

NEW YORK MORTGAGE TRUST INC  
Form S-11/A  
June 02, 2004

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JUNE 1, 2004

REGISTRATION NO. 333-111668

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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
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AMENDMENT NO. 5

TO  
FORM S-11  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

NEW YORK MORTGAGE TRUST, INC.  
(Exact Name of Registrant as Specified in its Governing Instruments)

1301 AVENUE OF THE AMERICAS  
NEW YORK, NEW YORK 10019  
(212) 634-9400  
(Address, Including Zip Code, and Telephone Number, including  
Area Code, of Registrant's Principal Executive Offices)

STEVEN B. SCHNALL  
DAVID A. AKRE  
CO-CHIEF EXECUTIVE OFFICERS  
NEW YORK MORTGAGE TRUST, INC.  
1301 AVENUE OF THE AMERICAS  
NEW YORK, NEW YORK 10019  
(212) 634-9400  
(212) 655-6269 (TELECOPY)  
(Name, Address, Including Zip Code, and Telephone  
Number, Including Area Code, of Agent for Service)

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COPIES TO:

DANIEL M. LEBEY, ESQ.  
THOMAS G. VOEKLER, ESQ.  
HUNTON & WILLIAMS LLP  
RIVERFRONT PLAZA, EAST TOWER  
951 E. BYRD STREET  
RICHMOND, VIRGINIA 23219-4074  
(804) 788-8200  
(804) 788-8218 (TELECOPY)

KAREN A. DEWIS, ESQ.  
CHRISTOPHER E. BROWN, ESQ.  
MCDERMOTT WILL & EMERY LLP  
600 13TH STREET, N.W.  
WASHINGTON, D.C. 20005-3096  
(202) 756-8000  
(202) 756-8087 (TELECOPY)

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 APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the effective date of this Registration Statement.

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(c) under the Securities Act, check the following box and list the Securities Act registration 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. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

TITLE OF CLASS SECURITIES BEING REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (1)	AMOUNT
Common stock \$0.01 par value per share.....	\$172,500,000	

(1) Estimated solely for the purpose of determining the registration fee in accordance with Rule 457(o) of the Securities Act of 1933.

(2) \$28,527 previously paid.

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 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATES AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

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SUBJECT TO COMPLETION, DATED \_\_\_\_\_, 2004

PROSPECTUS

(NYMT LOGO)

15,000,000 SHARES OF COMMON STOCK

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We are a Maryland corporation newly formed to acquire The New York Mortgage Company, LLC, or NYMC, a residential mortgage banking company. We expect to qualify as a real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended, immediately following the closing of this offering and will elect to be taxed as a REIT for our short taxable year beginning on the business day before this offering closes and ending December 31, 2004.

This is our initial public offering. No public market currently exists for our common stock. We are selling all of the common stock offered by this prospectus. We currently expect the public offering price to be between \$9.00 and \$11.00 per share. We have applied to have our common stock listed on the New York Stock Exchange under the symbol "NTR."

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SEE "RISK FACTORS" BEGINNING ON PAGE 11 OF THIS PROSPECTUS FOR CERTAIN RISK FACTORS RELEVANT TO AN INVESTMENT IN OUR COMMON STOCK, INCLUDING, AMONG OTHERS:

- We may experience a decline in the market value of our assets due to rising interest rates.
- A decrease in the demand for mortgage loans due to a period of rising interest rates may adversely affect our earnings, which could negatively affect the cash available for distribution to you.
- Our success will depend on our ability to obtain financing to leverage our equity eight to 12 times.
- We intend to leverage our portfolio, which will exacerbate any losses we incur on our planned investments and may reduce the cash available for distribution to you.
- Interest rate fluctuations resulting in our interest expense exceeding our interest income would result in operating losses for us and may limit or eliminate our ability to make distributions to you.
- A prolonged economic slow down, a lengthy or severe recession or declining real estate values could harm our operations.
- We have no operating history with respect to securitizing mortgage loans or managing a portfolio of mortgage securities.
- Our success will partially depend on our ability to originate prime adjustable-rate and hybrid mortgage loans for our portfolio.
- We may not be successful in qualifying as a REIT or maintaining our qualification as a REIT for federal income tax purposes, in which case we would be subject to federal income tax on our taxable income at regular corporate rates, thereby reducing the amount of funds available for making distributions to you.
- REIT distribution requirements could adversely affect our liquidity.

	PER SHARE	TOTAL
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Public offering price.....	\$	\$
Underwriting discount.....	\$	\$
Proceeds, before expenses, to us.....	\$	\$

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We have granted the underwriters an option to purchase up to an additional 2,250,000 shares of common stock from us solely to cover over-allotments, if any, at the initial public offering price, less the underwriting discount, exercisable within 30 days from the date of this prospectus.

In consideration of our acquisition of all of the ownership interests in NYMC upon completion of this offering, we will issue 1,925,000 shares and 825,000 shares, respectively, of our common stock to Steven B. Schnall and one of his affiliates and Joseph V. Fierro and one of his affiliates. Mr. Schnall is our co-chief executive officer and chairman of our board of directors and Mr. Fierro is the chief operating officer of NYMC. NYMC also intends to make a cash distribution of approximately \$3,500,000 in the aggregate to Messrs. Schnall and Fierro and their affiliates, who together comprise all of the members of NYMC, immediately before completion of this offering. The distribution is based on the estimated paid-in equity and retained earnings of NYMC as of the anticipated closing date of this offering. This amount represents the estimated amount of incremental net income of NYMC for the period from December 31, 2003 up to the anticipated closing date of this offering. The actual amount of the distribution may be more or less than \$3,500,000, but will not exceed \$4,500,000.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

We expect that the shares of common stock to be sold in this offering will be delivered on or around \_\_\_\_\_, 2004.

FRIEDMAN BILLINGS RAMSEY  
RBC CAPITAL MARKETS

JPMORGAN

The date of this prospectus is \_\_\_\_\_, 2004.

### PROSPECTUS SUMMARY

This is only a summary and does not contain all of the information that you should consider before investing in our common stock. You should read the entire prospectus, including "Risk Factors" and our financial statements and related notes appearing elsewhere in this prospectus, before deciding to invest in our common stock. In this prospectus, unless the context suggests otherwise, references to "our company," "we," "us" and "our" mean New York Mortgage Trust, Inc., including its subsidiaries. NYMC refers to our subsidiary and predecessor, The New York Mortgage Company, LLC. Unless indicated otherwise, the information included in this prospectus assumes no exercise by the underwriters of the over-allotment option to purchase up to an additional 2,250,000 shares of common stock, and that the common stock to be sold in this offering is sold at \$10.00 per share, which is the mid-point of the range indicated on the front cover of this prospectus.

### OVERVIEW

We are a Maryland corporation newly formed to acquire The New York Mortgage Company, LLC, or NYMC, a residential mortgage banking company. Upon completion of this offering and our acquisition of NYMC, we intend to build a leveraged

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portfolio of residential mortgage loans comprised largely of prime adjustable-rate mortgage loans that we originate, including adjustable-rate loans that have an initial fixed-rate period, which we refer to as hybrid mortgage loans. In addition, in the short term and from time to time in the future, we intend to invest in mortgage-backed securities on a leveraged basis. NYMC has originated, and we will continue to originate, mortgage loans of all types, and although we do not have specific guidelines as to the relative amounts of prime and non-prime mortgage loans that we can originate, we have a particular focus on prime adjustable- and fixed-rate, first lien, residential purchase mortgage loans. While the definition of a prime loan varies from institution to institution, we consider prime loans to be loans to borrowers with strong credit profiles, which we evaluate by analyzing the borrower's credit score, employment, income and assets and related documentation, the amount of equity in and the value of the property securing the borrower's loan, debt to income ratio, credit history, funds available for closing and post-closing liquidity. NYMC has historically sold or brokered all of the loans it has originated and has therefore historically relied on the underwriting criteria of the institutions to which NYMC has sold its loans.

Following this offering, we intend to continue to originate mortgage loans of all types through NYMC utilizing NYMC's historical origination strategy. NYMC will become our taxable REIT subsidiary upon completion of this offering. Generally, we intend to continue to sell the fixed-rate loans that we originate to third parties, and to retain in our portfolio and finance a majority of the adjustable-rate and hybrid mortgage loans that we originate. Our portfolio loans will be held at the REIT level or by a qualified REIT subsidiary. Any adjustable-rate and hybrid mortgage loans we originate that do not meet our investment criteria or portfolio requirements will be sold to third parties. We will rely on our own underwriting criteria with respect to the mortgage loans we intend to retain and will continue to rely on the underwriting criteria of the institutions to which we sell our loans with respect to the loans we intend to sell.

While we are originating and building our portfolio of adjustable-rate and hybrid mortgage loans, we intend to use a substantial portion of the proceeds of this offering to purchase from one or more third parties on a leveraged basis residential mortgage-backed securities guaranteed by a government sponsored entity or rated investment grade by a nationally recognized statistical rating agency. While we have not established and do not expect to establish a limit on the amount of leverage we may incur, we expect to leverage our equity eight to 12 times. Our board of directors has adopted a policy pursuant to which we may only invest a maximum of 7.5% of our assets in mortgage-backed securities that are not guaranteed by a government sponsored entity or rated investment grade by a nationally recognized statistical rating agency. Mortgage-backed securities that are guaranteed by a government sponsored entity are not guaranteed by the United States government. Over time, we expect that these securities will be replaced by adjustable-rate and hybrid mortgage loans that we originate, although we may continue to purchase securities from third parties. We believe that our ability to use primarily mortgage loans that we originate

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as the basis for our portfolio will enable us to build a portfolio that generates a higher return than the returns realized by mortgage investors that do not have their own origination capabilities, because mortgage investors that do not have their own origination capabilities must purchase their mortgage loans from third parties at higher premiums than NYMC's cost of originating the mortgage loans that we will retain.

Historically, NYMC has financed its mortgage originations on a short-term basis through a variety of warehouse lines of credit and repurchase facilities.

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Subsequent to this offering, we will continue to use warehouse lines of credit and repurchase facilities to fund NYMC's originations, and we will finance our portfolio of mortgage loans with a combination of equity capital, repurchase facilities and securitizations. Once we have built a large enough portfolio comprised mainly of retained mortgage loans, we intend to securitize our mortgage loans. We anticipate that the securitization transactions through which we finance the adjustable-rate and hybrid mortgage loans that we retain will be structured as financings for both tax and financial accounting purposes. Therefore, we do not expect to generate a gain or loss on sale from these activities, and, following the securitizations, the loans will remain on our consolidated balance sheet as assets with the securitization debt listed as a liability.

We expect to qualify as a REIT under the Internal Revenue Code and will elect to be taxed as a REIT for our short taxable year beginning on the business day preceding the closing of this offering and ending December 31, 2004. As a REIT, we generally will not be subject to federal income tax on the REIT taxable income that we distribute to our stockholders, but the taxable income generated by NYMC, our taxable REIT subsidiary following this offering, which will include fee income on all loans we originate and gains and net interest income on all loans we sell, will be subject to regular corporate income tax.

Currently, NYMC's core market is the tri-state area of New York, New Jersey and Connecticut, one of the most densely populated regions in the United States, which comprised approximately 86.5% of our loan originations, as measured by principal balance, for the three month period ended March 31, 2004. To a lesser extent, NYMC is presently doing business in a number of other states across the United States, including California, Florida and Pennsylvania. NYMC is presently licensed or authorized to do business in a total of 38 states, and license applications are pending in several other states.

