UNITED STATES DISTRICT COURT

FOR THE CENTRAL DISTRICT OF CALIFORNIA

[redacted] on Behalf of Himself and All Others Similarly Situated, Plaintiff, vs. COUNTRYWIDE FINANCIAL CORP., ANGELO MOZILO, AND ERIC P. SIERACKI, Defendants.	Case No. **CLASS ACTION COMPLAINT FOR VIOLATIONS OF THE FEDERAL SECURITIES LAWS** <u>JURY TRIAL DEMANDED</u>

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

SUMMARY AND OVERVIEW

1. This is a securities class action on behalf of all purchasers of the publicly traded securities of Countrywide Financial Corp. ("Countrywide Financial" or the "Company") between October 24, 2006 and August 9, 2007 (the "Class Period"), against Countrywide Financial and certain of its officers and directors for violations of the Securities Exchange Act of 1934 (the "1934 Act").

2. Countrywide Financial Corp. is a vertically integrated mortgage lender and finance company. The company operates in five segments: Mortgage Banking, Banking, Capital Markets, Insurance, and Global Operations. The Company's segmented operations places it at the forefront of the mortgage lending business, inclusive of conduit, securities trading, underwriting, brokering and asset management. Pointing to these strengths, the Company assured the investment community of its capacity to stabilize earnings growth and dominate real estate finance, while continuing to plow ahead with diversification and infrastructure strategies, to support business growth and build shareholder value.

JURISDICTION AND VENUE

3. Jurisdiction is conferred by §27 of the 1934 Act. The claims asserted herein arise under §§10(b) and 20(a) of the 1934 Act and Rule 10b-5.

4. Venue is proper in this District pursuant to §27 of the 1934 Act. New City Financial maintains its corporate offices in this District and many of the false and misleading statements were made in or issued from this District.

THE PARTIES

5. Plaintiff [redacted] purchased Countrywide Financial publicly traded securities as described in the attached certification and was damaged thereby.

6. Defendant Countrywide Financial a holding company, engages in mortgage lending and other finance-related operations. The company operates in five segments: Mortgage Banking, Banking, Capital Markets, Insurance, and Global Operations. The Mortgage Banking segment originates, purchases, sells, and services non-commercial mortgage loans, as well as provides various loan closing products and services, such as credit reports, appraisals, title reports, property valuation services, flood determinations, and other related services. The Banking segment deposits and invests in mortgage loans and home equity lines of credit, as well as provides short-term secured financing to mortgage lenders. The Capital Markets segment primarily operates as a registered securities broker-dealer, residential mortgage loan manager, and a commercial mortgage loan originator. Its activities include conduit, securities trading, underwriting, brokering, asset management, and origination and sale of commercial mortgage loans. This segment serves institutional customers, such as banks, other depository institutions, insurance companies, asset managers, mutual funds, pension plans, other broker-dealers, and governmental agencies.. Countrywide Financial's principal business offices are located at 4500 Park Granada, Calabasas, CA 91302.

7. Defendant Angelo Mozilo ("Mozilo") was, during the relevant period, Chairman of the Board and CEO of Countrywide Financial. In addition to his

opportunity to sell shares of his awards of Company options and stock, on October 20, 2006, Countrywide Financial agreed to enhance Mozilo's compensation, by creating a potential annual bonus opportunity of up to $10,000,000, tied to performance metrics based on return on equity and net income, with targeted performance generally set at the 50th percentile of the Company's peer group. In addition to this, during the relevant period, Mozilo reaped over $150 million in proceeds from the sale of his Countrywide stock. Defendant Mozilo assisted in the preparation of the false financial statements and repeated the contents therein to the market.

8. Defendant Eric P. Sieracki ("Sieracki") was, during the relevant period, Executive Managing Director and Chief Financial Officer of Countrywide Financial. Defendant Sieracki assisted in the preparation of the false financial statements and repeated the contents therein to the market.

9. The individuals named as defendants in ¶¶7-8 are referred to herein as the "Individual Defendants." The Individual Defendants, because of their positions with the Company, possessed the power and authority to control the contents of Countrywide Financial's quarterly reports, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, *i.e.*, the market. Each individual defendant was provided with copies of the Company's reports and press releases alleged herein to be misleading prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material non-public information available to them but not to the public, each of these defendants knew that the adverse facts specified herein had not been disclosed to and were being concealed from the public and that the positive representations which were being made were then materially false and misleading. The Individual Defendants are liable for the false statements pleaded herein at ¶¶12-15, as those statements were each "group-published" information, the result of the collective actions of the Individual Defendants.

