

NEW CENTURY FINANCIAL CORP

Form 424B5

June 13, 2005

Table of Contents

Filed Pursuant to Rule 424(b)(5)

Registration File No. 333-124348

**The information contained in this preliminary prospectus supplement is not complete and may be changed. A registration statement relating to these securities has been declared effective by the Securities and Exchange Commission. A final prospectus supplement and accompanying prospectus will be delivered to purchasers of these securities. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities, and we are not soliciting offers to buy these securities, in any jurisdiction where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION, DATED JUNE 13, 2005**

**PRELIMINARY PROSPECTUS SUPPLEMENT**

**(To Prospectus Dated May 6, 2005)**

## **Shares**

### **% Series A Cumulative Redeemable Preferred Stock**

**(Liquidation Preference \$25.00 Per Share)**

New Century Financial Corporation is offering \_\_\_\_\_ shares of its \_\_\_\_\_ % Series A Cumulative Redeemable Preferred Stock, par value \$0.01 per share, referred to herein as our Series A Preferred Stock. We will pay to investors cumulative dividends on our Series A Preferred Stock from the date of original issuance in the amount of \$ \_\_\_\_\_ per share each year, which is equivalent to \_\_\_\_\_ % of the \$25.00 liquidation preference per share. Dividends on the shares of our Series A Preferred Stock offered hereby will be payable quarterly in arrears on or before March 31, June 30, September 30 and December 31 of each year, beginning on September 30, 2005. The first dividend, which will be payable on September 30, 2005, may be for more than a full quarter. The shares of our Series A Preferred Stock do not have a stated maturity and will not be subject to any sinking fund or mandatory redemption. Holders of shares of our Series A Preferred Stock will generally have no voting rights, but will have limited voting rights if we fail to pay dividends for six or more quarters and in certain other events. Our Series A Preferred Stock will not be convertible into or exchangeable for any other property or securities of our company.

## Edgar Filing: NEW CENTURY FINANCIAL CORP - Form 424B5

We began operating our business as a real estate investment trust, or REIT, in the fourth quarter of 2004. In order to enable us to remain qualified as a REIT for federal income tax purposes, our charter provides that no person may acquire or hold, directly or indirectly, more than 9.8% of the lesser of the aggregate number or the aggregate value of the outstanding shares of any class or series of our capital stock, including our Series A Preferred Stock, with some exceptions. See [Description of Capital Stock](#) [Transfer Restrictions](#) in the accompanying prospectus.

We may not redeem our Series A Preferred Stock prior to June , 2010, except in limited circumstances to preserve our status as a REIT. On or after June , 2010, we may, at our option, redeem our Series A Preferred Stock, in whole or in part, at any time and from time to time, for cash at \$25.00 per share, plus an amount equal to all accumulated, accrued and unpaid dividends (whether or not earned or declared), if any, to and including the redemption date. Any partial redemption will generally be on a pro rata basis.

No market currently exists for our Series A Preferred Stock. We have applied to list our Series A Preferred Stock on the New York Stock Exchange, or NYSE, under the symbol NEW PrA. We expect that trading on the NYSE will commence within 30 days after the initial delivery of our Series A Preferred Stock. Our common stock currently trades on the NYSE under the symbol NEW.

**Investing in our Series A Preferred Stock involves risks. See [Risk Factors](#) beginning on page S-6 of this prospectus supplement and page 5 of the accompanying prospectus for a discussion of the risks relevant to an investment in our company.**

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

	Per Share	Total
Public offering price(1)	\$	\$
Underwriting discounts and commissions	\$	\$
Proceeds, before expenses, to us	\$	\$

(1) Plus accrued dividends, if any, from the date of original issue.

The underwriters have an option to purchase from us up to an additional shares of our Series A Preferred Stock to cover over allotments, if any.

The underwriters expect that the shares of our Series A Preferred Stock will be ready for delivery in book-entry form through The Depository Trust Company on or about June , 2005.

## **Bear, Stearns & Co. Inc.**

**Deutsche Bank Securities Piper Jaffray Stifel, Nicolaus & Company,**  
Incorporated

**JMP Securities LLC**

**Roth Capital Partners**

The date of this prospectus supplement is June , 2005.



**Table of Contents**

You should rely only on the information included in or incorporated by reference into this document. We have not authorized anyone to provide you with information that is different. This document may be used only where it is legal to sell these securities. This document is not an offer to sell, or a solicitation of an offer to buy, in any state where the offer or sale is prohibited. The information in this document is accurate on the date of this document and may become obsolete later. Neither the delivery of this document, nor any sale made under this document, will, under any circumstances, imply that the information in this document is correct as of any date after the date of this prospectus supplement. Unless the context suggests otherwise, the terms New Century, our company, ourselves, we, us refer to New Century Financial Corporation and its subsidiaries, including its wholly-owned subsidiary, New Century TRS. New Century TRS refers to New Century TRS Holdings, Inc., one of our wholly-owned taxable REIT subsidiaries, and its subsidiaries, except where the context suggests otherwise.

**TABLE OF CONTENTS**

<b>Prospectus Supplement</b>	<b>Page</b>
<u>ABOUT THIS PROSPECTUS SUPPLEMENT</u>	ii
<u>SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS</u>	iii
<u>PROSPECTUS SUPPLEMENT SUMMARY</u>	S-1
<u>THE OFFERING</u>	S-3
<u>RISK FACTORS</u>	S-6
<u>USE OF PROCEEDS</u>	S-9
<u>CAPITALIZATION</u>	S-10
<u>RATIOS OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS</u>	S-11
<u>SELECTED FINANCIAL DATA</u>	S-12
<u>DESCRIPTION OF OUR SERIES A PREFERRED STOCK</u>	S-14
<u>ADDITIONAL MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS</u>	S-22
<u>UNDERWRITING</u>	S-24
<u>LEGAL MATTERS</u>	S-26
<u>EXPERTS</u>	S-26
<u>WHERE YOU CAN FIND ADDITIONAL INFORMATION ABOUT NEW CENTURY</u>	S-26
<u>INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE</u>	S-27
<b>Prospectus</b>	
ABOUT THIS PROSPECTUS	ii
SUMMARY	1
RISK FACTORS	5
SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS	25
USE OF PROCEEDS	27
DESCRIPTION OF CAPITAL STOCK	28
DESCRIPTION OF PREFERRED STOCK	32
DESCRIPTION OF DEPOSITARY SHARES	38
DESCRIPTION OF DEBT SECURITIES	41
DESCRIPTION OF WARRANTS	47
LEGAL OWNERSHIP OF SECURITIES	51
MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS	54
PLAN OF DISTRIBUTION	75
CERTAIN PROVISIONS OF MARYLAND LAW AND OF OUR CHARTER AND BYLAWS	77
LEGAL MATTERS	81
EXPERTS	81
WHERE YOU CAN FIND ADDITIONAL INFORMATION ABOUT NEW CENTURY	81
INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE	82

## Edgar Filing: NEW CENTURY FINANCIAL CORP - Form 424B5

We have registered trademarks for Fast Qu<sup>®</sup>, New Century Mortgage<sup>®</sup> and Home12<sup>®</sup>, and we have a registered service mark for the New Century logo. All other brand names or trademarks appearing in this prospectus supplement are the property of their respective holders.