We believe that the substantial growth of NYMC's mortgage banking business since its inception has resulted from its commitment to providing exemplary service to its customers and its concentration on retail, referral-based, mortgage banking to borrowers with strong credit profiles. Based on NYMC's past experience and our knowledge of the mortgage industry, we believe that referrals from realtors, attorneys, accountants and other professionals and business from repeat customers tend to generate a higher percentage of purchase mortgage loan applications than refinance applications as compared to the loan applications generated by advertising and other mass marketing efforts. In the three month period ended March 31, 2004, NYMC's purchase loan originations represented 59.7% of NYMC's total residential mortgage loan originations as measured by principal balance, as compared to an industry-wide percentage of 47% for one-to-four family mortgage loans, according to the May 18, 2004 report of the Mortgage Bankers Association of America, or MBAA. We believe that the market for mortgage loans for home purchases is less susceptible than the refinance market to downturns during periods of increasing interest rates, because borrowers seeking to purchase a home do not generally base their decision to purchase on changes in interest rates alone, while borrowers that refinance their mortgage loans often make their decision as a direct result of changes in interest rates. Consequently, while our referral-based marketing strategy may cause our overall loan origination volume during periods of declining interest rates to lag our competitors who rely on mass marketing and advertising and who therefore capture a greater percentage of loan refinance applications during those periods, we believe our strategy will enable us to sustain stronger home purchase loan origination volumes than those same competitors during periods of flat to rising interest rates. In addition, we believe that our referral-based business results in relatively higher gross margins and lower advertising costs and loan generation expenses than most other mortgage companies whose businesses are not

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referral-based.

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Our principal offices are located at 1301 Avenue of the Americas, New York, New York 10019. Our telephone number is (212) 634-9400. Our web site addresses are <http://www.nymtrust.com> and <http://www.nymc.com>. The information on our web sites does not constitute a part of this prospectus.

### OUR BUSINESS STRATEGY

Our goal is to continue to grow the residential mortgage loan origination business of NYMC and to build and manage a leveraged portfolio of prime adjustable-rate and hybrid residential mortgage loans. We intend to execute our strategy by:

- continuing to focus on originating prime residential mortgage loans through NYMC that we believe can either be retained in our portfolio or sold at a profit;
- focusing on maximizing our lending to home buyers rather than to home owners seeking to refinance their mortgage loans, which we believe makes our business less vulnerable to declines in loan origination volume resulting from increases in interest rates;
- leveraging our portfolio to increase its size with the intent to enhance our returns while at the same time managing the increased risk of loss associated with this leverage;
- utilizing hedge strategies that we consider appropriate to minimize exposure to interest rate changes; and
- expanding our retail mortgage banking business through hiring additional loan officers, the opening of new retail branch offices in new markets and selectively pursuing strategic acquisitions in the mortgage banking industry.

### OUR COMPETITIVE ADVANTAGES

We believe we enjoy several key competitive advantages that will enable us to implement our business strategy. These competitive advantages include:

- our ability to use mortgage loans that we originate as the basis for our portfolio, which we believe will enable us to build a portfolio that generates a higher return than the returns realized by other mortgage investors that do not have their own origination capabilities, because mortgage investors that do not have their own origination capabilities must purchase their mortgage loans from third parties at higher premiums than NYMC's cost of originating the mortgage loans that we will retain;
- our extensive network of sources that generates recurring purchase loan origination referrals;
- our ability to offer a broader range of mortgage loan products than most of our competitors, including fixed-rate, adjustable-rate and hybrid mortgage loans with varying total terms, allows us to meet the needs of a wider variety of customers as compared to those of our competitors that do not offer as many loan products;
- access to real time data and trends in the residential mortgage business

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from NYMC, our mortgage loan originator; and

- a management team that includes experienced mortgage bankers and other professionals.

### SUMMARY RISK FACTORS

An investment in our common stock has risks. The "Risk Factors" section of this prospectus contains a detailed discussion of the most important risks, including the risks summarized below.

- we may experience a decline in the market value of our assets due to rising interest rates;
- a decrease in the demand for mortgage loans due to a period of rising interest rates may adversely affect our earnings, which could negatively affect the cash available for distribution to you;
- our success will depend on our ability to obtain financing to leverage our equity;

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- we intend to leverage our equity eight to 12 times, which will exacerbate any losses we incur on our planned investments and may reduce the cash available for distribution to you;
- interest rate fluctuations resulting in our interest expense exceeding our interest income would result in operating losses for us and may limit or eliminate our ability to make distributions to you;
- a prolonged economic slow down, a lengthy or severe recession or declining real estate values could harm our operations;
- we have no operating history with respect to securitizing mortgage loans or managing a portfolio of mortgage securities;
- our success will partially depend on our ability to originate prime adjustable-rate and hybrid mortgage loans for our portfolio;
- we may not be successful in qualifying as a REIT or maintaining our qualification as a REIT for federal income tax purposes, in which case we would be subject to federal income tax on our taxable income at regular corporate rates, thereby reducing the amount of funds available for making distributions to you; and
- REIT distribution requirements could adversely affect our liquidity.

### OUR MARKET OPPORTUNITY

The residential mortgage loan market is the largest consumer finance market in the United States. According to the 1-to-4 Family Mortgage Originations, 1990-2002: Total, Refi Share and ARM Share, Annual, 1990 to 2002, Report of the MBAA, lenders in the United States originated more than \$2.85 trillion in one to four family mortgage loans in 2002, while the May 18, 2004 Mortgage Finance Forecast of the MBAA estimated that lenders originated approximately \$3.81 trillion in 2003. In the May forecast, the MBAA projects mortgage loan volumes to fall to \$2.42 trillion in 2004 and \$1.75 trillion in 2005, primarily attributable to an expected continued decline in the volume of refinancing of existing loans relative to 2003. The MBAA also projects that mortgage loan



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volume to home purchasers will increase from \$1.28 trillion in 2003 to \$1.37 trillion in 2004 and to decrease to \$1.32 trillion in 2005. In the three month period ended March 31, 2004, NYMC's purchase loan originations represented 59.7% of NYMC's total residential mortgage loan originations as measured by principal balance, as compared to an industry-wide percentage of 47% for one-to-four family mortgage loans, according to the May forecast. We believe that our concentration on purchase mortgage loan originations will cause our loan origination volume to be less susceptible to the expected industry-wide decline in origination volume.

### OUR UNDERWRITING PHILOSOPHY

The adjustable-rate and hybrid mortgage loans that we will retain will meet underwriting criteria established by our management. Our underwriting philosophy is to analyze the overall creditworthiness of the borrower and evaluate carefully the value of the property securing the loan, while matching risk and price. In the past, virtually all of the loans that NYMC originated were sold to large institutional investors, and NYMC relied on the underwriting criteria of those investors in originating those loans. Going forward, we intend to continue this practice with respect to the fixed-rate and other mortgage loans that we will originate and sell through NYMC.

### OUR MANAGEMENT

We intend to be a self-administered REIT. Our senior management team has extensive experience in mortgage banking and investing in and managing portfolios of residential mortgage loans and residential mortgage-backed securities. Additionally, our chief financial officer has prior experience as a publicly traded REIT chief financial officer. We believe this experience will contribute significantly to our ability to provide an attractive risk-adjusted return to our stockholders. Our senior management team is discussed in more detail under "Management" beginning on page 85.

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### OUR HISTORY

NYMC was formed in 1998 as the result of a combination of New York Mortgage Corp. and First Security Financial Services, Inc. Prior to 1998, New York Mortgage Corp. was a retail mortgage brokerage founded in 1991 by Steven B. Schnall. Prior to 1998, First Security Financial Services was a wholesale mortgage banker founded in 1989 by Joseph V. Fierro. Since its inception in 1998, NYMC has achieved substantial year-over-year growth in loan volume, revenues and profitability. New York Mortgage Trust, Inc. was formed as a Maryland corporation in September 2003.

NYMC intends to make cash distributions to Steven B. Schnall and Joseph V. Fierro and their respective affiliates, who together comprise all of the members of NYMC, immediately before completion of this offering in an aggregate amount equal to the estimated paid-in equity and retained earnings of NYMC as of the closing date of this offering. The cash distribution will be made to the members of NYMC pro rata in accordance with their respective ownership interests. We anticipate that this cash distribution will equal approximately \$3,500,000 in the aggregate. The actual amount of the distributions may be more or less than this amount depending on NYMC's actual performance through closing, but it will not exceed \$4,500,000.

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### OUR ACQUISITION OF NYMC

Upon completion of this offering, Messrs. Schnall and Fierro and their affiliates will contribute all of the outstanding ownership interests in NYMC to us and NYMC will become a wholly-owned taxable REIT subsidiary of ours. As consideration for the contribution of their ownership interests in NYMC to us, we will issue Messrs. Schnall and Fierro and their affiliates a total of 2,750,000 shares of our common stock (70% of which, or 1,925,000 shares, will be issued to Mr. Schnall and his affiliate and 30% of which, or 825,000 shares, will be issued to Mr. Fierro and his affiliate), of which 100,000 shares in the aggregate will be held in escrow through December 31, 2004 and will be available to satisfy any indemnification claims we may have against the contributors of the NYMC membership interests under the contribution agreement between us and the contributors during the escrow period for losses we incur as a result of defaults on any of the residential mortgage loans originated by NYMC and closed prior to the completion of this offering. The shares of common stock we issue to Messrs. Schnall and Fierro and their affiliates in exchange for their contributed ownership interests in NYMC would be valued at \$27,500,000 assuming that our common stock is sold in this offering at \$10.00 per share, which is the mid-point of the range indicated on the front cover of this prospectus.

### OUR REIT STATUS

As a REIT, we generally will not be subject to federal income tax on REIT taxable income that we distribute to our stockholders, but taxable income generated by NYMC, our taxable REIT subsidiary upon completion of this offering, will be subject to regular corporate income tax. Under the Internal Revenue Code, REITs are subject to numerous organizational and operational requirements, including a requirement that they distribute at least 90% of their REIT taxable income to their stockholders. If we fail to qualify for taxation as a REIT in any year, our income will be taxed at regular corporate rates, and we may be precluded from qualifying for treatment as a REIT for the four taxable years following the year in which we failed to qualify. Even if we qualify as a REIT for federal income tax purposes, we may still be subject to state and local taxes on our income and property and to federal income and excise taxes on our undistributed income.

### DIVIDEND POLICY AND DISTRIBUTIONS

In order to qualify as a REIT, we must distribute to our stockholders at least 90% of our REIT taxable income each year. To the extent that we distribute at least 90%, but less than 100% of our REIT taxable income in a taxable year, we will be subject to federal corporate income tax on our undistributed income. In addition, if we fail to distribute an amount during each year equal to the sum of 85% of our REIT ordinary income and 95% of our capital gain net income for that year and any undistributed income from prior periods, we will be subject to a 4% nondeductible excise tax on the excess of the required distribution over the amount we actually distributed. See "Federal Income Tax Consequences of Our Status as a REIT -- Requirements for Qualification -- Distribution Requirements." Distributions to our

stockholders will be treated as dividends to the extent that we have current or accumulated earnings and profits. We intend to make regular quarterly distributions to our stockholders so that we distribute each year all or substantially all of our REIT taxable income so as to avoid paying corporate income tax and excise tax on our earnings and to qualify for the tax benefits

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accorded to REITs under the Internal Revenue Code. Our REIT taxable income may exceed our cash available for distribution and the requirement to distribute a substantial portion of our net taxable income could cause us to:

- sell assets in adverse market conditions;
- borrow on unfavorable terms; or
- distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt

in order to comply with the REIT distribution requirements.

We expect to pay our first dividend following the end of the first full fiscal quarter after completion of this offering.

