

Form 8-K for NEW CENTURY ENERGY CORP.

4-Dec-2007

Entry into a Material Definitive Agreement, Unregistered Sale of Equity

ITEM 1.01 ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT

On November 30, 2007, New Century Energy Corp. ("New Century," the "Company," "we," "us," and "our") entered into a Securities Purchase Agreement with LV Administrative Services, Inc., as administrative and collateral agent (the "Agent") for Valens U.S. SPV I, LLC ("Valens U.S.") and Valens Offshore SPV II, Corp. ("Valens Offshore," and collectively with Valens U.S., each a "Purchaser" and collectively the "Purchasers" and the "November 2007 Purchase Agreement"), whereby we sold Valens U.S. a Secured Term Note in the amount of \$2,300,000 (the "November 2007 Valens U.S. Note"), and Valens Offshore a Secured Term Note in the amount of \$3,000,000 (the "November 2007 Valens Offshore Note" and collectively the "Valens Notes"). In connection with the November 2007 Purchase Agreement, the Company also entered into a Consent Letter Agreement, Master Security Agreement, a Stock Pledge Agreement, a Restricted Account Agreement, Funds Escrow Agreement, a Net Profits Interest Agreement, a Conveyance of Net Profits Overriding Royalty Interest, a Lockbox Account Agreement Letter, a SPA and Lien Consent Agreement, and a Mortgage (including a Deed of Trust, Security Agreement, Financing Statement and Assignment of Production).

In connection with the November 2007 Purchase Agreement, the Company granted the Purchasers a right of first refusal to provide additional financing, prior to the incurrence of any additional indebtedness and/or the sale or issuance of any equity interests of the Company. If the Company shall receive a proposed term sheet for additional funding, pursuant to the November 2007 Purchase Agreement, it will submit such term sheet to the Purchasers, at which time the Purchasers will have the right, but not the obligation, to deliver, within 10 days of its receipt of the proposed term sheet, its own proposed term sheet setting forth the terms and conditions upon which it would be willing to provide additional financing to the Company, at terms no less favorable than those outlined in the proposed term sheet. If the Purchasers' terms are at least as favorable to the Company as those of the proposed term sheet, in the sole determination of the Company, the Company shall accept the Purchasers' terms in lieu of the proposed term sheet, if not, the Company may accept the proposed term sheet.

NOVEMBER 2007 NOTES

In connection with the November 2007 Purchase Agreement, the Company issued Valens U.S. a thirty-six (36) month Secured Term Note in the amount of \$2,300,000 (the "November 2007 Valens U.S. Note"), and Valens Offshore a thirty-six (36) month Secured Term Note in the amount of \$3,000,000 (the "November 2007 Valens Offshore Note," and collectively with the November 2007 Valens U.S. Note, the "Valens Notes"). The Valens Notes bear interest at a rate equal to the "prime rate" published in The Wall Street Journal (the "Prime Rate"), plus two percent (2%) (the "Contract Rate"), per annum, provided however that the Contract Rate never is less than eight percent (8%) per annum. The unpaid principal and accrued interest, if any, on the Valens Notes are due and payable on November 30, 2010 (the "Maturity Date"). The interest on the Valens Notes is payable monthly, in arrears, commencing on March 1, 2008. Additionally, amortizing payments of the principal amount due under the Valens Notes are due December 1, 2007, and each succeeding month thereafter including the Maturity Date (each an "Amortization Amount"). As long as no Event of Default, as defined below, has occurred under the Valens Notes, interest on the Valens Notes is only payable as a component of the Amortization Amount (defined below), unless such Amortization Amount is less than \$50,000 for any month.

Each monthly Amortization Amount of the Valens Notes is equal to eighty percent (80%) of the Net Revenues (defined below) which the Company receives in respect to the oil, gas and/or other hydrocarbon production from certain oil and gas wells which the Company plans to drill and if successful operate, on the property owned by the Company. "Net Revenue" is defined as the gross proceeds paid to the Company, after subtracting (i) the reasonable ordinary day to day expenses associated with the Company's operation of the leases, wells and equipment, including fuel, materials, labor, maintenance, routine production equipment replacement, repairs, routine workover costs to maintain production from an existing completed well, royalty, severance tax and ad valorem tax, in each case using accounting practices and procedures ordinary and customary in the oil and gas industry and (ii) the Company's reasonable estimate of its federal tax (including federal income tax) liability (after taking into account all applicable deductions, depletion and credits), all of which, in each case, shall be subject to the Agents approval. Provided, however, that each Amortization Amount shall be equal to one hundred (100%) of Net Revenue, upon the occurrence and during the continuance of an Event of Default under the Valens Notes as described below.

