

NOVASTAR FINANCIAL INC
 Form 3
 February 11, 2005

FORM 3 UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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INITIAL STATEMENT OF 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 *		2. Date of Event Requiring Statement	3. Issuer Name and Ticker or Trading Symbol	
Â Pazgan David A		(Month/Day/Year)	NOVASTAR FINANCIAL INC [NFI]	
(Last)	(First)	(Middle)	02/11/2005	
8140 WARD PARKWAY			4. Relationship of Reporting Person(s) to Issuer	5. If Amendment, Date Original Filed(Month/Day/Year)
(Street)			(Check all applicable)	
KANSAS CITY,Â MOÂ 64114			<input type="checkbox"/> Director <input type="checkbox"/> 10% Owner	6. Individual or Joint/Group Filing(Check Applicable Line)
(City)	(State)	(Zip)	<input checked="" type="checkbox"/> Officer <input type="checkbox"/> Other	<input checked="" type="checkbox"/> Form filed by One Reporting Person
			(give title below) (specify below)	<input type="checkbox"/> Form filed by More than One Reporting Person
			Executive Vice President	

Table I - Non-Derivative Securities Beneficially Owned

1. Title of Security (Instr. 4)	2. Amount of Securities Beneficially Owned (Instr. 4)	3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	4. Nature of Indirect Beneficial Ownership (Instr. 5)
NovaStar Financial Inc. Common Stock	138,742	D	Â

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly. SEC 1473 (7-02)

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

1. Title of Derivative Security (Instr. 4)	2. Date Exercisable and Expiration Date (Month/Day/Year)	3. Title and Amount of Securities Underlying Derivative Security (Instr. 4)	4. Conversion or Exercise Price of Derivative Security	5. Ownership Form of Derivative Security: Direct (D) or Indirect	6. Nature of Indirect Beneficial Ownership (Instr. 5)
	Date Exercisable	Expiration Date	Title	Amount or Number of	

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				Shares		(1) (Instr. 5)	
Stock Option	12/19/2005	12/19/2011	NovaStar Financial, Inc. Common Stock	5,000	\$ 7.16	D	Â
Stock Option	12/18/2005	12/18/2012	NovaStar Financial, Inc. Common Stock	3,500	\$ 12.22	D	Â
Stock Option	12/18/2006	12/18/2012	NovaStar Financial, Inc. Common Stock	3,500	\$ 12.22	D	Â
Stock Option	02/07/2006	02/07/2015	NovaStar Financial, Inc. Common Stock	1,425	\$ 42.13	D	Â
Stock Option	02/07/2007	02/07/2015	NovaStar Financial, Inc. Common Stock	1,425	\$ 42.13	D	Â
Stock Option	02/07/2008	02/07/2015	NovaStar Financial, Inc. Common Stock	1,425	\$ 42.13	D	Â
Stock Option	02/07/2009	02/07/2015	NovaStar Financial, Inc. Common Stock	1,425	\$ 42.13	D	Â
Time-vesting Restricted Stock ⁽³⁾	02/07/2015	Â ⁽¹⁾	NovaStar Financial, Inc. Common Stock	1,825	\$ 0	D	Â
Performance based restricted stock ⁽⁴⁾	Â ⁽⁴⁾	Â ⁽¹⁾⁽⁴⁾	NovaStar Financial, Inc. Common	100,000	\$ 0	D	Â

			Stock				
Performance based restricted stock ⁽²⁾	Â ⁽²⁾	Â ⁽¹⁾⁽²⁾	NovaStar Financial, Inc. Common Stock	1,825	\$ 0	D	Â
Time-vesting Restricted Stock ⁽³⁾	01/28/2006	Â ⁽¹⁾	NovaStar Financial, Inc. Common Stock	1,000	\$ 0	D	Â
Time-vesting Restricted Stock ⁽³⁾	01/28/2007	Â ⁽¹⁾	NovaStar Financial, Inc. Common Stock	1,000	\$ 0	D	Â
Time-vesting Restricted Stock ⁽³⁾	01/28/2008	Â ⁽¹⁾	NovaStar Financial, Inc. Common Stock	1,000	\$ 0	D	Â

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Pazgan David A 8140 WARD PARKWAY KANSAS CITY, MO 64114	Â	Â	Â Executive Vice President	Â

Signatures

David A. Pazgan 02/11/2005

 Signature of
Reporting Person

Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 5(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) Restricted stock is converted to common stock on the exercisable date. Thus, expiration date is not applicable.

(2) These shares represent a performance contingent deferred stock award, no shares of the stock will be issued unless the performance objective is achieved within three years of the transaction date.

(3) Time-vesting restricted stock has voting rights and right to receive dividends at transaction date, but is subject to forfeiture.

(4) These shares represent a performance contingent deferred stock award, no shares of the stock will be issued unless at least the minimum performance objective is achieved within five years of the transaction date. A range of 25,000 to 100,000 shares can be earned based on the range of minimum and maximum performance targets the Company must achieve.

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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