Our ability to pay dividends to you will depend primarily on our receipt of interest and principal payments from our loans and mortgage-backed securities and any distributions we receive from NYMC. As a taxable REIT subsidiary, NYMC will be subject to regular corporate income tax on the taxable income that it generates. We may cause NYMC to retain after-tax earnings or distribute all or a portion of its after-tax earnings to us to the extent allowable under the REIT provisions of the Internal Revenue Code. If NYMC distributes any of its after-tax earnings to us, we will include that distributed amount in the dividends we pay to our stockholders and, for domestic non-corporate taxpayers, that portion of our dividends, unlike distributions of our REIT taxable income, generally will be eligible to be taxed at the current 15% maximum marginal rate for regular corporate dividends. We also have the authority to make a distribution of capital or of assets. All distributions, however, must be authorized by our board of directors.

If we are unable to successfully execute our business plan, we may not have cash available to pay dividends.

### STOCK EXCHANGE LISTING

We have applied to have our common stock listed on the New York Stock Exchange under the symbol "NTR."

### RESTRICTIONS ON OWNERSHIP OF OUR COMMON STOCK

In order to assist us in maintaining our qualification as a REIT under the Internal Revenue Code, our charter contains restrictions on the number of shares of our capital stock that a person may own. No person may acquire or hold, directly or indirectly, in excess of 9.4% in value of the outstanding shares of our capital stock other than Mr. Schnall, who will be permitted to hold up to 12.0% of our outstanding common stock. These ownership limits could delay, defer or prevent a transaction or a change in control that might involve a premium price for our common stock or otherwise be in your best interest. Our board of directors may, in its sole discretion, waive the ownership limit with respect to a particular stockholder if it is presented with evidence satisfactory to it that the ownership of that stockholder will not then or in the future jeopardize our status as a REIT. Our charter also prohibits certain cooperatives, governmental entities and tax-exempt organizations that are exempt from the unrelated business income tax from owning our stock because a tax could be imposed on us if our shares are held by such entities and we own real estate mortgage investment conduit, or REMIC, residual interests or, although the law is unclear on the matter, an interest in a taxable mortgage pool. See "Description of Capital Stock -- Restrictions on Ownership and Transfer" beginning on page 106.

THE OFFERING

Common stock offered..... 15,000,000 (1)

Common stock to be outstanding  
after this offering..... 18,162,125 (1) (2) (3)

Use of proceeds..... We intend to use the net proceeds of this offering, which are estimated to be approximately \$136.5 million, based on an assumed initial public offering price of \$10.00 per share, which is the mid-point of the range set forth on the cover page of this prospectus, and after deducting the underwriting discount and estimated offering expenses payable by us, as follows:

- approximately \$14.0 million to cause NYMC to repay promissory notes in the amounts of \$11,432,550 and \$2,274,352 plus accrued interest to Messrs. Schnall and Fierro, respectively, issued by NYMC on August 31, 2003, as amended and restated on December 23, 2003, as further amended and restated on February 26, 2004, and as further amended and restated on May 26, 2004 and due no later than June 30, 2005, that bear interest at an annual rate of 3%, as distributions equal to NYMC's paid-in equity and retained earnings as of August 31, 2003;

- approximately \$114.9 million to purchase on a leveraged basis (likely eight to 12 times) an initial portfolio of residential mortgage-backed securities that are guaranteed by a government sponsored entity or rated investment grade by a nationally recognized statistical rating agency; and

- approximately \$7.5 million for general corporate purposes, including working capital and potential future acquisitions.

Risk factors..... See "RISK FACTORS" beginning on page 11 and other information included in this prospectus for a discussion of the factors you should

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consider carefully before deciding whether to purchase our common stock.

Proposed New York Stock

Exchange symbol.....

We have applied to have our common stock listed on the New York Stock Exchange under the symbol "NTR."

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- (1) Assumes that the underwriters' over-allotment option to purchase up to an additional 2,250,000 shares will not be exercised.
- (2) Includes 2,750,000 shares to be issued to Messrs. Schnall and Fierro and their affiliates as consideration payable to them by us in our acquisition of NYMC, including 100,000 shares to be held in escrow through December 31, 2004 which will be available to satisfy any indemnification claims we may have against the contributors of the NYMC membership interests under the contribution agreement between us and the contributors during the escrow period for losses we incur as a result of defaults on any of the residential mortgage loans originated by NYMC and closed prior to the completion of this offering.
- (3) Includes 412,125 shares of common stock to be awarded by us upon completion of this offering pursuant to our stock incentive plan to various members of our senior management team and our board of directors. This number may be increased by up to 50,625 shares if and to the extent that the underwriters exercise their over-allotment option in connection with this offering. Excludes 1,088,125 shares of our common stock reserved for future issuance under our stock incentive plan as restricted stock awards or upon exercise of options. Of this amount, options to purchase a total of 626,500 shares of our common stock will be awarded to certain key employees upon completion of this offering. These options will have an exercise price equal to the initial public offering price of our common stock in this offering. 176,500 of these options will be fully vested upon grant and 450,000 options will vest in one-third increments on the first, second and third anniversaries of the closing date of this offering. The shares reserved for future issuance under our stock incentive plan may be increased by up to 140,625 shares if the underwriters exercise their over-allotment option in connection with this offering.

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SELECTED HISTORICAL AND PRO FORMA  
FINANCIAL DATA OF OUR COMPANY AND NYMC

You should read the following summary historical and pro forma financial data in conjunction with our historical and unaudited pro forma consolidated financial statements and related notes thereto and with "Management's Discussion and Analysis of Financial Condition and Results of Operations," which are included elsewhere in this prospectus.

The following table sets forth summary pro forma consolidated financial and operating data on an unaudited pro forma consolidated basis for our company and historical financial data for NYMC. The historical financial data reflects our business strategy prior to the completion of this offering (see "Our Company" beginning on page 58). Accordingly, our historical financial results will not be indicative of our future performance (in part due to our expected strategy of retaining on our balance sheet certain originated loans which will reduce the

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number of loans we sell, causing our total gains on sale under generally accepted accounting principles in the United States of America, or GAAP, to be lower than we have historically recognized). We have not presented historical financial information for New York Mortgage Trust because New York Mortgage Trust was formed on September 26, 2003 and has not had any operations through the period ended March 31, 2004, and because we believe that a discussion of the historical results of New York Mortgage Trust would not be meaningful.

The summary historical balance sheet data as of December 31, 2003, 2002 and 2001 of NYMC and summary statement of operations data for the years ended December 31, 2003, 2002 and 2001 of NYMC have been derived from the historical financial statements of NYMC audited by Deloitte & Touche LLP, our independent registered public accounting firm, whose report with respect thereto is included elsewhere in this prospectus. The selected historical financial information as of March 31, 2004 and 2003 and December 31, 2000 and 1999, and for the three months ended March 31, 2004 and 2003 and the years ended December 31, 2000 and 1999, have been derived from the unaudited financial statements of NYMC.

Our unaudited summary pro forma consolidated financial statements as of and for the three months ended March 31, 2004 and for the year ended December 31, 2003 assume, as of the beginning of the period presented for the operating data and as of the stated date for the balance sheet data, the completion of our acquisition of NYMC, the completion of this offering and the application of the net proceeds, to the extent discernable, contractual or as otherwise factually supportable, as described in "Use of Proceeds."

As the execution of our business plan is contingent upon the completion of this offering, it is assumed that the available net proceeds from this offering are held as cash for purposes of this pro forma presentation and not invested in mortgage loans and mortgage-backed securities on a leveraged basis as contemplated by our business plan. As a result, our unaudited pro forma financial data is not indicative of what our actual financial position and results of operations would have been as of the date and for the periods indicated had this offering and our acquisition of NYMC actually been completed at the beginning of the periods covered by the pro forma financial statements, nor does it purport to represent our future financial position or results of operations.

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### SELECTED FINANCIAL DATA AS OF AND FOR THE PERIODS ENDED (DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

THREE MONTHS ENDED MARCH 31,			YEAR ENDED DECEMBER 31,		
PRO FORMA (1)	HISTORICAL		PRO FORMA (1)	HISTORICAL	
2004	2004	2003	2003	2003	2002

OPERATING DATA:  
Revenues:  
Gains on sales of

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mortgage loans.....	\$ 3,290	\$ 3,290	\$ 4,758	\$ 23,031	\$ 23,031	\$ 9,85
Interest income.....	1,261	1,261	1,431	7,610	7,610	2,98
Revenue from brokered loans.....	2,049	2,049	1,286	6,682	6,682	5,24
Miscellaneous.....	366	366	34	45	45	1
Total revenues.....	6,966	6,966	7,509	37,368	37,368	18,10
Salaries, commission, and related expenses.....	4,803	2,719	1,721	12,848	9,247	5,78
Interest expense.....	503	609	652	3,119	3,266	1,67
Cost of brokered loans...	1,284	1,284	863	3,733	3,734	2,99
General and administrative expenses.....	2,253	2,236	1,345	7,461	7,395	3,89
Total expenses.....	8,843	6,848	4,581	27,161	23,642	14,35
(Loss)Income before provision for income taxes.....	(1,877)	118	2,928	10,207	13,726	3,75
Income taxes.....	(830)	--	--	4,515	--	--
Net (loss)income.....	\$ (1,047)	\$ 118	\$ 2,928	\$ 5,692	\$ 13,726	\$ 3,75
Pro forma basic (loss)income per share(2).....	\$ (0.06)	--	--	\$ 0.32	--	--
Pro forma diluted (loss)income per share(2).....	\$ (0.06)	--	--	\$ 0.32	--	--
Pro forma weighted average common stock outstanding -- basic(3)...	17,797,374	--	--	17,797,374	--	--
Pro forma weighted average common stock outstanding -- diluted(3)...	18,062,125	--	--	18,062,125	--	--
BALANCE SHEET DATA:						
Cash and equivalents.....	\$ 127,063	\$ 4,523	\$ 1,612	\$ 126,354	\$ 3,899	\$ 2,74
Loans held for sale.....	47,734	47,734	46,327	36,258	36,258	34,03
Due from loan purchasers.....	93,851	93,851	71,297	58,862	58,862	40,62
Total assets.....	280,662	158,123	127,452	232,537	110,081	83,00
Financing arrangements...	136,134	136,134	115,349	90,425	90,425	73,01
Subordinated notes due to members.....	0	13,707	0	0	14,707	--
Total liabilities.....	143,753	157,713	119,120	95,701	110,555	76,50
Equity(deficit).....	136,909	409	8,332	136,836	(474)	6,50
OTHER DATA:						
Purchase originations....	--	\$169,305	208,511	--	\$ 803,446	\$469,40
Refinancing originations.....	--	114,146	152,904	--	796,879	407,82
Total originations.....	--	\$283,451	361,415	--	\$1,600,325	\$877,23
Fixed-rate originations.....	--	\$137,960	217,284	--	\$ 890,172	\$518,38
Adjustable-rate originations.....	--	145,491	144,131	--	710,153	358,84
Total originations.....	--	\$283,451	361,415	--	\$1,600,325	\$877,23
Weighted average middle						

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credit score.....	--	703	717	--	719	71
Total mortgage sales.....	--	\$199,358	\$290,600	--	\$1,234,848	\$633,22
Brokered originations....	--	\$ 84,093	\$ 70,815	--	\$ 365,477	\$244,00
Weighted average whole loan sales price over par.....	--	2.13%	1.89%	--	1.75%	1.5
Operating expense as a percent of total loans originated(4).....	--	2.16%	1.07%	--	1.25%	1.4
Return on average assets(5).....	--	0.3%	11.1%	--	14.2%	6.
Number of branches at period end.....	--	24	11	--	15	1
Number of employees at period end.....	--	447	235	--	335	18