In the event the Amortization Amount payable to the Purchasers during any month is less than \$50,000 in aggregate (\$21,700 in the case of the Valens U.S. note or \$28,300 in the case of Valens Offshore note), then the Company is required to make a cash payment to such Purchaser in an amount equal to the difference between the amount of money received by such party and the applicable Amortization Amount.

"Events of Default" under the Valens Notes include: the Company's failure to pay any amount due under the Valens Notes; the Company's breach of any covenant or any other term of the Valens Notes in any material respect, which if subject to cure, continues for a period of fifteen (15) days, without being cured; the Company's or Century Resources, Inc. and Gulf Coast Oil Corporation (collectively the "Subsidiaries") breach of any representation, warranty or statement made to the Purchasers or Laurus Master Fund, Ltd. ("Laurus") in connection with any transaction contemplated by the Valens Notes, or any of the other agreements entered into between the Company, the Subsidiaries and Laurus; any change or occurrence which could reasonably be expected to have a material adverse effect on the Company's ability to repay the Valens Notes; the Company's or any Subsidiaries' bankruptcy or insolvency; if the Company or any of the Subsidiaries were to have a judgment levied against it in an amount greater than \$100,000; a change in control of the Company, whereby any person or group shall become the beneficial owner of 35% or more of the Company's voting equity interests or if the Board of Directors of the Company ceases to consist of a majority of the Company's Board of Directors on the date of the Valens Notes, unless the Purchasers consent in writing to such change; if the Company merges with, consolidates with or sells all or substantially all of its assets to any other person or entity; and/or if an indictment is brought or threatened against the Company, us or any of our or the Company's executive officers under any criminal statute or civil statute whereby the penalty associated with such indictment could result in the forfeiture of any property of the Company or us; an "Event of Default" occurs as defined in the November 2007 Purchase Agreement.

Following the occurrence of and during the continuance of an Event of Default, the Company is required to pay additional interest on the Valens Notes in an amount equal to two percent (2%) per month, and all outstanding obligations under the Valens Notes, the November 2007 Purchase Agreement and each other Related Agreement (as defined in the November 2007 Purchase Agreement), including unpaid interest, shall continue to accrue interest at such additional interest rate from the date of such Event of Default until the date such Event of Default is cured or waived. Additionally, following the occurrence of and during the continuance of an Event of Default, the Purchasers may, at their option, demand immediate repayment in full of all obligations and liabilities owing by the Company to the Purchasers under the Valens Notes, the November 2007 Purchase Agreement and/or any other Related Agreement, to require the Company to make a default payment equal to 130% of the outstanding principal amount of the Valens Notes, plus accrued but unpaid interest, all other fees then remaining unpaid, and all other amounts payable hereunder.

The Company plans to use the funds received through the sale of the Valens Notes to drill up to six wells and rework two other existing wells on its properties during the remainder of 2007 and 2008. Additionally, the Company paid Valens Capital Management, LLC, the investment manager of the Purchasers ("VCM"), a non-refundable payment in an amount equal to one and one-half percent (1.50%) of the aggregate principal amount of the Notes (\$79,500), plus reasonable expenses (including legal fees and expenses) incurred in connection with the November 2007 Purchase Agreement and the Related Agreements; and a non-refundable payment . . .

ITEM 3.02 UNREGISTERED SALES OF EQUITY SECURITIES

On November 30, 2007, the Company entered into a Securities Purchase Agreement, and sold a \$3,000,000 Secured Term Note to Valens Offshore SPV II, Corp. ("Valens Offshore"). The Company claims an exemption from registration afforded by Section 4(2) of the Securities Act of 1933, for the above issuance, since the issuance did not involve a public offering, the recipient took the securities for investment and not resale and the Company took appropriate measures to restrict transfer. No underwriters or agents were involved in the issuance and no underwriting discounts or commissions were paid by the Company.

On November 30, 2007, the Company entered into a Securities Purchase Agreement, and sold a \$2,300,000 Secured Term Note to Valens U.S. SPV I, LLC ("Valens U.S."). The Company claims an exemption from registration afforded by Section 4(2) of the Securities Act of 1933, for the above issuance, since the issuance did not involve a public offering, the recipient took the securities for investment and not resale and the Company took appropriate measures to restrict transfer. No underwriters or agents were involved in the issuance and no underwriting discounts or commissions were paid by the Company.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

Exhibit No.	Description.
10.1*	November 2007 Securities Purchase Agreement
10.2*	November 2007 Secured Term Note (New Century and Valens U.S.)
10.3*	November 2007 Secured Term Note (New Century and Valens Offshore)
10.4*	Consent Letter Agreement
10.5*	Master Security Agreement
10.6*	Net Interest Agreement
10.7*	Conveyance of Net Profits Overriding Royalty Interest
10.8*	Amended and Restated Mortgage

10.9* Second Amended Executive Employment Agreement with Edward R.
DeStefano

* Filed herewith.