

NOVASTAR FINANCIAL INC
 Form 3
 April 18, 2006

FORM 3 UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

OMB Number: 3235-0104
 Expires: January 31, 2005
 Estimated average burden hours per response... 0.5

INITIAL STATEMENT OF 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 * Â Phillips Todd M (Last) (First) (Middle) 8140 WARD PARKWAY, SUITE 300 (Street) KANSAS CITY,Â MOÂ 64114 (City) (State) (Zip)	2. Date of Event Requiring Statement (Month/Day/Year) 04/12/2006	3. Issuer Name and Ticker or Trading Symbol NOVASTAR FINANCIAL INC [NFI]	4. Relationship of Reporting Person(s) to Issuer (Check all applicable) <input type="checkbox"/> Director <input type="checkbox"/> 10% Owner <input checked="" type="checkbox"/> Officer <input type="checkbox"/> Other (give title below) (specify below) Chief Accounting Officer	5. If Amendment, Date Original Filed(Month/Day/Year)	6. Individual or Joint/Group Filing(Check Applicable Line) <input checked="" type="checkbox"/> Form filed by One Reporting Person <input type="checkbox"/> Form filed by More than One Reporting Person
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Table I - Non-Derivative Securities Beneficially Owned

1. Title of Security (Instr. 4)	2. Amount of Securities Beneficially Owned (Instr. 4)	3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	4. Nature of Indirect Beneficial Ownership (Instr. 5)
NovaStar Financial Inc. Common Stock	150	D	Â
NovaStar Financial Inc. Common Stock ⁽¹⁾	150	D	Â
NovaStar Financial Inc. Common Stock ⁽²⁾	150	D	Â
NovaStar Financial Inc. Common Stock ⁽³⁾	408	D	Â

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

SEC 1473 (7-02)

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Table II - Derivative Securities Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

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1. Title of Derivative Security (Instr. 4)	2. Date Exercisable and Expiration Date (Month/Day/Year)		3. Title and Amount of Securities Underlying Derivative Security (Instr. 4)	4. Conversion or Exercise Price of Derivative Security	5. Ownership Form of Derivative Security: Direct (D) or Indirect (I) (Instr. 5)	6. Nature of Indirect Beneficial Ownership (Instr. 5)
	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		
Stock Option ⁽⁴⁾	Â ⁽⁴⁾	02/07/2015	NovaStar Financial, Inc. Common Stock	500	\$ 42.13	D Â
Performance Based Restricted Stock ⁽⁵⁾	Â ⁽⁵⁾	Â ⁽⁵⁾	NovaStar Financial, Inc. Common Stock	150	\$ 0	D Â
Stock Option ⁽⁶⁾	Â ⁽⁶⁾	02/08/2016	NovaStar Financial, Inc. Common Stock	1,930	\$ 31.21	D Â

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Phillips Todd M 8140 WARD PARKWAY, SUITE 300 KANSAS CITY, MO 64114	Â	Â	Â Chief Accounting Officer	Â

Signatures

Todd M. Phillips 04/18/2006

^{**}Signature of
Reporting Person

Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, *see* Instruction 5(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) Time-vesting restricted stock which vests in two equal annual installments of 75 shares beginning on 1/28/2007 and ending on 1/28/2008. These shares have voting rights and rights to receive dividends, but are subject to forfeiture.
 - (2) Time-vesting restricted stock which vests on 2/7/2015. These shares have voting rights and rights to receive dividends, but are subject to forfeiture.
 - (3) Time-vesting restricted stock which vests on 2/8/2011. These shares have voting rights and rights to receive dividends, but are subject to forfeiture.
 - (4) Consists of 500 derivatives which vest in four equal annual installments of 125 shares beginning on 2/7/2006 and ending on 2/7/2009.

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- (5) These shares represent a performance contingent deferred stock award. No shares of stock will be issued unless the performance target is achieved within three years of the date of award.
- (6) Consists of 1,930 derivatives which vest in four annual installments consisting of 482 shares on 2/8/2007, 483 shares on 2/8/2008, 482 shares on 2/8/2009 and 483 shares on 2/8/2010.

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.