YEAR ENDED DECEMBER 31,

HISTORICAL

	2001	2000	1999
OPERATING DATA:			
Revenues:			
Gains on sales of mortgage loans.....	\$ 6,429	\$ 3,336	\$ 2,350
Interest income.....	1,570	625	111
Revenue from brokered loans.....	3,749	4,317	2,936
Miscellaneous.....	48	20	1,290
Total revenues.....	11,796	8,298	6,687
Salaries, commission, and related expenses.....	3,644	2,891	3,523
Interest expense.....	1,289	476	172
Cost of brokered loans...	2,174	2,235	1,266
General and administrative expenses.....	2,808	2,169	1,605
Total expenses.....	9,915	7,771	6,566
(Loss)Income before provision for income taxes.....	1,881	527	121
Income taxes.....	--	--	--
Net (loss)income.....	\$ 1,881	\$ 527	\$ 121
Pro forma basic (loss)income per share(2).....	--	--	--
Pro forma diluted (loss)income per share(2).....	--	--	--
Pro forma weighted average common stock outstanding -- basic(3)	--	--	--



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Pro forma weighted average common stock outstanding -- diluted(	--	--	--
BALANCE SHEET DATA:			
Cash and equivalents.....	\$ 1,549	\$ 52	\$ 1,089
Loans held for sale.....	9,894	3,784	929
Due from loan purchasers.....	20,707	0	0
Total assets.....	34,561	12,592	4,454
Financing arrangements...	29,705	10,050	1,734
Subordinated notes due to members.....	0	0	0
Total liabilities.....	30,891	10,538	2,698
Equity(deficit).....	3,670	2,054	1,757
OTHER DATA:			
Purchase originations....	\$374,454	\$352,634	\$154,057
Refinancing originations.....	209,748	45,753	29,170
Total originations.....	\$584,202	\$398,387	\$183,227
Fixed-rate originations.....	\$398,056	\$191,981	\$ 97,546
Adjustable-rate originations.....	186,146	206,406	85,681
Total originations.....	\$584,202	\$398,387	\$183,227
Weighted average middle credit score.....	713	714	719
Total mortgage sales.....	\$404,470	\$170,574	\$ 44,128
Brokered originations....	\$179,732	\$209,345	\$ 72,151
Weighted average whole loan sales price over par.....	1.37%	1.27%	1.19%
Operating expense as a percent of total loans originated(4).....	1.45%	1.78%	3.49%
Return on average assets(5).....	8.0%	6.2%	--
Number of branches at period end.....	7	3	3
Number of employees at period end.....	147	117	90

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SELECTED FINANCIAL DATA AS OF AND FOR THE PERIODS ENDED -- (CONTINUED)  
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

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(1) As the execution of our business plan is contingent upon the completion of this offering, it is assumed that the available net proceeds from this offering are held as cash for purposes of this pro forma presentation rather than invested in mortgage loans and mortgage-backed securities on a leveraged basis as contemplated by our business plan. Other significant differences in our contemplated business plan versus the pro forma presentation include the retention by us of a portion of the loans originated by NYMC, which have historically been sold to third party

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investors and are a significant source of NYMC's historical revenues. In addition, retention of these loans by us would generate additional qualifying interest income for purposes of the REIT gross income tests that would not be subject to corporate income tax, but would be subject to the REIT distribution requirements. As our contemplated business plan assumes that NYMC will be a taxable REIT subsidiary, the pro forma analysis indicates pro forma net income taxed at statutory federal and state corporate tax rates. As a result, our pro forma financial data is not indicative of what our actual financial position and results of operations would have been as of the date and for the periods indicated had this offering and our acquisition of NYMC actually been completed at the beginning of the periods covered by the pro forma financial statements, nor does it purport to represent our future financial position or results of operations.

- (2) Pro forma basic and diluted income per share are computed assuming this offering was consummated as of the first day of the period presented.
- (3) Does not include 100,000 shares of common stock that will be held in escrow through December 31, 2004 and will be available to satisfy any indemnification claims we may have against the contributors of the NYMC membership interests under the contribution agreement between us and the contributors during the escrow period for losses we incur as a result of defaults on any of the residential mortgage loans originated by NYMC and closed prior to the completion of this offering.
- (4) Total operating expenses (total expenses excluding interest expense and depreciation and amortization expenses) divided by total originations, as measured by principal balance.
- (5) Annualized return on average assets has been calculated by dividing net income for each respective period by the average of beginning and ending total assets for such period.

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### RISK FACTORS

You should carefully consider the risks described below, together with all of the other information included in this prospectus, before you decide to purchase our securities. Investing in our common stock involves a high degree of risk. Any of the following factors could harm our business and future results of operations and could result in a partial or complete loss of your investment.

#### RISKS RELATED TO OUR BUSINESS

WE MAY EXPERIENCE A DECLINE IN THE MARKET VALUE OF OUR ASSETS.

The market value of the interest-bearing assets we plan to acquire, most notably mortgage-backed securities and originated or purchased residential mortgage loans and any related hedging instruments, may move inversely with changes in interest rates. We anticipate that increases in interest rates will tend to decrease our net income. A decline in the market value of our

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investments may limit our ability to borrow or result in lenders requiring additional collateral or initiating margin calls under our reverse repurchase agreements. As a result, we could be required to sell some of our investments under adverse market conditions in order to maintain liquidity. If such sales are made at prices lower than the amortized costs of such investments, we will incur losses. A default under our reverse repurchase agreements could also result in the liquidation of the underlying investments used as collateral and result in a loss equal to the difference between the value of the collateral and the amount owed under our reverse repurchase agreements.

A DECREASE IN THE DEMAND FOR MORTGAGE LOANS DUE TO A PERIOD OF RISING INTEREST RATES MAY ADVERSELY AFFECT OUR EARNINGS, WHICH COULD NEGATIVELY AFFECT THE CASH AVAILABLE FOR DISTRIBUTION TO YOU.

Rising interest rates generally reduce the demand for consumer credit, including mortgage loans. Interest rates have been at relatively low levels in recent years. The Mortgage Bankers Association of America has predicted that residential mortgage loan originations will decrease in 2004 and 2005 primarily due to an anticipated decrease in refinancings. In a period of rising interest rates, we expect to originate and sell fewer loans. Accordingly, a period of rising interest rates would adversely affect our business, revenues and results of operations, which could adversely affect the amount of cash available for distribution to you.

OUR SUCCESS WILL PARTIALLY DEPEND ON OUR ABILITY TO ORIGINATE PRIME ADJUSTABLE-RATE AND HYBRID MORTGAGE LOANS FOR OUR PORTFOLIO.

We intend to build a portfolio of prime adjustable-rate and hybrid mortgage loans that will, over time, be comprised primarily of mortgage loans that we originate through NYMC. This source of mortgage loans is a key part of our strategy. During the three month period ended March 31, 2004, approximately 42.5% of our mortgage loan originations, as measured by principal balance, were adjustable-rate and hybrid loans of a type that will be eligible to be included in our portfolio, although a portion of these loans would not have met our investment criteria for retention in our portfolio.

If NYMC is not able to originate prime adjustable-rate and hybrid mortgage loans that meet our investment criteria in the volume we expect, the time required for, and the cost associated with, building our portfolio may be greater than expected, which could have an adverse effect on our results of operations and our ability to make distributions to you.

OUR SUCCESS WILL DEPEND ON OUR ABILITY TO OBTAIN FINANCING TO LEVERAGE OUR EQUITY.

If we are limited in our ability to leverage our assets, the returns on our portfolio may be harmed. A key element of our strategy is our intention to use leverage to increase the size of our portfolio in an attempt to enhance our returns. We intend to leverage our equity eight to 12 times through the use of reverse repurchase agreements and other borrowings. Our reverse repurchase agreements are not currently committed facilities, meaning that the counterparties to these agreements may at any time choose to restrict or eliminate our future access to the facilities and we have no other committed credit facilities through which we may leverage our equity. If we are unable to leverage our equity to the extent we

currently anticipate, the returns on our portfolio could be diminished, which

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may limit or eliminate our ability to pay dividends to you.

WE INTEND TO LEVERAGE OUR EQUITY EIGHT TO 12 TIMES, WHICH WILL EXACERBATE ANY LOSSES WE INCUR ON OUR PLANNED INVESTMENTS AND MAY REDUCE CASH AVAILABLE FOR DISTRIBUTION TO YOU.

We intend to leverage our equity through borrowings, generally through the use of reverse repurchase agreements, bank credit facilities, securitizations, including the issuance of collateralized debt securities, which are obligations issued in multiple classes secured by an underlying portfolio of securities, and other borrowings. The amount of leverage we incur will vary depending on our ability to obtain credit facilities and our lenders' estimates of the value of our portfolio's cash flow. The return on our investments and cash available for distribution to you may be reduced to the extent that changes in market conditions cause the cost of our financing to increase relative to the income that can be derived from the assets we hold in our portfolio. Further, the leverage on our equity may exacerbate any losses we incur.

Our debt service payments will reduce the net income available for distributions to you. We may not be able to meet our debt service obligations and, to the extent that we cannot, we risk the loss of some or all of our assets to foreclosure or sale to satisfy our debt obligations. We intend to use leverage through repurchase agreements. A decrease in the value of the assets may lead to margin calls which we will have to satisfy. We may not have the funds available to satisfy any such margin calls. We have a target overall leverage amount of eight to 12 times our equity, but there is no limitation on our leverage ratio or on the aggregate amount of our borrowings.

THE TERMS OF OUR WAREHOUSE CREDIT FACILITIES AND REVERSE REPURCHASE AGREEMENTS RESTRICT OUR ABILITY TO PAY DIVIDENDS IN SITUATIONS WHERE WE ARE NOT CURRENTLY IN COMPLIANCE WITH CERTAIN FINANCIAL AND OTHER COVENANTS.

The terms of our warehouse credit facilities and reverse repurchase agreements contain a number of restrictive financial and other covenants that, among other things, require us to maintain a minimum ratio of total liabilities to tangible net worth, minimum levels of tangible net worth, liquidity and stockholders' equity and maximum leverage ratios, as well as to comply with applicable regulatory and other requirements. These facilities and agreements may restrict our ability to pay any dividends to you if we are not in compliance with the covenants.

OUR MORTGAGE LOAN ORIGINATIONS HISTORICALLY HAVE BEEN CONCENTRATED IN SPECIFIC GEOGRAPHIC REGIONS AND ANY ADVERSE MARKET OR ECONOMIC CONDITIONS IN THOSE REGIONS MAY HAVE A DISPROPORTIONATELY ADVERSE EFFECT ON THE ABILITY OF OUR CUSTOMERS TO MAKE THEIR LOAN PAYMENTS.

Our mortgage loan originations have been and may in the future be concentrated in specific geographic regions. For example, for the three month period ended March 31, 2004, approximately 86.5% of our residential mortgage loans, as measured by principal balance, were originated with borrowers located in New York, New Jersey and Connecticut. Adverse market or economic conditions in a particular region may disproportionately increase the risk that borrowers in that region are unable to make their mortgage payments. In addition, the market value of the real estate securing those mortgage loans could be adversely affected by adverse market and economic conditions in that region. Any sustained period of increased payment delinquencies, foreclosures or losses caused by adverse market or economic conditions in that geographic region could adversely affect both our net interest income from loans in our portfolio as well as our ability to originate, sell and securitize loans, which would significantly harm our revenues, results of operations, financial condition, business prospects and our ability to make distributions to you.

