

NOVASTAR FINANCIAL INC  
Form 4  
December 20, 2006

**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 \*  
BAMBURG MICHAEL L

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)

3. Date of Earliest Transaction (Month/Day/Year)  
12/18/2006

\_\_\_\_ Director \_\_\_\_\_ 10% Owner  
 Officer (give title below) \_\_\_\_\_ Other (specify below)  
Senior Vice President

C/O NOVASTAR FINANCIAL INC, 8140 WARD PARKWAY, SUITE 300

(Street)

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

KANSAS CITY, MO 64114

(City) (State) (Zip)

**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 Ownership (Instr. 4) |
|---------------------------------------|--------------------------------------|--|--------------------------------|---|---|--|--|
|                                       |                                      |  | Code                           | V Amount (A) or (D) Price   |   |  |  |
| NovaStar Financial, Inc. Common Stock | 12/18/2006                           |  | M                              | 12,500 A \$ 12.22   | 394,898   | D  |  |
| NovaStar Financial, Inc. Common Stock |                                      |  |                                |   | 3,502   | I  | By Spouse                                  |

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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 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) |                                      |                            |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|--------------------------------------|----------------------------|
|  |  |                                      |  |                                |   | Date Exercisable   | Expiration Date   | Title                                | Amount or Number of Shares |
|  |  |                                      |  |                                |   | Code   | V   | (A)                                  | (D)                        |
| Stock Option                               | \$ 12.22   | 12/18/2006                           |  | M                              | 12,500  | 12/18/2006   | 12/18/2012  | NovaStar Financial Inc. Common Stock | 12,500                     |

## Reporting Owners

| Reporting Owner Name / Address   | Relationships |           |                       |       |
|--|---------------|-----------|-----------------------|-------|
|  | Director      | 10% Owner | Officer               | Other |
| BAMBURG MICHAEL L<br>C/O NOVASTAR FINANCIAL INC<br>8140 WARD PARKWAY, SUITE 300<br>KANSAS CITY, MO 64114 |               |           | Senior Vice President |       |

## Signatures

Michael L. Bamburg 12/20/2006

\_\_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).

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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