

In re NovaStar Financial, Inc. Securities Litigation  
c/o Analytics Incorporated  
Claims Administrator  
P.O. Box 2006  
Chanhassen, MN 55317-2006

Deadline for Submission:  
May 15, 2009

**PROOF OF CLAIM AND RELEASE**

**WRITE ANY NAME AND ADDRESS CORRECTIONS BELOW OR IF THERE IS NO PREPRINTED DATA TO THE LEFT, YOU MUST PROVIDE THE NAME AND ADDRESS OF THE BENEFICIAL OWNER(S) HERE:**

Name:
Address:
City:
State/Country and Zip Code:

IF YOU (1) PURCHASED OR OTHERWISE ACQUIRED THE COMMON STOCK OF NOVASTAR FINANCIAL, INC. (“NOVASTAR”) DURING THE PERIOD FROM OCTOBER 29, 2003 THROUGH APRIL 8, 2004, INCLUSIVE (THE “CLASS PERIOD”) AND STILL HELD THOSE SHARES AS OF APRIL 8, 2004, OR (2) SOLD NOVASTAR PUT OPTIONS DURING THE CLASS PERIOD WHOSE OPTION EXTENDED BEYOND, AND WAS EXERCISED AFTER, APRIL 8, 2004, AND (3) WERE DAMAGED THEREBY, YOU ARE A “CLASS MEMBER” AND YOU MAY BE ENTITLED TO SHARE IN THE SETTLEMENT PROCEEDS.

Excluded from the Class are the Defendants; the subsidiaries and affiliates of NovaStar; the officers and directors of NovaStar or its subsidiaries and affiliates, at all relevant times; members of the immediate family of any excluded person; the legal representatives, heirs, successors, and assigns of any excluded person; and any entity in which any excluded person has or had a controlling interest.

IF YOU ARE A CLASS MEMBER, YOU MUST COMPLETE AND SUBMIT THIS FORM IN ORDER TO BE ELIGIBLE FOR ANY SETTLEMENT BENEFITS.

YOU MUST COMPLETE AND SIGN THIS PROOF OF CLAIM AND MAIL IT BY FIRST CLASS MAIL, POSTMARKED NO LATER THAN **MAY 15, 2009** TO THE FOLLOWING ADDRESS:

In re NovaStar Financial, Inc. Securities Litigation  
c/o Analytics Incorporated  
Claims Administrator  
Post Office Box 2006  
Chanhassen, Minnesota 55317-2006

YOUR FAILURE TO SUBMIT YOUR CLAIM BY **MAY 15, 2009** WILL SUBJECT YOUR CLAIM TO REJECTION AND PRECLUDE YOUR RECEIVING ANY MONEY IN CONNECTION WITH THE SETTLEMENT OF THIS LITIGATION. DO NOT MAIL OR DELIVER YOUR CLAIM TO THE COURT OR TO ANY OF THE PARTIES OR THEIR COUNSEL AS ANY SUCH CLAIM WILL BE DEEMED NOT TO HAVE BEEN SUBMITTED. SUBMIT YOUR CLAIM ONLY TO THE CLAIMS ADMINISTRATOR.

**CLAIMANT’S STATEMENT**

1. I affirm that I EITHER (1) purchased or otherwise acquired common stock of NovaStar Financial, Inc. (“NovaStar”) during the period from October 29, 2003 through April 8, 2004, inclusive (the “Class Period”) and still held shares of stock as of April 8, 2004, OR (2) sold NovaStar put options during the Class Period whose option extended beyond, and was exercised after, April 8, 2004. (Do not submit this Proof of Claim if you did not purchase or otherwise acquire NovaStar common stock or sell NovaStar put options during this period).
2. By submitting this Proof of Claim, I state that I believe in good faith that I am a Class Member as defined above and in the Notice of Pendency of Class Action and Proposed Settlement, Motion for Attorneys’ Fees and Settlement Fairness Hearing (the “Notice”), or am acting for such person; that I am not a Defendant in the Action or anyone excluded from the Class; that I have read and understand the Notice; that I believe that I am entitled to receive a share of the Net Settlement

Fund; that I elect to participate in the proposed Settlement described in the Notice; and that I have not filed a request for exclusion. (If you are acting in a representative capacity on behalf of a Class Member (for example, as an executor, administrator, trustee, or other representative), you must submit evidence of your current authority to act on behalf of that Class Member. Such evidence would include, for example, letters testamentary, letters of administration, or a copy of the trust documents.)

