

NEW CENTURY REIT INC
Form S-4/A
June 07, 2004
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As filed with the Securities and Exchange Commission on June 7, 2004

Registration No. 333-114709

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1

TO

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

NEW CENTURY REIT, INC.

(Exact name of registrant as specified in its charter)

Maryland
(State of other jurisdiction of
incorporation or organization)

6162
(Primary Standard Industrial
Classification Code Number)
18400 Von Karman Avenue, Suite 1000

56-2451736
(I.R.S. Employer
Identification Number)

Irvine, California 92612

(949) 440-7030

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Brad A. Morrice

President and Chief Operating Officer

New Century REIT, Inc.

18400 Von Karman Avenue, Suite 1000

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Irvine, California 92612

(949) 440-7030

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Peter T. Healy, Esq.

O Melveny & Myers LLP

275 Battery Street, 26th Floor

San Francisco, California 94111

(415) 984-8700

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement is declared effective and all conditions to the proposed transaction have been satisfied or waived.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box: "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: "

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The Exhibit Index begins on page II-13.

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The information in this proxy statement/prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary proxy statement/prospectus is not an offer to sell and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject To Completion, dated _____, 2004

18400 Von Karman, Suite 1000

Irvine, California 92612

Dear New Century Financial Stockholder:

Whether you are a new stockholder or one who has been investing in New Century Financial for several years, on behalf of our board of directors and executive management team, I want to thank you for your investment in and support of the company.

On April 5, 2004, we announced that, after careful consideration, our board of directors unanimously approved a plan to convert New Century Financial to a real estate investment trust, or REIT, subject to stockholder approval and other conditions. We believe that conversion to a REIT will put us in a better position to achieve our long-term growth objectives, diversify our revenues in a more tax-efficient manner and increase long-term stockholder value. Following the REIT conversion, we plan to continue to grow our production franchise, while diversifying our revenues by building a portfolio of self-originated mortgage loans, which we believe will produce a stable revenue stream.

If approved by our stockholders, New Century Financial will become the wholly-owned subsidiary of New Century REIT, Inc., a Maryland corporation recently formed by New Century Financial. In connection with the REIT conversion, New Century REIT will change its name to New Century Financial Corporation and, subject to market conditions, will raise approximately \$750 million in new capital. We believe this additional capital will assist us in executing our business plan and help protect the company during times of market disruption.

I invite you to attend our 2004 annual stockholder meeting, which will be held at our headquarters located at 18400 Von Karman, Suite 1000, Irvine, California, on _____, 2004 at 9:00 a.m., local time. At the annual meeting, you will be asked to approve and adopt the agreement and plan of merger dated as of April 21, 2004, or the merger agreement, elect three Class I directors, approve a new performance incentive plan and ratify KPMG LLP's appointment as our Independent Registered Public Accounting Firm for 2004. We strongly recommend that all stockholders vote **FOR** the approval and adoption of the merger agreement incentive, **FOR** the election of the three Class I director nominees, **FOR** approval of new performance plan and **FOR** ratification of KPMG LLP's appointment as our Independent Registered Public Accounting Firm for 2004.

This proxy statement/prospectus is a prospectus of New Century REIT as well as a proxy statement for New Century Financial and provides you with detailed information about the REIT conversion and the other proposals being voted on at the annual meeting. We encourage you to carefully read this entire proxy statement/prospectus, including all of its annexes, and we especially encourage you to read the section on Risk Factors beginning on page 22.

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We believe the conversion to REIT status will help us achieve our common goals of continued revenue growth, earnings diversification and increasing stockholder value. With your support, I believe the best is yet to come.

Sincerely,

Robert K. Cole
Chairman and Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the shares of common stock to be issued by New Century REIT under this proxy statement/prospectus. Any representation to the contrary is a criminal offense.

This proxy statement/prospectus is dated _____, 2004, and is being first mailed to stockholders on or about _____, 2004.