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FAILURE TO SUCCEED IN NEW GEOGRAPHIC MARKETS MAY LIMIT OUR GROWTH AND COULD ADVERSELY AFFECT OUR PROFITABILITY.

As of March 31, 2004, NYMC operated 24 retail lending offices in 12 different states and was licensed or authorized to do business in 38 different states. However, as of March 31, 2004, approximately 86.5% of NYMC's residential mortgage loans, as measured by principal balance, were originated in just three states,

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New York, New Jersey and Connecticut. NYMC has historically, and we will continue to, concentrate on retail, referral-based, mortgage loans to borrowers with strong credit profiles. As part of our business plan, we intend to expand our loan origination network and business in geographic areas in which we may have little or no prior operating experience, in which our referral-based loan origination network may be insufficiently developed and in which it may be difficult to recruit experienced loan officers. Accordingly, we cannot assure you that we will be successful in expanding our loan origination network in these geographic areas, the failure of which could significantly limit our growth and cause us to incur costs greater than those incurred in other areas, which may adversely affect our profitability.

INTEREST RATE FLUCTUATIONS MAY CAUSE LOSSES.

We expect our primary interest rate exposure to relate to our mortgage loans, mortgage-backed securities and variable-rate debt, as well as the interest rate swaps and caps that we intend to utilize for risk management purposes. Changes in interest rates may affect our net interest income, which is the difference between the interest income we earn on our interest-earning investments and the interest expense we incur in financing these investments. Changes in the level of interest rates also can affect our ability to originate or acquire mortgage loans or mortgage-backed securities, the value of our assets and our ability to realize gains from the sale of such assets. In a period of rising interest rates, our interest expense could increase while the interest we earn on our assets would not change as rapidly. This would adversely affect our profitability.

Our operating results will depend in large part on differences between income received from our assets, net of credit losses, and our financing costs. We anticipate that in most cases, for any period during which our assets are not match-funded, the income from such assets will adjust more slowly to interest rate fluctuations than the cost of our borrowings. Consequently, changes in interest rates, particularly short-term interest rates, may significantly influence our net income. We anticipate that increases in interest rates will tend to decrease our net income. Interest rate fluctuations resulting in our interest expense exceeding our interest income would result in operating losses for us and may limit or eliminate our ability to make distributions to you.

A PROLONGED ECONOMIC SLOWDOWN, A LENGTHY OR SEVERE RECESSION OR DECLINING REAL ESTATE VALUES COULD HARM OUR OPERATIONS.

We believe the risks associated with our business will be more acute during periods of economic slowdown or recession if these periods are accompanied by declining real estate values. Declining real estate values will likely reduce our level of new mortgage loan originations, since borrowers often use increases in the value of their existing home to support the refinancing of their existing

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mortgage loans or the purchase of new homes at higher levels of borrowings. Further, declining real estate values significantly increase the likelihood that we will incur losses on our loans in the event of default. Any sustained period of increased payment delinquencies, foreclosures or losses could adversely affect both our net interest income from loans in our portfolio as well as our ability to originate, sell and securitize loans, which would significantly harm our revenues, results of operations, financial condition, business prospects and our ability to make distributions to you.

WE HAVE NO OPERATING HISTORY WITH RESPECT TO SECURITIZING MORTGAGE LOANS OR MANAGING A PORTFOLIO OF MORTGAGE SECURITIES, WHICH LIMITS YOUR ABILITY TO EVALUATE A KEY COMPONENT OF OUR BUSINESS STRATEGY AND OUR GROWTH PROSPECTS AND INCREASES YOUR INVESTMENT RISK.

Historically, NYMC's business has consisted of the origination and sale of mortgage loans of all types, with a particular focus on prime adjustable- and fixed-rate, first lien, residential purchase mortgage loans. In the future, we intend to build a leveraged portfolio of residential mortgage loans comprised largely of prime adjustable-rate mortgage loans that we originate, including hybrid adjustable-rate loans that have an initial fixed-rate period, while continuing, generally, to sell the fixed-rate loans that we originate to third parties. In addition, we intend to invest in mortgage-backed securities on a leveraged basis. Although certain members of our senior management team have past experience in mortgage banking and investing in and managing portfolios of residential mortgage loans and mortgage-backed securities, we have no prior history with respect to securitizing mortgage loans or managing a portfolio of mortgage securities. Our

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ability to complete securitizations in the future on favorable terms will depend upon a number of factors, including the experience and ability of our management team, conditions in the securities markets generally, conditions in the mortgage-backed securities market specifically, the performance of our portfolio of securitized loans and our ability to obtain leverage. In addition, poor performance of any pool of loans we do securitize could increase the expense of any subsequent securitization we bring to market. Accordingly, a decline in the securitization market or a change in the market's demand for our securities could have a material adverse effect on our results of operations, financial condition and business prospects. If we are unable to securitize efficiently the adjustable-rate and hybrid mortgage loans that we originate and that we may invest in from time to time, then our revenues for the duration of our investment in those loans would decline, which would lower our earnings for the time the loans remain in our portfolio. We cannot assure you that we will be able to complete loan securitizations in the future on favorable terms, or at all.

LOAN PREPAYMENT RATES MAY INCREASE, ADVERSELY AFFECTING YIELDS ON OUR PLANNED INVESTMENTS.

The value of the assets we plan to acquire may be affected by prepayment rates on mortgage loans. Prepayment rates on mortgage loans are influenced by changes in current interest rates and a variety of economic, geographic and other factors beyond our control, and consequently, such prepayment rates cannot be predicted with certainty. In periods of declining mortgage loan interest rates, prepayments on mortgage loans generally increase. If general interest rates decline as well, the proceeds of such prepayments received during such periods are likely to be reinvested by us in assets with lower yields than the yields on the assets that were prepaid. In addition, the market value of any mortgage assets may, because of the risk of prepayment, benefit less than other fixed-income securities from declining interest rates. Conversely, in periods of

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rising interest rates, prepayments on mortgage loans generally decrease, in which case we would not have the prepayment proceeds available to invest in assets with higher yields. Under certain interest rate and prepayment scenarios, we may fail to recoup fully our cost of acquisition of certain investments.

THE MORTGAGE LOANS WE MAY INVEST IN AND THE MORTGAGE LOANS UNDERLYING THE MORTGAGE-BACKED SECURITIES WE MAY INVEST IN ARE SUBJECT TO RISKS OF DELINQUENCY, FORECLOSURE AND LOSS, WHICH COULD RESULT IN LOSSES TO US.

Residential mortgage loans are secured by residential properties and are subject to risks of delinquency and foreclosure, and risks of loss. The ability of a borrower to repay a loan secured by residential property typically is dependent primarily upon the income or assets of the borrower. In addition, the ability of the borrower to repay its mortgage loan may be affected by, among other things: property location and condition, competition and demand for comparable properties, changes in zoning laws for the property or its surrounding area, environmental contamination at the property, the occurrence of any uninsured casualty at the property, changes in national, regional or local economic conditions, declines in regional or local real estate values, increases in interest rates, real estate tax rates, changes in governmental rules, regulations and fiscal policies, including environmental legislation, acts of God, terrorism, social unrest and civil disturbances.

In the event of any default under a mortgage loan held directly by us, we will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral that we can realize upon foreclosure and sale and the principal and accrued interest of the mortgage loan, which could have a material adverse effect on our cash flow from operations and could limit the amount we have available for distribution to you. In the event of the bankruptcy of a mortgage loan borrower, the mortgage loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the mortgage loan will be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession to the extent the lien is unenforceable under state law. Foreclosure of a mortgage loan can be an expensive and lengthy process that can have a substantial negative effect on our originally anticipated return on the foreclosed mortgage loan. Residential mortgage-backed securities evidence interests in or are secured by pools of residential mortgage loans. Accordingly, the mortgage-backed securities we plan to invest in are subject to all of the risks of the underlying mortgage loans.

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OUR SUCCESS WILL DEPEND ON OUR SELECTION OF INVESTMENTS AND A DELAY IN INVESTING FUNDS MAY CAUSE A DELAY IN OUR ABILITY TO DELIVER RETURNS TO INVESTORS.

We have not yet identified an initial portfolio of the residential mortgage-backed securities to be purchased with the available net proceeds of this offering. Therefore, there could be a delay between the time you invest in shares and the time all of the available net proceeds are invested by us. This could cause a substantial delay in the time it takes for your investment to realize its full potential return or any return at all. In addition, you will have no opportunity to evaluate the terms of investments or other economic or financial data concerning our investments that are not described in this prospectus. You must rely entirely on our future investment selection.

WE WERE INCORPORATED IN SEPTEMBER 2003 AND HAVE A LIMITED OPERATING HISTORY.

NYMC, our mortgage banking operation subsidiary following completion of this offering, has a substantial operating history, but we were not formed until

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September 2003 and will have had no operations prior to the completion of this offering. We are relying on capital raised in this offering to fund our initial investments in retained mortgage loans and residential mortgage-backed securities. As a result, we have no history managing a portfolio of mortgage loans or mortgage-backed securities for you to determine the likelihood of our achieving our investment objectives. The results of our operations will depend on many factors, including:

- the availability of opportunities for the acquisition of assets;
- our ability to originate prime adjustable-rate and hybrid mortgage loans for our portfolio;
- the level and volatility of interest rates;
- readily accessible short- and long-term funding;
- conditions in the financial markets; and
- general economic conditions.

Our failure to invest the available net proceeds of this offering in loans and securities meeting our investment criteria could diminish our returns and have an adverse effect on our ability to make distributions to you.

WE RELY ON KEY PERSONNEL WITH LONG-STANDING BUSINESS RELATIONSHIPS, THE LOSS OF ANY OF WHOM COULD IMPAIR OUR ABILITY TO SUCCESSFULLY OPERATE.

Our future success depends, to a significant extent, on the continued services of Steven B. Schnall, our chairman of the board and co-chief executive officer, David A. Akre, our co-chief executive officer, Raymond A. Redlingshafer, Jr., our president and chief investment officer and other key members of our senior management team. In particular, the extent and nature of the relationships that these individuals have developed with financial institutions and existing and prospective mortgage loan origination channels is critically important to the success of our business. Although we have employment agreements with Mr. Schnall and other key executives, these executives may not remain employed with us. We do not maintain key person life insurance on any of our officers. The loss of services of one or more members of our senior management team could harm our business and our prospects.

THE VALUATION OF NYMC WAS DETERMINED BETWEEN MANAGEMENT AND THE UNDERWRITERS.

The valuation of NYMC, and, as a result, the number of shares of our common stock to be issued and cash, if any, to be paid to the principals of NYMC, Messrs. Schnall and Fierro, as consideration for our acquisition of NYMC, was determined jointly by Messrs. Schnall and Fierro and the underwriters. No third-party valuations or appraisals were obtained in determining this valuation. As a result, the valuation of NYMC does not represent an arms-length transaction, and may not be indicative of NYMC's actual fair market value.

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OUR DIRECTORS WILL APPROVE BROAD INVESTMENT GUIDELINES FOR US AND WILL NOT APPROVE EACH INVESTMENT WE MAKE.

We will be authorized by our board of directors to invest in accordance with broad investment guidelines. Our board of directors will periodically review our investment guidelines and our portfolio. However, our board of directors will not review each proposed investment. In addition, in conducting periodic reviews, our directors will rely primarily on information provided to



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them by our executive officers. Furthermore, transactions entered into by us may be difficult or impossible to unwind by the time they are reviewed by our directors. We will have substantial discretion within the broad investment guidelines in determining the types of assets we may decide are proper investments for us.

