Table Of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)
[X] Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended JULY 31, 2016
OR

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number 1-8551

Hovnanian Enterprises, Inc. (Exact Name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)

22-1851059 (I.R.S. Employer Identification No.)

110 West Front Street, P.O. Box 500, Red Bank, NJ 07701 (Address of Principal Executive Offices)

732-747-7800 (Registrant's Telephone Number, Including Area Code)

N/A (Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer [ ]		Accelerated Filer [X]
Non-Accelerated Filer [ ]	(Do not check if smaller reporting company)	Smaller Reporting Company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 131,978,750 shares of Class A Common Stock and 15,318,323 shares of Class B Common Stock were outstanding as of September 2, 2016.

HOVNANIAN ENTERPRISES, INC.

FORM 10-Q

INDEX

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands)

	July 31, 2016 (Unaudited)	October 31, 2015 (1)
ASSETS		
Homebuilding:		
Cash and cash equivalents	$181,526	$245,398
Restricted cash and cash equivalents	4,107	7,299
Inventories:		
Sold and unsold homes and lots under development	989,416	1,307,850
Land and land options held for future development or sale	196,610	214,503
Consolidated inventory not owned	280,728	122,225
Total inventories	1,466,754	1,644,578
Investments in and advances to unconsolidated joint ventures	87,991	61,209
Receivables, deposits and notes, net	66,184	70,349
Property, plant and equipment, net	48,351	45,534
Prepaid expenses and other assets	74,685	77,671
Total homebuilding	1,929,598	2,152,038
Financial services:		
Cash and cash equivalents	8,516	8,347
Restricted cash and cash equivalents	17,055	19,223
Mortgage loans held for sale at fair value	137,784	130,320
Other assets	2,530	2,091
Total financial services	165,885	159,981
Income taxes receivable – including net deferred tax benefits	293,358	290,279
Total assets	$2,388,841	$2,602,298

(1) Derived from the audited balance sheet as of October 31, 2015.

See notes to condensed consolidated financial statements (unaudited).

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands Except Share and Per Share Amounts)

	July 31, 2016 (Unaudited)	October 31, 2015 (1)
LIABILITIES AND EQUITY		
Homebuilding:		
Nonrecourse mortgages secured by inventory	$91,319	$143,863
Accounts payable and other liabilities	380,786	348,516
Customers' deposits	45,530	44,218
Nonrecourse mortgages secured by operating properties	14,621	15,511
Liabilities from inventory not owned	195,755	105,856
Total homebuilding	728,011	657,964
Financial services:		
Accounts payable and other liabilities	26,383	27,908
Mortgage warehouse lines of credit	115,656	108,875
Total financial services	142,039	136,783
Notes payable:		
Revolving credit agreement	52,000	47,000
Senior secured notes, net of discount	982,468	981,346
Senior notes, net of discount	521,043	780,319
Senior amortizing notes	8,094	12,811
Senior exchangeable notes	76,650	73,771
Accrued interest	30,479	40,388
Total notes payable	1,670,734	1,935,635
Total liabilities	2,540,784	2,730,382
Stockholders' equity deficit:		
Preferred stock, $0.01 par value - authorized 100,000 shares; issued and outstanding 5,600 shares with a liquidation preference of $140,000 at July 31, 2016 and at October 31, 2015	135,299	135,299
Common stock, Class A, $0.01 par value – authorized 400,000,000 shares; issued 143,739,513 shares at July 31, 2016 and 143,292,881 shares at October 31, 2015 (including 11,760,763 shares at July 31, 2016 and October 31, 2015 held in treasury)	1,437	1,433
Common stock, Class B, $0.01 par value (convertible to Class A at time of sale) – authorized 60,000,000 shares; issued 16,010,071 shares at July 31, 2016 and 15,676,829 shares at October 31, 2015 (including 691,748 shares at July 31, 2016 and October 31, 2015 held in treasury)	160	157
Paid in capital – common stock	704,993	703,751
Accumulated deficit	(878,472)	(853,364)
Treasury stock – at cost	(115,360)	(115,360)
Total stockholders' equity deficit	(151,943)	(128,084)
Total liabilities and equity	$2,388,841	$2,602,298

(1) Derived from the audited balance sheet as of October 31, 2015.

See notes to condensed consolidated financial statements (unaudited).

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands Except Per Share Data)
(Unaudited)

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2016	2015	2016	2015
Revenues:				
Homebuilding:				
Sale of homes	$640,386	$526,156	$1,823,318	$1,414,799
Land sales and other revenues	59,979	97	72,146	2,538
Total homebuilding	700,365	526,253	1,895,464	1,417,337
Financial services	16,485	14,360	51,714	37,939
Total revenues	716,850	540,613	1,947,178	1,455,276
Expenses:				
Homebuilding:				
Cost of sales, excluding interest	583,783	432,625	1,583,979	1,169,576
Cost of sales interest	28,406	16,323	66,693	39,654
Inventory impairment loss and land option write-offs	1,565	1,077	22,915	7,618
Total cost of sales	613,754	450,025	1,673,587	1,216,848
Selling, general and administrative	51,685	51,998	155,560	152,258
Total homebuilding expenses	665,439	502,023	1,829,147	1,369,106
Financial services	8,916	8,244	26,749	23,069
Corporate general and administrative	14,885	15,874	43,804	49,275
Other interest	23,159	22,493	68,468	70,594
Other operations	957	1,532	3,488	4,864
Total expenses	713,356	550,166	1,971,656	1,516,908
(Loss) income from unconsolidated joint ventures	(2,401)	(448)	(5,227)	2,470
Income (loss) before income taxes	1,093	(10,001)	(29,705)	(59,162)
State and federal income tax provision (benefit):				
State	1,434	999	4,995	3,717
Federal	133	(3,316)	(9,592)	(21,260)
Total income taxes	1,567	(2,317)	(4,597)	(17,543)
Net loss	$(474)	$(7,684)	$(25,108)	$(41,619)
Per share data:				
Basic:				
Loss per common share	$(0.00)	$(0.05)	$(0.17)	$(0.28)
Weighted-average number of common shares outstanding	147,412	147,010	147,383	146,846
Assuming dilution:				
Loss per common share	$(0.00)	$(0.05)	$(0.17)	$(0.28)
Weighted-average number of common shares outstanding	147,412	147,010	147,383	146,846

See notes to condensed consolidated financial statements (unaudited).

