HARTMAN SCOTT F

Form 4

February 10, 2006

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

OMB Number:

3235-0287 January 31,

0.5

Check this box if no longer

subject to Section 16. Form 4 or

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF **SECURITIES**

Expires: 2005 Estimated average burden hours per

10% Owner

OMB APPROVAL

response...

Form 5 obligations may continue.

See Instruction

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

1(b).

(Print or Type Responses)

1. Name and Address of Reporting Person * HARTMAN SCOTT F

2. Issuer Name and Ticker or Trading

Symbol

NOVASTAR FINANCIAL INC

[NFI]

5. Relationship of Reporting Person(s) to

Issuer

(Last) (First) (Middle) 3. Date of Earliest Transaction

(Month/Day/Year) 01/28/2006

(Check all applicable)

Chairman and CEO

Director X_ Officer (give title Other (specify below)

C/O NOVASTAR FINANCIAL INC, 8140 WARD PARKWAY, **STE 300**

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

KANSAS CITY, MO 64114

(City) (State) (Zip)

(Street)

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

1.Title of Security (Instr. 3)

2. Transaction Date 2A. Deemed (Month/Day/Year)

Execution Date, if

(Month/Day/Year)

3. Code

Code V

Transaction(A) or Disposed of (D) (Instr. 8) (Instr. 3, 4 and 5)

4. Securities Acquired 5. Amount of Securities Beneficially Owned

Following

Reported

6. Ownership 7. Nature of Form: Direct Indirect (D) or Indirect (I) (Instr. 4)

D

Beneficial Ownership (Instr. 4)

(A) (D) Amount

Transaction(s) (Instr. 3 and 4)

NovaStar Financial,

Inc. 02/08/2006 A 10,712 A \$0 1,130,752

Price

Common Stock (1) (2)

NovaStar

Financial,

By Inc. 1,200 Ι Children

Common Stock

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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 out 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)	
				Code V	(A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Stock Option	\$ 31.21	02/08/2006		A	6,100	02/08/2007	02/08/2016	NovaStar Financial, Inc. Common Stock	6,100
Stock Option	\$ 31.21	02/08/2006		A	6,100	02/08/2008	02/08/2016	NovaStar Financial, Inc. Common Stock	6,100
Stock Option	\$ 31.21	02/08/2006		A	6,100	02/08/2009	02/08/2016	NovaStar Financial, Inc. Common Stock	6,100
Stock Option	\$ 31.21	02/08/2006		A	6,101	02/08/2010	02/08/2016	NovaStar Financial, Inc. Common Stock	6,101

Reporting Owners

Reporting Owner Name / Address Relationships

Director 10% Owner Officer Other

Chairman and CEO

Reporting Owners 2

HARTMAN SCOTT F C/O NOVASTAR FINANCIAL INC 8140 WARD PARKWAY, STE 300 KANSAS CITY, MO 64114

Signatures

Scott F. 02/08/2006 Hartman

**Signature of Date
Reporting Person

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. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.

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