

NovaStar Mortgage, Inc.
8140 Ward Parkway
Suite 300
Kansas City, Missouri 64114

January 17, 2006



Deborah Hennessey
Workforce Transition Unit
Michigan Department of Career Development
Workforce Programs
Victor Office Center - 5th Floor
201 North Washington Square
Lansing, Michigan 48913
517-373-6234

RE: WARN Notice for Troy, Michigan location

Dear Ms. Hennessey:

Pursuant to the provisions of the WARN Act, 29 U.S.C. § 2901 et seq., NovaStar Mortgage Inc, is providing notice of business closing.

1. The name and address of the business site where the business closing will occur:

NovaStar Mortgage, Inc.
Central Wholesale Operations Center
888 West Big Beaver Road, Suite 1290
Troy, MI 48084

2. Written notice of the business closure will be provided to all affected employee on January 17, 2006. (Please see attached letter to employee and posting). All affected employees will continue to receive pay and benefits through March 18, 2006.
3. Seventy-two (72) individuals will lose their positions as part of this business closure.
4. There is not and has never been a collective bargaining agent.

RECEIVED

JAN 18 2006

WORKFORCE TRG & DEV. DIV.
WORKFORCE PROGRAMS

WA 837773.1

5. Employer contact:

Scott A. Stone
Director of Employee Relations
NovaStar Mortgage, Inc.
8140 Ward Pkwy
Kansas City, MO 64114
816-237-7391

Please do not hesitate to contact us if you need additional information pursuant to any federal, state, or local law, regulation, or rule. We very much appreciate any assistance you may be able to provide our employees. Thank you.

Sincerely,



Scott A. Stone
Director of Employee Relations
816-237-7391

cc: Louise Schilling, mayor, Troy, MI
L. Brooks Patterson, Oakland County Executive, Pontiac, MI

EMPLOYEE POSTING

January 17, 2006, WARN Act Notice for Troy, Michigan Location

NovaStar Mortgage Inc, is providing notice of business closing today, January 17, 2006, pursuant to the provisions of the WARN Act, 29 U.S.C. § 2901 et seq.,. Notice of this closing has been sent to each employee, the Mayor of Troy, Michigan, and the State Workforce Transition Unit.

1. The entire NovaStar Central Wholesale Operations Center, 888 West Big Beaver Road, Suite 1290, Troy, MI 48084, will be closing. This action is permanent.
2. The closing will begin today. Employees are expected to continue working until all of the work is transitioned to alternate operations centers. We expect most employees will be finished working on or about January 31, 2006. You will continue to receive your base pay and the same benefits you have already elected through March 18, 2006, at which time your employment will be terminated.
3. Bumping rights do not exist for this closure.
4. The employer contact for questions about this business closure is:

Lisa Austin
Human Resources Manager
NovaStar Mortgage, Inc.
3611 Flagstone Drive
Carrollton, TX 75007
972-492-5031

We are sorry this action is being taken and hope all employees will locate alternate employment quickly. Please let Ms. Austin know immediately if you need additional information pursuant to any federal, state, or local law, regulation, or rule. Thank you.