WE MAY CHANGE OUR INVESTMENT STRATEGY WITHOUT YOUR CONSENT, WHICH MAY RESULT IN OUR INVESTING IN RISKIER INVESTMENTS THAN OUR CURRENTLY PLANNED INVESTMENTS.

We may change our investment strategy at any time without the consent of our stockholders, which could result in our making investments that are different from, and possibly riskier than, the investments described in this prospectus. A change in our investment strategy may increase our exposure to, among other things, credit risk, interest rate risk and real estate market fluctuations.

OUR HEDGING TRANSACTIONS MAY LIMIT OUR GAINS OR RESULT IN LOSSES.

We intend to use derivatives, primarily interest rate swaps and caps, to hedge our liabilities and this has certain risks, including the risk that losses on a hedging transaction will reduce the amount of cash available for distribution to you and that such losses may exceed the amount invested in such instruments. Our board of directors will adopt a general policy with respect to the use of derivatives, which will generally allow us to use derivatives when we deem appropriate for risk management purposes, but does not set forth specific guidelines. To the extent consistent with maintaining our status as a REIT, we may use derivatives, including interest rate swaps and caps, options, term repurchase contracts, forward contracts and futures contracts, in our risk management strategy to limit the effects of changes in interest rates on our operations. However, a hedge may not be effective in eliminating the risks inherent in any particular position. Our profitability may be adversely affected during any period as a result of the use of derivatives in a hedging transaction.

WE MAY BE REQUIRED TO REPURCHASE MORTGAGE LOANS THAT WE HAVE SOLD OR TO INDEMNIFY HOLDERS OF OUR MORTGAGE-BACKED SECURITIES.

If any of the mortgage loans that we originate and sell, or that we pledge to secure mortgage-backed securities that we issue in our securitizations, do not comply with the representations and warranties that we make about the characteristics of the loans, the borrowers and the properties securing the loans, we may be required to repurchase those loans in the case of the loans that we have sold, or replace them with substitute loans or cash in the case of securitized loans. If this occurs, we may have to bear any associated losses directly. In addition, in the case of loans that we have sold, we may be required to indemnify the purchasers of such loans for losses or expenses incurred as a result of a breach of a representation or warranty made by us. Repurchased loans typically require an allocation of working capital to carry on our books, and our ability to borrow against such assets is limited, which could limit the amount by which we can leverage our equity. Any significant repurchases or indemnification payments could significantly harm our cash flow and results of operations and limit our ability to make distributions to you.

WE MAY BE SUBJECT TO LOSSES DUE TO FRAUDULENT AND NEGLIGENT ACTS ON THE PART OF LOAN APPLICANTS, MORTGAGE BROKERS, OTHER VENDORS AND OUR EMPLOYEES.

When we originate mortgage loans, we rely upon information supplied by borrowers and other third parties, including information contained in the applicant's loan application, property appraisal reports, title information and employment and income documentation. If any of this information is misrepresented or falsified and if we do not discover it prior to funding a

loan, the actual value of such loan may be

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significantly lower than anticipated. As a practical matter, we generally bear the risk of loss associated with a misrepresentation whether it is made by the loan applicant, the mortgage broker, another third party or one of our employees. A loan subject to a material misrepresentation is typically unsaleable or is subject to repurchase or substitution if it is sold or securitized prior to detection of the misrepresentation. Although we may have rights against persons and entities who made or knew about the misrepresentation, those persons and entities may be difficult to locate, and it is often difficult to collect any monetary losses from them that we may have suffered.

In addition, for the three month period ended March 31, 2004, with respect to approximately 37.0% of the mortgage loans we originated, as measured by principal balance, we received less than full documentation of the borrower's income and/or assets. In those cases, we base our credit decision on the borrower's credit score and credit history, the value of the property securing the loan and the effect of the loan on the borrower's debt service requirements. We believe that there is a higher risk of default on loans where there is less than full documentation of the borrower's income and/or assets.

OUR PAST OPERATING RESULTS HAVE OCCURRED DURING A PERIOD OF RAPID GROWTH FOR THE RESIDENTIAL MORTGAGE INDUSTRY AND PRIOR TO THE IMPLEMENTATION OF OUR NEW BUSINESS STRATEGY AND, AS A RESULT, MAY NOT BE INDICATIVE OF OUR FUTURE OPERATING RESULTS.

NYMC's growth rate has benefited from low interest rates and a long period of economic growth. NYMC's net income grew by more than 266.8% between the beginning of 2000 and the end of 2002, by 366.0% for the year ended December 31, 2003 as compared to the same period in 2002. We do not know whether these favorable conditions will continue. Due to stable and decreasing interest rates over recent years, NYMC's historical performance may not be indicative of results in a rising interest rate environment, and our results of operations may be materially adversely affected if interest rates rise. In addition, NYMC's recent and rapid growth may distort some of its ratios and financial statistics and our change in business strategy to include the development of a portfolio of mortgage loans and mortgage-backed securities will make period-to-period comparisons difficult. In light of this growth and change in business strategy, NYMC's historical performance and operating and origination data may be of little relevance in predicting our future performance.

IF WE DO NOT MANAGE OUR GROWTH EFFECTIVELY, OUR FINANCIAL PERFORMANCE COULD BE HARMED.

In recent years, NYMC has experienced rapid growth that has placed pressure on NYMC's management, administrative, operational and financial infrastructure. If we experience rapid growth similar to NYMC, we may experience those same pressures. As of May 1, 2004, NYMC had grown to employ approximately 460 people, many of whom have limited experience with NYMC and a limited understanding of our systems and controls. An increase in the size of our operations may make it more difficult for us to ensure that we originate quality loans. We will need to attract and hire additional loan officers and management personnel in a competitive hiring environment to expand our business and, at the same time,

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continue to upgrade and expand our financial, operational and managerial systems and controls. We cannot assure you that we will be able to meet our capital needs, expand our systems effectively, allocate our human resources optimally nor identify and hire qualified employees. The failure to manage our growth effectively may significantly harm our business, financial condition, liquidity and profitability.

WE FACE INTENSE COMPETITION THAT COULD ADVERSELY AFFECT OUR MARKET SHARE AND OUR REVENUES.

We face intense competition from finance and mortgage banking companies, other mortgage REITs, Internet-based lending companies where entry barriers are relatively low, and, to a growing extent, from traditional bank and thrift lenders that have increased their participation in the mortgage industry. As we seek to expand our loan origination business further and expand our business strategy to build a portfolio of mortgage loans and mortgage-backed securities, we will face a significant number of additional competitors, many of whom will be well established in the markets we seek to penetrate. Some of our competitors are much larger than we are, have better name recognition than we do and have far greater financial and other resources than we do.

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We anticipate that the majority of our competition will be in the mortgage industry. In addition to mortgage banking companies, Internet-based lending companies, traditional banks and thrift lenders, the government sponsored entities Fannie Mae and Freddie Mac are also expanding their participation in the mortgage industry. While the government sponsored entities presently do not have the legal authority to originate mortgage loans, they do have the authority to buy loans. If as a result of their purchasing practices, these government sponsored entities experience significantly higher-than-expected losses, the experience could adversely affect overall investor perception of the mortgage industry.

Competition in the industry can take many forms, including lower interest rates and fees, less stringent underwriting standards, convenience in obtaining a loan, customer service, amount and term of a loan and marketing and distribution channels. The need to maintain mortgage loan volume in this competitive environment creates a risk of price and quality competition in the mortgage industry. Price competition could cause us to lower the interest rates that we charge borrowers, which could lower the value of our loans we sell or retain in our portfolio. If our competitors adopt less stringent underwriting standards, we will be pressured to do so as well. If we do not relax underwriting standards in response to our competitors, we may lose market share. If we relax our underwriting standards in response to price competition, we may be exposed to higher credit risk without receiving higher pricing to compensate for the higher risk. Any increase in these pricing and underwriting pressures could reduce the volume of our loan originations and sales and significantly harm our business, financial condition, liquidity and results of operations.

WE MAY COMPLETE STRATEGIC ACQUISITIONS OF OTHER MORTGAGE BANKING BUSINESSES OR RELATED ASSETS AT A PURCHASE PRICE THAT EXCEEDS THEIR FAIR VALUE, AND EVEN IF WE COMPLETE THESE ACQUISITIONS AT A FAIR PRICE, WE MAY NOT BE SUCCESSFUL IN INTEGRATING ANY ACQUIRED BUSINESS WITH OURS EFFICIENTLY.

We intend to selectively pursue strategic acquisitions in the mortgage banking business as part of our business strategy to grow our business. We may overvalue the business or assets we are seeking to acquire and, as a result, we may pay a purchase price that exceeds the fair value of the acquired business or assets. In addition, even if we pay a fair price for any acquired business, we

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may not be able to integrate the acquired business with our own efficiently. Finally, we may incur unforeseen liabilities in connection with any acquisition we undertake. Any of the foregoing risks could have a material adverse effect on our financial condition or results of operations and our ability to make distributions to you.

THE SUCCESS AND GROWTH OF OUR MORTGAGE LOAN ORIGINATION BUSINESS WILL DEPEND UPON OUR ABILITY TO ADAPT TO AND IMPLEMENT TECHNOLOGICAL CHANGES.

Our mortgage loan origination business is dependent upon our ability to interface effectively with our borrowers and other third parties and to process loan applications efficiently. The origination process is becoming more dependent upon technological advancement, such as the ability to process applications over the Internet, interface with borrowers and other third parties through electronic means and underwrite loan applications using specialized software. Implementing new technology and maintaining the efficiency of the current technology used in our operations may require significant capital expenditures. As these requirements increase in the future, we will have to develop these technological capabilities fully to remain competitive or our business will be significantly harmed.

AN INTERRUPTION IN SERVICE OR BREACH IN SECURITY OF OUR INFORMATION SYSTEMS COULD IMPAIR OUR ABILITY TO ORIGINATE LOANS ON A TIMELY BASIS AND MAY RESULT IN LOST BUSINESS.

We rely heavily upon communications and information systems to conduct our business. Any failure or interruption in service or breach in security of our information systems or the third-party information systems on which we rely could cause underwriting or other delays and could result in fewer loan applications being received and processed and reduced efficiency in loan servicing. We cannot assure you that no material failures or interruptions will occur or, if they do occur, that we or the third parties on whom we rely will adequately address them. The occurrence of any failures or interruptions could significantly harm our business.

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OUR OPERATIONS ARE SUBJECT TO A BODY OF COMPLEX LAWS AND REGULATIONS AT THE FEDERAL, STATE AND LOCAL LEVELS.

We must comply with the laws, rules and regulations, as well as judicial and administrative decisions, of all jurisdictions in which we originate mortgage loans, as well as an extensive body of federal laws, rules and regulations. The volume of new or modified laws, rules and regulations applicable to our business has increased in recent years and individual municipalities have also begun to enact laws, rules and regulations that restrict or otherwise affect loan origination activities, and in some cases loan servicing activities. The laws, rules and regulations of each of these jurisdictions are different, complex and, in some cases, in direct conflict with each other. It may be more difficult to identify comprehensively, to interpret accurately, to program properly our information systems and to effectively train our personnel with respect to all of these laws, rules and regulations, thereby potentially increasing the risks of non-compliance with these laws, rules and regulations.

Our failure to comply with these laws, rules and regulations can lead to:

- civil and criminal liability, including potential monetary penalties;
- loss of state licenses or permits required for continued lending and servicing operations;

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- legal defenses causing delay or otherwise adversely affecting our ability to enforce loans, or giving the borrower the right to rescind or cancel the loan transaction;
- demands for indemnification or loan repurchases from purchasers of our loans;
- class action lawsuits; and
- administrative enforcement actions.

