

NOVASTAR FINANCIAL INC
 Form 4
 October 02, 2008

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

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

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)
 09/30/2008

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

KANSAS CITY, MO 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 Ownership (Instr. 4)
				(A) or (D)	Price		
				Code	V	Amount	
Restricted Common Stock	09/30/2008		D	1,185	D	\$ 0	4,410 <u>(1)</u> <u>(2)</u> D
Restricted Common Stock	09/30/2008		D	102	D	\$ 0	4,308 <u>(1)</u> <u>(2)</u> D
Restricted Common Stock	09/30/2008		D	38	D	\$ 0	3,270 <u>(1)</u> <u>(2)</u> <u>(3)</u> D

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

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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. Price or Value of Underlying Securities (Instr. 3 and 4)
Performance Based Restricted Stock	\$ 0	12/31/2007 ⁽³⁾		D	38 <u>(1)</u> <u>(2)</u>	<u>(2)</u> <u>(2)</u>	NovaStar Financial, Inc. Common Stock	38

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

/s/ Todd M. Phillips 10/02/2008

**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) On July 27, 2007, NovaStar Financial Inc. effected a 4-for-1 reverse stock split.
- (2) This forfeiture of restricted stock is reported in connection with Todd M. Phillips termination from NovaStar Financial, Inc.

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- (3) This award was initially reported in Table II in a Form 4 filed on 02/07/05. The shares were issued, so the forfeiture is being reported in Table I.

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.