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF EQUITY
(In Thousands Except Share Amounts)
(Unaudited)

	A Common Stock		B Common Stock		Preferred Stock					
	Shares Issued and Outstanding	Amount	Shares Issued and Outstanding	Amount	Shares Issued and Outstanding	Amount	Paid-In Capital	Accumulated Deficit	Treasury Stock	Total
Balance, October 31, 2015	131,532,118	$1,433	14,985,081	$157	5,600	$135,299	$703,751	$(853,364)	$(115,360)	$(128,084)
Stock options, amortization and issuances							(1,589)			(1,589)
Restricted stock amortization, issuances and forfeitures	445,522	4	334,352	3			2,831			2,838
Conversion of class B to class A common stock	1,110		(1,110)							-
Net loss								(25,108)		(25,108)
Balance, July 31, 2016	131,978,750	$1,437	15,318,323	$160	5,600	$135,299	$704,993	$(878,472)	$(115,360)	$(151,943)

See notes to condensed consolidated financial statements (unaudited).

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)

	Nine Months Ended July 31,	
	2016	2015
Cash flows from operating activities:		
Net loss	$(25,108)	$(41,619)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	2,608	2,553
Compensation from stock options and awards	1,777	9,205
Amortization of bond discounts and deferred financing costs	9,209	8,883
Gain on sale and retirement of property and assets	(616)	(689)
Loss (income) from unconsolidated joint ventures	5,227	(2,470)
Distributions of earnings from unconsolidated joint ventures	677	6,098
Inventory impairment and land option write-offs	22,915	7,618
Deferred income tax benefit	(2,462)	(18,498)
(Increase) decrease in assets:		
Origination of mortgage loans	(887,281)	(689,587)
Sale of mortgage loans	879,817	674,255
Restricted cash, receivables, prepaids, deposits and other assets	10,533	(4,505)
Inventories	154,909	(275,797)
(Decrease) increase in liabilities:		
State income tax payable	(617)	(749)
Customers' deposits	1,312	12,330
Accounts payable, accrued interest and other accrued liabilities	21,656	(19,708)
Net cash provided by (used in) operating activities	194,556	(332,680)
Cash flows from investing activities:		
Proceeds from sale of property and assets	643	1,143
Purchase of property, equipment and other fixed assets and acquisitions	(5,094)	(1,653)
Decrease in restricted cash related to mortgage company	88	1,466
Decrease in restricted cash related to letters of credit	873	-
Investments in and advances to unconsolidated joint ventures	(39,089)	(17,001)
Distributions of capital from unconsolidated joint ventures	6,403	10,721
Net cash used in investing activities	(36,176)	(5,324)
Cash flows from financing activities:		
Proceeds from mortgages and notes	147,170	120,521
Payments related to mortgages and notes	(200,273)	(89,736)
Proceeds from model sale leaseback financing programs	24,297	32,507
Payments related to model sale leaseback financing programs	(24,917)	(12,743)
Proceeds from land bank financing programs	162,468	10,061
Payments related to land bank financing programs	(70,749)	(20,437)
Proceeds from senior notes	-	250,000
Payments related to senior notes and senior amortizing notes	(263,994)	(4,238)
Borrowings from revolving credit facility	5,000	-
Net proceeds related to mortgage warehouse lines of credit	6,781	11,635
Deferred financing costs from land bank financing programs and note issuances	(7,866)	(7,527)
Net cash (used in) provided by financing activities	(222,083)	290,043
Net decrease in cash and cash equivalents	(63,703)	(47,961)
Cash and cash equivalents balance, beginning of period	253,745	261,898
Cash and cash equivalents balance, end of period	$190,042	$213,937

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands - Unaudited)
(Continued)

	Nine Months Ended July 31,	
	2016	2015
Supplemental disclosure of cash flow:		
Cash paid (received) during the period for:		
Interest, net of capitalized interest (see Note 3 to the Condensed Consolidated Financial Statements)	$80,493	$73,553
Income taxes	$(1,517)	$1,703

See notes to condensed consolidated financial statements (unaudited).

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

1. Basis of Presentation

Hovnanian Enterprises, Inc. and Subsidiaries (the "Company", "we", "us" or "our") has reportable segments consisting of six Homebuilding segments (Northeast, Mid-Atlantic, Midwest, Southeast, Southwest and West) and the Financial Services segment (see Note 17).

The accompanying unaudited Condensed Consolidated Financial Statements include our accounts and those of all wholly-owned subsidiaries after elimination of all significant intercompany balances and transactions.

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X and should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended October 31, 2015. In the opinion of management, all adjustments for interim periods presented have been made, which include normal recurring accruals and deferrals necessary for a fair presentation of our condensed consolidated financial position, results of operations and cash flows. The preparation of Condensed Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and these differences could have a significant impact on the Condensed Consolidated Financial Statements. Results for interim periods are not necessarily indicative of the results which might be expected for a full year. The balance sheet at October 31, 2015 has been derived from the audited Consolidated Financial Statements at that date but does not include all of the information and footnotes required by GAAP for complete financial statements.

2. Stock Compensation

For the three and nine months ended July 31, 2016, the Company's total stock-based compensation expense was $1.0 million and $1.8 million ($0.8 million and $1.5 million net of tax), respectively, and $2.5 million and $9.2 million ($2.0 million and $6.4 million net of tax) for the three and nine months ended July 31, 2015, respectively. Included in this total stock-based compensation was expense of $0.3 million for the three months ended July 31, 2016 and income of $1.6 million for the nine months ended July 31, 2016 related to stock options. The income was due to $2.1 million of previously recognized expense of certain performance based stock option grants for which the performance metrics are no longer expected to be satisfied, partially offset by expense from the vesting of stock options of $0.5 million, during the nine months ended July 31, 2016. Included in total stock based compensation expense for the three and nine months ended July 31, 2015 was the vesting of stock options of $0.5 million and $1.9 million, respectively.

3. Interest

Interest costs incurred, expensed and capitalized were:

	Three Months Ended July 31,		Nine Months Ended July 31,	
(In thousands)	2016	2015	2016	2015
Interest capitalized at beginning of period	$115,809	$119,901	$123,898	$109,158
Plus interest incurred (1)	40,300	41,856	126,483	124,031
Less cost of sales interest expensed	28,406	16,323	66,693	39,654
Less other interest expensed (2)(3)	23,159	22,493	68,468	70,594
Less interest contributed to unconsolidated joint venture (4)	-	-	10,676	-
Interest capitalized at end of period (5)	$104,544	$122,941	$104,544	$122,941

(1) Data does not include interest incurred by our mortgage and finance subsidiaries.
(2) Other interest expensed includes interest that does not qualify for interest capitalization because our assets that qualify for interest capitalization (inventory under development) do not exceed our debt. Also includes interest on completed homes and land in planning, which does not qualify for capitalization, and therefore, is expensed.
(3) Cash paid for interest, net of capitalized interest, is the sum of other interest expensed, as defined above, and interest paid by our mortgage and finance subsidiaries adjusted for the change in accrued interest on notes payable, which is calculated as follows:

(In thousands)	Three Months Ended July 31, 2016	Three Months Ended July 31, 2015	Nine Months Ended July 31, 2016	Nine Months Ended July 31, 2015
Other interest expensed	$23,159	$22,493	$68,468	$70,594
Interest paid by our mortgage and finance subsidiaries	706	618	2,116	1,294
Decrease in accrued interest	8,641	9,381	9,909	1,665
Cash paid for interest, net of capitalized interest	$32,506	$32,492	$80,493	$73,553

(4) Represents capitalized interest which was included as part of the assets contributed to the joint venture the Company entered into in November 2015, as discussed in Note 18. There was no impact to the Condensed Consolidated Statement of Operations as a result of this transaction.

