

NOVASTAR FINANCIAL INC
Form 4
March 16, 2007

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 *
Phillips Todd M

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

KANSAS CITY, MO 64114

(City) (State) (Zip)

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

3. Date of Earliest Transaction (Month/Day/Year)
03/14/2007

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

___ Director ___ 10% Owner
 Officer (give title below) ___ Other (specify below)
Chief Accounting Officer

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 (D) Price		
NovaStar Financial Inc. Common Stock	03/14/2007		A		4,737 (1)	A	\$ 0 5,595 (2) D

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

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SEC 1474 (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	\$ 4.18	03/14/2007		A	2,653	03/14/2008 03/14/2017	NovaStar Financial Inc. Common Stock	2,653
Stock Option	\$ 4.18	03/14/2007		A	2,654	03/14/2009 03/14/2017	NovaStar Financial Inc. Common Stock	2,654
Stock Option	\$ 4.18	03/14/2007		A	2,654	03/14/2010 03/14/2017	NovaStar Financial Inc. Common Stock	2,654
Stock Option	\$ 4.18	03/14/2007		A	2,654	03/14/2011 03/14/2017	NovaStar Financial Inc. Common Stock	2,654

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Phillips Todd M 8140 WARD PARKWAY, SUITE 300 KANSAS CITY, MO 64114			Chief Accounting Officer	

Signatures

Todd M.
Phillips

03/16/2007

__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. Restricted stock has voting rights and rights to receive future dividends on dividend payment dates, but is subject to forfeiture.
 - (2) Includes 1,230 shares of stock held in the Company's 401(k) plan.

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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