3. I consent to the jurisdiction of the Court with respect to all questions concerning the validity of this Proof of Claim. I understand and agree that my claim may be subject to investigation and discovery under the Federal Rules of Civil Procedure, provided that such investigation and discovery shall be limited to my status as a Class Member and the validity and amount of my claim. No discovery shall be allowed on the merits of the Action or Settlement in connection with processing of the Proofs of Claim.
4. I have set forth where requested below all relevant information with respect to each purchase or other acquisition and sale of NovaStar common stock or put options during the Class Period. I agree to furnish additional information (including transactions in other NovaStar securities) to the Claims Administrator to support this claim if requested to do so.
5. I have enclosed photocopies of the stockbroker's confirmation slips, stockbroker's statements, or other documents evidencing each purchase, acquisition, sale or retention of NovaStar common stock or put options listed below in support of my claim. (IF ANY SUCH DOCUMENTS ARE NOT IN YOUR POSSESSION, PLEASE OBTAIN A COPY OR EQUIVALENT DOCUMENTS FROM YOUR BROKER BECAUSE THESE DOCUMENTS ARE NECESSARY TO PROVE AND PROCESS YOUR CLAIM.)
6. I understand that the information contained in this Proof of Claim is subject to such verification as the Claims Administrator may request or as the Court may direct, and I agree to cooperate in any such verification. (The information requested herein is designed to provide the minimum amount of information necessary to process most simple claims. The Claims Administrator may request additional information as required to efficiently and reliably calculate your Recognized Claim. In some cases the Claims Administrator may condition acceptance of the claim based upon the production of additional information, including, where applicable, information concerning transactions in any derivatives of the subject securities such as options.)
7. Upon the occurrence of the Effective Date my signature hereto will constitute a full and complete release, remise and discharge by me and my heirs, executors, administrators, predecessors, successors, and assigns (or, if I am submitting this Proof of Claim on behalf of a corporation, a partnership, estate or one or more other persons, by it, him, her or them, and by its, his, her or their heirs, executors, administrators, predecessors, successors, and assigns) of each of the "Released Parties" of all "Settled Claims," as defined in the Notice.
8. NOTICE REGARDING ELECTRONIC FILES: Certain claimants with large numbers of transactions may request to, or may be requested to, submit information regarding their transactions in electronic files. All Claimants MUST submit a manually signed paper Proof of Claim form listing all their transactions whether or not they also submit electronic copies. If you wish to file your claim electronically, you must contact the Claims Administrator at 1-877-556-8144 or visit their website at [www.novastarsecuritieslitigation.com](http://www.novastarsecuritieslitigation.com) to obtain the required file layout. No electronic files will be considered to have been properly submitted unless the Claims Administrator issues to the Claimant a written acknowledgment of receipt and acceptance of electronically submitted data.

9. Statement of Claim									
Telephone Number (Day)	Telephone Number (Evening)								
Check One: <table style="width: 100%; border: none;"> <tr> <td style="width: 25%;"><input type="checkbox"/> Individual/Sole Proprietor</td> <td style="width: 25%;"><input type="checkbox"/> Joint Owners</td> <td style="width: 25%;"><input type="checkbox"/> Pension Plan</td> <td style="width: 25%;"><input type="checkbox"/> Corporation</td> </tr> <tr> <td><input type="checkbox"/> Partnership</td> <td><input type="checkbox"/> Trust</td> <td><input type="checkbox"/> IRA</td> <td><input type="checkbox"/> Other _____ (Describe)</td> </tr> </table>		<input type="checkbox"/> Individual/Sole Proprietor	<input type="checkbox"/> Joint Owners	<input type="checkbox"/> Pension Plan	<input type="checkbox"/> Corporation	<input type="checkbox"/> Partnership	<input type="checkbox"/> Trust	<input type="checkbox"/> IRA	<input type="checkbox"/> Other _____ (Describe)
<input type="checkbox"/> Individual/Sole Proprietor	<input type="checkbox"/> Joint Owners	<input type="checkbox"/> Pension Plan	<input type="checkbox"/> Corporation						
<input type="checkbox"/> Partnership	<input type="checkbox"/> Trust	<input type="checkbox"/> IRA	<input type="checkbox"/> Other _____ (Describe)						
NOTE: Separate Proofs of Claim should be submitted for each separate legal entity (for example, a claim from Joint Owners should not include separate transactions of just one of the Joint Owners, an Individual should not combine his or her IRA transactions with transactions made solely in the Individual's name). Conversely, a single Proof of Claim should be submitted on behalf of one legal entity including all transactions made by that entity no matter how many separate accounts that entity has (for example, a Corporation with multiple brokerage accounts should include all transactions made in NovaStar common stock or put options during the Class Period on one Proof of Claim, no matter how many accounts the transactions were made in.)									
Social Security Number or Taxpayer Identification Number									
Record Owner's Name (if different from beneficial owner listed above)									