SCIENTER

10. In addition to the above-described involvement, each Individual Defendant had knowledge of Countrywide Financial's problems and was motivated to conceal such problems. Defendant Mozilo, as CEO for the Company and Sieracki, as CFO, respectively, were responsible for financial reporting and communications with the market. Many of the internal reports showing Countrywide Financial's forecasted and actual growth were prepared by the finance department under their direction. Defendants Sambol, Kripalani and Garcia were also responsible for the financial results and press releases issued by the Company. Each Individual Defendant sought to demonstrate that he could lead the Company successfully and generate the growth expected by the market.

FRAUDULENT SCHEME AND COURSE OF BUSINESS

11. Each defendant is liable for (i) making false statements, ***or*** (ii) failing to disclose adverse facts known to him about Countrywide Financial. Defendants' fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of Countrywide Financial common stock was a success, as it (i) deceived the investing public regarding Countrywide Financial's prospects and business; (ii) artificially inflated the prices of Countrywide Financial's common stock; (iii) allowed Company insiders to arrange to sell and actually sell over 5 million shares of their Countrywide Financial stock at artificially inflated prices, for proceeds of over $200 million; and (iv) caused Plaintiff and other members of the Class to purchase Countrywide Financial common stock at inflated prices.

DEFENDANTS' FALSE AND MISLEADING STATEMENTS ISSUED DURING THE CLASS PERIOD

12. On October 24, 2006, the Company issued a press release entitled, "COUNTRYWIDE REPORTS 2006 THIRD QUARTER RESULTS - Quarterly Diluted EPS of $1.03 Drove Year-to-Date EPS to a Record 9-Month $3.29 - 2006

Guidance Revised to $4.10 to $4.50 per Diluted Share - Board Authorizes Share Repurchase Program." The release stated in part:

> "Countrywide achieved strong results in the Banking, Capital Markets and Insurance segments, while the Mortgage Banking segment continued to experience the effects of a transitional market," said Angelo R. Mozilo, Chairman and Chief Executive Officer. "Interest rates declined significantly during the quarter, putting pressure on Loan Servicing sector earnings. Despite the decrease in interest rates, real estate finance activity continued to moderate and, as a result, Loan Production sector earnings also declined. However, consistent with the design of our Macro Hedge, we expect the Loan Production sector's fourth quarter results to benefit from increased refinance funding activity stemming from the third quarter decline in interest rates. While third quarter diluted earnings per share of $1.03 remained unchanged compared to the third quarter a year ago, diluted earnings per share of $3.29 for the nine months of 2006 was up 7 percent and represented a new nine-month record."
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> "We anticipate the fourth quarter of 2006 will be characterized by a continued slowdown in purchase volume beyond typical seasonality. However, should interest rates remain at their current levels or move lower, we expect that increased refinance activity will mitigate this decline. We also continue to expect that margins will remain under pressure and that pricing will remain competitive as the mortgage market consolidates. In addition, pay-option loans – which have historically provided higher margins – are declining as a percentage of total production and have experienced margin erosion, and this trend may continue."
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> "In response to changing market conditions, management has initiated an expense and headcount reduction program. By year end, we expect that this program will generate an annualized cost savings run rate of over $500 million."
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> "Additionally, as previously announced, management is executing a capital optimization plan and the Board of Directors has authorized a share repurchase program of up to $2.5 billion. In connection with this program, the Company intends to repurchase $1 billion to $2 billion of its common stock in the fourth quarter financed through the issuance of high equity-content debt securities.
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> "While we expect the continuation of a transitional environment in the near term, we are bullish on the positive long-term growth prospects for the mortgage lending industry and Countrywide in particular, as a result of the proven power of our business model and our strategic positioning. We believe Countrywide's core strategies of profitable market share expansion, growth in our mortgage loan investment portfolio and associated spread income, continued synergistic diversification, and ongoing capital optimization will continue to deliver long-term shareholder value."

