

SCHWATKEN RODNEY E
 Form 4
 February 09, 2005

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 *
 SCHWATKEN RODNEY E

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)
 02/07/2005

____ Director _____ 10% Owner
 Officer (give title below) _____ Other (specify below)
 Principal Financial 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)	Code	V	Amount	(D)	Price

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

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SEC 1474 (9-02)

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

1. Title of Derivative	2. Conversion	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if	4. Transaction of	5. Number	6. Date Exercisable and Expiration Date	7. Title and Amount of Underlying Securities
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Security (Instr. 3)	or Exercise Price of Derivative Security	any (Month/Day/Year)	Code (Instr. 8)	Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	(Month/Day/Year)	(Instr. 3 and 4)				
			Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Restricted Stock ⁽³⁾	\$ 0	02/07/2005	A		175		02/07/2015	<u>(1)</u>	NovaStar Financial, Inc. Common Stock	175
Stock Option	\$ 42.13	02/07/2005	A		125		02/07/2006	02/07/2015	NovaStar Financial, Inc. Common Stock	125
Stock Option	\$ 42.13	02/07/2005	A		125		02/07/2007	02/07/2015	NovaStar Financial, Inc. Common Stock	125
Stock Option	\$ 42.13	02/07/2005	A		125		02/07/2008	02/07/2015	NovaStar Financial, Inc. Common Stock	125
Stock Option	\$ 42.13	02/07/2005	A		125		02/07/2009	02/07/2015	NovaStar Financial, Inc. Common Stock	125
Performance based restricted stock ⁽²⁾	\$ 0	02/07/2005	A		175		<u>(2)</u>	<u>(2)</u>	NovaStar Financial, Inc. Common Stock	175

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other

SCHWATKEN RODNEY E
8140 WARD PARKWAY
SUITE 300
KANSAS CITY, MO 64114

Principal Financial Officer

Signatures

Rodney E.
Schwatken

02/09/2005

__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) Restricted stock is converted to common stock on the exercisable date. Thus, expiration date is not applicable.

(2) These shares represent a performance contingent deferred stock award, no shares of the stock will be issued unless the performance objective is achieved within three years of the transaction date.

(3) Restricted stock has voting rights and right to receive dividends at transaction date, but is subject to forfeiture.

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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