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REFERENCES TO ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates important business and financial information about New Century Financial from other documents that are not included in or delivered with this proxy statement/prospectus. This information is available to you without charge upon your written or oral request. You can obtain the documents incorporated by reference in this proxy statement/prospectus by requesting them in writing at New Century Financial Corporation, 18400 Von Karman, Suite 1000, Irvine, California, 92612, Attention: Vice President of Investor Relations, or by telephone at (949) 440-7030, or email at cmarrell@ncen.com.

If you would like to request documents from us, please do so by _____, 2004 in order to receive them prior to the annual meeting.

See **Where You Can Find Additional Information** beginning on page 208.

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18400 Von Karman, Suite 1000

Irvine, California 92612

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

, 2004

NOTICE IS HEREBY GIVEN that New Century Financial Corporation, or New Century Financial, will hold its 2004 annual meeting of stockholders on _____, 2004 at 9:00 a.m., local time, at our headquarters located at 18400 Von Karman, Suite 1000, Irvine, California, for the following purposes:

1. to consider and vote upon a proposal to approve and adopt the agreement and plan of merger dated as of April 21, 2004, by and among New Century Financial, New Century REIT, Inc., a newly formed wholly-owned subsidiary of New Century Financial, and NC Merger Sub, Inc., a wholly-owned subsidiary of New Century REIT, Inc., which will implement the restructuring of New Century Financial to allow New Century Financial to qualify as a real estate investment trust, or REIT, for U.S. federal income tax purposes;
2. to re-elect Fredric J. Forster, Edward F. Gotschall and Richard A. Zona as Class I directors for three-year terms ending in 2007;
3. to vote upon a proposal to approve the New Century Financial Corporation 2004 Performance Incentive Plan;
4. to ratify KPMG LLP's appointment as our Independent Registered Public Accounting Firm for 2004; and
5. to transact any other business that is properly brought before the annual meeting or at any adjournments or postponements of the annual meeting.

We reserve the right to delay the merger or the REIT conversion or cancel the merger and the REIT conversion altogether even if our stockholders vote to approve and adopt the merger agreement, which will effect the REIT conversion, and we satisfy the other conditions to the completion of the merger, if our board of directors determines that the merger, the REIT conversion or the related public offering is no longer in the best interests of New Century Financial and our stockholders.

If you were a stockholder of record at the close of business on June 2, 2004, you are entitled to notice of, and to vote at, the annual meeting. As of that date, there were 33,882,389 shares of New Century Financial common stock outstanding. Each share of New Century Financial common stock is entitled to one vote on each matter properly brought before the annual meeting. For at least 10 days before the annual meeting, we will make a list of our stockholders available at our offices at 18400 Von Karman, Suite 1000, Irvine, California.

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Your vote is important. Whether or not you plan to attend the annual meeting, please complete, sign and date the enclosed proxy card and return it promptly in the enclosed postage prepaid envelope, or vote your proxy by telephone in accordance with the instructions on the proxy card. You may revoke your proxy in the manner discussed in the accompanying proxy statement/prospectus at any time before it has been voted at the annual meeting.

The New Century Financial board of directors unanimously recommends that you vote *FOR* the approval and adoption of the merger agreement that will effect the REIT conversion, *FOR* the election of the three Class I director nominees, *FOR* the approval of the 2004 Performance Incentive Plan and *FOR* the ratification of KPMG LLP's appointment as our Independent Registered Public Accounting Firm for 2004.

By Order of the Board of Directors,

Stergios Theologides
Secretary

Irvine, California

, 2004

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QUESTIONS AND ANSWERS ABOUT THE REIT CONVERSION

Q: What transactions are proposed?