**Table of Contents**

---

**ABOUT THIS PROSPECTUS SUPPLEMENT**

This document contains two parts. The first part is this prospectus supplement, which describes the specific terms of our Series A Preferred Stock that we are offering and also adds to and updates information included in the accompanying prospectus and the documents incorporated by reference into the accompanying prospectus. The second part is the accompanying prospectus, which gives more general information about securities we may offer from time to time, some of which does not apply to our Series A 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 Additional Information About New Century" in each of this prospectus supplement and the accompanying prospectus.

To the extent any inconsistency or conflict exists between the information included in this prospectus supplement, on the one hand, and the information included in the accompanying prospectus or any document incorporated by reference therein, on the other hand, the information in this prospectus supplement will control. This prospectus supplement incorporates by reference important business and financial information about us that is not included or delivered in this prospectus supplement.

**Table of Contents**

**SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS**

This prospectus supplement and the accompanying prospectus and the documents incorporated by reference herein and therein include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Forward-looking statements are those that predict or describe future events or trends and that do not relate solely to historical matters. You can generally identify forward-looking statements as statements including the words believe, expect, will, anticipate, intend, may, estimate, project, plan, assume, seek to or other similar expressions. Forward-looking statements include these identifying words. Statements regarding the following subjects included or incorporated by reference in this prospectus supplement and the accompanying prospectus are forward-looking by their nature:

our business strategy, including our investment of capital to build a portfolio of mortgage assets;

our ability to manage risk, including credit risk;

our understanding of our competition;

market trends;

projected sources and uses of funds from operations;

potential liability with respect to legal proceedings;

potential effects of proposed legislation and regulatory action; and

those identified from time to time in our public filings with the Securities and Exchange Commission.

You should not place undue reliance on our forward-looking statements because the matters they describe are subject to known and unknown risks, uncertainties and other unpredictable factors, many of which are beyond our control. Our forward-looking statements are based on the information currently available to us and are applicable only as of the date on the cover of this prospectus supplement or, in the case of forward-looking statements incorporated by reference, as of the date of the filing that includes the statement. New risks and uncertainties arise from time to time, and it is impossible for us to predict these matters or how they may affect us. Over time, our actual results, performance or achievements will likely differ from the anticipated results, performance or achievements that are expressed or implied by our forward-looking statements, and such difference might be significant and materially adverse to our stockholders. Such factors include, but are not limited to:

those identified under the Risk Factors section of this prospectus supplement and on page 5 of the accompanying prospectus;

those identified from time to time in our public filings with the Securities and Exchange Commission;

## Edgar Filing: NEW CENTURY FINANCIAL CORP - Form 424B5

the negative impact of economic slowdowns or recessions;

the effect of changes in interest rates;

the condition of the secondary markets for our products;

our access to funding sources and our ability to renew, replace or add to our existing repurchase arrangements and existing credit facilities on terms comparable to the current terms;

the assumptions underlying our residual values and loan loss and repurchase allowances;

the impact of new state or federal legislation or court decisions on our operations;

the impact of new state or federal legislation or court decisions restricting the activities of lenders or suppliers of credit in our market;

iii



**Table of Contents**

- an increase in the prepayment speed or default rate of our borrowers;
- the effect of competition from finance and mortgage banking companies and from Internet-based lending companies;
- our ability to adequately hedge our residual values;
- our limited experience managing a REIT;
- the initiation of a margin call under our credit facilities;
- the ability of our servicing operations to maintain high performance standards;
- our ability to expand origination volume while maintaining low overhead;
- our ability to attract and retain qualified employees, including, in particular, our senior executives;
- our ability to adapt to and implement technological changes;
- the stability of residential property values;
- our ability to close our forward sale commitments;
- management's ability to manage our growth and planned expansion; and
- the outcome of litigation or regulatory actions pending against us.

We have no duty to, and do not intend to, update or revise the forward-looking statements in this prospectus supplement after the date of this prospectus supplement, even if subsequent events cause us to become aware of new risks or cause our expectations to change regarding the forward-looking matters discussed in this prospectus supplement. We have identified some of the important factors that could cause future events to differ from our current expectations and they are described in this prospectus supplement under the caption "Risk Factors" and on page 5 of the accompanying prospectus, which you should review carefully. Please consider our forward-looking statements in light of those risks as you read this prospectus supplement and the accompanying prospectus and the documents incorporated by reference herein and therein.

This prospectus supplement and the accompanying prospectus include and incorporate by reference market data, industry statistics and other data that have been obtained from, or compiled from, information made available by third parties. We have not independently verified their data.



**Table of Contents**

**PROSPECTUS SUPPLEMENT SUMMARY**

*This summary includes basic information about us and this prospectus supplement. Because it is a summary, it does not include all of the information that you should consider before investing. You should carefully consider the factors set forth under Risk Factors beginning on page S-6 of this prospectus supplement and on page 5 of the accompanying prospectus before making an investment decision to purchase shares of our Series A Preferred Stock. Unless otherwise indicated, the information in this prospectus supplement assumes that the underwriters do not exercise the overallocation option described in Underwriting.*

**Our Business**

We are a real estate investment trust, or REIT, that, through our subsidiaries, operates one of the nation's largest subprime mortgage finance companies. We have been originating and purchasing subprime loans since 1996, and, in the fourth quarter of 2004 we began operating our business as a REIT. We will elect to be taxed as a REIT when we file our tax returns for 2004. In connection with our REIT conversion, we closed an offering of approximately \$770 million, net of underwriting and other expenses. The net proceeds from the offering have been used primarily to build a portfolio of mortgage assets. We expect that our portfolio of mortgage assets will provide a relatively stable source of revenues and will contribute a significant portion of our earnings in 2005.