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13. On April 26, 2007, the Company issued a press release entitled, "COUNTRYWIDE REPORTS DILUTED EPS OF $0.72 FOR FIRST QUARTER OF 2007 - 2007 Guidance Updated at $3.50 to $4.30 per Diluted Share - Board Authorizes $0.15 Dividend." The release stated in part:

> CALABASAS, CA (April 26, 2007) – Countrywide Financial Corporation (NYSE: CFC) today announced results for the first quarter ended March 31, 2007.
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> "Countrywide's earnings for the first quarter of 2007 were $434 million, despite adverse subprime and housing market conditions," said Angelo R. Mozilo, Chairman and Chief Executive Officer. "While the Company's core operations delivered what was otherwise a strong quarter, earnings were impacted by charges relating to our subprime activities as well as increases to our loss reserves and related asset valuation adjustments stemming from higher delinquencies and softer housing markets."
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> During the quarter, subprime charges and other credit costs impacted Countrywide as follows:
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> ◦ ***Subprime operations. Mortgage banking revenues from subprime operations, which include both production and investment activities, declined approximately $400 million from the fourth quarter of 2006, the equivalent of approximately $0.41 in earnings per diluted share. Subprime production revenues decreased $245 million, primarily resulting from volatile market conditions and related value declines of loans sold during the quarter and unsold at quarter end, net of credit hedge gains. Revenues from subprime investments fell $155 million from the fourth quarter of 2006, largely as a result of impairment charges against retained interests from subprime and related securities, net of credit hedge gains. The Company has instituted policy and product guideline changes and made other adjustments to reduce exposure to future subprime losses, and as a result management anticipates that both subprime production and investments will return to profitability in subsequent quarters, absent a material worsening of market conditions.***
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> ◦ Other credit costs. Aside from subprime-related credit costs described above, other net credit costs increased from the fourth quarter of 2006 by $132 million, the equivalent of $0.14 in earnings per diluted share, as a result of rising delinquencies, deteriorating housing market conditions, and resulting increased loss reserves. ***This included a $119 million increase in impairment of prime-quality home equity retained interests and an $81 million increase in the provision for loan losses,*** partially offset by a $68 million increase in loss reserve reversal in the Insurance segment.

"Excluding the impact of subprime conditions and increased credit costs in the quarter, Countrywide's core operations made strong contributions to quarterly earnings," said Mozilo. "Our Production sector delivered strong volume and margins for both prime first and home equity loans, which accounted for 93 percent of our total mortgage banking originations; Servicing sector margins, excluding impairment of retained interests, were strong; net interest margins increased in our Banking Operations; and our Capital Markets and Insurance segments both generated sequential quarter pre-tax earnings growth.

"On a consolidated basis, Countrywide's residential lending operations continued to grow market share, with first quarter production representing over 18 percent of U.S. mortgage originations and our servicing portfolio reaching 8.4 million loans, which represents 13 percent of residential loans outstanding. In addition, our pipeline heading into the second quarter is very strong at $69 billion, up 21 percent from the fourth quarter of 2006 and up 8 percent from the first quarter last year.

Furthermore, our increasingly diverse business model has been generating more than half of our earnings from businesses other than mortgage banking, as was the case in 2006 and in the first quarter of 2007 again.

"While turbulent mortgage market conditions had an adverse impact on the Company's first quarter, looking forward, management is optimistic about the long-term future growth prospects and profitability of the Company stemming from the consolidation and rationalization occurring in the residential mortgage markets today.

"I would like to conclude by thanking my 50,000-plus Countrywide colleagues. Each of them works hard every day to deliver outstanding long-term returns to shareholders, and to make the American dream of homeownership available to as many people as possible."

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Loan Production

The Loan Production sector is comprised of the following distribution channels: prime and subprime consumer-direct lending through Countrywide Home Loans' 996-branch retail system, call center operations and the Internet; wholesale lending through a network of mortgage brokers; correspondent lending which buys closed loans from other financial institutions such as independent mortgage companies, commercial banks, savings and loans and credit unions. The sector also includes the mortgage banking activities of Countrywide Bank.

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Subprime gain on sale for the first quarter of 2007 was impacted by deteriorating market conditions, specifically higher investor yield requirements as well as increased future loss estimates, which adversely impacted the value of subprime loans. The $244 million reduction in subprime gain on sale was the result of a decline in the value of loans sold during the quarter and unsold at quarter end, net of credit hedge gains of $92 million.