A: Our board of directors has approved a plan to change our capital structure to enable New Century Financial Corporation, a Delaware corporation, or New Century Financial, to qualify as a real estate investment trust, or REIT, for U.S. federal income tax purposes. We describe these changes in greater detail in *Summary Structure of the Merger* on page 15. We refer to this plan, including the restructuring and capital-raising transactions, as the REIT conversion. The REIT conversion consists of the following key components:

reorganizing New Century Financial and New Century REIT, Inc., a Maryland corporation, or New Century REIT, through the merger of NC Merger Sub, Inc., a wholly-owned subsidiary of New Century REIT, or NC Merger Sub, with and into New Century Financial, resulting in New Century REIT becoming the parent company of New Century Financial;

subject to market conditions and the price of our common stock, raising \$750 million through the sale by New Century REIT of shares of its common stock to the public;

having New Century REIT use substantially all of the net proceeds of the public offering to purchase from New Century Financial and its subsidiaries and third parties assets that will enable New Century REIT to satisfy the asset and income tests necessary to maintain its REIT status;

having New Century REIT acquire all of the capital stock of Worth Funding Incorporated, or Worth Funding, currently an indirect wholly-owned subsidiary of New Century Financial, which is authorized to originate mortgage loans in a majority of states and which will become a qualified REIT subsidiary following the REIT conversion; and

having New Century REIT elect to be taxed as a REIT for U.S. federal income tax purposes, which we currently expect to occur commencing with its taxable year ending December 31, 2004.

Q: What is a REIT?

A: A REIT is a company that derives most of its income from real estate mortgages or real property. If a corporation qualifies as a REIT, it generally will not be subject to U.S. federal corporate income taxes on income that it distributes to its stockholders, thereby reducing its corporate-level taxes.

Additionally, in general, a REIT can have two types of corporate subsidiaries, as follows:

Taxable REIT subsidiary. A taxable REIT subsidiary is a corporation in which a REIT has an interest and that has elected to be a taxable REIT subsidiary. Taxable REIT subsidiaries pay corporate tax at regular rates on their taxable income. Through these taxable REIT subsidiaries, we will be able to continue certain business operations that would otherwise jeopardize our REIT qualification or, in the case of income from the sale of properties held for sale to third parties, would be subject to penalty taxes if conducted outside a taxable REIT subsidiary.

Qualified REIT subsidiary. A qualified REIT subsidiary, on the other hand, is a corporation in which a REIT owns 100% of the stock and for which the REIT does not make a taxable REIT subsidiary election. As such, the qualified REIT subsidiary's separate

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existence will be disregarded for U.S. federal income tax purposes, and its assets, liabilities and items of income, deduction and credit will be treated as the REIT's assets, liabilities and items of income, deduction and credit. Although a qualified REIT subsidiary will not be subject to U.S. federal corporate income taxation, it may be subject to state and local taxation in certain jurisdictions.

Q: What happens in the merger?

A: In the merger, NC Merger Sub, a wholly-owned subsidiary of New Century REIT, will merge with and into New Century Financial. Following the merger, New Century REIT, which is

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currently a wholly-owned subsidiary of New Century Financial, will succeed to and continue the business of New Century Financial.

As a consequence of the merger:

each outstanding share of common stock of New Century Financial will be converted into one share of common stock of New Century REIT;

New Century REIT will be renamed New Century Financial Corporation, will become the parent company of New Century Financial and will succeed to and continue to operate, directly or indirectly, substantially all of the existing businesses of New Century Financial;

New Century REIT will apply to have its shares listed on the NYSE under the symbol NEW ;

New Century Financial will be renamed New Century TRS Holdings, Inc. and will become a wholly-owned taxable REIT subsidiary of New Century REIT;

the board of directors, committees of the board of directors and management of New Century Financial immediately prior to the merger will become the board of directors, committees of the board of directors and management, respectively, of New Century REIT;

New Century REIT will assume all of New Century Financial's stock incentive plans, including the 2004 Plan, if approved at the annual meeting, and all rights to acquire shares of New Century Financial common stock under any New Century Financial stock incentive plan will be converted into rights to acquire shares of New Century REIT common stock pursuant to the terms of the stock incentive plans and the other related documents, if any; and

the rights of the stockholders of New Century REIT will be governed by the Maryland General Corporation Law, or the MGCL, the amended and restated charter of New Century REIT, or New Century REIT's charter, and the amended and restated bylaws of New Century REIT, or New Century REIT's bylaws.