We originate and purchase primarily first mortgage products nationwide. We focus on lending to individuals whose borrowing needs are generally not fulfilled by traditional financial institutions because they do not satisfy the credit, documentation or other underwriting standards prescribed by conventional mortgage lenders and loan buyers. We originate and purchase loans on the basis of the borrower's ability to repay the mortgage loan, the borrower's historical pattern of debt repayment and the amount of equity in the borrower's property, as measured by the borrower's loan-to-value ratio, or LTV. We believe we have developed a comprehensive and sophisticated process of credit evaluation and risk-based pricing that allows us to effectively manage the potentially higher credit risks associated with this segment of the mortgage industry.

We have historically sold our loans through both whole loan sales and securitizations. Until 2003, we typically structured these securitizations as sales. Since 2003, we have retained a portion of our loan production for investment on our balance sheet through securitizations structured as financings rather than sales. For 2005, we expect to retain between 20% and 25% of our total loan production for investment on our balance sheet. However, we also expect that the substantial majority of these investments will occur during the first six months of 2005, and the substantial majority of our whole loan sales will occur during the second half of 2005. Whole loan sales produce greater current period earnings relative to investments in securitizations, which recognize income over time. Given the anticipated timing of our investments in securitizations, we expect that our reported earnings in the second half of 2005 will be meaningfully in excess of our reported earnings in the first half of 2005.

We converted to a REIT in 2004 because we believe that the REIT structure provides the most tax-efficient way to hold mortgage loans on our balance sheet. We expect that we will continue to increase the size of our on-balance sheet mortgage loan portfolio, producing more diverse revenues across a variety of interest rate environments. We intend to evaluate, from time to time, whether we should engage in various capital raising activities, which may include offerings of debt, preferred stock, common stock or equity-linked securities.

We are a Maryland corporation formed to continue the business of New Century TRS. Since October 1, 2004, shares of New Century common stock have been listed on the NYSE under the symbol NEW. Our principal executive offices are located at 18400 Von Karman Avenue, Suite 1000, Irvine, California 92612, our telephone number at that location is (949) 440-7030 and our Web site is [www.ncen.com](http://www.ncen.com). Information contained on our Web site does not constitute a part of this prospectus supplement.



**Table of Contents**

**Recent Developments**

On May 27, 2005, we announced that Home123 Corporation, one of our wholly-owned subsidiaries, will purchase certain assets and assume certain related liabilities of U.S.-based RBC Mortgage Company, or RBCM. The acquired assets will consist primarily of the mortgage origination platform of RBCM, including approximately 135 branches nationwide. RBCM originates residential mortgage loans, consisting primarily of Alt-A, jumbo and conforming mortgages, as well as home equity lines of credit. In 2004, RBCM originated approximately \$17 billion in mortgage loans. We expect that the acquisition will expand the depth and breadth of our mortgage product offerings, expand our retail presence on a nationwide basis and expand our channels of distribution, including into the realtor and builder channels. RBCM's originations are more heavily weighted towards purchase financing, as opposed to refinancing transactions. The closing is expected to occur in the third quarter of 2005, subject to customary closing conditions and regulatory approvals. While we expect the transaction to be slightly dilutive to our earnings per share in 2005, we expect the transaction to be accretive to our earnings per share for the first 12 months following the acquisition.

S-2

**Table of Contents**

**THE OFFERING**

*The following is a brief summary of certain terms of this offering. For a more complete description of the terms of our Series A Preferred Stock, see Description of Our Series A Preferred Stock in this prospectus supplement.*

Issuer	New Century Financial Corporation.
Securities Offered	_____ shares of our _____ % Series A Cumulative Redeemable Preferred Stock (_____ shares if the underwriters' overallotment option is exercised in full).
Dividends	Investors will be entitled to receive cumulative cash dividends on our Series A Preferred Stock from the date of original issuance in the amount of \$ _____ per share each year, which is equivalent to _____ % of the \$25.00 liquidation preference per share. Beginning on September 30, 2005, dividends on our Series A Preferred Stock will be payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, or if not a business day, the prior preceding business day. Dividends paid to investors on our Series A Preferred Stock will be cumulative from the date of original issuance. The first dividend, which will be payable on September 30, 2005, may be for more than a full quarter.
Liquidation Preference	If we liquidate, dissolve or wind up, holders of our Series A Preferred Stock will have the right to receive the sum of (a) a liquidation preference of \$25.00 per share, (b) the applicable premium per share (expressed in dollar amount) as set forth in the table on page S-16 of this prospectus supplement and (c) an amount equal to all accumulated, accrued and unpaid dividends (whether or not earned or declared), if any, to and including the date fixed for payment, without interest, 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 our Series A Preferred Stock. The rights of the holders of our Series A Preferred Stock to receive their liquidation distribution will be subject to the proportionate rights of any other series or class of our capital stock ranking on a parity with our Series A Preferred Stock as to liquidation.
Maturity	Our Series A Preferred Stock has no maturity date and we are not required to redeem our Series A Preferred Stock. Accordingly, our Series A Preferred Stock will remain outstanding indefinitely, unless we decide to redeem it.
Optional Redemption	We may not redeem our Series A Preferred Stock prior to June _____, 2010, except in limited circumstances to preserve our status as a REIT. On or after June _____, 2010, we may, at our option, redeem shares of our Series A Preferred Stock, in whole or in part, at any time and from time to time, for cash at \$25.00 per share, plus an amount equal to all accumulated, accrued and unpaid dividends (whether or not earned or declared), if any, to and including the redemption date.

**Table of Contents**

Ranking	Our Series A Preferred Stock will rank senior to our common stock and any other class or series of our equity securities the terms of which provide that those equity securities are junior to our Series A Preferred Stock.
Limited Voting Rights	Holders of our Series A Preferred Stock generally have no voting rights. However, if we are in arrears on dividends on our Series A Preferred Stock for six or more quarterly periods, whether or not consecutive, holders of our Series A Preferred Stock (voting separately as a class with all other classes or series of our equity securities ranking in parity with our Series A Preferred Stock with respect to dividend rights upon which like voting rights have been conferred and are exercisable) 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 our Series A 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 our Series A Preferred Stock to create a class or series of capital stock ranking senior to our Series A Preferred Stock, and we may not make certain material adverse changes to the terms of our Series A Preferred Stock, in each case without the affirmative vote of the holders of at least two-thirds of the outstanding shares of our Series A Preferred Stock. See Description of Our Series A Preferred Stock Limited Voting Rights on page S-18 of this prospectus supplement.
Listing	We have applied to list our Series A Preferred Stock on the NYSE under the symbol NEW PrA. We expect that trading on the NYSE will commence within 30 days after the initial delivery of our Series A Preferred Stock.
Settlement Date	Delivery of the shares of our Series A Preferred Stock will be made against payment therefore on or about , 2005.
Form	Our Series A Preferred Stock will be maintained in book-entry form registered in the name of the nominee of The Depository Trust Company, or DTC, except under limited circumstances.
No Conversion	Our Series A Preferred Stock is not convertible into or exchangeable for any other of our property or securities.
Further Issuances	We may from time to time, without the consent of the holders of our Series A Preferred Stock, issue additional shares of our Series A Preferred Stock, having the same ranking and liquidation preference and other terms as our Series A Preferred Stock except for the issue price and issue date. See Description of Our Series A Preferred Stock Further Issuances on page S-14 of this prospectus supplement.