(5) Capitalized interest amounts are shown gross before allocating any portion of impairments, if any, to capitalized interest.

4. Reduction of Inventory to Fair Value

We record impairment losses on inventories related to communities under development and held for future development when events and circumstances indicate that they may be impaired and the undiscounted cash flows estimated to be generated by those assets are less than their related carrying amounts. If the expected undiscounted cash flows are less than the carrying amount, then the community is written down to its fair value. We estimate the fair value of each impaired community by determining the present value of the estimated future cash flows at a discount rate commensurate with the risk of the respective community. For the nine months ended July 31, 2016, our discount rate used for the impairments recorded ranged from 16.8% to 18.5%. For the nine months ended July 31, 2015, our discount rate used for the impairments recorded ranged from 17.5% to 19.8%. Should the estimates or expectations used in determining cash flows or fair value decrease or differ from current estimates in the future, we may need to recognize additional impairments.

During the nine months ended July 31, 2016 and 2015, we evaluated inventories of all 418 and 522 communities under development and held for future development, respectively, for impairment indicators through preparation and review of detailed budgets or other market indicators of impairment. We performed detailed impairment calculations during the nine months ended July 31, 2016 and 2015 for 22 and 17 of those communities (i.e., those with a projected operating loss or other impairment indicators), respectively, with an aggregate carrying value of $95.5 million and $86.7 million, respectively. Of those communities tested for impairment during the nine months ended July 31, 2016 and 2015, eleven and eight communities with an aggregate carrying value of $47.8 million and $42.7 million, respectively, had undiscounted future cash flows that exceeded the carrying amount by less than 20%. As a result of our impairment analysis, we recorded aggregate impairment losses of $1.3 million and $16.4 million, in two and twelve communities, respectively, with an aggregate pre-impairment value of $5.4 million and $50.8 million, respectively, for the three and nine months ended July 31, 2016, respectively. We did not record any impairment losses for the three months ended July 31, 2015, but recorded aggregate impairment losses of $4.4 million in five communities, with an aggregate pre-impairment value of $16.7 million for the nine months ended July 31, 2015. Impairment losses are included in the Condensed Consolidated Statements of Operations on the line entitled “Homebuilding: Inventory impairment loss and land option write-offs” and deducted from inventory. The impairments recorded for the nine months ended July 31, 2016 were mainly for land held for sale in the Midwest and Northeast. The inventory has been written down to fair value based on recent offers received for the properties. The pre-impairment value represents the carrying value, net of prior period impairments, if any, at the time of recording the impairment.

The Condensed Consolidated Statements of Operations line entitled “Homebuilding: Inventory impairment loss and land option write-offs” also includes write-offs of options and approval, engineering and capitalized interest costs that we record when we redesign communities and/or abandon certain engineering costs and we do not exercise options in various locations because the communities' pro forma profitability is not projected to produce adequate returns on investment commensurate with the risk. Total aggregate write-offs related to these items were $0.2 million and $1.1 million for the three months ended July 31, 2016 and 2015, respectively, and $6.5 million and $3.2 million for the nine months ended July 31, 2016 and 2015, respectively. Such write-offs were located in each of our segments in both the first nine months of fiscal 2016 and 2015. Occasionally, these write-offs are offset by recovered deposits (sometimes through legal action) that had been written off in a prior period as walk-away costs. Historically, these recoveries have not been significant in comparison to the total costs written off. The number of lots walked away from during the three months ended July 31, 2016 and 2015 were 1,570 and 1,035, respectively, and 5,089 and 3,190 during the nine months ended July 31, 2016 and 2015, respectively.

We decide to mothball (or stop development on) certain communities when we determine that the current performance does not justify further investment at the time. When we decide to mothball a community, the inventory is reclassified on our Condensed Consolidated Balance Sheets from "Sold and unsold homes and lots under development" to "Land and land options held for future development or sale." During the first three quarters of fiscal 2016, we did not mothball any additional communities; we sold one previously mothballed community, we re-activated one previously mothballed community and contributed one previously mothballed community to a new joint venture which has begun construction. As of July 31, 2016 and October 31, 2015, the net book value associated with our 28 and 31 total mothballed communities was $74.9 million and $103.0 million, respectively, which was net of impairment charges recorded in prior periods of $293.1 million and $334.5 million, respectively.

From time to time we enter into option agreements that include specific performance requirements, whereby we are required to purchase a minimum number of lots. Because of our obligation to purchase these lots, for accounting purposes in accordance with Accounting Standards Codification ("ASC") 360-20-40-38, we are required to record this inventory on our Condensed Consolidated Balance Sheets. As of July 31, 2016 we had no specific performance options. As of October 31, 2015, we had $1.2 million of specific performance options recorded on our Condensed Consolidated Balance Sheet to "Consolidated inventory not owned," with a corresponding liability of $1.2 million recorded to "Liabilities from inventory not owned."

We sell and lease back certain of our model homes with the right to participate in the potential profit when each home is sold to a third party at the end of the respective lease. As a result of our continued involvement, for accounting purposes in accordance with ASC 360-20-40-38, these sale and leaseback transactions are considered a financing rather than a sale. Therefore, for purposes of our Condensed Consolidated Balance Sheets, at July 31, 2016 and October 31, 2015, inventory of $96.9 million and $95.9 million, respectively, was recorded to "Consolidated inventory not owned," with a corresponding amount of $87.3 million and $87.9 million, respectively, recorded to "Liabilities from inventory not owned" for the amount of net cash received from the transactions.

We have land banking arrangements, whereby we sell our land parcels to the land bankers and they provide us an option to purchase back finished lots on a quarterly basis. Because of our options to repurchase these parcels, for accounting purposes, in accordance with ASC 360-20-40-38, these transactions are considered a financing rather than a sale. For purposes of our Condensed Consolidated Balance Sheets, at July 31, 2016 and October 31, 2015, inventory of $183.8 million and $25.1 million, respectively, was recorded as "Consolidated inventory not owned," with a corresponding amount of $108.5 million and $16.8 million, respectively, recorded to "Liabilities from inventory not owned" for the amount of net cash received from the transactions.

