

NOVASTAR FINANCIAL INC
 Form 3
 September 28, 2007

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

OMB APPROVAL

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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 *			2. Date of Event Requiring Statement	3. Issuer Name and Ticker or Trading Symbol	
Â GOLDMAN SACHS GROUP INC/			(Month/Day/Year)	NOVASTAR FINANCIAL INC [NFI]	
(Last)	(First)	(Middle)	09/20/2007		
85 BROAD ST			4. Relationship of Reporting Person(s) to Issuer		5. If Amendment, Date Original Filed(Month/Day/Year)
(Street)			(Check all applicable)		6. Individual or Joint/Group Filing(Check Applicable Line)
NEW YORK,Â NYÂ 10004			<input type="checkbox"/> Director <input checked="" type="checkbox"/> 10% Owner <input type="checkbox"/> Officer <input type="checkbox"/> Other (give title below) (specify below)		<input type="checkbox"/> Form filed by One Reporting Person <input checked="" type="checkbox"/> Form filed by More than One Reporting Person
(City)	(State)	(Zip)			

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)
Common Stock	998,388	I	See footnote ⁽¹⁾
8.90% Series C Nonconvertible Preferred Stock	100	I	See footnote ⁽¹⁾

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)

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	4. Conversion or Exercise	5. Ownership Form of	6. Nature of Indirect Beneficial Ownership
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	Date Exercisable	Expiration Date	(Instr. 4) Title	Amount or Number of Shares	Price of Derivative Security	Derivative Security: Direct (D) or Indirect (I) (Instr. 5)	(Instr. 5)
Call option (obligation to sell)	Â <u>(2)</u>	09/22/2007	Common Stock	107,500	\$ 10	I	See footnote <u>(1)</u>
Call option (obligation to sell)	Â <u>(2)</u>	09/22/2007	Common Stock	80,000	\$ 12.5	I	See footnote <u>(1)</u>
Call option (obligation to sell)	Â <u>(2)</u>	09/22/2007	Common Stock	31,250	\$ 15	I	See footnote <u>(1)</u>
Call option (obligation to sell)	Â <u>(2)</u>	12/22/2007	Common Stock	4,650	\$ 7.5	I	See footnote <u>(1)</u>
Call option (obligation to sell)	Â <u>(2)</u>	12/22/2007	Common Stock	106,500	\$ 10	I	See footnote <u>(1)</u>
Call option (obligation to sell)	Â <u>(2)</u>	12/22/2007	Common Stock	3,825	\$ 12.5	I	See footnote <u>(1)</u>
Call option (obligation to sell)	Â <u>(2)</u>	12/22/2007	Common Stock	550,000	\$ 15	I	See footnote <u>(1)</u>
Call option (obligation to sell)	Â <u>(2)</u>	01/19/2008	Common Stock	2,500	\$ 7.5	I	See footnote <u>(1)</u>
Call option (obligation to sell)	Â <u>(2)</u>	01/19/2008	Common Stock	77,675	\$ 10	I	See footnote <u>(1)</u>
Call option (obligation to sell)	Â <u>(2)</u>	01/19/2008	Common Stock	2,500	\$ 12.5	I	See footnote <u>(1)</u>
Call option (obligation to sell)	Â <u>(2)</u>	01/19/2008	Common Stock	55,000	\$ 35	I	See footnote <u>(1)</u>
Put option (right to sell)	Â <u>(2)</u>	09/22/2007	Common Stock	107,500	\$ 10	I	See footnote <u>(1)</u>
Put option (right to sell)	Â <u>(2)</u>	09/22/2007	Common Stock	80,000	\$ 12.5	I	See footnote <u>(1)</u>
Put option (right to sell)	Â <u>(2)</u>	09/22/2007	Common Stock	31,250	\$ 15	I	See footnote <u>(1)</u>
Put option (right to sell)	Â <u>(2)</u>	12/22/2007	Common Stock	6,250	\$ 7.5	I	See footnote <u>(1)</u>
Put option (right to sell)	Â <u>(2)</u>	12/22/2007	Common Stock	127,675	\$ 10	I	See footnote <u>(1)</u>
Put option (right to sell)	Â <u>(2)</u>	12/22/2007	Common Stock	550,000	\$ 15	I	See footnote <u>(1)</u>
Put option (right to sell)	Â <u>(2)</u>	01/19/2008	Common Stock	9,600	\$ 7.5	I	See footnote <u>(1)</u>

Put option (right to sell)	Â (2)	01/19/2008	Common Stock	83,275	\$ 10	I	See footnote (1)
Put option (right to sell)	Â (2)	01/19/2008	Common Stock	55,000	\$ 35	I	See footnote (1)

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
GOLDMAN SACHS GROUP INC/ 85 BROAD ST NEW YORK, NY 10004	Â	Â X	Â	Â
Global Securities Services 85 BROAD STREET NEW YORK, NY 10004	Â	Â X	Â	Â

Signatures

/s/ Andrea DeMar,
Attorney-in-fact

09/28/2007

**Signature of Reporting Person

Date

/s/ Andrea DeMar,
Attorney-in-fact

09/28/2007

**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).

This statement is being filed by The Goldman Sachs Group, Inc. ("GS Group") and Global Securities Services ("GSS", and together with

(1) GS Group, the "Reporting Persons"), a separate business unit within the Goldman Sachs organization. GSS beneficially owns directly and GS Group may be deemed to beneficially own indirectly the securities reported herein.

(2) Immediately exercisable.

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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