Some states in which we operate may impose regulatory requirements on our officers and directors and parties holding 10%, and in some cases 5%, of our outstanding shares of common stock. If any officer, director or person holding 10%, and in some cases 5%, or more of our outstanding shares of common stock fails to meet or refuses to comply with a state's applicable regulatory requirements for mortgage lending, we could lose our authority to conduct business in that state. The loss of our authority to conduct business in a state, for this or any other reason, could have a material adverse effect on our business, financial condition, liquidity and results of operations.

NEW LEGISLATION MAY RESTRICT OUR ABILITY TO MAKE MORTGAGE LOANS, NEGATIVELY IMPEDING OUR REVENUES.

In recent years, federal and several state and local laws, rules and regulations have been adopted, or are under consideration, that are intended to eliminate certain lending practices, often referred to as "predatory" lending practices, that are considered to be abusive. Many of these laws, rules and regulations restrict commonly accepted lending activities and would impose additional costly and burdensome compliance requirements on us. These laws, rules and regulations impose certain restrictions on loans on which certain points and fees or the annual percentage rate, or APR, meets or exceeds specified thresholds. Some of these restrictions expose a lender to risks of litigation and regulatory sanction regardless of how carefully a loan is underwritten. In addition, an increasing number of these laws, rules and regulations seek to impose liability for violations on the purchasers of mortgage loans, regardless of whether a purchaser knew of or participated in the violation. Accordingly, the third parties that buy our loans or provide financing for our loan originations may not want, and are not contractually required, to buy or finance loans that do not comply with these laws, rules and regulations.

The continued enactment of these laws, rules and regulations may prevent us from making certain loans and may cause us to reduce the APR or the points and fees we charge on the mortgage loans that we originate. In addition, the difficulty of managing the compliance risks presented by these laws, rules and regulations may decrease the availability of warehouse financing and the overall demand for the purchase of our originated loans. These laws, rules and regulations have increased, and may continue to increase, our cost of doing business as we have been required, and may continue to be required, to develop systems and procedures to ensure that we do not violate any aspect of these new requirements.

In addition, many of these state laws, rules and regulations are not applicable to the mortgage loan operations of national banks or other financial institutions chartered by the federal government. Therefore, the mortgage loan operations of these institutions are at a competitive advantage to us since they do not have to comply with many of these laws.

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Our goal is to avoid originating loans that meet or exceed the APR or "points and fees" threshold of these laws, rules and regulations except in the relatively small number of states in which the laws, rules and regulations relating to APR and "points and fees" thresholds allow, in our judgment, these loans to be made within our strict legal compliance standards and without undue risk relative to litigation or to the enforcement of the loan according to its terms. If we elect to relax our self-imposed restrictions on originating loans subject to these laws, rules and regulations, we will be subject to greater risks for actual or perceived non-compliance with the laws, rules and regulations, including demands for indemnification or loan repurchases from the parties to whom we broker or sell loans, class action lawsuits, increased defenses to foreclosure of individual loans in default, individual claims for significant monetary damages and administrative enforcement actions. Any of the foregoing could significantly harm our business, cash flow, financial condition, liquidity and results of operations.

COMPLIANCE WITH THE SARBANES-OXLEY ACT OF 2002 AND PROPOSED AND RECENTLY ENACTED CHANGES IN SECURITIES LAWS AND REGULATIONS ARE LIKELY TO INCREASE OUR COSTS.

The Sarbanes-Oxley Act of 2002 and rules and regulations promulgated by the Securities and Exchange Commission and the New York Stock Exchange have increased the scope, complexity and cost of corporate governance, reporting and disclosure practices. These rules and regulations could also make it more difficult for us to attract and retain qualified executive officers and members of our board of directors, particularly to serve on our audit committee.

WE ARE EXPOSED TO ENVIRONMENTAL LIABILITIES WITH RESPECT TO PROPERTIES TO WHICH WE TAKE TITLE.

In the course of our business, we may foreclose and take title to residential properties securing our mortgage loans, and, if we do take title, we could be subject to environmental liabilities with respect to these properties. In such a circumstance, we may be held liable to a governmental entity or to third parties for property damage, personal injury, investigation and clean-up costs incurred by these parties in connection with environmental contamination, or we may be required to investigate or clean up hazardous or toxic substances or chemical releases at a property. The costs associated with investigation or remediation activities could be substantial. If we become subject to significant environmental liabilities, our business, financial condition, liquidity and results of operations could be materially and adversely affected.

### RISKS RELATED TO THIS OFFERING

THERE IS CURRENTLY NO PUBLIC MARKET FOR OUR COMMON STOCK, AND AN ACTIVE TRADING MARKET FOR OUR COMMON STOCK MAY NEVER DEVELOP FOLLOWING THIS OFFERING.

Prior to this offering, there has been no public market for our common stock. We have applied for listing of our common stock on the New York Stock Exchange in connection with this offering, but even if our common stock is approved for listing, an active trading market for our common stock may never develop or be sustained. Our common stock may have limited trading volume, and many investors may not be interested in owning our common stock because of the inability to acquire or sell a substantial block of our common stock at one time. This illiquidity could have an adverse effect on the market price of our common stock. In addition, a stockholder may not be able to borrow funds using our common stock as collateral because lenders may be unwilling to accept the pledge of securities having such a limited market. A substantial sale of our common stock could have a material adverse effect on the market price of our common stock.

OUR STOCK PRICE AND TRADING VOLUME MAY BE VOLATILE, WHICH COULD RESULT IN SUBSTANTIAL LOSSES FOR OUR STOCKHOLDERS.

Even if an active trading market develops for our common stock after this offering, the market price of our common stock may be highly volatile and be subject to wide fluctuations. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. Some of the factors that could negatively affect our share price or result in fluctuations in the price or trading volume of our common stock include:

- general economic conditions;
- actual or anticipated changes in our future financial performance;
- changes in financial estimates by securities analysts;
- changes in market interest rates;
- competitive developments, including announcements by us or our competitors of new products or services or significant contracts, acquisitions, strategic partnerships or capital commitments;
- the operations and stock performance of our competitors;
- developments in the mortgage lending industry or the financial services sector generally;
- the impact of new state or federal legislation or court decisions restricting the activities of lenders or suppliers of credit in our market;
- fluctuations in our quarterly operating results;
- additions or departures of senior management and key personnel;
- actions by institutional stockholders; and
- general market and economic conditions.

If the market price of our common stock declines, you may be unable to resell your common stock at or above the initial public offering price. We cannot assure you that the market price of our common stock will not fluctuate or decline significantly, including a decline below the initial public offering price, in the future. In addition, the stock market in general can experience considerable price and volume fluctuations.

THE INITIAL PUBLIC OFFERING PRICE MAY BE HIGHER THAN THE MARKET PRICE OF OUR COMMON STOCK AFTER THIS OFFERING.

You will pay a price for the common stock that was not established in a competitive market. Instead, you will pay a price that we negotiated with the representative of the underwriters. See "Underwriting" for factors considered in determining the initial public offering price. The initial public offering price does not necessarily bear any relationship to our book value or the fair market value of our assets, and may be higher than the market price of our common stock after this offering.

WE HAVE NOT ESTABLISHED A MINIMUM DIVIDEND PAYMENT LEVEL AND WE MAY NOT HAVE THE ABILITY TO PAY DIVIDENDS TO YOU IN THE FUTURE.

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We intend to pay quarterly dividends following the end of the first full fiscal quarter after completion of this offering and to pay dividends to our stockholders of all or substantially all of our REIT taxable income in each year. We have not established a minimum dividend payment level and our ability to pay dividends may be adversely affected by the risk factors described in this prospectus. In addition, some of our distributions may include a return of capital. All dividends will be made at the discretion of our board of directors and will depend on our earnings, our financial condition, maintenance of our REIT status and other factors as our board of directors may deem relevant from time to time. We cannot predict our ability to pay dividends to you in the future.

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FUTURE SALES OF SHARES OF OUR COMMON STOCK, INCLUDING SALES BY OUR INSIDERS, MAY DEPRESS THE PRICE OF OUR COMMON STOCK.

Any sales of a substantial number of shares of our common stock, or the perception that those sales might occur, may cause the market price of our common stock to decline. Our directors and our executive officers have agreed with the underwriters not to sell the common stock they hold earlier than 180 days after the date of this prospectus. We are unable to predict whether significant numbers of shares will be sold in the open market in anticipation of or following a sale by insiders.

OUR BOARD OF DIRECTORS MAY AUTHORIZE THE ISSUANCE OF ADDITIONAL SHARES THAT MAY CAUSE DILUTION.

Our charter authorizes our board of directors, without your approval, to:

- authorize the issuance of additional common or preferred stock in connection with future equity offerings, acquisitions of securities or other assets of companies; and
- classify or reclassify any unissued common stock or preferred stock and to set the preferences, rights and other terms of the classified or reclassified shares, including the issuance of shares of preferred stock that have preference rights over the common stock with respect to dividends, liquidation, voting and other matters or shares of common stock having special voting rights.

The issuance of additional shares could be substantially dilutive to your shares. Additionally, as permitted by the Maryland General Corporation Law, our charter contains a provision permitting our board of directors, without any action by our stockholders, to amend our charter to increase the aggregate number of shares of stock or the number of shares of stock of any class or series that we have authority to issue.

FUTURE OFFERINGS OF DEBT SECURITIES, WHICH WOULD BE SENIOR TO OUR COMMON STOCK IN LIQUIDATION, OR EQUITY SECURITIES, WHICH WOULD DILUTE OUR EXISTING STOCKHOLDERS AND MAY BE SENIOR TO OUR COMMON STOCK FOR THE PURPOSES OF DISTRIBUTIONS, MAY HARM THE VALUE OF OUR COMMON STOCK.

In the future, we may attempt to increase our capital resources by making additional offerings of debt or equity securities, including commercial paper, medium-term notes, senior or subordinated notes, preferred stock or common stock. If we were to liquidate, holders of our debt securities and shares of preferred stock and lenders with respect to other borrowings would receive a distribution of our available assets before the holders of our common stock. Additional equity offerings by us may dilute your interest in us or reduce the



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value of your shares of common stock, or both. Our preferred stock, if issued, could have a preference on distribution payments that could limit our ability to make a distribution to you. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Further, market conditions could require us to accept less favorable terms for the issuance of our securities in the future. Thus, you will bear the risk of our future offerings reducing the value of your shares of common stock and diluting your interest in us.

IF YOU PURCHASE SHARES IN THIS OFFERING, YOU WILL EXPERIENCE IMMEDIATE AND SUBSTANTIAL DILUTION.

We expect the offering price of our common stock to be higher than the book value per share of our common stock immediately following the offering and our acquisition of NYMC. Accordingly, if you purchase common stock in this offering, you will experience immediate dilution of approximately \$2.42 in net tangible book value per share following this offering and our acquisition of NYMC, assuming the public offering price is \$10.00 per share, which is the mid-point of the range set forth on the cover page of this prospectus. This means that investors who purchase shares will likely pay a price per share that exceeds the net book value following our acquisition of NYMC of our tangible assets after subtracting our liabilities following our acquisition of NYMC.

Moreover, to the extent that we issue options or warrants to purchase our common stock in the future and those options or warrants are exercised, you may experience further dilution.

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### TAX RISKS RELATED TO OUR BUSINESS AND STRUCTURE

FAILURE TO QUALIFY AS A REIT WOULD ADVERSELY AFFECT OUR OPERATIONS AND ABILITY TO MAKE DISTRIBUTIONS.