5. Variable Interest Entities

The Company enters into land and lot option purchase contracts to procure land or lots for the construction of homes. Under these contracts, the Company will fund a stated deposit in consideration for the right, but not the obligation, to purchase land or lots at a future point in time with predetermined terms. Under the terms of the option purchase contracts, many of the option deposits are not refundable at the Company's discretion. Under the requirements of ASC 810, certain option purchase contracts may result in the creation of a variable interest in the entity ("VIE") that owns the land parcel under option.

In compliance with ASC 810, the Company analyzes its option purchase contracts to determine whether the corresponding land sellers are VIEs and, if so, whether the Company is the primary beneficiary. Although the Company does not have legal title to the underlying land, ASC 810 requires the Company to consolidate a VIE if the Company is determined to be the primary beneficiary. In determining whether it is the primary beneficiary, the Company considers, among other things, whether it has the power to direct the activities of the VIE that most significantly impact the VIE's economic performance. Such activities would include, among other things, determining or limiting the scope or purpose of the VIE, selling or transferring property owned or controlled by the VIE, or arranging financing for the VIE. The Company also considers whether it has the obligation to absorb losses of the VIE or the right to receive benefits from the VIE. As a result of its analyses, the Company determined that as of July 31, 2016 and October 31, 2015, it was not the primary beneficiary of any VIEs from which it is purchasing land under option purchase contracts.

We will continue to secure land and lots using options, some of which are with VIEs. Including deposits on our unconsolidated VIEs, at July 31, 2016, we had total cash deposits amounting to $62.8 million to purchase land and lots with a total purchase price of $1.0 billion. The maximum exposure to loss with respect to our land and lot options is limited to the deposits plus any pre-development costs invested in the property, although some deposits are refundable at our request or refundable if certain conditions are not met.

6. Warranty Costs

General liability insurance for homebuilding companies and their suppliers and subcontractors is very difficult to obtain. The availability of general liability insurance is limited due to a decreased number of insurance companies willing to underwrite for the industry. In addition, those few insurers willing to underwrite liability insurance have significantly increased the premium costs. To date, we have been able to obtain general liability insurance but at higher premium costs with higher deductibles. Our subcontractors and suppliers have advised us that they have also had difficulty obtaining insurance that also provides us coverage. As a result, we have an owner controlled insurance program for certain of our subcontractors whereby the subcontractors pay us an insurance premium (through a reduction of amounts we would otherwise owe such subcontractors for their work on our homes) based on the risk type of the trade. We absorb the liability associated with their work on our homes as part of our overall general liability insurance at no additional cost to us because our existing general liability and construction defect insurance policy and related reserves for amounts under our deductible covers construction defects regardless of whether we or our subcontractors are responsible for the defect. For the nine months ended July 31, 2016 and 2015, we received $3.1 million and $2.2 million, respectively, from subcontractors related to the owner controlled insurance program, which we accounted for as a reduction to inventory.

We accrue for warranty costs that are covered under our existing general liability and construction defect policy as part of our general liability insurance deductible. This accrual is expensed as selling, general and administrative costs. For homes delivered in fiscal 2016 and 2015, our deductible under our general liability insurance is a $20 million aggregate for construction defect and warranty claims. For bodily injury claims, our deductible per occurrence in fiscal 2016 and 2015 is $0.25 million, up to a $5 million limit. Our aggregate retention in fiscal 2016 and 2015 is $21 million for construction defect, warranty and bodily injury claims. In addition, we establish a warranty accrual for lower cost related issues to cover home repairs, community amenities and land development infrastructure that are not covered under our general liability and construction defect policy. We accrue an estimate for these warranty costs as part of cost of sales at the time each home is closed and title and possession have been transferred to the homebuyer. Additions and charges in the warranty reserve and general liability reserve for the three and nine months ended July 31, 2016 and 2015 were as follows:

	Three Months Ended July 31,		Nine Months Ended July 31,	
(In thousands)	2016	2015	2016	2015
Balance, beginning of period	$136,706	$161,307	$135,053	$178,008
Additions – Selling, general and administrative	4,247	4,162	13,162	13,742
Additions – Cost of sales	4,426	2,905	12,347	11,721
Charges incurred during the period	(5,942)	(5,796)	(21,125)	(40,893)
Changes to pre-existing reserves	-	-	-	-
Balance, end of period	$139,437	$162,578	$139,437	$162,578

Warranty accruals are based upon historical experience. We engage a third-party actuary that uses our historical warranty and construction defect data to assist our management in estimating our unpaid claims, claim adjustment expenses and incurred but not reported claims reserves for the risks that we are assuming under the general liability and construction defect programs. The estimates include provisions for inflation, claims handling and legal fees.

Insurance claims paid by our insurance carriers, excluding insurance deductibles paid, were $0.2 million and $0.4 million for the three months ended July 31, 2016 and 2015, respectively, and $3.9 million and $18.7 million for the nine months ended July 31, 2016 and 2015, respectively, for prior year deliveries. During the first three quarters of fiscal 2016, we settled two construction defect claims relating to the Northeast segment which made up the majority of the payments. During the first three quarters of fiscal 2015, we settled a class action suit which alleged specified issues related to the HVAC systems installed in certain of the Company's homes, with the majority of the settlement being paid by our insurance carriers.

7. Commitments and Contingent Liabilities

We are involved in litigation arising in the ordinary course of business, none of which is expected to have a material adverse effect on our financial position, results of operations or cash flows, and we are subject to extensive and complex laws and regulations that affect the development of land and home building, sales and customer financing processes, including zoning, density, building standards and mortgage financing. These laws and regulations often provide broad discretion to the administering governmental authorities. This can delay or increase the cost of development or homebuilding.

We also are subject to a variety of local, state, federal and foreign laws and regulations concerning protection of health and the environment, including those regulating the emission or discharge of materials into the environment, the management of stormwater runoff at construction sites, the handling, use, storage and disposal of hazardous substances, impacts to wetlands and other sensitive environments, and the remediation of contamination at properties that we have owned or developed or currently own or are developing ("environmental laws"). The particular environmental laws that apply to any given community vary greatly according to the community site, the site's environmental conditions and the present and former uses of the site. These environmental laws may result in delays, may cause us to incur substantial compliance, remediation and/or other costs, and can prohibit or severely restrict development and homebuilding activity. In addition, noncompliance with these laws and regulations could result in fines and penalties, obligations to remediate, permit revocations or other sanctions; and contamination or other environmental conditions at or in the vicinity of our developments may result in claims against us for personal injury, property damage or other losses.

