise of the above-described voting rights, each share of our Series B Preferred Stock will have one vote per share, except that when any other class or series of preferred stock will have the right to vote with our Series B Preferred Stock as a single series, then our Series B Preferred Stock and such other class or series will have one vote per each \$25.00 of stated liquidation preference (excluding amounts in respect of accumulated and unpaid dividends).

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