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NOVASTAR FINANCIAL INC
Form 8-K
May 31, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

May 25, 2007

Date of Report (Date of earliest event reported)

NOVASTAR FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

Maryland

001-13533

74-2830661

(State or other jurisdiction of
incorporation or organization)

(Commission
File Number)

(I.R.S. Employer
Identification Number)

8140 Ward Parkway, Suite 300, Kansas City, MO 64114

(Address of principal executive offices)
(Zip Code)

(816) 237-7000

(Registrant's telephone number, including area code)

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Section 1--Registrant's Business and Operations

Item 1.01 Entry into a Material Definitive Agreement.

Extensions of Existing Wachovia Facilities

On May 25, 2007, NovaStar Financial, Inc. and certain of its affiliates (collectively, "NovaStar") entered into short-term extensions of three existing one-year Master Repurchase Agreements with Wachovia Bank, NA and certain of its affiliates (collectively "Wachovia"). One facility sets forth the terms under which certain NovaStar entities may sell and Wachovia may purchase certain mortgage securities and another sets forth the terms under which certain NovaStar entities may sell and Wachovia may purchase certain mortgage loans, in each case against an obligation of the relevant NovaStar entity to repurchase the mortgage loans or mortgage securities purchased by Wachovia. NovaStar Financial, Inc. and certain of its subsidiaries have guaranteed the obligations under these facilities. The third facility is a Master Repurchase Agreement that provides a borrowing capacity of \$1 million as required for certain regulatory purposes. The termination date of all of these facilities was extended to June 1, 2007. In addition to the financing facilities described in this Current Report, Wachovia routinely engages in other ordinary course financial transactions with NovaStar, including but not limited to acting as an underwriter for certain securitizations sponsored by NovaStar.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NOVASTAR FINANCIAL, INC.

DATE: May 31, 2007

/s/ Gregory S. Metz

Gregory S. Metz
Chief Financial Officer

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