In March 2013, we received a letter from the Environmental Protection Agency ("EPA") requesting information about our involvement in a housing redevelopment project in Newark, New Jersey that a Company entity undertook during the 1990s. We understand that the development is in the vicinity of a former lead smelter and that recent tests on soil samples from properties within the development conducted by the EPA show elevated levels of lead. We also understand that the smelter ceased operations many years before the Company entity involved acquired the properties in the area and carried out the re-development project. We responded to the EPA's request. In August 2013, we were notified that the EPA considers us a potentially responsible party (or "PRP") with respect to the site, that the EPA will clean up the site, and that the EPA is proposing that we fund and/or contribute towards the cleanup of the contamination at the site. We began preliminary discussions with the EPA concerning a possible resolution but do not know the scope or extent of the Company's obligations, if any, that may arise from the site and therefore cannot provide any assurance that this matter will not have a material impact on the Company. The EPA requested additional information in April 2014 and the Company has responded to its information request.

We anticipate that increasingly stringent requirements will be imposed on developers and homebuilders in the future. Although we cannot reliably predict the extent of any effect these requirements may have on us, they could result in time-consuming and expensive compliance programs and in substantial expenditures, which could cause delays and increase our cost of operations. In addition, our ability to obtain or renew permits or approvals and the continued effectiveness of permits already granted or approvals already obtained is dependent upon many factors, some of which are beyond our control, such as changes in policies, rules and regulations and their interpretations and application.

8. Restricted Cash and Deposits

Cash represents cash deposited in checking accounts. Cash equivalents include certificates of deposit, Treasury bills and government money market funds with maturities of 90 days or less when purchased. Our cash balances are held at a few financial institutions and may, at times, exceed insurable amounts. We believe we help to mitigate this risk by depositing our cash in major financial institutions. At July 31, 2016 and October 31, 2015, $5.5 million and $15.8 million, respectively, of the total cash and cash equivalents was in cash equivalents, the book value of which approximates fair value.

Restricted cash and cash equivalents on the Condensed Consolidated Balance Sheets totaled $21.2 million and $26.5 million as of July 31, 2016 and October 31, 2015, respectively, which includes cash collateralizing our letter of credit agreements and facilities as discussed in Note 10. Also included in this balance were (1) homebuilding and financial services customers' deposits of $2.4 million and $15.1 million at July 31, 2016, respectively, and $4.7 million and $17.2 million as of October 31, 2015, respectively, which are restricted from use by us, and (2) $2.0 million of restricted cash at both July 31, 2016 and October 31, 2015, under the terms of our mortgage warehouse lines of credit.

Total Homebuilding Customers' deposits are shown as a liability on the Condensed Consolidated Balance Sheets. These liabilities are significantly more than the applicable periods' restricted cash balances because in some states, the deposits are not restricted from use and, in other states, we are able to release the majority of these customer deposits to cash by pledging letters of credit and surety bonds.

9. Mortgage Loans Held for Sale

Our mortgage banking subsidiary originates mortgage loans, primarily from the sale of our homes. Such mortgage loans are sold in the secondary mortgage market within a short period of time of origination. Mortgage loans held for sale consist primarily of single-family residential loans collateralized by the underlying property. We have elected the fair value option to record loans held for sale and therefore these loans are recorded at fair value with the changes in the value recognized in the Condensed Consolidated Statements of Operations in "Revenues: Financial services." We currently use forward sales of mortgage-backed securities ("MBS"), interest rate commitments from borrowers and mandatory and/or best efforts forward commitments to sell loans to third-party purchasers to protect us from interest rate fluctuations. These short-term instruments, which do not require any payments to be made to the counterparty or purchaser in connection with the execution of the commitments, are recorded at fair value. Gains and losses on changes in the fair value are recognized in the Condensed Consolidated Statements of Operations in "Revenues: Financial services."

At July 31, 2016 and October 31, 2015, $122.4 million and $114.0 million, respectively, of mortgages held for sale were pledged against our mortgage warehouse lines of credit (see Note 10). We may incur losses with respect to mortgages that were previously sold that are delinquent and which had underwriting defects, but only to the extent the losses are not covered by mortgage insurance or resale value of the home. The reserves for these estimated losses are included in the "Financial services – Accounts payable and other liabilities" balances on the Condensed Consolidated Balance Sheets. As of July 31, 2016 and 2015, we had reserves specifically for 130 and 131 identified mortgage loans, respectively, as well as reserves for an estimate for future losses on mortgages sold but not yet identified to us.

The activity in our loan origination reserves during the three and nine months ended July 31, 2016 and 2015 was as follows:

(In thousands)	Three Months Ended July 31, 2016	Three Months Ended July 31, 2015	Nine Months Ended July 31, 2016	Nine Months Ended July 31, 2015
Loan origination reserves, beginning of period	$8,306	$7,942	$8,025	$7,352
Provisions for losses during the period	45	39	203	168
Adjustments to pre-existing provisions for losses from changes in estimates	(27)	(30)	96	431
Payments/Settlements	(197)	-	(197)	-
Loan origination reserves, end of period	$8,127	$7,951	$8,127	$7,951

10. Mortgage and Notes Payable

We had nonrecourse mortgage loans for certain communities totaling $91.3 million and $143.9 million at July 31, 2016 and October 31, 2015, respectively, which are secured by the related real property, including any improvements, with an aggregate book value of $242.9 million and $388.1 million, respectively. The weighted-average interest rate on these obligations was 5.3% and 5.1% at July 31, 2016 and October 31, 2015, respectively, and the mortgage loan payments on each community primarily correspond to home deliveries. We also had nonrecourse mortgage loans on our corporate headquarters totaling $14.6 million and $15.5 million at July 31, 2016 and October 31, 2015, respectively. These loans had a weighted-average interest rate of 8.8% at both July 31, 2016 and October 31, 2015. As of July 31, 2016, these loans have remaining installment obligations with annual principal maturities in the years ending October 31 of: $0.3 million in 2016, $1.3 million in 2017, $1.4 million in 2018, $1.5 million in 2019, $1.7 million in 2020 and $8.4 million after 2020.