Home equity gain on sale declined from the fourth quarter of 2006 because of increased credit enhancement costs and higher investor yield requirements. Prime gain on sale increased from the fourth quarter of 2006 primarily as a result of changes in channel mix toward more retail business.

Factors impacting the overall year-over-year quarterly declines included increased competitive pricing pressures, the decline in production of higher-margin pay option products, and the general deterioration of subprime market conditions discussed previously.

Loan Servicing

The Loan Servicing sector reflects the performance of mortgage servicing rights (MSRs) and retained interests associated with Countrywide's owned servicing portfolio. Countrywide also manages a financial hedge within the Loan Servicing sector to mitigate negative valuation changes in MSRs and retained interests.

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Loan Servicing sector pre-tax earnings were adversely impacted by $429 million in impairment charges against retained interests. Impairment charges of $231 million were related to subprime and similar retained interests, while $135 million was related to retained interests on home equity lines of credit extended to prime borrowers. These impairment charges were driven by increased estimates for future losses on loans underlying the related securities as well as increased market yield requirements.

In addition, the Company incurred $63 million in impairment on other retained interests where Countrywide does not retain credit risk. This impairment related to increased market yield requirements.

Delinquencies (based on loan count, 30 days or more past due) in the servicing portfolio were 4.29 percent at March 31, 2007, which compares to 5.02 percent at December 31, 2006 and 3.68 percent at March 31, 2006. Foreclosures in the servicing portfolio (based on loan count) were 69 basis points at March 31, 2007, which compares to 65 basis points at December 31, 2006 and 47 basis points at March 31, 2006. The year-over-year increase in total delinquencies and foreclosures is generally the result of softening housing market conditions and the seasoning of the loans in the servicing portfolio.

The sequential quarter improvement in the delinquency ratio is primarily attributable to seasonal factors. The weighted average age of the loans in the portfolio at March 31, 2007 was 23 months, while the age at March 31, 2006 was 21 months.

Loan Closing Services

Loan Closing Services are offered through Countrywide's LandSafe companies, which primarily provide credit reports, appraisals and flood determinations. The LandSafe companies' quarterly pre-tax earnings increased from the prior year, primarily as a result of an increase in its credit report and appraisal businesses due to the increase in Countrywide's application activity.

BANKING

The Banking segment includes Banking Operations (primarily the fee and investment activities of Countrywide Bank, FSB) and Countrywide Warehouse Lending, a provider of mortgage inventory financing to independent mortgage bankers. Countrywide Bank ("Bank") provides Countrywide with expanded product capabilities, a low cost source of funds, liquidity, and portfolio lending capabilities that result in substantial recurring earnings. ***The Bank invests primarily in high-quality residential mortgage loans sourced from the Loan Production sector and the secondary market.*** It funds these assets through various means including its retail deposit franchise, which is comprised of an expanding national financial center network of 101 locations (most of which are located in existing Countrywide retail offices), call centers, and Internet presence. The Bank also leverages its deposit base through a variety of wholesale funding activities.

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Banking Operations' quarterly pre-tax earnings were $294 million, a decrease of 15 percent from the prior quarter and 11 percent year over year. The decreases were driven by an increase in the provision for loan losses of $61 million from the fourth quarter and $96 million from the first quarter of 2006 primarily resulting from increases in delinquencies and related increased reserves for loan losses.

This was partially offset by increases in net interest income. Specifically, net interest margin increased 7 basis points from the fourth quarter of 2006 and 22 basis points from the first quarter of 2006, primarily from a smaller rate lag effect.

While the Banking Operations' net residential loan portfolio was up modestly on a year-over-year basis, loan portfolio growth has been slowing and is down on a sequential quarter basis. This is attributable to an increasing percentage of Countrywide's originations being sold in the secondary markets, lesser availability of loans for purchase by the Bank that meet its investment criteria, and portfolio runoff.

Asset growth during the first quarter of 2007 was primarily attributable to acquisitions of high quality mortgage-backed securities.

During the first quarter, the credit rating agency Moody's upgraded its rating on Countrywide Bank and announced that Countrywide, Countrywide Home Loans and Countrywide Bank were under review for possible additional upgrades.

