

BAMBURG MICHAEL L
 Form 4
 February 10, 2006

FORM 4 UNITED STATES SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549

OMB APPROVAL
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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
 BAMBURG MICHAEL L

2. Issuer Name and Ticker or Trading Symbol
 NOVASTAR FINANCIAL INC
 [NFI]

5. Relationship of Reporting Person(s) to Issuer
 (Check all applicable)
 ___ Director ___ 10% Owner
X Officer (give title below) ___ Other (specify below)
 Senior Vice President

(Last) (First) (Middle)
 C/O NOVASTAR FINANCIAL
 INC, 8140 WARD PARKWAY,
 SUITE 300
 (Street)

3. Date of Earliest Transaction
 (Month/Day/Year)
 01/28/2006

KANSAS CITY, MO 64114
 (City) (State) (Zip)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
X Form filed by One Reporting Person
 ___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Ownership (Instr. 4) |
|---|--------------------------------------|--|--------------------------------|---|---|--|-----------------------------------|
| | | | Code | V | Amount | (D) | Price |
| NovaStar Financial, Inc. Common Stock <u>(1)</u> <u>(2)</u> | 02/08/2006 | | A | | 6,249 | A | \$ 0 |
| NovaStar Financial, Inc. Common Stock | | | | | 3,502 | I | By Spouse |

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Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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(9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | 6. Date Exercisable and Expiration Date (Month/Day/Year) | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | 8. Amount or Number of Shares |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|-------------------------------|
| Stock Option | \$ 31.21 | 02/08/2006 | | A | 3,558 | 02/08/2007 02/08/2016 | NovaStar Financial, Inc. Common Stock | 3,558 |
| Stock Option | \$ 31.21 | 02/08/2006 | | A | 3,558 | 02/08/2008 02/08/2016 | NovaStar Financial, Inc. Common Stock | 3,558 |
| Stock Option | \$ 31.21 | 02/08/2006 | | A | 3,559 | 02/08/2009 02/08/2016 | NovaStar Financial, Inc. Common Stock | 3,559 |
| Stock Option | \$ 31.21 | 02/08/2006 | | A | 3,559 | 02/08/2010 02/08/2016 | NovaStar Financial, Inc. Common Stock | 3,559 |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|--------------------------------|---------------|-----------|---------|-------|
| | Director | 10% Owner | Officer | Other |

BAMBURG MICHAEL L
C/O NOVASTAR FINANCIAL INC
8140 WARD PARKWAY, SUITE 300
KANSAS CITY, MO 64114

Senior
Vice
President

Signatures

Michael L.
Bamburg

02/08/2006

__Signature of
Reporting Person

Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) This is a grant of restricted stock subject to a 5 year Cliff vesting period.

(2) Restricted stock has voting rights and rights to receive dividends at transaction date, but is subject to forfeiture.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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