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NOVASTAR FINANCIAL INC  
Form 8-K  
November 07, 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

November 1, 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

-----  
(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:

- 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 1.02 Termination of Material Definitive Agreement**

The disclosure under "Item 8.01 Other Events" with respect to the Deutsche Bank Servicing Advance Facility and the Wachovia Servicing Rights Facility is incorporated herein by reference. In addition to the Wachovia Servicing Rights Facility, the termination of which is described in this Current Report, Wachovia provides additional financing facilities to NovaStar Financial, Inc. ("NFI") and its affiliates. Wachovia and Deutsche Bank also routinely engage in other ordinary course financial transactions with NFI and its affiliates, including but not limited to financial derivative transactions, and have acted as underwriters for certain securitizations sponsored by NFI and its affiliates.

**Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers**

The disclosure under "Item 8.01 Other Events" with respect to the bonus paid to Mr. Metz is incorporated herein by reference.

**Item 8.01 Other Events**

On October 12, 2007, NovaStar Mortgage, Inc. ("NovaStar Mortgage"), a subsidiary of NFI, and Saxon Mortgage Services, Inc. ("Saxon") entered into a Servicing Rights Transfer Agreement (the "Agreement") for the sale to Saxon of all of NovaStar Mortgage's mortgage servicing rights and servicing advances relating to its securitizations. The transaction closed on November 1, 2007, providing net cash proceeds of \$147.1 million after the deduction of certain expenses. Of the net proceeds, approximately \$21.5 million was retained for working capital purposes and the remainder was used to repay outstanding indebtedness. An additional \$7.9 million in cash proceeds is expected to be released upon delivery of all closing documents and, when received, is expected to be used to repay outstanding indebtedness.

In connection with the closing of the transactions contemplated by the Agreement, NFI's \$80 million Servicing Advance Facility with DB Structured Products, Inc. ("Deutsche Bank") and its \$60 million Servicing Rights Facility with affiliates of Wachovia Bank, N.A. (collectively "Wachovia") were paid in full and terminated on November 1, 2007. In addition, certain employees of NFI and its affiliates received cash bonuses as a result of the closing of the transaction, including a \$50,000 bonus received by Greg Metz, the Chief Financial Officer of NFI.

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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 hereunto duly authorized.

DATE: November 7, 2007

NOVASTAR FINANCIAL, INC.  
/s/ GREGORY S. METZ

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Gregory S. Metz  
Chief Financial Officer