74-2830661

(I.R.S. Employer

Identification No.)

NOVASTAR FINANCIAL INC Form 8-K March 31, 2006 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

March 30, 2006

Date of Report (Date of earliest event reported)

# NOVASTAR FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

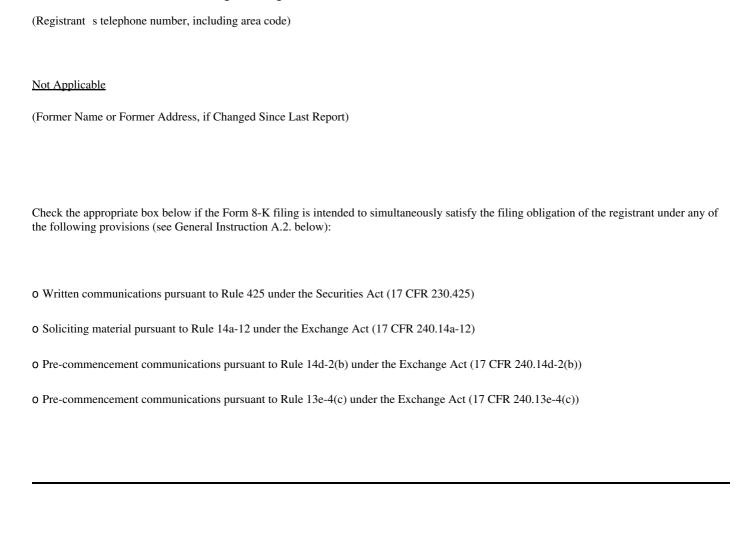
Maryland 001-13533
(State or other jurisdiction of incorporation or organization) (Commission File Number)

### 8140 Ward Parkway, Suite 300, Kansas City, MO 64114

(Address of principal executive offices)

(Zip Code)

(816) 237-7000



#### INFORMATION TO BE INCLUDED IN THE REPORT

### Item 5.04 Temporary Suspension of Trading Under Registrant's Employee Benefit Plans.

NovaStar Financial, Inc. (the Company) filed a prospectus dated January 20, 2006 and a prospectus supplement dated February 17, 2006 regarding its offer to rescind (the Rescission Offer) the previous purchase of shares of Company common stock included in units in the NovaStar Common Stock Fund, which was an investment alternative under the Company s 401(k) Plan, purchased during the one-year period immediately preceding January 20, 2006.

The Rescission Offer expired at 5:00 p.m., Central time, on March 30, 2006. In order to process the Rescission Offer, the Company, as Plan administrator, must temporarily suspend (the Blackout) all transactions related to the NovaStar Fund for Plan participants that accept the Rescission Offer. The Blackout for Plan participants that accept the Rescission Offer will begin at 5:00 p.m., Central time, on March 30, 2006 and is expected to end during the calendar week of April 2, 2006 (the Blackout Period) on the date that the proceeds for the Rescission Offer are credited to the 401(k) Plan accounts of such participants.

Because the Company did not know whether 50% or more of the participants in individual account plans maintained by the Company would be affected by the Blackout, the Company previously sent a notice to its directors and executive officers informing them that they may be restricted from, directly or indirectly, purchasing, acquiring, exercising, selling or otherwise transferring certain equity securities of the Company during the Blackout Period.

Based on the results of the Rescission Offer, the Blackout will not affect the ability of 50% or more of the participants in individual account plans maintained by the Company to acquire or hold equity securities of the Company. Therefore, on March 30, 2006, the Company sent a notice to its directors and executive officers informing them that Regulation BTR will not restrict their ability to enter into transactions in Company equity securities during the Blackout Period.

Although the notice was not required because the Blackout Period will not affect the ability of 50% or more of the participants in individual account plans maintained by the Company to acquire or hold equity securities of the Company, it was provided as a cautionary matter to ensure compliance with Section 306(a) of the Sarbanes-Oxley Act of 2002 and Rule 104 of the Regulation BTR. A copy of the notice is attached as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated by reference herein.

## Item 9.01 Financial Statements and Exhibits

- (c) Exhibits
- 99.1 Memorandum regarding Notice of Blackout Period dated March 30, 2006

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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: March 31, 2006

/s/ Gregory S. Metz Gregory S. Metz Chief Financial Officer

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Exhibit

## Number

99.1 Memorandum regarding Notice of Blackout Period dated March 30, 2006