The Bank continues to take steps to credit enhance its investment loan portfolio by acquiring supplemental mortgage insurance coverage.

> As of March 31, 2007, $19.8 billion of the residential lending portfolio of the Bank, representing 29 percent of its total loan portfolio, was covered by supplemental mortgage insurance on specified pools of loans. The maximum loss coverage available under these policies is $851 million. The Bank is also in the process of negotiating the purchase of additional pool insurance on its loans.
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> DIVIDEND DECLARATION
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> Countrywide's Board of Directors declared a dividend of $0.15 per share. The payable date on the dividend is May 31, 2007 to stockholders of record on May 14, 2007.
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> 2007 OUTLOOK
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> Management believes that considerable risks remain in the mortgage marketplace, including but not limited to potential further deterioration in the housing market that could impact origination volume and future credit costs; potential pending regulatory or legislative actions that could impose constraints on our operations; and other business risks as outlined in the disclaimer at the end of this press release. While the balance of 2007 is expected to be challenging, management continues to believe that current market conditions will result in opportunities in the form of further industry consolidation. Management also believes that the Company is well-positioned to capitalize upon these opportunities, which should strengthen Countrywide's franchise and result in accelerated future market share and earnings growth.
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14. Following this, on June 12, 2007 the Company issued a press release entitled, "Countrywide Reports May 2007 Operational Results 06/12/2007." The press release stated in part:

> CALABASAS, Calif., June 12 /PRNewswire-FirstCall/ -- Countrywide Financial Corporation (NYSE: CFC) released operational data for the month ended May 31, 2007. Key operational results included the following:
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> * Mortgage loan fundings for the month of May totaled $44 billion, an increase of 15 percent from May 2006.
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> -- On a consolidated basis, Countrywide funded $2.3 billion in pay-option loans during the month as compared to $6.6 billion in May 2006. Year-to-date fundings for pay-option loans totaled $15 billion, as compared to $35 billion for the same prior year period.
>
> * Average daily mortgage loan application activity for May 2007 was $3.1 billion, up 17 percent from May 2006. The mortgage

loan pipeline was $70 billion at May 31, 2007 as compared to $66 billion at May 31, 2006.

* The mortgage loan servicing portfolio continued to grow, totaling $1.4 trillion at May 31, 2007. This is an increase of $214 billion, or 18 percent, from May 31, 2006.

* Banking Operations' assets were $87 billion at May 31, 2007, which compares to $80 billion at May 31, 2006.

* Securities trading volume in the Capital Markets segment of $351 billion for May 2007 was 6 percent higher when compared to the same month last year.

* Net earned premiums from the Insurance segment totaled $118 million, up 30 percent from May 2006.

"Countrywide generated robust residential mortgage production results for the month of May," said David Sambol, President and Chief Operating Officer. "Production trends included a 17 percent increase in home purchase activity from the prior month; fixed-rate mortgages accounted for 76 percent of monthly production, their highest percentage since August 2003; and the pipeline of mortgage loans-in-process ended the month at $70 billion, its highest amount since October 2005. Reflecting our focus on integrating the activities of our Bank and mortgage company, Countrywide Bank funded $19 billion, or 44 percent, of total residential mortgage production during the month of May 2007, its highest monthly amount to date. According to Inside Mortgage Finance, Countrywide retained its position as the #1 mortgage originator in all channels for the first quarter of 2007. In particular, we expanded our lead in the retail channel from the 4th quarter of 2006.

"Strong results were produced by our other businesses. The servicing portfolio increased 18 percent from May 2006 and Banking Operations' assets rose 9 percent year-over-year. On a year-to-date basis, Capital Markets securities trading volume increased 4 percent from the five months ended May 2006, and net earned premiums from our Insurance segment rose 22 percent from the same year-ago period."

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15. Then, on July 16, 2006, the Company issued a press release entitled "Countrywide Reports June 2007 Operational Results." The release stated in part:

CALABASAS, Calif., July 16, 2007 /PRNewswire-FirstCall via COMTEX News Network/ -- Countrywide Financial Corporation (NYSE: CFC) released operational data for the month ended June 30, 2007. Key operational results included the following:

Mortgage loan fundings for the month of June totaled $45 billion, an increase of 4 percent from June 2006.

