

NOVASTAR FINANCIAL INC  
 Form 4  
 May 24, 2005

**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 \*  
**BARMORE GREGORY T**

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, SUITE 300  
 (Street)

3. Date of Earliest Transaction (Month/Day/Year)  
 05/23/2005

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

KANSAS CITY 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 Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(D)	Price
NovaStar Financial, Inc. Common Stock	05/23/2005		S		10,000 (1)	D	\$ 37.03
					206,441	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)
				Code	V (A) (D)	Date Exercisable Expiration Date	Title Amount or Number of Shares
Stock option with Dividend Equivalent Rights (DERs)	\$ 36.2	05/23/2005		A	1,250	05/23/2006 05/23/2015	NovaStar Financial, Inc. Common Stock 1,250
Stock option with Dividend Equivalent Rights (DERs)	\$ 36.2	05/23/2005		A	1,250	05/23/2007 05/23/2015	NovaStar Financial, Inc. Common Stock 1,250
Stock option with Dividend Equivalent Rights (DERs)	\$ 36.2	05/23/2005		A	1,250	05/23/2008 05/23/2015	NovaStar Financial, Inc. Common Stock 1,250
Stock option with Dividend Equivalent Rights (DERs)	\$ 36.2	05/23/2005		A	1,250	05/23/2009 05/23/2015	NovaStar Financial, Inc. Common Stock 1,250

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
BARMORE GREGORY T 8140 WARD PARKWAY SUITE 300	X			

KANSAS CITY 64114

## Signatures

Gregory T.  
Barmore

05/24/2005

\_\_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) Shares were sold under 10b5-1 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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