We have attached a copy of the merger agreement as *Annex A* and copies of the forms of New Century REIT's charter and bylaws as *Annex B* and *Annex C*, respectively, to this proxy statement/prospectus.

Q: How will the REIT conversion affect our business?

A: Immediately following the merger, we expect that we will continue to originate loans for sale and conduct all of our servicing activities through one or more of our taxable REIT subsidiaries. In addition, we expect to be able to originate mortgage loans in a majority of states or through Worth Funding, our qualified REIT subsidiary. We expect to use these loan originations, together with mortgage loans that New Century REIT and its qualified REIT subsidiaries purchase at fair market value from our taxable REIT subsidiaries, to build our portfolio of mortgage loans. Over time, we expect that we will gradually increase the percentage of our mortgage loans held through on-balance sheet securitizations in order to increase the portion of our net income generated from this mortgage loan portfolio. In addition, we expect that Worth Funding will become authorized to originate mortgage loans in the states in which it is not currently authorized.

Q: Why are we proposing the REIT conversion?

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A: We are proposing the REIT conversion and the related restructuring transactions, including the merger and the public offering, primarily for the following reasons:

the expectation that the REIT conversion will support our efforts to diversify our revenues by enabling us to increase in a more tax-efficient manner the proportion of our revenues represented by interest income on loans held for investment and decrease the proportion represented by gain on sale income, thereby providing the prospect of a generally higher total return to our stockholders than if we remain a C corporation;

the ability to make distributions to our stockholders in the tax-efficient manner permitted by the rules and regulations governing taxation of REITs, while retaining the flexibility to increase our capital by retaining some or all of the

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after-tax earnings in our taxable REIT subsidiaries;

the potential expansion of our stockholder base to include investors attracted by yield, which may improve the liquidity of our common stock and provide a more diversified stockholder base; and

the expectation that our increased market capitalization will attract increased research coverage and greater investor interest.

Our board of directors considered the advantages against the potential risks of the REIT conversion, including the risks discussed below. To review the background of and reasons for the REIT conversion in greater detail, see Proposal 1 Approval and Adoption of the Merger Agreement Pursuant to Which the REIT Conversion Will Be Effected The REIT Conversion beginning on page 49.

Q: What are some of the risks associated with the restructuring?

A: There are a number of risks relating to the REIT conversion and applicable to New Century REIT, including the following:

the REIT conversion may not be completed, which could harm the market price of New Century Financial common stock;

the market price of New Century REIT common stock that you receive upon completion of the merger may be less than the market price of your shares of New Century Financial common stock prior to and as of the date of the merger, including on the date of the annual meeting;

our use of taxable REIT subsidiaries may harm the price of New Century REIT common stock relative to the stock prices of other REITs;

there are some important differences between your rights as a New Century Financial stockholder and your rights as a New Century REIT stockholder due to the differences between Delaware law and New Century Financial's amended and restated certificate of incorporation and amended and restated bylaws, on the one hand, and Maryland law and New Century REIT's charter and bylaws, on the other;

in order to facilitate our compliance with the REIT rules, there will be restrictions on ownership of New Century REIT common stock;

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

raising additional capital through the sale by New Century REIT of shares of its common stock will be dilutive to you; and

if New Century REIT fails to qualify as a REIT or fails to remain qualified as a REIT, we will have reduced funds available for distribution to our stockholders and our income will be subject to taxation at regular corporate rates without a deduction for dividends paid.

Additionally, as a REIT, New Century REIT will be unable to retain earnings as it is required each year to distribute to stockholders at least 90% of its REIT taxable income (determined without regard to the dividends paid deduction and by excluding any net capital gain). To the extent that New Century REIT does not distribute 100% of its REIT taxable income, it will be taxed on any undistributed amounts. In addition, we cannot assure you that we will have access to funds to meet the distribution and other REIT qualification requirements. If we do not have access to the

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necessary funds, we may have to raise capital at inopportune times or borrow funds on unfavorable terms. Furthermore, we will need to comply with the highly complicated REIT qualification requirements.