**Table of Contents**

Restrictions on Ownership	In order to enable us to remain qualified as a REIT for federal income tax purposes, our charter provides that no person may acquire or hold, directly or indirectly, more than 9.8% of the lesser of the aggregate number or the aggregate value of the outstanding shares of any class or series of our capital stock, including our Series A Preferred Stock, with some exceptions. See Description of Capital Stock Transfer Restrictions in the accompanying prospectus.
Use of Proceeds	The net proceeds from this offering will be approximately \$ (approximately \$ if the underwriters overallotment option is exercised in full). We intend to use the net proceeds for general corporate purposes, including an additional investment in our on-balance sheet portfolio of mortgage and mortgage-related assets.
Risk Factors	See Risk Factors below and beginning on page 5 of the accompanying prospectus, and the other information contained herein for a discussion of factors you should carefully consider before deciding to invest in our Series A Preferred Stock.
Ratio of Earnings to Combined Fixed	
Charges and Preferred Stock Dividends	See Ratios of Earnings to Combined Fixed Charges and Preferred Stock Dividends on page S-11 of this prospectus supplement.



**Table of Contents**

**RISK FACTORS**

*An investment in our Series A Preferred Stock involves a number of risks. Before making an investment decision to purchase our Series A Preferred Stock, you should carefully consider all of the risks described in this prospectus supplement and the risks described under "Risk Factors" beginning on page 5 of the accompanying prospectus, as well as the other information included in, or incorporated by reference into, this prospectus supplement or the accompanying prospectus. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this prospectus supplement, in the accompanying prospectus and in documents incorporated by reference into this prospectus supplement or the accompanying prospectus. The trading price of our securities could decline due to any of these risks, and you may lose all or part of your investment.*

**RISKS RELATED TO OUR BUSINESS**

*The following supplements the risk factors included in the accompanying prospectus beginning on page 5 under the heading "Risk Factors - Risks Related to Our Business" which discussion (to the extent not inconsistent with the following) is incorporated in its entirety in this prospectus supplement. The discussions included under the headings herein are intended to supplement, where applicable, the discussions included in the corresponding headings of the accompanying prospectus.*

**We may fail to complete the presently contemplated acquisition of the assets of RBCM and, even if we complete the acquisition, we may not realize all of the expected benefits and we may incur additional costs.**

As described in "Prospectus Supplement Summary - Recent Developments," we have agreed to acquire certain assets and assume certain related liabilities of RBCM. The completion of this acquisition is subject to a number of conditions, and there is no assurance that all of the conditions to closing will be met and that the acquisition will be completed. Even if we complete the pending acquisition, we may not realize the anticipated benefits of this acquisition, including expanded depth and breadth of our mortgage product offerings, expanded retail presence on a nationwide basis and expanded channels of distribution, including into the realtor and builder channels. In addition, the costs associated with this acquisition may be higher than expected. Our costs related to the acquisition, including legal and accounting fees and certain fees payable to our financial advisors, must be paid even if the acquisition is not completed. In addition, the process of integrating an acquired business may result in operating difficulties and expenditures and may require significant management attention that would otherwise be available for ongoing development of our business.

**Our hedging strategies may not be successful in mitigating our risks associated with interest rates.**

We use various derivative financial instruments to provide a level of protection against interest rate risks, but no hedging strategy can protect us completely. When rates change, we expect to record a gain or loss on derivatives, which would be offset by an inverse change in the value of loans or residual interests. Our hedging activities may include entering into interest rate swaps, caps and floors, options to purchase these items, and futures and forward contracts. Currently, we intend to primarily use Euro Dollar futures contracts and interest rate swap agreements to manage the interest rate risk of our business; however, our actual hedging decisions will be determined in light of the facts and circumstances existing at the time and may differ from our currently anticipated hedging strategy. Under our current strategy, any significant decrease in interest rates could result in a significant margin call, which would require us to provide the counterparty with additional cash collateral. Any such margin call could harm our liquidity, results of operations, financial condition and business prospects.

## Edgar Filing: NEW CENTURY FINANCIAL CORP - Form 424B5

We cannot assure you that our use of derivatives will offset the risks related to changes in interest rates. There have been periods, and it is likely that there will be periods in the future, during which we will incur losses after accounting for our derivative financial instruments. The derivative financial instruments we select may not have the effect of reducing our interest rate risk. In addition, the nature and timing of hedging transactions may influence the effectiveness of these strategies. Poorly designed strategies or improperly executed transactions

S-6

## **Table of Contents**

could actually increase our risk and losses. In addition, hedging strategies involve transaction and other costs. We cannot assure you that our hedging strategy and the derivatives that we use will adequately offset the risk of interest rate volatility or that our hedging transactions will not result in losses, and that such losses could harm our results of operations, financial condition and business prospects.

### **We may be contractually prohibited from paying dividends.**

Several of our credit agreements contain prohibitions against our payment of any dividend at any time when there is a default under those credit agreements. A default for this purpose includes a failure to comply with various covenants, including reporting obligations and other nonmonetary obligations, as well as financial conditions that may be beyond our control. A default for this purpose occurs as soon as the failure occurs, even if the credit agreement allows a period for curing the failure. If one of these defaults has occurred and is continuing on the day when a dividend is otherwise payable on our Series A Preferred Stock, we will be unable to pay the dividend unless the lenders on these credit agreements waive the prohibition, or until we cure the default. Failure to pay dividends could also jeopardize our continued qualification as a REIT.