> Commercial real estate funding volume for the month of June was $814 million, up 75 percent from June 2006.
>
> Average daily mortgage loan application activity for June 2007 was $3.1 billion, up 15 percent from June 2006. The mortgage loan pipeline was $69 billion at June 30, 2007 as compared to $65 billion at June 30, 2006.
>
> The mortgage loan servicing portfolio continued to grow, reaching $1.4 trillion at June 30, 2007. This is an increase of $219 billion, or 18 percent, from June 30, 2006.
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> ***Banking Operations' assets were $90 billion at June 30, 2007, which compares to $84 billion at June 30, 2006.***
>
> Securities trading volume in the Capital Markets segment of $450 billion for June 2007 was 40 percent higher when compared to the same month last year.
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> Net earned premiums from the Insurance segment were $125 million, up 23 percent from June 2006.
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> "Market conditions became increasingly challenging throughout the second quarter of 2007," said David Sambol, President and Chief Operating Officer. "The housing market continues to soften, and delinquencies and defaults continue to rise. Additionally, interest rates, price competition in the residential lending markets and secondary market volatility have all increased. However, Countrywide's residential funding volume in June was strong, driven primarily by seasonal purchase activity and higher application volumes in preceding months."
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16. Defendants' statements as contained within ¶¶12-15 above were false and misleading. Defendants sought a palatable explanation for the coming impairment charges resulting from the erosion of underwriting guidelines already baked into the Company's loan portfolio. Rather than disclose the truth of these matters, Defendants were upbeat in the assessment of the Company's performance. Had Defendants warned of the likelihood of impairment charges, the news would have jeopardized Moody's ratings for the Company's securities, as well as investor sentiment and confidence in the Company's stock.

THE TRUTH UNFOLDS

17. On July 24, 2007, just before the open of the markets, Defendants issued a shocking press release entitled, "Countrywide Reports Diluted EPS of $0.81 for Second Quarter of 2007 - Strong Loan Production Offset By Higher Credit Costs - 2007 Guidance Updated at $2.70 to $3.30 per Diluted Share - Board Authorizes $0.15 Dividend." The press release stated in part:

> CALABASAS, Calif., July 24 /PRNewswire-FirstCall/ -- Countrywide Financial Corporation (NYSE: CFC - News) today announced results for the second quarter ended June 30, 2007.
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> "Countrywide's results for the second quarter of 2007 reflected strength in our core loan production business, but were adversely impacted by continued weakness in the housing market," said Angelo R. Mozilo, Chairman and Chief Executive Officer. "During the quarter, softening home prices continued to affect many areas of the country and delinquencies and defaults continued to rise across all mortgage product categories as a result. Due to these adverse conditions, the Company incurred increased credit-related costs in the quarter, primarily related to its investments in prime home equity loans."
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> Credit-related costs in the second quarter included:
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> -- Impairment on credit-sensitive retained interests. Impairment charges of $417 million were taken during the quarter on the Company's investments in credit-sensitive retained interests. This included $388 million, or approximately $0.40 in earnings per diluted share based on a normalized tax rate, of impairment on residual securities collateralized by prime home equity loans. The impairment charges on these residuals were attributable to accelerated increases in delinquency levels and increases in the estimates of future defaults and loss severities on the underlying loans.
>
> -- Held-for-investment (HFI) portfolio. The provision for losses on HFI loans incurred in the second quarter was $293 million, ***driven primarily by a loan loss provision of $181 million on prime home equity HFI loans in the Banking segment.***
>
> "Partly offsetting increased credit costs, our residential Loan Production sector delivered strong results during the quarter," said Mozilo. "Consolidated quarterly funding volume was the third-highest in our history, prime production margins were relatively stable, and subprime production margins substantially improved. As a result, Loan Production sector pre-tax profit in the quarter was at its highest level since the first quarter of 2005."

> During the quarter, the Company also benefited from a non-recurring reduction in its corporate tax rate to 27.0 percent, which compares to 38.1 percent in the first quarter of 2007. The benefit from this tax rate change equated to $0.12 per diluted share. The change in the tax rate is the result of a remeasurement of deferred income taxes precipitated by the relocation of certain operating activities resulting in favorable state income tax consequences. The Company anticipates a recurring benefit to the tax rate in future quarters of approximately 0.5 percent as a result of these operational changes.
>
> "Looking to the second half of 2007, we expect difficult housing and mortgage market conditions to persist," Mozilo concluded. "Nonetheless, management remains optimistic about the long-term future growth prospects and profitability of the Company as industry consolidation continues."

