

NOVASTAR FINANCIAL INC  
 Form 4  
 December 16, 2004

**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 \*  
**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)  
 12/14/2004

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)
				(A) or (D)	Price		
				Code	V	Amount	
NovaStar Financial, Inc. Common Stock	12/14/2004		S	8,000	D	\$ 52.85	226,441 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
Put Options <u>(1)</u>	\$ 55	12/14/2004		P	10,000	05/10/2004 01/22/2005	NovaStar Financial, Inc. Common Stock 10,000
Put Options <u>(1)</u>	\$ 50	12/14/2004		P	3,000	05/03/2004 01/22/2005	NovaStar Financial, Inc. Common Stock 3,000
Put Options <u>(1)</u>	\$ 50	12/15/2004		P	7,000	05/03/2004 01/22/2005	NovaStar Financial, Inc. Common Stock 7,000
Put Options <u>(1)</u>	\$ 50	12/15/2004		P	10,000	05/10/2004 01/22/2005	NovaStar Financial, Inc. Common Stock 10,000

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
BARMORE GREGORY T 8140 WARD PARKWAY SUITE 300 KANSAS CITY 64114	X			

## Signatures

Gregory T. Barmore 12/16/2004

\_\_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) The put options purchased are all to pair-off put options previously sold and reported.

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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