

December 26, 2004

Larry Hill, Director
NYSE Market Surveillance
20 Broad Street, 13 th Floor
New York, NY 10005
Fax: 212 656 2044, 212 656 5039

Re: Novastar (NFI) trading irregularities on 12/22 and 12/23/2004, updated

Dear Mr. Hill,

We spoke yesterday.

Attached the documentation for three retail customers who tried to purchase NFI stock in the period before the NYSE was trading the equity. I am concerned that there were many more, and that the thin trading on the PacEx was allowed to set the opening price of NFI on the morning of 12/23/2004.

As a result 100's of thousands of shares were acquired at an artificially low (engineered?) price, presumably by the specialist, and quickly resold. There was one early purchase of 750,000 shares, for example.

You had maintained that trading was orderly that am; I have to ask what kind of evidence would be required for you to consider trading "irregular" and to initiate an investigation?

Sincerely, and still, somehow, trusting in your ability to help,

Andreas Kaubisch
(NFI Shareholder)

Attachments:

- E-mail from -----, regarding his market order of the 12/23/2004 am
- E-mail from -----, regarding his GTC order that am
- Copy of Yahoo NFI message board, message # 241391, outlining her attempt to purchase stock at the open 12/23