

NOVASTAR FINANCIAL INC
Form 4
September 28, 2007

FORM 4

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

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

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 *
GOLDMAN SACHS GROUP INC/

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)
85 BROAD ST
(Street)

3. Date of Earliest Transaction (Month/Day/Year)
09/21/2007

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

NEW YORK, NY 10004

(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	(A) or (D)	Price		
Common Stock	09/21/2007		X		107,500	D	\$ 10 890,888	I	See footnote (1)
Common Stock	09/21/2007		X		80,000	D	\$ 12.5 810,888	I	See footnote (1)
Common Stock	09/21/2007		X		31,250	D	\$ 15 779,638 (2)	I	See footnote (1)

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 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
Put option (right to sell)	\$ 10	09/21/2007		X	4,300 (3)	(4) 09/22/2007	Common Stock	107,500
Put option (right to sell)	\$ 12.5	09/21/2007		X	3,200 (3)	(4) 09/22/2007	Common Stock	80,000
Put option (right to sell)	\$ 15	09/21/2007		X	1,250 (3)	(4) 09/22/2007	Common Stock	31,250

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
GOLDMAN SACHS GROUP INC/ 85 BROAD ST NEW YORK, NY 10004		X		
Global Securities Services 85 BROAD STREET NEW YORK, NY 10004		X		

Signatures

/s/Andrea DeMar,
Attorney-in-fact

09/28/2007

**Signature of Reporting Person

Date

/s/Andrea DeMar,
Attorney-in-fact

09/28/2007

__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).

This statement is being filed by The Goldman Sachs Group, Inc. ("GS Group") and Global Securities Services ("GSS", and together with

(1) GS Group, the "Reporting Persons"), a separate business unit within the Goldman Sachs organization. GSS beneficially owns directly and GS Group may be deemed to beneficially own indirectly the securities reported herein.

(2) As of September 21, 2007, the Reporting Persons ceased to beneficially own more than 10% of Novastar Financial, Inc.'s (the "Company"), common stock, par value \$0.01 per share ("Common Stock").

(3) Each contract relates to 25 shares of the Company's Common Stock.

(4) Immediately exercisable.

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.