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NOVASTAR FINANCIAL INC
Form 8-K
August 23, 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 17, 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

(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 August 17, 2007, NovaStar Financial, Inc. and certain of its affiliates (the "Company") entered into a Waiver Agreement with Wachovia Bank, N.A. and certain of its affiliates ("Wachovia") pursuant to which Wachovia, waived, for a period ending on November 1, 2007, any breach and/or Event of Default (as defined in the agreements listed below) that would have otherwise arisen under the agreements listed below as a result of the downgrade on August 22, 2007 of NovaStar Mortgage, Inc.'s servicer quality rating by Moody's Investor Service to SQ4+ from SQ3+ as a primary servicer of subprime residential mortgage loans. The agreements affected by this Waiver Agreement are:

1. Master Repurchase Agreement (2007 Residual Securities) dated as of April 18, 2007 (the "Residual Securities Agreement"), among Wachovia Bank, National Association, Wachovia Capital Markets LLC, NovaStar Mortgage, Inc., NovaStar Certificates Financing LLC, and Nova Star Certificates Financing Corp.
2. Master Repurchase Agreement (2007 Servicing Rights) dated as of April 25, 2007 (the "Servicing Rights Agreement"), among Wachovia Bank, National Association and NovaStar Mortgage, Inc.
3. 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.
4. 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.
5. 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.
6. 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 and certain of its affiliates routinely engage in other ordinary course financial transactions with the Company, including but not limited to acting 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 9.01 Financial Statement and Exhibits

(d) Exhibits.

<u>Exhibit No.</u>	<u>Document</u>
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10.1 Waiver Agreement dated August 17, 2007 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., Wachovia Capital Markets, LLC and Wachovia Investment Holdings, LLC.

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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: August 23, 2007

/s/ Gregory S. Metz

Gregory S. Metz
Chief Financial Officer

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Index of Exhibits

<u>Exhibit No.</u>	<u>Document</u>
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