In June 2013, K. Hovnanian Enterprises, Inc. (“K. Hovnanian”), as borrower, and we and certain of our subsidiaries, as guarantors, entered into a five-year, $75.0 million unsecured revolving credit facility (the “Credit Facility”) with Citicorp USA, Inc., as administrative agent and issuing bank, and Citibank, N.A., as a lender. The Credit Facility is available for both letters of credit and general corporate purposes. The Credit Facility does not contain any financial maintenance covenants, but does contain certain restrictive covenants that track those contained in our indenture governing the 8.0% Senior Notes due 2019, which are described in Note 11. The Credit Facility also contains certain customary events of default which would permit the administrative agent at the request of the required lenders to, among other things, declare all loans then outstanding to be immediately due and payable if such default is not cured within applicable grace periods, including the failure to make timely payments of amounts payable under the Credit Facility or other material indebtedness or the acceleration of other material indebtedness, the failure to comply with agreements and covenants or for representations or warranties to be correct in all material respects when made, specified events of bankruptcy and insolvency, and the entry of a material judgment against a loan party. Outstanding borrowings under the Credit Facility accrue interest at an annual rate equal to either, as selected by K. Hovnanian, (i) the alternate base rate plus the applicable spread determined on the date of such borrowing or (ii) an adjusted London Interbank Offered Rate (“LIBOR”) rate plus the applicable spread determined as of the date two business days prior to the first day of the interest period for such borrowing. As of July 31, 2016 and October 31, 2015 there were $52.0 million and $47.0 million of borrowings, respectively, and $18.5 million and $25.9 million of letters of credit outstanding, respectively, under the Credit Facility. As of July 31, 2016, we believe we were in compliance with the covenants under the Credit Facility.

In addition to the Credit Facility, we have certain stand–alone cash collateralized letter of credit agreements and facilities under which there were a total of $1.7 million and $2.6 million letters of credit outstanding at July 31, 2016 and October 31, 2015, respectively. These agreements and facilities require us to maintain specified amounts of cash as collateral in segregated accounts to support the letters of credit issued thereunder, which will affect the amount of cash we have available for other uses. As of July 31, 2016 and October 31, 2015, the amount of cash collateral in these segregated accounts was $1.7 million and $2.6 million, respectively, which is reflected in “Restricted cash and cash equivalents” on the Condensed Consolidated Balance Sheets.

Our wholly owned mortgage banking subsidiary, K. Hovnanian American Mortgage, LLC (“K. Hovnanian Mortgage”), originates mortgage loans primarily from the sale of our homes. Such mortgage loans and related servicing rights are sold in the secondary mortgage market within a short period of time. In certain instances, we retain the servicing rights for a small amount of loans. Our secured Master Repurchase Agreement with JPMorgan Chase Bank, N.A. (“Chase Master Repurchase Agreement”), which was amended on July 29, 2016 to extend the maturity to July 28, 2017, is a short-term borrowing facility that provides up to $50.0 million through maturity. The loan is secured by the mortgages held for sale and is repaid when we sell the underlying mortgage loans to permanent investors. Interest is payable monthly on outstanding advances at an adjusted LIBOR rate, which was 0.50% at July 31, 2016, plus the applicable margin of 2.5% or 2.63% based upon type of loan. As of July 31, 2016 and October 31, 2015, the aggregate principal amount of all borrowings outstanding under the Chase Master Repurchase Agreement was $38.6 million and $30.5 million, respectively.

K. Hovnanian Mortgage has another secured Master Repurchase Agreement with Customers Bank ("Customers Master Repurchase Agreement"), which was amended on February 18, 2016 to extend the maturity date to February 17, 2017, that is a short-term borrowing facility that provides up to $25.0 million through maturity. On July 15, 2016, a temporary increase to $40.0 million of availability of borrowings went into effect until August 15, 2016. After August 15, 2016, the borrowing availability will revert back to $25.0 million. The loan is secured by the mortgages held for sale and is repaid when we sell the underlying mortgage loans to permanent investors. Interest is payable daily or as loans are sold to permanent investors on outstanding advances at the current LIBOR rate, plus the applicable margin ranging from 2.5% to 5.25% based on the type of loan and the number of days outstanding on the warehouse line. As of July 31, 2016 and October 31, 2015, the aggregate principal amount of all borrowings outstanding under the Customers Master Repurchase Agreement was $30.1 million and $29.7 million, respectively.

K. Hovnanian Mortgage has a third secured Master Repurchase Agreement with Credit Suisse First Boston Mortgage Capital LLC ("Credit Suisse Master Repurchase Agreement"), which was amended on February 23, 2016, that is a short-term borrowing facility that provides up to $50.0 million through February 21, 2017. The loan is secured by the mortgages held for sale and is repaid when we sell the underlying mortgage loans to permanent investors. Interest is payable monthly on outstanding advances at the Credit Suisse Base Rate (as defined in the loan documents), which was 0.91% at July 31, 2016, plus an applicable margin of 2.25% to 2.5%. As of July 31, 2016 and October 31, 2015, the aggregate principal amount of all borrowings outstanding under the Credit Suisse Master Repurchase Agreement was $27.7 million and $30.1 million, respectively.

In February 2014, K. Hovnanian Mortgage executed a secured Master Repurchase Agreement with Comerica Bank ("Comerica Master Repurchase Agreement"), which was amended on June 24, 2016 to extend the maturity date to June 22, 2017. The Comerica Master Repurchase Agreement is a short-term borrowing facility that provides up to $35.0 million through maturity. The loan is secured by the mortgages held for sale and is repaid when we sell the underlying mortgage loans to permanent investors. Interest is payable monthly at the current LIBOR rate, subject to a floor of 0.25%, plus the applicable margin of 2.5%. As of July 31, 2016 and October 31, 2015, the aggregate principal amount of all borrowings outstanding under the Comerica Master Repurchase Agreement was $19.3 million and $18.6 million, respectively.

The Chase Master Repurchase Agreement, Customers Master Repurchase Agreement, Credit Suisse Master Repurchase Agreement and Comerica Master Repurchase Agreement (together, the "Master Repurchase Agreements") require K. Hovnanian Mortgage to satisfy and maintain specified financial ratios and other financial condition tests. Because of the extremely short period of time mortgages are held by K. Hovnanian Mortgage before the mortgages are sold to investors (generally a period of a few weeks), the immateriality to us on a consolidated basis of the size of the Master Repurchase Agreements, the levels required by these financial covenants, our ability based on our immediately available resources to contribute sufficient capital to cure any default, were such conditions to occur, and our right to cure any conditions of default based on the terms of the applicable agreement, we do not consider any of these covenants to be substantive or material. As of July 31, 2016, we believe we were in compliance with the covenants under the Master Repurchase Agreements.

