

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

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FILER

NOVASTAR FINANCIAL INC

CIK: **1025953** | IRS No.: **742830661** | State of Incorporation: **MD** | Fiscal Year End: **1231**
Type: **8-K** | Act: **34** | File No.: **001-13533** | Film No.: **071296338**
SIC: **6798** Real estate investment trusts

Mailing Address
8140 WARD PARKWAY
STE 300
KANSAS CITY MO 64114

Business Address
8140 WARD PARKWAY
STE 300
KANSAS CITY MO 64114
8162377000

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

December 7, 2007
Date of Report (Date of earliest event reported)

NOVASTAR FINANCIAL, INC.
(Exact name of registrant as specified in its charter)

Maryland ----- (State or other jurisdiction of incorporation or organization)	001-13533 ----- (Commission File Number)	74-2830661 ----- (I.R.S. Employer Identification No.)
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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

On December 7, 2007, NovaStar Financial, Inc. and certain of its affiliates (the "Company") entered into a Master Repurchase Agreements Waiver ("Waiver Agreement") with Wachovia Bank, N.A. and certain of its affiliates ("Wachovia") pursuant to which, for a period ending on January 4, 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 \$24 million during the Waiver Period. Wachovia expressly reserved the right to terminate the Waiver Agreement prior to January 4, 2008, if any other event of default or breach occurs under the Agreements other than as described above.

The agreements affected by this Waiver Agreement are the following (the "Agreements"):

1. Master Repurchase Agreement (2007 Residual Securities) dated as of April 18, 2007, among Wachovia Investment Holdings, LLC, Wachovia Capital Markets, LLC, NovaStar Mortgage, Inc., NovaStar Certificates Financing LLC, and NovaStar Certificates Financing Corp.

2. Master Repurchase Agreement (2007 Whole Loan) dated as of May 9, 2007, 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.

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

4. Master Repurchase Agreement (2007 Investment Grade) dated as of May 31, 2007, among Wachovia Bank, N. A., Wachovia Capital Markets, LLC, NovaStar Mortgage, Inc., NovaStar Certificates Financing LLC, and NovaStar Certificates Financing Corp.

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

In addition to the financing agreements listed above, Wachovia also routinely engages 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 9.01 Financial Statement and Exhibits

(d) Exhibits.

Exhibit No. Document

10.1 Master Repurchase Agreements Waiver, dated December 7, 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. 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.

DATE: December 10, 2007

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

Gregory S. Metz
Chief Financial Officer

Index to Exhibits

- 10.1 Master Repurchase Agreements Waiver, dated December 7, 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. and Wachovia Investment Holdings, LLC.

December 7, 2007

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
8140 Ward Parkway,
Suite 300
Kansas City, Missouri 64114

Re: Master Repurchase Agreements Waiver

Reference is made to those certain Master Repurchase Agreements listed on Schedule I attached hereto (the "Agreements"). Capitalized terms used in this letter agreement without definition have the meanings ascribed to them in the Agreements.

Effective as of the date hereof and until January 4, 2008 (the "Waiver Period") and subject to the limitations set forth herein, each Buyer hereby:

- A.
1. Agrees not to enforce the requirements for NovaStar Financial, Inc. ("NFI") to maintain a required Adjusted Tangible Net Worth under the Agreements;
 2. Waives any breach and/or any event of default that would otherwise arise under the Agreements solely as a result of the failure of NFI to have the required Adjusted Tangible Net Worth specified in the Agreements; or
 3. Agrees that in the Monthly Certificates delivered by NFI, NFI may carve-out the certification solely relating to the Adjusted Tangible Net Worth for the previous month and each Buyer hereby waives any breach and/or event of default that would otherwise arise under the Agreements as a result of

such carve-out from the Monthly Certifications.

- B. 1. Agrees, during the Waiver Period, not to enforce the requirements for NovaStar Financial, Inc. ("NFI") to maintain Liquidity in an amount not less than \$30,000,000 as specified under the

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Agreements; provided that NFI agrees to maintain Liquidity that could be drawn against (taking into account required haircuts) in an amount not less than \$24,000,000;

2. Waives any breach and/or any event of default that would otherwise arise under the Agreements solely as a result of the failure of NFI to maintain Liquidity in an amount not less than \$30,000,000 during the Waiver Period; provided that NFI maintains Liquidity in an amount not less than the \$24,000,000 during the Waiver Period;
3. Agrees that in the Monthly Certificates delivered by NFI during the Waiver Period, NFI may carve-out the certification solely relating to the maintenance of Liquidity in an amount not less than \$30,000,000 for the previous month and each Buyer hereby waives any breach and/or event of default that would otherwise arise under the Agreements as a result of such carve-out from the Monthly Certifications; provided that NFI maintains Liquidity in an amount not less than \$24,000,000 for such month and certifies that it has maintained such amount in the Monthly Certification.