## **RISKS RELATED TO OUR PREFERRED STOCK**

**Our Series A Preferred Stock is a new issuance and does not have an established trading market, which may negatively affect its market value and your ability to transfer or sell your shares; our Series A Preferred Stock has no stated maturity date.**

The shares of our Series A 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 our Series A Preferred Stock on the NYSE under the symbol NEW PrA. We expect that trading on the NYSE will commence within 30 days after the initial delivery of our Series A Preferred Stock. An active trading market on the NYSE for the shares of our Series A Preferred Stock, however, may not develop or, even if it develops, may not last, in which case the trading price of the shares of our Series A Preferred Stock could be adversely affected and your ability to transfer your shares of our Series A Preferred Stock will be limited. We have been advised by the underwriters that they intend to make a market in our Series A Preferred Stock, but they are not obligated to do so and may discontinue market-making at any time without notice.

**Numerous factors affect the trading price of our Series A Preferred Stock.**

If an active trading market for our Series A 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 A Preferred Stock may depend on many factors, including, but not limited to:

prevailing interest rates;

the market for similar securities;

additional issuances of other series or classes of preferred stock;

general economic conditions; and

our financial condition, performance and prospects.

**Our Series A Preferred Stock is subordinated to existing and future debt.**

Payment of amounts due on our Series A Preferred Stock will be subordinated to all of our existing and future debt and will be structurally subordinated to the payment of dividends on preferred stock, if any, issued by our subsidiaries. In addition, we may issue additional shares of our Series A Preferred Stock and/or shares of another class or series of preferred stock ranking on parity with our Series A Preferred Stock with respect to the

S-7

**Table of Contents**

payment of dividends and the distribution of assets upon liquidation, dissolution or winding up. These factors may affect the trading price of our Series A Preferred Stock.

**Our Series A Preferred Stock may not be rated.**

Our Series A Preferred Stock is not currently rated by any rating agency. 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 A Preferred Stock. In addition, we may elect in the future to obtain a rating of our Series A Preferred Stock, which could adversely impact the market price of our Series A Preferred Stock. 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 A Preferred Stock.

**Table of Contents**

**USE OF PROCEEDS**

The net proceeds from this offering will be approximately \$ (approximately \$ if the underwriters overallotment option is exercised in full) after deducting underwriting discounts and commissions and the estimated expenses of this offering payable by us. We intend to use the net proceeds of this offering for general corporate purposes, including an additional investment in our on-balance sheet portfolio of mortgage and mortgage-related assets.

We will need a significant amount of time to fully invest the net proceeds we receive from this offering and we may invest the net proceeds in temporary investments. We expect the temporary investments to provide a lower net return than we hope to achieve from our long-term intended use of the net proceeds we receive from this offering.

S-9

**Table of Contents****CAPITALIZATION**

The following table sets forth:

our actual capitalization as of March 31, 2005; and

our capitalization as of March 31, 2005, as adjusted to give effect to the sale of \_\_\_\_\_ shares of our Series A Preferred Stock, plus accrued and undeclared dividends from the date of original issuance, and the application of net proceeds of this offering as described under the heading Use of Proceeds.

You should read this table in conjunction with, and it is qualified in its entirety by, our unaudited condensed consolidated financial statements, which are incorporated by reference into this prospectus supplement.

	As of March 31, 2005	
	Actual	As Adjusted (Unaudited)
	(in thousands, except share amounts)	
Credit facilities on mortgage loans held for sale	\$ 3,651,181	
Financing on mortgage loans held for investment, net	15,692,270	
Accounts payable and accrued liabilities	381,349	
Convertible senior notes, net	5,407	
Notes payable	33,438	
	<u>19,763,645</u>	
Total liabilities		
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.01 par value. Authorized 10,000,000 shares		
No shares issued and outstanding at March 31, 2005, actual;		
_____ shares issued and outstanding at March 31, 2005, as adjusted		
Common stock, \$0.01 par value. Authorized 300,000,000 shares; issued and outstanding		
55,609,497 at March 31, 2005	556	
Additional paid-in capital	1,133,673	
Accumulated other comprehensive income	71,137	
Retained earnings, restricted	780,552	
	<u>1,985,918</u>	
Deferred compensation costs	(22,155)	
	<u>1,963,763</u>	
Total stockholders' equity		
Total liabilities and stockholders' equity	<u>\$ 21,727,408</u>	

## Edgar Filing: NEW CENTURY FINANCIAL CORP - Form 424B5

The table above excludes the following shares:

a total of 5,021,173 shares of our common stock issuable upon exercise of options outstanding on March 31, 2005 with a weighted-average exercise price of \$23.77 per share;

a total of 538,225 shares of our common stock available for awards under our stock incentive plans as of March 31, 2005; and

up to 161,582 shares of our common stock issuable as of March 31, 2005 upon the conversion of the 3.50% convertible senior notes of New Century TRS due 2008 (subject to adjustments under the terms of such notes).

S-10



**Table of Contents****RATIOS OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS**

The following table sets forth our consolidated ratios of earnings to fixed charges for the periods shown:

	For the three months ended March 31,	For the years ended December 31,				
	2005	2004	2003	2002	2001	2000
<b>(Unaudited)</b>						
Ratio of earnings to fixed charges(1)	1.55	2.63	4.43	6.50	2.39	0.54
Ratio of earnings to combined fixed charges and preferred stock dividends	1.55	2.63	4.43	6.45	2.28	0.52

(1) Deficiencies in the year 2000 for the ratio of earnings to fixed charges and the ratio of earnings to combined fixed charges and preferred stock dividends were \$36,781,000 and \$39,681,000, respectively.

The ratios of earnings to fixed charges were computed by dividing earnings by fixed charges. The ratio of earnings to combined fixed charges and preferred stock dividends were computed by dividing earnings as adjusted by fixed charges and preferred stock dividends. The ratios for periods prior to October 1, 2004 include the historical amounts of New Century TRS. For this purpose, the earnings consist of (a) pre-tax income (loss) from continuing operations before adjustment for minority interests in consolidated subsidiaries or income or loss from equity investees plus (b) fixed charges. Fixed charges consist of interest expense and that portion of rental expense considered to be a reasonable estimate of the interest factor.

**Table of Contents****SELECTED FINANCIAL DATA**

(Dollars in thousands, except per share data)

The following selected consolidated financial data set forth below have been derived from our audited financial statements for each of the fiscal years in the five-year period ended December 31, 2004. The financial data for the three months ended March 31, 2005 and 2004 has been derived from our unaudited condensed consolidated financial statements. The results of operations for the three months ended March 31, 2005 may not be indicative of results to be expected for any future period. The following selected financial data should be read in conjunction with the more detailed information contained in the financial statements and notes thereto for the fiscal year ended December 31, 2004 included in our Annual Report on Form 10-K, which is incorporated by reference into the accompanying prospectus. The following selected financial data should also be read in conjunction with the more detailed information contained in the financial statements and notes thereto and the

Management's Discussion and Analysis of Financial Condition and Results of Operations for the three months ended March 31, 2005 and 2004 included in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2005.

