

CLST HOLDINGS, INC.
Form 8-K
December 18, 2009

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

Date of Report (Date of earliest event reported)

December 15, 2009

CLST Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

0-22972
(Commission File Number)

75-2479727
(I.R.S. Employer
Identification No.)

17304 Preston Road, Suite 420

Dallas, Texas, 75252

(Address of principal executive offices including Zip Code)

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(972) 267-0500

(Registrant's telephone number, including area code)

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 2.04. Triggering Events That Accelerate or Increase a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement.

As previously disclosed in its Form 8-K/A filed on March 5, 2009, on December 10, 2008, CLST Holdings, Inc. (the *Company*), through CLST Asset Trust II (*Trust II*), a trust wholly owned by CLST Asset II, LLC, a wholly owned subsidiary of CLST Financo, Inc. (*Financo*), which is one of our direct, wholly owned subsidiaries, entered into a purchase agreement to acquire, subject to certain limitations, on or before February 28, 2009, certain receivables, installment sales contracts and related assets of at least \$2 million owned by SSPE Investment Trust I (the *SSPE Trust*) and SSPE, LLC (*SSPE*) (the *Purchase Agreement*). The purchases of receivables by Trust II were financed by cash on hand and by advances under a non-recourse, revolving loan, effective as of December 10, 2008, by and among Trust II, Summit Consumer Receivables Fund, L.P., as Originator, SSPE and SSPE Trust, as Co-Borrowers, Summit and Eric J. Gangloff, as Guarantors, Fortress Credit Corp. (*Fortress*), as the Lender, Summit Alternative Investments, LLC, as the Initial Servicer, Lyon Financial Services, Inc., as the backup servicer, and U.S. Bank National Association, as the collateral custodian (the *Trust II Credit Agreement*) and the letter agreement, effective as of December 10, 2008, among Trust II, Financo, the Originator, the Co-Borrowers, the Initial Servicer, and the Guarantors (the *Letter Agreement*).

On December 15, 2009, we received a notice of default from Fortress stating that a servicer default has occurred and is continuing under the Trust II Credit Agreement, as a result of a material adverse effect with respect to the servicer. The notice is dated December 2, 2009, but was not addressed to the Company's offices. The Company received a copy of the notice on December 15, 2009. The Fortress notice states that Fair Finance Company (*Fair*), in its capacity as a sub-servicer for assets held by the SSPE Trust, has failed to perform its servicing duties with respect to that portion of the receivables portfolio owned by SSPE Trust for which Fair has been retained as a sub-servicer by the SSPE Trust. This failure, the Fortress notice asserts, results from the ongoing federal investigation of Fair and Timothy Durham, and constitutes a material adverse effect with respect to the servicer and thus a breach of a covenant under the Trust II Credit Agreement. The investigation of Fair and Mr. Durham has been previously disclosed in the Company's Form 8-K filed on December 1, 2009. We are reviewing the matters described in Fortress' notice, and have not formed an opinion as to whether a default under the Trust II Credit Agreement has occurred and remains uncured. Fair is not a sub-servicer for receivables purchased by Trust II. However, Trust II is a co-borrower with SSPE Trust under the Trust II Credit Agreement, and all of its assets are pledged to secure obligations to Fortress under the Trust II Credit Agreement.

If a default in the covenants has occurred under the Trust II Credit Agreement, the interest rate payable by Trust II will increase by an additional 2% per annum, and Fortress will be entitled to accelerate and declare immediately due all of Trust II's obligations under the Trust II Credit Agreement. In addition, if a default under the Trust II Credit Agreement exists and is continuing, Fortress is entitled to foreclose on the assets of Trust II and sell them to satisfy amounts due it under the Trust II Credit Agreement. In the event of such foreclosure, pursuant to the Letter Agreement, Trust II may have certain rights against SSPE Trust in the event of a default by SSPE Trust under the Trust II Credit Agreement that permit Trust II to receive an amount equal to what Trust II would have received on assets owned by Trust II which are foreclosed upon due to the default by SSPE Trust. Only Trust II is liable for amounts due Fortress under the Trust II Credit Agreement. Thus, although the Company could lose some or all of its investment in Trust II, we will not be obligated to pay any amounts due Fortress under the Trust II Credit Agreement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CLST HOLDINGS, INC.

Dated: December 18, 2009

By:

/s/ Robert A. Kaiser
Robert A. Kaiser
President, Chief Executive Officer,
Chief Financial Officer and Treasurer