**FOR NOVASTAR COMMON STOCK:**

10. At the close of business on October 28, 2003, I owned  shares of NovaStar common stock (If none, write "zero" or "0") (If other than zero, must be documented). Check Here If Documentation Is Enclosed

11. I made the following purchases of NovaStar common stock during the period from October 29, 2003 through April 8, 2004, inclusive (NOTE: If you acquired your NovaStar common stock during this period other than by an open market purchase, please provide a complete description of the terms of the acquisition on a separate page) (must be documented):

Date(s) of Purchase (List Chronologically) (Month/Day/Year)	Number of Shares of Common Stock Purchased	Purchase Price Per Share of Common Stock	Aggregate Cost (Including Commissions, Taxes, and Fees)	Check Here If Documentation Is Enclosed
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="checkbox"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="checkbox"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="checkbox"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="checkbox"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="checkbox"/>

12. From April 9, 2004 through July 7, 2004, inclusive, I purchased a total of  shares of NovaStar common stock (If none, write "zero" or "0") (If other than zero, must be documented). Check Here If Documentation Is Enclosed

13. I made the following sales of NovaStar common stock during the period from October 29, 2003 through July 7, 2004, inclusive (If none, write "zero" or "0") (If other than zero, must be documented):

Date(s) of Sale (List Chronologically) (Month/Day/Year)	Number of Shares of Common Stock Sold	Sale Price Per Share of Common Stock	Amount Received (Net of Commissions, Taxes and Fees)	Check Here If Documentation Is Enclosed
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="checkbox"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="checkbox"/>
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<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="checkbox"/>

14. At the close of trading on July 7, 2004, I owned  shares of Novastar common stock (If none, write 0) (If other than zero, must be documented). Check Here If Documentation Is Enclosed

**FOR PUT OPTIONS ON NOVASTAR COMMON STOCK:**

15. At the close of trading on October 28, 2003, I was obligated on the following put options on NovaStar common stock (If none, write "zero" or "0") (If other than zero, must be documented):

Number of Contracts	Strike Price	Expiration Date (Month/Day/Year)	Check Here If Documentation Is Enclosed
<input type="text"/>	\$ <input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="checkbox"/>
<input type="text"/>	\$ <input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="checkbox"/>
<input type="text"/>	\$ <input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="checkbox"/>
<input type="text"/>	\$ <input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="checkbox"/>
<input type="text"/>	\$ <input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="checkbox"/>

16. I wrote (sold) put options on NovaStar common stock during the period from October 29, 2003 through April 8, 2004, inclusive, as follows (must be documented):

Date of Writing (Sale) (List Chronologically) (Month/Day/Year)	Number of Contracts	Strike Price	Expiration Date (Month/Day/Year)	Premium Price Per Share	Amount Received (net of commissions, taxes and fees)	Check Here If Documentation Is Enclosed
<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="text"/>	\$ <input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>	\$ <input type="text"/>	\$ <input type="text"/>	<input type="checkbox"/>
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17. I made the following repurchases of put options on NovaStar common stock during the period from October 29, 2003 through April 8, 2004, inclusive (If none, write "zero" or "0") (If other than zero, must be documented):

Date of Purchase (List Chronologically) (Month/Day/Year)	Number of Contracts	Strike Price	Expiration Date (Month/Day/Year)	Premium Price Per Share	Aggregate Cost (including of commissions, taxes and fees)	Check Here If Documentation Is Enclosed
<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="text"/>	\$ <input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>	\$ <input type="text"/>	\$ <input type="text"/>	<input type="checkbox"/>
<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="text"/>	\$ <input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>	\$ <input type="text"/>	\$ <input type="text"/>	<input type="checkbox"/>
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IF YOU NEED ADDITIONAL SPACE TO LIST YOUR TRANSACTIONS PHOTOCOPY THIS PAGE

18. The following put options on Nova Star common stock which I wrote (sold) during the period from October 29, 2003 through April 8, 2004, inclusive, were exercised by the holders thereof and assigned to me (Include all exercises whether occurring during or after the Class Period):