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18. Defendants shocked investors with their unexpected news of impairment charges totaling $417 million and a loan-loss provision of $292.9 million, tied in large part to the rapidly deteriorating performance of its loan portfolio and securities. As a result of these unexpected and shocking developments, the Company noted that it would cut its 2007 earnings estimate to $2.70 to $3.30 a share, down from its previous guidance of $3.50 to $4.30 a share. The corrective nature of the Company's shocking press release of July 24, 2007 was immediate and overwhelming in its effect, as Countrywide Financial's stock price tumbled $3.56 or 10.4%, closing at $30.50 per share, on astounding and unprecedented volume of 51.2 million shares, a loss of over $1.87 billion in total market capitalization.

19. Then, on August 2, 2007, in an effort to contradict the negative press regarding the selloff on July 24, 2007, the Company issued a press release entitled, "Countrywide Comments on Its Strong Funding Liquidity and Financial Condition." Within that press release, defendant Sieracki gave his reasons why the Company's financial position remained strong, stating that, "[o]ur mortgage company has significant short-term funding liquidity cushions and is supplemented by the ample liquidity sources of our bank." Augmenting this view, on August 6, 2007, the Company reinforced this position, by issuing an unprecedented SEC Form 8-K

detailing the Company's liquidity sources. On these disclosures, on August 6, 2007, the price of Countrywide rose 7.0% or $1.75, closing at $26.75, on volume of 50.5 million shares.

20. Finally, on August 9, 2007, after the close of the markets, defendants issued SEC Form 10-Q, which contained ***a shocking and new risk disclosure that contradicted defendant Sieracki's remarks on August 2, 2007,*** raising questions about the short-term sufficiency and reliability of the reserves presented in the 8-K of August 6, 2007. The 10-Q of August 10, 2007 stated in part:

> Item 1A. Risk Factors
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> Item 1A of our 2006 Annual Report presents risk factors that may impact the Company's future results. In light of recent developments in the mortgage, housing and secondary markets, those risk factors are supplemented by the following risk factor:
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> Debt and secondary mortgage market conditions could have a material adverse impact on our earnings and financial condition
>
> We have significant financing needs that we meet through the capital markets, including the debt and secondary mortgage markets. These markets are currently experiencing unprecedented disruptions, which could have an adverse impact on the Company's earnings and financial condition, particularly in the short term.
>
> Current conditions in the debt markets include reduced liquidity and increased credit risk premiums for certain market participants. These conditions, which increase the cost and reduce the availability of debt, may continue or worsen in the future. The Company attempts to mitigate the impact of debt market disruptions by obtaining adequate committed and uncommitted facilities from a variety of reliable sources. There can be no assurance, however, that the Company will be successful in these efforts, that such facilities will be adequate or that the cost of debt will allow us to operate at profitable levels. The Company's cost of debt is also dependent on its maintaining investment-grade credit ratings. Since the Company is highly dependent on the availability of credit to finance its operations, disruptions in the debt markets or a reduction in our credit ratings, could have an adverse impact on our earnings and financial condition, particularly in the short term.
>
> The secondary mortgage markets are also currently experiencing unprecedented disruptions resulting from reduced investor demand for mortgage loans and mortgage-backed securities and increased investor yield requirements for those loans and securities. These conditions may continue or worsen in the future. In light of current conditions, we expect to retain a larger portion of mortgage loans and mortgage-backed

> securities than we would in other environments. While our capital and liquidity positions are currently strong and we believe we have sufficient capacity to hold additional mortgage loans and mortgage backed securities until investor demand improves and yield requirements moderate, our capacity to retain mortgage loans and mortgage backed securities is not unlimited. As a result, a prolonged period of secondary market illiquidity may reduce our loan production volumes and could have an adverse impact on our future earnings and financial condition.

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21. As a result of these new and shocking developments, on August 10, 2007, the price of Countrywide Financial's stock tumbled $1.00 or 3.4%, closing at $27.86 per share, on heightened volume of 48.6 million shares, for a loss of another $524 million in total market capitalization.