	For the		For the years ended December 31,				
	three months						
	ended March 31,						
	2005	2004	2004	2003	2002	2001	2000
(Unaudited)							
<b>Statement of Income Data:</b>							
Interest income	\$ 331,071	\$ 153,128	\$ 898,647	\$ 353,691	\$ 154,054	\$ 99,062	\$ 117,219
Interest expense	(162,081)	(55,964)	(367,094)	(117,575)	(50,588)	(54,127)	(72,126)
Net interest income	168,990	97,164	531,553	236,116	103,466	44,935	45,093
Provision for losses on mortgage loans held for investment	(30,238)	(19,869)	(70,250)	(26,304)			
Net interest income after provision for losses	138,752	77,295	461,303	209,812	103,466	44,935	45,093
Other operating income:							
Gain on sales of loans	139,752	201,976	800,609	611,136	451,744	182,612	14,952
Servicing income	6,722	5,896	28,896	11,139	432	10,616	30,092
Other income	3,873		4,415		16	1,046	1,653
Total other operating income	150,347	207,872	833,920	622,275	452,192	194,274	46,697
Other operating expense	197,935	128,700	684,082	408,835	249,322	155,725	128,571
Earnings (loss) before income taxes	91,164	156,467	611,141	423,252	306,336	83,484	(36,781)
Income tax expense (benefit)	6,404	69,222	235,570	177,769	126,636	35,464	(13,756)
Net earnings (loss)	\$ 84,760	\$ 87,245	\$ 375,571	\$ 245,483	\$ 179,700	\$ 48,020	\$ (23,025)
Basic earnings (loss) per share	\$ 1.55	\$ 2.64	\$ 10.20	\$ 7.26	\$ 5.19	\$ 1.83	\$ (1.17)
Diluted earnings (loss) per share	\$ 1.48	\$ 2.11	\$ 8.29	\$ 6.32	\$ 4.73	\$ 1.54	\$ (1.17)

As of  
March 31,

As of December 31,

2005

2004

2003

2002

2001

2000

Edgar Filing: NEW CENTURY FINANCIAL CORP - Form 424B5

(Unaudited)

<b>Balance Sheet Data:</b>						
Cash and cash equivalents	\$ 880,130	\$ 842,854	\$ 278,598	\$ 176,669	\$ 100,263	\$ 10,283
Restricted cash	480,800	454,035	116,883	6,255	6,416	
Loans receivable held for sale, net	3,874,414	3,922,865	3,422,211	1,920,396	1,011,122	400,089
Mortgage loans held for investment, net	15,836,203	13,195,324	4,745,937			
Residual interests in securitizations	143,928	148,021	179,498	246,964	306,908	361,646
<b>Total assets</b>	<b>21,727,408</b>	<b>19,051,944</b>	<b>8,943,938</b>	<b>2,402,928</b>	<b>1,451,318</b>	<b>837,161</b>
Credit facilities	3,651,181	3,704,268	3,311,837	1,885,498	987,568	404,446
Financing on mortgage loans held for investment, net	15,692,270	13,105,973	4,686,323			
Convertible senior notes, net	5,407	5,392	204,858			
Subordinated debt					40,000	40,000
Residual financing					79,941	176,806
Other liabilities	414,787	357,746	198,909	130,880	96,048	63,760
<b>Total liabilities</b>	<b>19,763,645</b>	<b>17,173,379</b>	<b>8,401,927</b>	<b>2,016,378</b>	<b>739,807</b>	<b>252,297</b>
<b>Total stockholders' equity</b>	<b>1,963,763</b>	<b>1,878,565</b>	<b>542,011</b>	<b>386,550</b>	<b>247,761</b>	<b>152,149</b>

S-12

**Table of Contents**

	For the three months ended March 31,		For the years ended December 31,				
	2005	2004	2004	2003	2002	2001	2000
<b>Operating Statistics (Unaudited):</b>							
Loan origination and purchase activities:							
Wholesale	\$ 9,073,489	\$ 7,695,006	\$ 38,126,322	\$ 25,187,569	\$ 12,392,562	\$ 5,068,466	\$ 3,041,761
Retail	1,178,078	741,350	4,073,318	2,195,269	1,808,934	1,176,505	1,110,596
<b>Total loan originations and purchases</b>	<b>10,251,567</b>	<b>8,436,356</b>	<b>42,199,640</b>	<b>27,382,838</b>	<b>14,201,496</b>	<b>6,244,971</b>	<b>4,152,357</b>

S-13

**Table of Contents**

**DESCRIPTION OF OUR SERIES A PREFERRED STOCK**

*This description of the particular terms of our Series A Preferred Stock supplements, and to the extent inconsistent therewith replaces, the description of the general terms and provisions of our preferred stock set forth in the accompanying prospectus, to which description reference is hereby made. The following summary of the terms and provisions of our Series A Preferred Stock does not purport to be complete and is qualified in its entirety by reference to the pertinent sections of our charter and the articles supplementary creating our Series A Preferred Stock, which have been or will be included as exhibits to documents filed with the Securities and Exchange Commission.*

**General**

As of May 31, 2005, we had 56,043,308 shares of our common stock issued and outstanding and no shares of our preferred stock issued and outstanding. Our charter provides that we may issue up to 300,000,000 shares of our common stock, \$0.01 par value per share, and 10,000,000 shares of our preferred stock, \$0.01 par value per share. Under the Maryland General Corporate Law, or the MGCL, stockholders generally are not liable for the corporation's debts or obligations.

Under our charter, our board of directors may, without stockholder action, classify and authorize the issuance, from time to time, of our preferred stock in one or more series, with such designations, preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications, terms or conditions of redemption as shall be determined by our board of directors and set forth in articles supplementary to our charter for such series of preferred stock. See "Description of Capital Stock" in the accompanying prospectus. Our board of directors has classified, and approved articles supplementary to our charter establishing the number of shares and fixing the terms, preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption of, a series of our preferred stock designated as \_\_\_\_\_ % Series A Cumulative Redeemable Preferred Stock. Our board of directors has authorized the issuance of up to \_\_\_\_\_ shares of such Series A Preferred Stock, and this offering relates to such shares.

We have applied to list our Series A Preferred Stock on the NYSE under the symbol NEW PrA. We expect that trading on the NYSE will commence within 30 days after the initial delivery of our Series A Preferred Stock.