11. Senior Secured, Senior, Senior Amortizing and Senior Exchangeable Notes

Senior Secured, Senior, Senior Amortizing and Senior Exchangeable Notes balances as of July 31, 2016 and October 31, 2015, were as follows:

(In thousands)	July 31, 2016	October 31, 2015
Senior Secured Notes:		
7.25% Senior Secured First Lien Notes due October 15, 2020	$577,000	$577,000
9.125% Senior Secured Second Lien Notes due November 15, 2020	220,000	220,000
2.0% Senior Secured Notes due November 1, 2021 (net of discount)	53,146	53,139
5.0% Senior Secured Notes due November 1, 2021 (net of discount)	132,322	131,207
Total Senior Secured Notes	$982,468	$981,346
Senior Notes:		
6.25% Senior Notes due January 15, 2016 (net of discount)	$-	$172,744
7.5% Senior Notes due May 15, 2016	-	86,532
8.625% Senior Notes due January 15, 2017	121,043	121,043
7.0% Senior Notes due January 15, 2019	150,000	150,000
8.0% Senior Notes due November 1, 2019	250,000	250,000
Total Senior Notes	$521,043	$780,319
11.0% Senior Amortizing Notes due December 1, 2017	$8,094	$12,811
Senior Exchangeable Notes due December 1, 2017	$76,650	$73,771

Except for K. Hovnanian, the issuer of the notes, our home mortgage subsidiaries, joint ventures and subsidiaries holding interests in our joint ventures, certain of our title insurance subsidiaries and our foreign subsidiary, we and each of our subsidiaries are guarantors of the senior secured, senior, senior amortizing and senior exchangeable notes outstanding at July 31, 2016 (collectively, the "Notes Guarantors") (see Note 21). In addition to the Notes Guarantors, the 5.0% Senior Secured Notes due 2021 (the "5.0% 2021 Notes") and the 2.0% Senior Secured Notes due 2021 (the "2.0% 2021 Notes" and together with the 5.0% 2021 Notes, the "2021 Notes") are guaranteed by K. Hovnanian JV Holdings, L.L.C. and its subsidiaries except for certain joint ventures and joint venture holding companies (collectively, the "Secured Group"). Members of the Secured Group do not guarantee K. Hovnanian's other indebtedness.

The indentures governing the notes outstanding at July 31, 2016 do not contain any financial maintenance covenants, but do contain restrictive covenants that limit, among other things, the Company's ability and that of certain of its subsidiaries, including K. Hovnanian, to incur additional indebtedness (other than certain permitted indebtedness, refinancing indebtedness and nonrecourse indebtedness), pay dividends and make distributions on common and preferred stock, repurchase subordinated indebtedness (with respect to certain of the senior secured and senior notes), make other restricted payments, make investments, sell certain assets, incur liens, consolidate, merge, sell or otherwise dispose of all or substantially all assets, and enter into certain transactions with affiliates. The indentures also contain events of default which would permit the holders of the notes to declare the notes to be immediately due and payable if not cured within applicable grace periods, including the failure to make timely payments on the notes or other material indebtedness, the failure to comply with agreements and covenants and specified events of bankruptcy and insolvency and, with respect to the indentures governing the senior secured notes, the failure of the documents granting security for the senior secured notes to be in full force and effect, and the failure of the liens on any material portion of the collateral securing the senior secured notes to be valid and perfected. As of July 31, 2016, we believe we were in compliance with the covenants of the indentures governing our outstanding notes.

Under the terms of the indentures, we have the right to make certain redemptions and, depending on market conditions and covenant restrictions, may do so from time to time. We also continue to evaluate our capital structure and may also continue to make debt purchases and/or exchanges for debt or equity from time to time through tender offers, open market purchases, private transactions, or otherwise, or seek to raise additional debt or equity capital, depending on market conditions and covenant restrictions.

If our consolidated fixed charge coverage ratio, as defined in the indentures governing our senior secured and senior notes (other than the senior exchangeable notes discussed in Note 12 below), is less than 2.0 to 1.0, we are restricted from making certain payments, including dividends, and from incurring indebtedness other than certain permitted indebtedness and refinancing indebtedness (currently, however, our ability to incur additional indebtedness is limited and we expect it to be limited for the foreseeable future) and nonrecourse indebtedness. As a result of this ratio restriction, we are currently restricted from paying dividends, which are not cumulative, on our 7.625% Series A Preferred Stock. We anticipate that we will continue to be restricted from paying dividends for the foreseeable future. Our inability to pay dividends is in accordance with covenant restrictions and will not result in a default under our debt instruments or otherwise affect compliance with any of the covenants contained in our debt instruments.

The 7.25% Senior Secured First Lien Notes due 2020 (the "First Lien Notes") are secured by a first-priority lien and the 9.125% Senior Secured Second Lien Notes due 2020 (the "Existing Second Lien Notes" and, together with the First Lien Notes, the "2020 Secured Notes") are secured by a second-priority lien, in each case, subject to permitted liens and other exceptions, on substantially all the assets owned by us, K. Hovnanian and the guarantors of such notes. At July 31, 2016, the aggregate book value of the real property that constituted collateral securing the 2020 Secured Notes was approximately $640.0 million, which does not include the impact of inventory investments, home deliveries or impairments thereafter and which may differ from the value if it were appraised. In addition, cash and cash equivalents collateral that secured the 2020 Secured Notes was $122.7 million as of July 31, 2016, which included $1.7 million of restricted cash collateralizing certain letters of credit. Subsequent to such date, fluctuations as a result of cash uses include general business operations and real estate and other investments along with cash inflow primarily from deliveries.

The guarantees of the Secured Group with respect to the 2021 Notes are secured, subject to permitted liens and other exceptions, by a first-priority lien on substantially all of the assets of the members of the Secured Group. As of July 31, 2016, the collateral securing the guarantees included (1) $60.5 million of cash and cash equivalents (subsequent to such date, fluctuations as a result of cash uses include general business operations and real estate and other investments along with cash inflow primarily from deliveries); (2) $146.4 million aggregate book value of real property of the Secured Group, which does not include the impact of inventory investments, home deliveries or impairments thereafter and which may differ from the value if it were appraised; and (3) equity interests in guarantors that are members of the Secured Group. Members of the Secured Group also own equity in joint ventures, either directly or indirectly through ownership of joint venture holding companies, with a book value of $80.7 million as of July 31, 2016; this equity is not pledged to secure, and is not collateral for, the 2021 Notes. Members of the Secured Group are "unrestricted subsidiaries" under K. Hovnanian's other senior notes and senior secured notes, and thus have not guaranteed such indebtedness.

On November 5, 2014, K. Hovnanian issued $250.0 million aggregate principal amount of 8.0% Senior Notes due 2019, resulting in net proceeds of $245.7 million. These proceeds were used for general corporate purposes. The notes will mature on November 1, 2019. The notes are redeemable in whole or in part at K. Hovnanian's option at any time prior to August 1, 2019 at a redemption price equal to 100% of their principal amount plus an applicable "Make-Whole Amount." At any time and from time to time on or after August 1, 2019, K. Hovnanian may also redeem some or all of the notes at a redemption price equal to 100% of their principal amount.

