

Edgar Filing: NOVASTAR FINANCIAL INC - Form 8-K

NOVASTAR FINANCIAL INC  
Form 8-K  
July 30, 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

July 27, 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
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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

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(Address of principal executive offices)  
(Zip Code)

(816) 237-7000

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(Registrant's telephone number, including area code)

Not Applicable

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(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))

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**Item 3.03 Material Modification to Rights of Security Holders**

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The disclosure under "Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year" is incorporated herein by reference.

### **Item 5.02 Departures of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements for Certain Officers**

The disclosure under "Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year" with respect NFI's equity awards and plans is incorporated herein by reference.

### **Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.**

On July 27, 2007, NovaStar Financial, Inc. ("NFI") amended its charter to effect a reverse stock split of its outstanding shares of common stock by filing Articles of Amendment with the State Department of Assessments and Taxation of Maryland (the "SDAT"), which became effective upon filing ("Amendment No. 1"). Pursuant to Amendment No. 1, every four shares of common stock, par value \$.01 per share, of NFI, which were issued and outstanding immediately prior to the filing of Amendment No. 1, were combined into one issued and outstanding share of common stock, par value \$.04 per share. No fractional shares of common stock of NFI were issued upon the effectiveness of Amendment No. 1. Instead, each stockholder otherwise entitled to a fractional share is entitled to receive in lieu thereof cash in an amount equal to the product of the fraction of a share multiplied by the closing price of NFI's common stock as reported by the New York Stock Exchange on July 27, 2007. No changes were made to the number of outstanding shares of NFI's 8.90% Series C Cumulative Redeemable Preferred Stock or NFI's 9.00% Series D1 Mandatory Convertible Preferred Stock.

On July 27, 2007, immediately after the filing of Amendment No. 1, NFI amended its charter by filing Articles of Amendment with the SDAT, which became effective upon filing ("Amendment No. 2"). Pursuant to Amendment No. 2, the par value of the shares of common stock of NFI issued and outstanding immediately prior to the filing of Amendment No. 2 was decreased from \$0.04 per share to \$0.01 per share. Immediately after the filing of Amendment No. 1 and Amendment No. 2, NFI had 50,000,000 shares of common stock, par value \$0.01 per share, authorized, approximately 9,469,910 shares of common stock, par value \$0.01 per share, outstanding, and approximately 40,530,090 shares of common stock, par value \$0.01 per share, authorized but unissued.

As of July 30, 2007, NFI's common stock began trading on a split-adjusted basis under a new CUSIP number - 669947889.

Under Maryland law, no stockholder approval of the filing of Amendment No. 1 or Amendment No. 2 was required. The reverse stock split will not change the proportionate ownership interest of the stockholders of NFI, nor will the voting rights or

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other rights of stockholders be changed (except for the rights of stockholders to receive cash in lieu of fractional shares).

The conversion price, and the number of shares issuable upon the conversion of NFI's 9.00% Series D1 Mandatory Convertible Preferred Stock, were appropriately adjusted to reflect the 4-for-1 reverse split. In addition, the exercise price, and the number of shares issuable, under NFI's outstanding equity awards will be adjusted to reflect the 4-for-1 reverse split. The number of shares authorized under NFI's equity compensation plans will also be proportionately reduced to reflect the reverse stock split.

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On July 27, 2007, NFI also filed Articles Supplementary with the Maryland SDAT, which became effective upon filing, creating the 9.00% Series D-2 Mandatory Convertible Preferred Stock par value \$0.01 per share and initial liquidation preference of \$25.00 per share (the "Series D-2 Preferred Stock"). The number of shares of Series D-2 Preferred Stock authorized for issuance is 6,147,000, none of which were, as of July 27, 2007, issued and outstanding.

On July 16, 2007, NFI filed Articles Supplementary with the Maryland SDAT, which became effective upon filing, to reflect the designation of certain shares of NFI's preferred stock and capital stock that had been authorized but unissued as authorized but unissued shares of NFI's common stock.

A copy of Amendment No. 1, Amendment No. 2, the Articles Supplementary for the Series D-2 Preferred Stock and the Articles Supplementary filed regarding the designation of authorized but unissued preferred stock and capital stock as common stock are attached hereto as Exhibit 3.1, Exhibit 3.2, Exhibit 4.1 and Exhibit 4.2 respectively, and are incorporated herein by reference.

### **Item 7.01 Regulation FD Disclosure**

On July 27, 2007, NFI issued a press release announcing the effectiveness of the reverse stock split. The press release is attached to this Current Report on Form 8-K as Exhibit 99.1.

### **Item 8.01 Other Events**

NFI is undertaking to meet the requirements of Rule 416(b) under the Securities Act of 1933, as amended, regarding the Registration Statements of NFI on Forms S-8 (File No. 333-139000 (NovaStar Mortgage, Inc. Deferred Compensation Plan), File No. 333-138998 (NovaStar Financial, Inc. 401(k) Plan), File No. 333-116998 (NovaStar Financial, Inc. 2004 Incentive Stock Plan); and File No. 333-44977 (NovaStar Financial, Inc. Amended and Restated 1996 Executive and Non-Employee Director Stock Option Plan (Last Amended December 6, 1996)) (collectively, the "Registration Statements"). Under Rule 416(b), if prior to the completion of the distribution of securities covered by a registration statement, the securities are combined by a reverse split into a lesser amount of securities of the same class, then the lesser amount of securities are covered by the

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registration statement, provided that the registration statement is amended. As discussed, NFI has effected a four for one reverse stock split. Pursuant to Rule 416(b), by virtue of this Form 8-K filing, the Registration Statements are deemed to cover such lesser number of shares of common stock that may be sold as a result of the reverse sock split; namely the Form S-8 Registration Statement, File No. 333-139000 (NovaStar Mortgage, Inc. Deferred Compensation Plan), shall be deemed to cover 125,000 shares of common stock, par value \$0.01 per share, the Form S-8 Registration Statement, File No. 333-138998 (NovaStar Financial, Inc. 401(k) Plan), shall be deemed to cover 68,750 shares of common stock, par value \$0.01 per share, the Form S-8 Registration Statement, File No. 333-116998 (NovaStar Financial, Inc. 2004 Incentive Stock Plan), shall be deemed to cover 625,000 shares of common stock, par value \$0.01 per share; and Form S-8 Registration Statement. File No. 333-44977 (NovaStar Financial, Inc. Amended and Restated 1996 Executive and Non-Employee Director Stock Option Plan (Last Amended December 6, 1996), shall be deemed to cover 195,655 shares of common stock par value \$0.01 per share. The amount of deferred compensation obligations registered on Form S-8 Registration Statement, File No. 333-139000 (NovaStar Mortgage, Inc. Deferred Compensation Plan), shall not be affected by this Form 8-K filing.

**Item 9.01 Financial Statement and Exhibits**

(d) Exhibits.

<u>Exhibit No.</u>	<u>Document</u>
3.1	Articles of Amendment to the Articles of Amendment and Restatement of NovaStar Financial, Inc.
3.2	Articles of Amendment to the Articles of Amendment and Restatement of NovaStar Financial, Inc.
4.1	Articles Supplementary 9.00% Series D-2 Mandatory Convertible Preferred Stock (par value \$0.01 per share)
4.2	Articles Supplementary regarding the designation of certain authorized but unissued shares of stock
99.1	Press Release of NovaStar Financial, Inc, dated July 27, 2007.

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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: July 30, 2007

/s/ Gregory S. Metz

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Gregory S. Metz  
Chief Financial Officer

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**Index to Exhibits**

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