Number of Contracts	Strike Price	Expiration Date (Month/Day/Year)	Date of Exercise (Month/Day/Year)	Check Here If Documentation Is Enclosed
<input type="text"/>	\$ <input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="checkbox"/>
<input type="text"/>	\$ <input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="checkbox"/>
<input type="text"/>	\$ <input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="checkbox"/>
<input type="text"/>	\$ <input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="checkbox"/>
<input type="text"/>	\$ <input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="checkbox"/>

19. At the close of trading on April 8, 2004, I was obligated on the following put options on NovaStar common stock, which I thereafter either re-purchased, or were exercised and assigned to me or which expired as follows (If none, write "zero" or "0") (If other than zero, must be documented):

Number of Contracts	Strike Price	Expiration Date (Month/Day/Year)	Re-purchased Date (Month/Day/Year)	Purchase Cost	Exercised	Expired Unexercised	Check Here If Documentation Is Enclosed
<input type="text"/>	\$ <input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>	\$ <input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="text"/>	\$ <input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>	\$ <input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="text"/>	\$ <input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>	\$ <input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="text"/>	\$ <input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>	\$ <input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="text"/>	\$ <input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>	\$ <input type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Substitute Form W-9**

20. Request for Taxpayer Identification Number:

Enter taxpayer identification number below for the Beneficial Owner(s). For most individuals, this is your Social Security Number. If you fail to provide this information, your claim may be rejected.

OR

Social Security Number (for individuals)

Taxpayer Identification Number  
(for estates, trusts, corporations, etc.)

IF YOU NEED ADDITIONAL SPACE TO LIST YOUR TRANSACTIONS PHOTOCOPY THIS PAGE

## Certification

I (We) certify that I am (we are) NOT subject to backup withholding under the provisions of Section 3406 (a)(1)(c) of the Internal Revenue Code because: (a) I am (We are) exempt from backup withholding, or (b) I (We) have not been notified by the I.R.S. that I am (we are) subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the I.R.S. has notified me (us) that I am (we are) no longer subject to backup withholding.

NOTE: If you have been notified by the I.R.S. that you are subject to backup withholding, please strike out the language that you are not subject to backup withholding in the certification above.

UNDER THE PENALTIES OF PERJURY, I (WE) CERTIFY THAT ALL OF THE INFORMATION I (WE) PROVIDED ON THIS PROOF OF CLAIM FORM IS TRUE, CORRECT AND COMPLETE.

Signature of Claimant (If this claim is being made on behalf of Joint Claimants, then each must sign)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Capacity of person(s) signing, e.g. beneficial purchaser(s), executor, administrator, trustee, etc.)

Check here if proof of authority to file is enclosed.  
(See Item 2 on Page 2 for instructions)

Date: \_\_\_\_\_

**THIS PROOF OF CLAIM MUST BE SUBMITTED NO LATER THAN MAY 15, 2009, AND MUST BE MAILED TO:**

**In re NovaStar Financial, Inc. Securities Litigation  
c/o Analytics Incorporated  
Claims Administrator  
P.O. Box 2006  
Chanhassen, MN 55317-2006**

A Proof of Claim received by the Claims Administrator shall be deemed to have been submitted when posted, if mailed by **May 15, 2009** and if a postmark is indicated on the envelope and it is mailed first class, and addressed in accordance with the above instructions. In all other cases, a Proof of Claim shall be deemed to have been submitted when actually received by the Claims Administrator.

You should be aware that it will take a significant amount of time to process fully all of the Proofs of Claim and to administer the Settlement. This work will be completed as promptly as time permits, given the need to investigate and tabulate each Proof of Claim. Please notify the Claims Administrator of any change of address.

### REMINDER CHECKLIST

1.  Please be sure to sign this Proof of Claim on page 6. If this Proof of Claim is submitted on behalf of joint claimants, then both claimants must sign.
2.  Please remember to attach supporting documents. Do NOT send any stock certificates. Keep copies of everything you submit.
3.  Do NOT use highlighter on the Proof of Claim or any supporting documents.
4.  If you move after submitting this Proof of Claim, please notify the Claims Administrator of the change in your address.

### NOTE: RECEIPT ACKNOWLEDGMENT NEEDED

The Claims Administrator will send a written confirmation of its receipt of your Proof of Claim. Do not assume your claim is submitted until you receive written confirmation of its receipt. Your claim is not deemed fully filed until the Claims Administrator sends you written confirmation of its receipt of your Proof of Claim. If you do not receive an acknowledgement postcard within thirty (30) days of your mailing the Proof of Claim, then please call the Claims Administrator toll free at 1-877-556-8144.