

ANDERSON W LANCE
Form 4
February 10, 2006

FORM 4

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

OMB APPROVAL

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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 *
ANDERSON W LANCE

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)
8140 WARD PARKWAY, STE 300
(Street)

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

____ Director _____ 10% Owner
 Officer (give title below) _____ Other (specify below)
President and COO

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)
 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	(A) or (D)	Price
NovaStar Financial, Inc. Common Stock ⁽¹⁾ ₍₂₎	02/08/2006		A		10,712	A	\$ 0 737,858
						D	

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

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(9-02)

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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	6,100	02/07/2007 02/08/2016	NovaStar Financial Inc, Common Stock	6,100
Stock Option	\$ 31.21	02/08/2006		A	6,100	02/07/2008 02/08/2016	NovaStar Financial Inc, Common Stock	6,100
Stock Option	\$ 31.21	02/08/2006		A	6,100	02/07/2009 02/08/2016	NovaStar Financial Inc, Common Stock	6,100
Stock Option	\$ 31.21	02/08/2006		A	6,101	02/07/2010 02/08/2016	NovaStar Financial Inc, Common Stock	6,101

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
ANDERSON W LANCE 8140 WARD PARKWAY STE 300 KANSAS CITY, MO 64114			President and COO	

Signatures

W. Lance
Anderson

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 a a grant of restricted stock subect 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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