**Further Issuances**

We may from time to time, without the consent of the holders of our Series A Preferred Stock, issue additional shares of our Series A Preferred Stock having the same ranking and the same liquidation preference and other terms as our Series A Preferred Stock except for the issue price and issue date. Any such additional shares of our Series A Preferred Stock will, together with the shares offered hereby, constitute a single class of preferred stock under our charter and will vote together on limited matters under the charter as set forth below under "Limited Voting Rights."

**Ranking**

## Edgar Filing: NEW CENTURY FINANCIAL CORP - Form 424B5

Our Series A Preferred Stock will rank, with respect to dividend rights and rights upon voluntary or involuntary liquidation, dissolution or winding-up of our affairs:

senior to all classes or series of our common stock and to all of our equity securities the terms of which provide that those equity securities are junior to our Series A Preferred Stock;

junior to all of our equity securities the terms of which provide that those equity securities will rank senior to our Series A Preferred Stock;  
and

on a parity with all of our equity securities other than those referred to in the two immediately preceding clauses.

S-14

## Table of Contents

The term "equity securities" does not include convertible debt securities, which rank senior to our Series A Preferred Stock prior to conversion, none of which are outstanding at this time. In addition, that term does not include the convertible debt securities of our subsidiaries, including the 3.50% convertible senior notes of New Century TRS.

## **Dividends**

Holders of shares of our Series A Preferred Stock shall be entitled to receive, when and as authorized by our board of directors, out of funds legally available for the payment of dividends, cumulative cash dividends from the date of original issuance in the amount of \$ \_\_\_\_\_ per share each year, which is equivalent to \_\_\_\_\_ % of the \$25.00 liquidation preference per share. Such dividends will be cumulative from the date of original issuance and will be payable to investors quarterly in arrears on March 31, June 30, September 30 and December 31 of each year or, if not a business day, the prior preceding business day (each, a "Dividend Payment Date"). The first dividend, which will be payable on September 30, 2005, may be for more than a full quarter. Such dividend and any dividend payable on our Series A Preferred Stock for any partial dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends will be payable to holders of record as they appear in our stock records at the close of business on the applicable record date, which shall be the first day of the calendar month in which the applicable Dividend Payment Date falls or on such other date designated by our board of directors for the payment of dividends that is not more than 60 nor less than 10 days prior to such Dividend Payment Date (each, a "Dividend Record Date").

No dividends on shares of our Series A Preferred Stock shall be declared by us or paid or set apart for payment by us at such time as the terms and provisions of any of our agreements, including any agreement relating to our indebtedness, prohibit such declaration, payment or setting apart for payment or provide that such declaration, payment or setting apart for payment would constitute a breach thereof or a default thereunder, or if such declaration or payment shall be restricted or prohibited by law.

Notwithstanding the foregoing, dividends on our Series A Preferred Stock will accrue whether or not current payment of dividends is prohibited, 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. Accrued but unpaid dividends on our Series A Preferred Stock will accumulate as of the Dividend Payment Date on which they first become payable.

Except as set forth in the next paragraph, unless full cumulative dividends on our Series A Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for payment for all past dividend periods: (i) no dividends (other than in shares of our common stock or in shares of any series of our preferred stock that we may issue ranking junior to our Series A Preferred Stock as to the payment of distributions and the distribution of assets upon liquidation) shall be declared or paid or set aside for payment upon shares of our common stock or any series of our preferred stock ranking junior to or on a parity with our Series A Preferred Stock as to the payment of distributions and the distribution of assets upon liquidation; (ii) no distribution shall be declared or made upon shares of our common stock or preferred stock that we may issue ranking junior to or on a parity with our Series A Preferred Stock as to the payment of distributions and the distribution of assets upon liquidation; and (iii) no shares of our common stock or preferred stock that we may issue ranking junior to or on a parity with our Series A Preferred Stock as to the payment of distributions and the distribution of assets upon liquidation shall 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 in exchange for our other capital stock that we may issue ranking junior to our Series A Preferred Stock as to the payment of distributions and the distribution of assets upon liquidation and except for transfers made pursuant to the provisions of our charter relating to restrictions on ownership and transfers of our capital stock designed to ensure that we remain qualified as a REIT for federal income tax purposes).

When dividends are not paid in full (or a sum sufficient for such full payment is not so set apart) on our Series A Preferred Stock and the shares of any other series of preferred stock ranking on a parity as to the payment of





**Table of Contents**

dividends with our Series A Preferred Stock, all dividends declared upon our Series A Preferred Stock and any series of preferred stock ranking on a parity as to the payment of dividends with our Series A Preferred Stock shall be declared pro rata so that the amount of dividends declared per share of Series A Preferred Stock and such series of preferred stock shall in all cases bear to each other the same ratio that accrued dividends per share on our Series A Preferred Stock and such series of preferred stock (which shall not include any accrual in respect of unpaid dividends for prior dividend periods if such preferred stock does not have a cumulative dividend) 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 our Series A Preferred Stock which may be in arrears.

Any dividend payment made on shares of our Series A Preferred Stock shall first be credited against the earliest accrued but unpaid dividend due with respect to such shares which remains payable. Holders of shares of our Series A Preferred Stock shall not be entitled to any dividend, whether payable in cash, property or stock, in excess of full cumulative dividends on our Series A Preferred Stock as provided above.

**Liquidation Preference**

Upon any liquidation, dissolution or winding up of our company, before any payment or distribution shall be made to or set apart for the holders of any junior stock, the holders of shares of our Series A Preferred Stock will be entitled to receive the sum of: (a) a liquidation preference of \$25.00 per share; (b) the applicable premium per share (expressed in dollar amount) as set forth in the table below based upon the period during which the liquidation, dissolution or winding up of our company takes place; and (c) an amount equal to all accumulated, accrued and unpaid dividends (whether or not earned or declared), if any, to and including the date fixed for payment, without interest, to such holders, but such holders shall not be entitled to any further payment. Until the holders of our Series A Preferred Stock have been paid the liquidation preference in full, the applicable premium per share and an amount equal to all accumulated, accrued and unpaid dividends (whether or not earned or declared), if any, to and including the date of final distribution to such holders, no payment shall be made to any holder of junior stock upon the liquidation, dissolution or winding up of our company.

