

MEMORANDUM

To: All Option Members, Member Organizations and ROTs

From: Market Watch

Date: July 30, 2007

Subject: Novastar Financial, Inc. (NFI) - New 100 Share Option Contracts

Please be advised that new 100 share NFI options will be available for trading on Tuesday, July 31, 2007.
The list of strike prices and symbols available for trading is as follows:

Novastar Financial, Inc. (NFI) (Beginning 7/31/2007) (100 Shares NFI)					Novastar Financial, Inc. - 2009 LEAPs (OZA) (Beginning 7/31/2007) (100 Shares NFI)				
			Calls	Puts				Calls	Puts
NFI	AUG	10	HB	TB	OZA	JAN	10	AB	MB
NFI	AUG	12 1/2	HV	TV	OZA	JAN	12 1/2	AV	MV
NFI	AUG	15	HC	TC	OZA	JAN	15	AC	MC
NFI	SEP	10	IB	UB					
NFI	SEP	12 1/2	IV	UV					
NFI	SEP	15	IC	UC					
					Novastar Financial, Inc. - 2010 LEAPs (YZA) (Beginning 7/31/2007) (100 Shares NFI)				
NFI	DEC	10	LB	XB				Calls	Puts
NFI	DEC	12 1/2	LV	XV	YZA	JAN	10	AB	MB
NFI	DEC	15	LC	XC	YZA	JAN	12 1/2	AV	MV
NFI	MAR	10	CB	OB	YZA	JAN	15	AC	MC
NFI	MAR	12 1/2	CV	OV					
NFI	MAR	15	CC	OC					

Questions regarding this release may be directed to Market Watch at 1-800-THE-PHLX, choice #2, or (215) 496-1508.