

NOVASTAR SECURITIES LITIGATION

Submission of Label Data in Computer Readable Formats

If you purchased or otherwise acquired NovaStar Financial, Inc. common stock or sold NovaStar put options between October 29, 2003 and April 8, 2004, inclusive, for the beneficial interest of a person or entity other than yourself, the Court has directed that, **WITHIN SEVEN (7) DAYS OF YOUR RECEIPT OF THIS NOTICE**, you either provide to the Claims Administrator the name and last known address of each person or entity for whom or which you purchased NovaStar common stock or sold NovaStar put options during such time period or request additional copies of this Notice and the Proof of Claim form, which will be provided to you free of charge, and within seven (7) days mail the Notice and Proof of Claim form directly to the beneficial owners of those NovaStar common shares and put options. If you choose to follow alternative procedure (b), the Court has directed that, upon such mailing, you send a statement to the Claims Administrator confirming that the mailing was made as directed. You are entitled to reimbursement from the Settlement Fund of your reasonable expenses actually incurred in connection with the foregoing, including reimbursement of postage expense and the cost of ascertaining the names and addresses of beneficial owners. Those expenses will be paid upon request and submission of appropriate supporting documentation. All communications concerning the foregoing should be addressed to the Claims Administrator:

NovaStar common stock traded on the New York Stock Exchange during the Class Period during the ticker symbol NFI; CUSIP 669947400. NovaStar put options traded on the Chicago Board Options Exchange, the American Stock Exchange, and the Pacific Stock Exchange throughout the Class Period and on the Philadelphia Stock Exchange from November 26, 2003 onward; CUSIP 6699478OE.

To facilitate the transfer of data to the Claims Administrator, we have prepared the following guidelines for electronic data submission.

Preferred Format – Microsoft Excel

The preferred data format for all data transfers is Microsoft Excel. The file should contain no more than ten name and address columns. Figure 1, below, illustrates a representative MS Excel spreadsheet, and a sample spreadsheet is available for download from www.novastarsecuritieslitigation.com.

Figure 1: MS Excel Sample File

Name 1	Name 2	Name 3	Address 1	Address 2	City	State	Zip	Country
Jane Doe			123 Main St.		My Town	MN	12345	
Magnolia Trust Co.	Bank of New Ulm	Attn: Stacy Grey	333 Oak Ave.	2nd Fl	Chaska	MN	55123	
Jon Smith and	Jane Smith	JT	5521 Olive Blvd.		New Ulm	MN	55111	
Sean O'Malley	c/o Global Globes		P0 Box 1		Auckland		312	New Zealand

Labeling Your File

To ensure accuracy, please fully complete the summary tab (click File > Properties) for each file that you submit. Figure 2 below, contains an example of the information that you should provide.

Figure 2: Summary Example

The image shows a dialog box titled "Your Firm - Label Data Properties" with a close button (X) in the top right corner. The dialog has five tabs: "General", "Summary", "Statistics", "Contents", and "Custom". The "Summary" tab is selected. The fields are as follows:

- Title: Label Data
- Subject: (empty)
- Author: Pat Jones
- Manager: (empty)
- Company: Your Firm
- Category: (empty)
- Keywords: (empty)
- Comments: 575 clients
Tel: 123-123-1234
E-mail: pjones@yourfirm.com

Alternate Data Formats

If MS Excel is unavailable to you, you may submit your data in an ASCII format – either in a comma separated variable or tab delimited format. The file format should be comparable to the one identified above. If you provide an ASCII file, you must provide a detailed file layout, including record counts. If you do not provide a file layout, your file will be returned to you.

Acceptable Media

Data can be sent to the Claims Administrator using either 3.5” IBM®/Windows® formatted disks or CD-ROM media, provided they are clearly labeled.

Encrypted Files

The Claims Administrator will accept files encrypted using PGP. A copy of the Claims Administrator’s public key is available for download from:

www.novastarsecuritieslitigation.com.

Programs to encrypt files using PGP are widely available for download, including, www.pgp.com (commercial) and www.gnupg.org (freeware).

Where to Submit Data

Please send your data files to:

NovaStar Financial Securities Litigation
c/o Analytics, Incorporated
Claims Administrator
PO Box 2006
Chanhassen, MN 55317-2006

Receipt Confirmation

If you wish to confirm receipt of your electronic filing, please contact the Claims Administrator toll free at 1-877-556-8144.

Support

For general questions regarding data issues, please complete the form located on the web site under the “Contact Us” section.