<u>Twelve month period ending</u>	<u>Applicable Premium per share</u>
June 30, 2006	\$ 1.25
June 30, 2007	\$ 1.00
June 30, 2008	\$ 0.75
June 30, 2009	\$ 0.50
June 30, 2010	\$ 0.25
June 30, 2011, and June 30 of each year thereafter	\$ 0.00

If upon any liquidation, dissolution or winding up of our company, our assets or proceeds thereof distributable among the holders of our Series A Preferred Stock and the holders of any other class or series of our common stock or preferred stock ranking on a parity with our Series A Preferred Stock as to rights upon liquidation, dissolution and winding up of our affairs shall be insufficient to pay in full the above described preferential amount and the liquidating payments on the shares of such other class or series of our common stock or preferred stock ranking on a parity with our Series A Preferred Stock as to rights upon liquidation, dissolution or winding up of our affairs, then such assets, or the proceeds thereof, shall be distributed among the holders of our Series A Preferred Stock and any such other parity stock ratably in the same proportion as the respective amounts that would be payable on our Series A Preferred Stock and any such other parity stock if all amounts payable thereon were paid in full. Our liquidation, dissolution or winding up shall not include our consolidation or merger with or into one or more entities, a sale or transfer of all or substantially all of our assets or a statutory stock exchange.

## Edgar Filing: NEW CENTURY FINANCIAL CORP - Form 424B5

Upon any such liquidation, dissolution or winding up, after payment shall have been made in full to the holders of our Series A Preferred Stock and any parity stock, any other series or class or classes of junior stock shall be entitled to receive any and all assets remaining to be paid or distributed, and the holders of our Series A Preferred Stock and any parity stock shall not be entitled to share therein.

S-16

---

**Table of Contents**

**Optional Redemption**

Our Series A Preferred Stock is not redeemable prior to June 1, 2010. However, in order to ensure that we continue to qualify as a REIT for federal income tax purposes, our Series A Preferred Stock will be subject to the provisions of our charter that limit the amount of capital stock that may be owned by a stockholder, which under certain circumstances could result in the automatic transfer of shares of our Series A Preferred Stock held in violation of the ownership limits to a trustee of a trust for the exclusive benefit of one or more charitable beneficiaries. See Description of Capital Stock Transfer Restrictions in the accompanying prospectus.

On and after June 1, 2010, we may, at our option and upon not less than 30 nor more than 60 days written notice, redeem shares of our Series A Preferred Stock, in whole or in part, at any time or from time to time, for cash at a redemption price of \$25.00 per share, plus an amount equal to all accumulated, accrued and unpaid dividends (whether or not earned or declared), if any, to and including the date fixed for redemption (except as provided below, when the redemption date falls after the Dividend Record Date and before the corresponding Dividend Payment Date), without interest. Holders of our Series A Preferred Stock to be redeemed shall surrender such Series A Preferred Stock at the place designated in such notice and shall be entitled to the redemption price and any accrued and unpaid dividends payable upon such redemption following such surrender. If notice of redemption of any shares of our Series A Preferred Stock has been given and if the funds necessary for such redemption have been set aside by us in trust for the benefit of the holders of any shares of our Series A Preferred Stock so called for redemption, then, from and after the redemption date, dividends will cease to accrue on such shares of our Series A Preferred Stock, such shares of our Series A Preferred Stock shall no longer be deemed outstanding and all rights of the holders of such shares of our Series A Preferred Stock will terminate, except the right to receive the redemption price. If less than all of our outstanding Series A Preferred Stock is to be redeemed, our Series A Preferred Stock to be redeemed shall be selected pro rata (as nearly as may be practicable without creating fractional shares) or by any other equitable method determined by us.

Unless full cumulative dividends on all shares of our Series A Preferred Stock shall have been, or contemporaneously are, declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for all past dividend periods, no shares of our Series A Preferred Stock shall be redeemed unless all outstanding shares of our Series A Preferred Stock are simultaneously redeemed, and we shall not purchase or otherwise acquire directly or indirectly any shares of our Series A Preferred Stock (except in exchange for our capital stock ranking junior to our Series A Preferred Stock as to the payment of distributions and the distribution of assets upon liquidation); provided, however, that the foregoing shall not prevent such action by our board of directors or its designees pursuant to our charter to ensure that we remain qualified as a REIT for federal income tax purposes or the purchase or acquisition by us of shares of our Series A Preferred Stock pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding shares of our Series A Preferred Stock.

Notice of redemption will be given by publication in a newspaper of general circulation in the City of New York, such publication to be made once per week for two successive weeks commencing not less than 30 nor more than 60 days prior to the redemption date. A similar notice of redemption will be mailed by us, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date addressed to the respective holders of record of our Series A Preferred Stock to be redeemed at their respective addresses as they appear on our stock records. No failure to give such notice or any defect thereto or in the mailing thereof shall affect the validity of the proceedings for the redemption of any shares of our Series A Preferred Stock except as to the holder to whom notice was defective or not given. In addition to any information required by law or by the applicable rules of any exchange upon which our Series A Preferred Stock may be listed or admitted to trading, each notice shall state:

the redemption date;

the redemption price;

the number of shares of our Series A Preferred Stock to be redeemed;

the place or places where our Series A Preferred Stock is to be surrendered for payment of the redemption price;

S-17

## **Table of Contents**

that dividends on the shares to be redeemed will cease to accrue on such redemption date; and

that payment of the redemption price will be made upon presentation and surrender of such Series A Preferred Stock.

If less than all of our Series A Preferred Stock held by any holder is to be redeemed, the notice mailed to such holder shall also specify the number of shares of our Series A Preferred Stock held by such holder to be redeemed. Immediately prior to any redemption of our Series A Preferred Stock, we shall pay, in cash, any accumulated and unpaid dividends through and including the redemption date, unless a redemption date falls after a Dividend Record Date and prior to the corresponding Dividend Payment Date, in which case each holder of our Series A Preferred Stock at the close of business on such Dividend Record Date shall be entitled to the dividend payable on such shares on the corresponding Dividend Payment Date notwithstanding the redemption of such shares before such Dividend Payment Date.

## **No Maturity, Sinking Fund or Mandatory Redemption**

Our Series A Preferred Stock has no stated maturity and will not be subject to any sinking fund or mandatory redemption (except as provided above).

## **Limited Voting Rights**

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

If and whenever dividends on any shares of our Series A Preferred Stock shall be in arrears for six or more quarterly periods (whether or not consecutive), the number of directors then constituting our board of directors shall be increased by two and the holders of our Series A Preferred Stock (voting together as a single class with all other classes or series of our stock ranking on a parity with our Series A Preferred Stock with respect to dividend rights upon which like voting rights have been conferred and are exercisable) 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 A Preferred Stock, and of any other voting preferred stock, called for that purpose. We must call such special meeting upon the request of holders of record of 20