We intend to operate so as to qualify as a REIT for federal income tax purposes. Although we have not requested, and do not expect to request, a ruling from the Internal Revenue Service, or IRS, that we qualify as a REIT, we will receive at the closing of the offering an opinion of our legal counsel Hunton & Williams LLP that, based on certain assumptions and representations, we will so qualify. Investors should be aware, however, that opinions of counsel are not binding on the IRS or any court. The REIT qualification opinion only represents the view of Hunton & Williams LLP based on its review and analysis of existing law, which includes no controlling precedent. Furthermore, both the validity of the opinion and our qualification as a REIT will depend on our ability to meet various requirements concerning, among other things, the ownership of our outstanding stock, the nature of our assets, the sources of our income, and the amount of our distributions to our stockholders. See "Federal Income Tax Consequences of Our Status as a REIT -- Taxation of Our Company."

If we fail to qualify as a REIT in any taxable year, we would be subject to federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates. In addition, we generally would be disqualified from treatment as a REIT for the four taxable years following the year in which we lost our REIT status. Failing to obtain, or losing, our REIT status would reduce our net earnings available for investment or distribution to stockholders because of the additional tax liability, and we would no longer be required to make distributions to stockholders. We might be required to borrow funds or liquidate some investments in order to pay the applicable tax.

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### REIT DISTRIBUTION REQUIREMENTS COULD ADVERSELY AFFECT OUR LIQUIDITY.

In order to qualify as a REIT, we generally are required each year to distribute to our stockholders at least 90% of our REIT taxable income, excluding any net capital gain. To the extent that we distribute at least 90%, but less than 100% of our REIT taxable income, we will be subject to corporate income tax on our undistributed REIT taxable income. In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which certain distributions paid by us with respect to any calendar year are less than the sum of (i) 85% of our ordinary REIT income for that year, (ii) 95% of our REIT capital gain net income for that year, and (iii) 100% of our undistributed REIT taxable income from prior years.

We intend to make distributions to our stockholders to comply with the 90% distribution requirement and to avoid corporate income tax and the nondeductible excise tax. However, differences in timing between the recognition of REIT taxable income and the actual receipt of cash could require us to sell assets or to borrow funds on a short-term basis to meet the 90% distribution requirement and to avoid corporate income tax and the nondeductible excise tax.

Certain of our assets may generate substantial mismatches between REIT taxable income and available cash. Such assets could include mortgage-backed securities we hold that have been issued at a discount and require the accrual of taxable income in advance of the receipt of cash. As a result, our taxable income may exceed our cash available for distribution and the requirement to distribute a substantial portion of our net taxable income could cause us to:

- sell assets in adverse market conditions,
- borrow on unfavorable terms or
- distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt

in order to comply with the REIT distribution requirements.

Further, amounts distributed will not be available to fund investment activities. We expect to fund our investments, initially, by raising capital in this offering and, subsequently, through borrowings from financial institutions, along with securitization financings. If we fail to obtain debt or equity capital in the

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future, it could limit our ability to grow, which could have a material adverse effect on the value of our common stock.

### RECENT CHANGES IN TAXATION OF CORPORATE DIVIDENDS MAY ADVERSELY AFFECT THE VALUE OF OUR COMMON STOCK.

The Jobs and Growth Tax Relief Reconciliation Act of 2003, which was signed into law on May 28, 2003, among other things, generally reduces to 15% the maximum marginal rate of tax payable by domestic noncorporate taxpayers on dividends received from a regular subchapter C corporation. This reduced tax rate, however, generally will not apply to dividends paid to domestic noncorporate taxpayers by a REIT on its stock, except for certain limited amounts. Although the earnings of a REIT that are distributed to its stockholders still generally will be subject to less total federal income taxation than earnings of a non-REIT subchapter C corporation that are distributed to its stockholders net of corporate-level income tax, this

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legislation could cause domestic noncorporate investors to view the stock of non-REIT subchapter C corporations as more attractive relative to the stock of a REIT than was the case prior to the enactment of the legislation, because dividends from non-REIT subchapter C corporations generally will be taxed at a lower rate to the investor while dividends from REITs generally will be taxed at the same rate as the investor's other ordinary income. We cannot predict what effect, if any, the enactment of this legislation may have on the value of the stock of REITs in general or on our common stock in particular, either in terms of absolute price or relative to other investments.

### RISKS RELATED TO OUR COMPANY, STRUCTURE AND CHANGE IN CONTROL PROVISIONS

#### MAINTENANCE OF OUR INVESTMENT COMPANY ACT EXEMPTION IMPOSES LIMITS ON OUR OPERATIONS.

We intend to conduct our operations so as not to become regulated as an investment company under the Investment Company Act of 1940, as amended. We believe that there are a number of exemptions under the Investment Company Act that may be applicable to us. To maintain exemption, the assets that we may acquire will be limited by the provisions of the Investment Company Act and the rules and regulations promulgated under the Investment Company Act. In addition, we could, among other things, be required either (a) to change the manner in which we conduct our operations to avoid being required to register as an investment company or (b) to register as an investment company, either of which could have an adverse effect on our operations and the market price for our common stock.

#### THE STOCK OWNERSHIP LIMIT IMPOSED BY OUR CHARTER MAY INHIBIT MARKET ACTIVITY IN OUR STOCK AND MAY RESTRICT OUR BUSINESS COMBINATION OPPORTUNITIES.

In order for us to maintain our qualification as a REIT under the Internal Revenue Code, not more than 50% in value of the issued and outstanding shares of our stock may be owned, actually or constructively, by five or fewer individuals (as defined in the Internal Revenue Code to include certain entities) at any time during the last half of each taxable year after our first REIT taxable year. Attribution rules in the Internal Revenue Code apply to determine if any individual or entity actually or constructively owns our stock for purposes of this requirement. Additionally, at least 100 persons must beneficially own our stock during at least 335 days of each taxable year. To help insure that we meet these tests, our charter restricts the acquisition and ownership of shares of our stock. Our charter, with certain exceptions, authorizes our directors to take such actions as are necessary and desirable to preserve our qualification as a REIT and provides that, unless exempted by our board of directors, no person other than Mr. Schnall may own more than 9.4% in value of the outstanding shares of our capital stock. Our charter provides that Mr. Schnall, may own up to 12.0% of our outstanding common stock. Our board of directors may grant an exemption from that ownership limit in its sole discretion, subject to such conditions, representations and undertakings as it may determine. This ownership limit could delay or prevent a transaction or a change in our control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

#### OUR EXECUTIVE OFFICERS HAVE AGREEMENTS THAT PROVIDE THEM WITH BENEFITS IN THE EVENT THEIR EMPLOYMENT IS TERMINATED FOLLOWING A CHANGE OF CONTROL.

We have entered into agreements with the members of our senior management team, Messrs. Schnall, Akre, Redlingshafer, Fierro, Wirth and Mumma, that provide them with severance benefits if their

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employment ends under specified circumstances following a change in control. These benefits could increase the cost to a potential acquirer of us and thereby prevent or discourage a change of control that might involve a premium price for your shares or otherwise be in your best interest.

CERTAIN PROVISIONS OF MARYLAND LAW AND OUR CHARTER AND BYLAWS COULD HINDER, DELAY OR PREVENT A CHANGE IN CONTROL WHICH COULD HAVE AN ADVERSE EFFECT ON THE VALUE OF OUR COMMON STOCK.

Certain provisions of Maryland law, our charter and our bylaws may have the effect of discouraging, delaying or preventing transactions that involve an actual or threatened change in control. These provisions include the following:

**Removal of Directors.** Under our charter, subject to the rights of one or more classes or series of preferred stock to elect one or more directors, a director may be removed with or without cause only by the affirmative vote of the holders of at least two-thirds of all votes entitled to be cast by our stockholders generally in the election of directors.

**Classified Board of Directors.** Although currently all members of our board of directors will be subject to election or re-election at each annual meeting of stockholders, Maryland law permits our board of directors, without stockholder approval and regardless of what is provided in our charter or bylaws, to divide the members of our board of directors into up to three classes with only one class standing for election in any year.

**Board Vacancies.** Immediately prior to this offering, we expect to elect to be subject to certain provisions of Maryland law that vest in the board of directors the exclusive right, by the affirmative vote of the majority of the remaining directors, to fill vacancies on the board resulting from any reason, even if the remaining directors do not constitute a quorum. A vacancy shall be filled for the remainder of the term in which the vacancy occurred.

**Limitation on Stockholder-Requested Special Meetings.** Our bylaws provide that our secretary must call a special meeting of stockholders only upon the written request of stockholders entitled to cast not less than a majority of all the votes entitled to be cast by the stockholders at such meeting.

**Advance Notice Provisions for Stockholder Nominations and Proposals.** Generally, our bylaws require advance written notice for stockholders to nominate persons for election as directors at, or to bring other business before, meetings of stockholders. This bylaw provision limits the ability of stockholders to make nominations of persons for election as directors or to introduce other proposals unless we are notified in a timely manner prior to the meeting.

**Preferred Stock.** Under our charter, our board of directors has authority to issue preferred stock from time to time in one or more series and to establish the terms, preferences and rights of any such series of preferred stock, all without the approval of our stockholders.

**Maryland Business Combination Act.** The Maryland Business Combination Act provides that unless exempted, a Maryland corporation may not engage in business combinations, including mergers, dispositions of 10% or more of its assets, issuance of shares of stock and other specified transactions, with an "interested stockholder" or an affiliate of an interested

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stockholder for five years after the most recent date on which the interested stockholder became an interested stockholder, and thereafter unless specified criteria are met. An interested stockholder is generally a person owning or controlling, directly or indirectly, 10% or more of the voting power of the outstanding voting stock of a Maryland corporation. Our board of directors expects to adopt a resolution immediately prior to this offering exempting us from application of this statute. However, our board of directors may repeal or modify this resolution in the future, in which case the provisions of the Maryland Business Combination Act will be applicable to business combinations between us and other persons.

Maryland Control Share Acquisition Act. Maryland law provides that "control shares" of a Maryland corporation acquired in a "control share acquisition" shall have no voting rights except to the extent approved by a vote of two-thirds of the votes eligible to be cast on the matter under the

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Maryland Control Share Acquisition Act. Shares owned by the acquiror, by officers or by directors who are employees of the corporation are excluded from shares entitled to vote on the matter. "Control shares" means voting shares of stock that, if aggregated with all other shares of stock previously acquired by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power: one-tenth or more but less than one-third, one-third or more but less than a majority or a majority or more of all voting power. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A "control share acquisition" means an acquisition of control shares, subject to certain exceptions. A person who has made or proposes to make a control share acquisition may compel the board of directors of the corporation to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. The right to compel the calling of a special meeting is subject to the satisfaction of certain conditions, including an undertaking to pay the expenses of the meeting. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting. If voting rights of control shares acquired in a control share acquisition are not approved at a stockholders' meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then subject to certain conditions and limitations, the corporation may redeem any or all of the control shares for fair value. If voting rights of control shares are approved at a stockholders' meeting and the acquiror becomes entitled to vote a majority of the shares of stock entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition. The control share acquisition statute does not apply (a) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction, or (b) to acquisitions approved or exempted by the charter or bylaws of the corporation. Our bylaws contain a provision exempting any and all acquisitions by any person of our shares from the Maryland Control Share Acquisition Act. However, our board of directors may amend our bylaws in the future to repeal or modify this exemption, in which case any control shares of our company acquired in a control share acquisition would be subject to the Maryland Control Share Acquisition Act.

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### SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements under "Summary," "Risk Factors," "Dividend Policy and Distributions," "Management's Discussion and Analysis of Financial Condition and Results o