

NOVASTAR FINANCIAL INC
 Form 4
 December 21, 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 *
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)
 ___ Director ___ 10% Owner
 Officer (give title below) ___ Other (specify below)
 Senior Vice President

(Last) (First) (Middle)
 8140 WARD PARKWAY, SUITE 300
 (Street)

3. Date of Earliest Transaction (Month/Day/Year)
 12/20/2004

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)
				Code	V	Amount or Price			
NovaStar Financial, Inc. Common Stock	12/20/2004	12/20/2004	M	5,000	A	\$ 1.875	338,402	D	
NovaStar Financial, Inc. Common Stock	12/20/2004	12/20/2004	M	2,000	A	\$ 7.16	340,402	D	
	12/20/2004	12/20/2004	M	655	A	\$ 0	341,057	D	

NovaStar
Financial,
Inc.
Common
Stock

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. Amount or Number of Shares
Stock Option	\$ 1.875	12/20/2004	12/20/2004	M	5,000	12/20/2004 12/20/2010	NovaStar Financial, Inc. Common Stock	5,000
Stock Option	\$ 7.16	12/20/2004	12/20/2004	M	2,000	12/19/2004 12/19/2011	NovaStar Financial, Inc. Common Stock	2,655 ⁽¹⁾

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
BAMBURG MICHAEL L 8140 WARD PARKWAY SUITE 300 KANSAS CITY, MO 64114			Senior Vice President	

Signatures

Michael L.
Bamburg

12/21/2004

__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) 655 DERs (dividend equivalent rights) attached to \$7.16 options

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.