After-tax earnings generated by New Century REIT's taxable REIT subsidiaries and not distributed to New Century REIT are not subject to these distribution requirements and may be retained by such subsidiaries to provide for future growth, subject to the limitations imposed by REIT tax rules. For the first full quarter after the consummation of the merger, we expect that approximately 80% of our pretax earnings will be generated by our taxable REIT subsidiaries and will be subject to taxation at regular corporate rates. We expect that this percentage will decrease over time as we build our portfolio of mortgage loans held for investment.

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For more information regarding risks associated with the REIT conversion and New Century REIT, see **Risk Factors** beginning on page 22.

Q: What will I receive in connection with the REIT conversion? When will I receive it?

A: *Shares of New Century REIT common stock*

If the merger is completed, you will receive one share of New Century REIT common stock in exchange for each of your currently outstanding shares of New Century Financial common stock.

Special E&P Distribution

Neither a REIT nor one of its qualified REIT subsidiaries is permitted to retain earnings and profits accumulated during years when the company or its predecessor was taxed as a C corporation. Therefore, in order to qualify as a REIT, we may have to distribute any current and accumulated earnings and profits of Worth Funding by paying a small one-time special distribution to our stockholders payable in cash. We refer to this potential distribution as the special E&P distribution.

If we are a successor to Worth Funding's earnings and profits, we expect that the special E&P distribution, if necessary, will be declared in December 2004, after completion of the merger and the public offering, and payable in January 2005 to the stockholders of New Century REIT on the record date for such distribution.

If you dispose of your shares of New Century REIT common stock before the record date for the special E&P distribution, you will not receive the special E&P distribution.

Q: Am I entitled to dissenters' rights?

A: Under Delaware law, you are not entitled to any dissenters' or appraisal rights in connection with the merger or the REIT conversion.

Q: Will I continue to receive regular quarterly distributions on my New Century Financial common stock before completion of the merger?

A: Yes, to the extent such distributions are declared by our board of directors and have a record date prior to the completion of the merger. However, the actual timing and amount of such distributions will depend on our financial condition, earnings and other factors, many of which are beyond our control. We cannot assure you that any such distributions will be declared by our board of directors.

If you dispose of your shares of New Century Financial common stock before the record date for a distribution, you will not receive that distribution.

Q: Will New Century REIT make regular quarterly distributions in the future?

A: As a REIT, New Century REIT generally will have to distribute annually at least 90% of its REIT taxable income (determined without regard to the dividends paid deduction and by excluding net capital gain and the income of its taxable REIT subsidiaries to the extent not distributed to New Century REIT).

Assuming that we issue and sell New Century REIT common stock at \$45 per share for net proceeds of \$750 million and build the portfolio of mortgage assets held by the REIT to \$8.5 billion by the end of the fourth quarter of 2004, we expect New Century REIT and its taxable REIT subsidiaries will generate enough taxable income so that we will be able to make a distribution of at least \$1.50 per share in the first quarter of 2005.

The principal component of New Century REIT distributions will be the income the REIT will earn on the mortgage assets it holds. We may supplement that component from time to time with a portion of the earnings from our taxable REIT subsidiaries. However, we expect to retain some or all of the after-tax earnings of our taxable REIT subsidiaries in such subsidiaries.

New Century REIT expects to begin payment of regular quarterly distributions following completion of the REIT conversion. However, the actual amount and timing of any distributions will be as determined and declared by New Century REIT's board of directors, will be designed to facilitate its compliance with applicable REIT qualification requirements, and will depend on, among other factors, its financial condition and earnings. Accordingly, we cannot assure you of any distributions in the future.

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If you dispose of your shares of New Century REIT common stock before the record date for a distribution, you will not receive that distribution.

Q: When will the REIT conversion be completed?