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NOVASTAR FINANCIAL INC
Form 8-K
August 14, 2008

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 8, 2008
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 (see General Instruction A.2. below):

- 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 8, 2008, NovaStar Financial, Inc. ("NovaStar") entered into a Membership Interest Purchase Agreement, dated as of August 1, 2008, with PipeFire, LLC ("PipeFire"), the existing equity holders of PipeFire, and certain beneficial owners of such equity interests, pursuant to which NovaStar acquired 75% of the equity interests of PipeFire from its existing equity holders. The acquisition was deemed by the Purchase Agreement to be effective as of August 1, 2008. Following the closing of the acquisition, PipeFire's name was changed to StreetLinks National Appraisal Services LLC ("StreetLinks").

The initial purchase price paid by NovaStar for the acquired interest at closing was \$750,000. Additional purchase price amounts, up to an aggregate additional amount of \$3,250,000, will be payable at such times as StreetLinks achieves certain pre-tax income objectives.

The preceding discussion is qualified in its entirety by reference to the terms of the Purchase Agreement attached hereto as Exhibit 10.1 and incorporated herein by reference.

Item 8.01 - Other Events

On August 14, 2008, NovaStar announced its acquisition of a majority interest in PipeFire, as described above. A copy of the press release announcing this acquisition is included as Exhibit 99.1 and is incorporated herein by reference.

Item 9.01- Financial Statements and Exhibits

- (c) Exhibits.
- 10.1 Membership Interest Purchase Agreement, dated as of August 1, 2008, by and among NovaStar Financial, Inc., PipeFire, LLC, the existing members of PipeFire, LLC, and certain beneficial owners of such membership interests
- 99.1 Press release dated August 14, 2008

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 14, 2008

/s/ Rodney E. Schwatken

Rodney E. Schwatken
Chief Financial Officer

Exhibit Index

Exhibit

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<u>Number</u>	<u>Description</u>
10.1	Membership Interest Purchase Agreement, dated as of August 1, 2008, by and among NovaStar Financial, Inc., PipeFire, LLC, the existing members of PipeFire, LLC, and certain beneficial owners of such membership interests
99.1	Press release dated August 14, 2008