Notwithstanding anything to the contrary herein, all parties bound herein acknowledge and agree that the Buyers, shall retain all rights and remedies in order to enforce any Event of Default or other breach contemplated by the Agreements.

Notwithstanding the occurrence and continuance of the NFI's failure to maintain the required Adjusted Tangible Net Worth or maintenance of Liquidity under the Agreements described above, each Buyer is willing to waive certain of its rights; *provided* that each Buyer reserves the right to unilaterally terminate this letter agreement on or prior to January 4, 2008, without notice to any party, based upon the occurrence of any Event of Default or breach that occurs under the Agreements on or after the date hereof other than the Event of Default expressly waived by the Buyers herein. Either Buyer's exercise of the right to terminate this letter agreement shall be effective as to both Buyers.

Each Buyer hereby expressly reserves all other rights and remedies available to it under the Agreements, and all rights, remedies, obligations, and liabilities created or evinced thereby with respect to future breaches of, or Defaults or Events of Default under, the Agreements. Except as stated herein, the Buyers shall not be deemed to have waived or modified any of its rights hereunder or under any other agreement, instrument or paper signed by NovaStar Mortgage, Inc., NovaStar Certificates Financing LLC, NovaStar Certificates Financing Corporation, NFI Repurchase Corporation, NMI Repurchase Corporation, NMI Property Financing, Inc., HomeView Lending, Inc., NFI and NFI Holding Corporation (collectively, the "NovaStar Parties") unless such waiver or modification is in writing and signed by the Buyers. Except as expressly provided herein, no failure or delay on the part of the Buyers in exercising any right, power or remedy hereunder or any of the Agreements shall operate as a waiver thereof; nor shall any single

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or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy hereunder. This letter agreement shall be construed in accordance with the laws of the State of New York, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with the laws of the State of New York except to the extent preempted by federal law. Any provision hereof which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or thereof or affecting the validity or enforceability of such provision in any other jurisdiction.

This letter agreement may be executed in any number of counterparts, each of which (including any copy hereof delivered by facsimile) shall constitute one and the same original instrument, and either party hereto may execute this letter agreement by signing any such counterpart.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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Very truly yours,

Wachovia Bank, N.A.,
as Buyer

By: /s/ Goetz Rokahr

Name: Goetz Rokahr
Title: Vice President

Wachovia Investment Holdings, LLC,
as Buyer

By: /s/ Andrew W. Riebe

Name: Andrew W. Riebe
Title: Director

Acknowledged and Agreed:

NovaStar Mortgage, Inc., as Seller and Guarantor

By: /s/ Gregory S. Metz

Name: Gregory S. Metz
Title: CFO

NovaStar Certificates Financing LLC, as Seller

By: /s/ Gregory S. Metz

Name: Gregory S. Metz
Title: Senior Vice President

NovaStar Certificates Financing Corporation, as Seller

By: /s/ Gregory S. Metz

Name: Gregory S. Metz
Title: Senior Vice President

NFI Repurchase Corporation, as Seller

By: /s/ Gregory S. Metz

Name: Gregory S. Metz
Title: Senior Vice President

NMI Repurchase Corporation, as Seller

By: /s/ Gregory S. Metz

Name: Gregory S. Metz
Title: Senior Vice President

NMI Property Financing, Inc., as Seller

By: /s/ Gregory S. Metz

Name: Gregory S. Metz
Title:

HomeView Lending, Inc., as Seller and Guarantor

By: /s/ Gregory S. Metz

Name: Gregory S. Metz

Title: CFO

NovaStar Financial, Inc., as Seller and Guarantor

By: /s/ Gregory S. Metz

Name: Gregory S. Metz

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Title: CFO

NFI Holding Corporation, as Seller and Guarantor

By: /s/ Gregory S. Metz

Name: Gregory S. Metz
Title: Senior Vice President

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SCHEDULE I

1. Master Repurchase Agreement (2007 Residual Securities) dated as of April 18, 2007 (the "Residual Securities Agreement"), among Wachovia Investment Holdings, LLC, Wachovia Capital Markets LLC, NovaStar Mortgage, Inc., NovaStar Certificates Financing LLC, and NovaStar Certificates Financing Corp.

2. 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.

3. 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.

4. 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.

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

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