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NOVASTAR FINANCIAL INC
Form 8-K
March 28, 2008

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

March 24, 2008
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
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State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

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:

- 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))

Item 1.01 Entry into a Material Definitive Agreement

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On March 11, 2008, NovaStar Financial, Inc. and certain of its affiliates (the "Company") entered into a Master Repurchase Agreements Waiver ("Prior Waiver Agreement") with Wachovia Bank, N.A. and certain of its affiliates ("Wachovia"). Pursuant to the Prior Waiver Agreement, Wachovia, among other things, amended, for a period ending on April 11, 2008, the requirement under the Agreements described below that the Company maintain liquidity of at least \$30 million to require the Company to maintain liquidity of at least \$15 million during the period ending April 11, 2008.

As of March 24, 2008, the amount owed under the Agreements was \$18.9 million and the Company was no longer in compliance with the amended requirement under the Agreements that it maintain liquidity of least \$15 million. As a result of such non-compliance, Wachovia had the right to accelerate and demand immediate payment of the entire amount owing to it, to liquidate all related collateral and to exercise other remedies. The Company remained out of compliance with the Agreements as amended by the Prior Waiver Agreement until the execution of the Waiver Agreement described below. During such period Wachovia did not accelerate any amounts owed to it or exercise any other available remedy.

On March 27, 2008, the Company entered into a Master Repurchase Agreements Waiver ("Waiver Agreement") with Wachovia pursuant to which, for a period ending on April 30, 2008 (the "Waiver Period"), Wachovia agreed not to enforce, and waived any breach or event of default that would otherwise have resulted solely from the Company's failure to comply with, the requirement under the Agreements described below that the Company maintain a specified adjusted tangible net worth. Further, the requirement under the Agreements that the Company maintain liquidity of at least \$30 million was amended to require the Company to maintain liquidity of at least \$9.5 million during the Waiver Period. Wachovia expressly reserved the right to terminate the Waiver Agreement prior to April 30, 2008, if any other event of default or breach occurs under the Agreements other than as described above.

The agreements affected by the Prior Waiver Agreement and the Waiver Agreement are the following (the "Agreements"), copies of which have previously been filed with the Securities and Exchange Commission:

1. Master Repurchase Agreement (2007 Whole Loan) dated as of May 9, 2007 (the "Whole Loan Agreement"), among Wachovia Bank, National Association, NFI Repurchase Corporation, NMI Repurchase Corporation, NMI Property Financing, Inc., HomeView Lending, Inc., NovaStar Financial Inc., NFI Holding Corporation and NovaStar Mortgage, Inc.

2. Master Repurchase Agreement (2007 Non-investment Grade) dated as of May 31, 2007 (the "Non-Investment Grade Securities Agreement"), among Wachovia Investment Holdings, LLC, Wachovia Capital Markets LLC, NovaStar Mortgage, Inc., NovaStar Certificates Financing LLC, and NovaStar Certificates Financing Corp.

3. Master Repurchase Agreement (2007 Investment Grade) dated as of May 31, 2007 (the "Investment Grade Securities Agreement"), among Wachovia Bank, National

Association, Wachovia Capital Markets LLC, NovaStar Mortgage, Inc., NovaStar Certificates Financing LLC, and NovaStar Certificates Financing Corp.

4. Master Repurchase Agreement (New York) dated as of July 6, 2007 (the "NY Agreement"), between Wachovia Bank, National Association and NovaStar Mortgage, Inc.

In addition to the financing agreements listed above, Wachovia in the past has

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routinely engaged in other ordinary course financial transactions with the Company, including but not limited to financial derivative transactions, and has acted as an underwriter for certain securitizations sponsored by the Company.

The foregoing is a summary of the terms of the Waiver Agreement. This summary is qualified in its entirety by reference to the full text of the Waiver Agreement, which is attached hereto as Exhibit 10.1 and is incorporated herein by reference.

Item 2.04 Triggering Events that Accelerate or Increase a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement

The information contained under Item 1.01 "Entry into a Material Definitive Agreement" is hereby incorporated by reference.

Item 9.01 Financial Statement and Exhibits

(d) Exhibits.

<u>Exhibit No.</u>	<u>Document</u>
10.1	Master Repurchase Agreements Waiver, dated March 27, 2008, by and among NovaStar Mortgage, Inc., NovaStar Certificates Financing LLC, NovaStar Certificates Financing Corporation, NFI Repurchase Corporation, NMI Repurchase Corporation, NMI Property Financing, Inc., HomeView Lending, Inc., NovaStar Financial, Inc., NFI Holding Corporation, Wachovia Bank, N.A. and Wachovia Investment Holdings, LLC.

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 hereunto duly authorized.

NOVASTAR FINANCIAL, INC.

DATE: March 28, 2008

/s/ Rodney Schwatken

Rodney Schwatken
Chief Financial Officer

Index to Exhibits

<u>Exhibit No.</u>	<u>Document</u>
10.1	Master Repurchase Agreements Waiver, dated March 27, 2008, by and among NovaStar Mortgage, Inc., NovaStar Certificates Financing

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LLC, NovaStar Certificates Financing Corporation, NFI Repurchase Corporation, NMI Repurchase Corporation, NMI Property Financing, Inc., HomeView Lending, Inc., NovaStar Financial, Inc., NFI Holding Corporation, Wachovia Bank, N.A. and Wachovia Investment Holdings, LLC.