

BAMBURG MICHAEL L
Form 4
January 20, 2009

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
[NOVS.PK]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)

3. Date of Earliest Transaction (Month/Day/Year)
12/31/2008

___ Director ___ 10% Owner
 Officer (give title below) ___ Other (specify below)
SVP-Chief Investment Officer

C/O NOVASTAR FINANCIAL INC, 1901 WEST 47TH PL. #105

(Street)

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

WESTWOOD, KS 66205

(City) (State) (Zip)

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	12/30/2008		D		11,962	D	\$ 0	100,033 ⁽¹⁾ ⁽²⁾ D
Restricted Common Stock	12/30/2008		D		1,562	D	\$ 0	98,471 ⁽¹⁾ ⁽²⁾ D
Restricted Common Stock	12/30/2008		D		481	D	\$ 0	97,990 ⁽¹⁾ ⁽²⁾ ₍₃₎ D

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

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(9-02)

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
Performance Based Restricted Stock	\$ 0	12/31/2008 ⁽³⁾		D	481 <u>(1)</u> <u>(2)</u>	<u>(2)</u> <u>(2)</u>	NovaStar Financial, Inc. Common Stock	481

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
BAMBURG MICHAEL L C/O NOVASTAR FINANCIAL INC 1901 WEST 47TH PL. #105 WESTWOOD, KS 66205			SVP-Chief Investment Officer	

Signatures

/s/ Todd M. Phillips 01/15/2008

**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 Mike Bamburg's 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.