

BAMBURG MICHAEL L  
Form 4  
December 19, 2005

**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  
 Officer (give title below)  Other (specify below)  
Senior Vice President

(Last) (First) (Middle)

3. Date of Earliest Transaction  
(Month/Day/Year)  
12/19/2005

C/O NOVASTAR FINANCIAL  
INC, 8140 WARD PARKWAY,  
SUITE 300

(Street)

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

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

KANSAS CITY, MO 64114

(City) (State) (Zip)

**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 Indirect Ownership (Instr. 4) |
|---------------------------------------|--------------------------------------|--|--------------------------------|---|---|--|--|
|                                       |                                      |  | Code                           | V   | Amount or Price   |  |  |
| NovaStar Financial, Inc. Common Stock | 12/19/2005                           |  | M                              |   | 12,500 A \$ 12.22   | 363,957  | D  |
| NovaStar Financial, Inc. Common Stock | 12/19/2005                           |  | M                              |   | 4,494 A \$ 0  | 368,451  | D  |

|   |            |   |       |   |         |         |   |              |
|---|------------|---|-------|---|---------|---------|---|--------------|
| NovaStar<br>Financial,<br>Inc.<br>Common<br>Stock | 12/19/2005 | M | 5,000 | A | \$ 7.16 | 373,451 | D |              |
| NovaStar<br>Financial,<br>Inc.<br>Common<br>Stock |            |   |       |   |         | 3,502   | I | By<br>Spouse |

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

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SEC 1474  
(9-02)

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

| 1. Title of<br>Derivative<br>Security<br>(Instr. 3) | 2. Conversion<br>or Exercise<br>Price of<br>Derivative<br>Security | 3. Transaction Date<br>(Month/Day/Year) | 3A. Deemed<br>Execution Date, if<br>any<br>(Month/Day/Year) | 4.<br>Transaction<br>Code<br>(Instr. 8) | 5. Number of<br>Derivative<br>Securities<br>Acquired (A)<br>or Disposed of<br>(D)<br>(Instr. 3, 4,<br>and 5) | 6. Date Exercisable and<br>Expiration Date<br>(Month/Day/Year) | 7. Title and Amount of<br>Underlying Securities<br>(Instr. 3 and 4)          |
|---|--|---|---|---|--|--|--|
|   |  |   |   | Code                                    | V (A) (D)  | Date Exercisable<br>Expiration Date                            | Title<br>Amount<br>or<br>Number<br>of Shares                                 |
| Stock<br>Option                                     | \$ 12.22   | 12/19/2005                              |   | M                                       | 12,500   | 12/18/2003 <sup>(1)</sup> 12/18/2012                           | NovaStar<br>Financial<br>Inc.,<br>Common<br>Stock<br>16,99<br><sup>(2)</sup> |
| Stock<br>Option                                     | \$ 7.16  | 12/19/2005                              |   | M                                       | 5,000  | 12/19/2005 12/19/2011  | NovaStar<br>Financial<br>Inc.,<br>Common<br>Stock<br>5,000                   |

## 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.   12/19/2005  
Bamburg

\_\_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) 6,250 Options Became Exercisable on 12-18-2003. 6,250 Options Became Exercisable on 12-18-2004.
- (2) 4,494 DERs Are Attached to the \$12.22 Options.

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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