

Edgar Filing: NOVASTAR FINANCIAL INC - Form 8-K

NOVASTAR FINANCIAL INC  
Form 8-K  
August 21, 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

August 15, 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 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 2.05 Costs Associated with Exit or Disposal Activities**

## Edgar Filing: NOVASTAR FINANCIAL INC - Form 8-K

On August 15, 2007, the Audit Committee of the Board of Directors of the Company committed to a workforce reduction pursuant to a plan of termination (the "Plan") as described in paragraph 8 of Financial Accounting Standards Board Statement of Financial Accounting Standards No. 146 Accounting for Costs Associated with Exit or Disposal Activities (SFAS No. 146), under which material charges will be incurred under generally accepted accounting principles applicable to the Company.

The Company is undertaking the Plan to align its organization and costs with an expected reduction in loan originations. The Plan will result in the elimination of approximately 500 positions resulting in an approximate 37% reduction in the Company's overall workforce. Subject to completion of the necessary legal notices and requirements, implementation of the Plan will begin immediately and conclude during the fourth quarter of 2007. The actions focus on the Company's wholesale loan origination group and related functions, including employees at the Company's headquarters in Kansas City and will lead to closing wholesale operation centers in California and Ohio. The Company's servicing and portfolio management organizations are not affected by the reduction.

The Company estimates that the total pre-tax charge to earnings associated with the Plan will range between \$17 million and \$21 million consisting of \$5 million to \$7 million in cash expenditures relating to severance costs, \$2 million to \$3 million in cash expenditures relating to contract termination costs and \$10 million to \$11 million in one-time non-cash charges primarily related to property, plant and equipment. The Company anticipates that substantially all of the pre-tax charges to earnings and cash expenditures will be incurred in the third quarter of 2007; however, some may be incurred in the fourth quarter of 2007.

A copy of the Company's press release announcing the Plan is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

### **Item 5.02 Departure of Certain Officers**

As part of the Plan, David A. Pazgan, Chief Executive Officer of NovaStar Mortgage, Inc. will leave the Company. The Company's President and Chief Operating Officer, W. Lance Anderson, will assume Mr. Pazgan's responsibilities upon Mr. Pazgan's departure. The Company will amend this Form 8-K to report the actual date of his departure and any amendments to Mr. Pazgan's employment agreement or other compensatory arrangements executed in connection with his termination.

References to the registrant's website do not incorporate by reference the information on the registrant's website into this Current Report and the registrant disclaims any such incorporation by reference.

---

### **Item 9.01 Financial Statement and Exhibits**

(d) Exhibits.

<u>Exhibit No.</u>	<u>Document</u>
99.1	Press Release dated August 17, 2007 "NovaStar Financial, Inc. Announces Reduction in Workforce."

---

**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: August 21, 2007

/s/ Gregory S. Metz

-----  
Gregory S. Metz  
Chief Financial Officer

---

**Index to Exhibits**

<u>Exhibit No.</u>	<u>Document</u>
99.1	Press Release dated August 17, 2007 "NovaStar Financial, Inc. Announces Reduction in Workforce."