22. The almost 10.4% decline in Countrywide Financial's stock price on July 24, 2007 and 3.4% on August 10, 2007, at the end of the Class Period, were the direct result of the unraveling of the nature and extent of Defendants' fraud finally being revealed to investors and the market. The timing and magnitude of Countrywide Financial's stock price declines negate any inference that the loss suffered by plaintiff and other Class members was caused by changed market conditions, macroeconomic or industry factors or Company-specific facts unrelated to the Defendants' fraudulent conduct.

23. While the almost 10.4% and 3.4% declines in Countrywide Financial's stock price occurred as Defendants' fraud was being revealed, the Standard & Poor's 500 securities index was flat. The economic loss, i.e., damages, suffered by plaintiff and other members of the Class were a direct result of Defendants' fraudulent scheme to artificially inflate Countrywide Financial's stock price and the subsequent significant decline in the value of Countrywide Financial's stock when Defendants' prior misrepresentations and other fraudulent conduct were revealed.

APPLICABILITY OF PRESUMPTION OF RELIANCE FRAUD-ON-THE-MARKET DOCTRINE

24. At all relevant times, the market for Countrywide Financial was an efficient market, for the following reasons, among others:

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

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

(c) Defendants regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services.

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

NO SAFE HARBOR

26. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this complaint. Many of the specific statements pleaded herein were not identified as "forward-looking statements" when made. To the extent there were any forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory

safe harbor does apply to any forward-looking statements pleaded herein, defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the particular speaker knew that the particular forward-looking statement was false, and/or the forward-looking statement was authorized and/or approved by executive officer(s) of defendants who knew that those statements were false when made.

CLASS ACTION ALLEGATIONS

27. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all persons who purchased Countrywide Financial publicly traded securities on the open market during the Class Period (the "Class"). Excluded from the Class are defendants.

28. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. Countrywide Financial had more than 524 million shares of stock outstanding, owned by hundreds if not thousands of persons.

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

(a) Whether the Exchange Act was violated by defendants;

(b) Whether defendants omitted and/or misrepresented material facts;

(c) Whether Defendants' statements omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;

(d) Whether defendants knew or deliberately disregarded that their statements were false and misleading;

(e) Whether the prices of Countrywide Financial's publicly traded securities were artificially inflated; and

(f) The extent of damage sustained by Class members and the appropriate measure of damages.

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

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

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

COUNT I

For Violation of §10(b) of the 1934 Act and Rule 10b-5 Against All Defendants

33. Plaintiff incorporates ¶¶1-32 by reference.

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

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

(a) Employed devices, schemes, and artifices to defraud;

(b) Made untrue statements of material facts or omitted to state material facts necessary in order to make the statements, in light of the circumstances under which they were made, not misleading; or

(c) Engaged in acts, practices, and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of publicly traded Countrywide Financial publicly traded securities during the Class Period.

36. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for Countrywide Financial publicly traded securities. Plaintiff and the Class would not have purchased Countrywide Financial publicly traded securities at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by Defendants' misleading statements.

37. As a direct and proximate result of these Defendants' wrongful conduct, plaintiff and the other members of the Class suffered damages in connection with their purchases of Countrywide Financial publicly traded securities during the Class Period.

COUNT II

For Violation of §20(a) of the 1934 Act Against All Defendants

38. Plaintiff incorporates ¶¶1-37 by reference.

39. The Individual Defendants acted as controlling persons of Countrywide Financial within the meaning of §20(a) of the Exchange Act. By reason of their positions as officers and/or directors of Countrywide Financial and their ownership of Countrywide Financial stock, the Individual Defendants had the power and authority to cause Countrywide Financial to engage in the wrongful conduct complained of herein. Countrywide Financial controlled each of the Individual Defendants and all of its employees. By reason of such conduct, the Individual Defendants and Countrywide Financial are liable pursuant to §20(a) of the Exchange Act.

PRAYER FOR RELIEF

WHEREFORE, plaintiff prays for judgment as follows:

(a) Declaring this action to be a proper class action pursuant to FRCP 23;

(b) Awarding plaintiff and the members of the Class damages, interest and costs; and

(c) Awarding such equitable/injunctive or other relief as the Court may deem just and proper.

JURY DEMAND

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

DATED: August 14, 2007