On January 15, 2016, $172.7 million principal amount of our 6.25% Senior Notes due 2016 matured and was paid. On May 15, 2016, $86.5 million principal amount of our 7.5% Senior Notes due 2016 matured and was paid. We have $121.0 million principal amount of our 8.625% Senior Notes due on January 15, 2017 (the "January 2017 Notes").

On July 29, 2016, the Company and K. Hovnanian entered into financing commitments with certain investment funds managed by affiliates of H/2 Capital Partners LLC (collectively, the "Investor") pursuant to which the Investor agreed to (i) fund a $75.0 million senior secured term loan facility (the "Term Loan Facility") to be borrowed by K. Hovnanian and guaranteed by the Notes Guarantors with a maturity on August 1, 2019 (provided that if any of K. Hovnanian's 7.0% Senior Notes due 2019 (the "7.0% Notes") remain outstanding on October 15, 2018, the maturity date of the Term Loan Facility will be October 15, 2018, or if any refinancing indebtedness with respect to the 7.0% Notes has a maturity date prior to January 15, 2021, the maturity date of the Term Loan Facility will be October 15, 2018), and bearing interest at a rate equal to LIBOR plus an applicable margin of 7.0% or, at K. Hovnanian's option, a base rate plus an applicable margin of 6.0%, payable monthly, (ii) purchase $75.0 million aggregate principal amount of 10.0% Senior Secured Second Lien Notes due October 15, 2018 (the "New Second Lien Notes") to be issued by K. Hovnanian and guaranteed by the Notes Guarantors, and bearing interest at 10.0% per annum, payable semi-annually, and (iii) exchange $75.0 million aggregate principal amount of Existing Second Lien Notes held by such Investor for $75.0 million of newly issued 9.50% Senior Secured Notes due November 15, 2020 to be issued by K. Hovnanian and guaranteed by the Notes Guarantors and the members of the Secured Group, and bearing interest at 9.50% per annum, payable semi-annually (the "Exchange Notes" and together with the Term Loan Facility and the New Second Lien Notes, the "Financings").

As discussed in Note 23, the Financings closed on September 8, 2016. See Note 23 for a discussion of the Term Loan Facility, the New Second Lien Notes and the Exchange Notes and the terms thereof (certain of which are more restrictive than those applicable to our existing senior and senior secured notes and Credit Facility discussed in Note 10).

As also discussed in Note 23, on September 8, 2016, K. Hovnanian called for redemption on October 8, 2016 all outstanding January 2017 Notes for an aggregate redemption price of approximately $126.1 million, including accrued and unpaid interest, and deposited with the trustee for the January 2017 Notes sufficient funds for such redemption and to satisfy and discharge its obligations under the indenture governing the January 2017 Notes (the "January 2017 Notes Indenture"). The January 2017 Notes redemption and the satisfaction and discharge of the 2017 Notes Indenture was funded with a portion of the proceeds from the Term Loan Facility and New Second Lien Notes. Upon the satisfaction and discharge of the January 2017 Notes Indenture, the restrictive covenants and events of default contained therein ceased to have effect.

As a result of our evaluation of our geographic operating footprint as it relates to our strategic objectives, we decided to exit the Minneapolis, MN and Raleigh, NC markets, and in the third quarter of fiscal 2016, we completed the sale of our land portfolios in those markets. We have also decided to wind down our operations in the San Francisco Bay area in Northern California and in Tampa, FL by building and delivering homes to sell through our existing land position.

Any other liquidity-enhancing transaction will depend on identifying counterparties, negotiation of documentation and applicable closing conditions and any required approvals. Due to covenant restrictions in our debt instruments, we are currently limited in the amount of debt we can incur that does not qualify as refinancing indebtedness with certain maturity requirements as discussed in Note 23 (a limitation that we expect to continue for the foreseeable future), even if market conditions would otherwise be favorable, which could also impact our ability to grow our business.

12. Senior Exchangeable Notes

On October 2, 2012, the Company and K. Hovnanian issued $100,000,000 aggregate stated amount of 6.0% Exchangeable Note Units (the "Units") (equivalent to 100,000 Units). Each $1,000 stated amount of Units initially consists of (1) a zero coupon senior exchangeable note due December 1, 2017 (a "Senior Exchangeable Note") issued by K. Hovnanian, which bears no cash interest and has an initial principal amount of $768.51 per Senior Exchangeable Note, and that will accrete to $1,000 at maturity and (2) a senior amortizing note due December 1, 2017 (a "Senior Amortizing Note") issued by K. Hovnanian, which has an initial principal amount of $231.49 per Senior Amortizing Note, bears interest at a rate of 11.0% per annum, and has a final installment payment date of December 1, 2017. Each Unit may be separated into its constituent Senior Exchangeable Note and Senior Amortizing Note after the initial issuance date of the Units, and the separate components may be combined to create a Unit.

Each Senior Exchangeable Note had an initial principal amount of $768.51 (which will accrete to $1,000 over the term of the Senior Exchangeable Note at an annual rate of 5.17% from the date of issuance, calculated on a semi-annual bond equivalent yield basis). Holders may exchange their Senior Exchangeable Notes at their option at any time prior to 5:00 p.m., New York City time, on the business day immediately preceding December 1, 2017. Each Senior Exchangeable Note will be exchangeable for shares of Class A Common Stock at an initial exchange rate of 185.5288 shares of Class A Common Stock per Senior Exchangeable Note (equivalent to an initial exchange price, based on $1,000 principal amount at maturity, of approximately $5.39 per share of Class A Common Stock). The exchange rate will be subject to adjustment in certain events. If certain corporate events occur prior to the maturity date, the Company will increase the applicable exchange rate for any holder who elects to exchange its Senior Exchangeable Notes in connection with such corporate event. In addition, holders of Senior Exchangeable Notes will also have the right to require K. Hovnanian to repurchase such holders' Senior Exchangeable Notes upon the occurrence of certain of these corporate events. As of July 31, 2016, 18,305 Senior Exchangeable Notes have been converted into 3.4 million shares of our Class A Common Stock, all of which were converted during the first quarter of fiscal 2013.

On each June 1 and December 1 (each, an "installment payment date"), K. Hovnanian will pay holders of Senior Amortizing Notes equal semi-annual cash installments of $30.00 per Senior Amortizing Note (except for the June 1, 2013 installment payment, which was $39.83 per Senior Amortizing Note), which cash payment in the aggregate will be equivalent to 6.0% per year with respect to each $1,000 stated amount of Units. Each installment will constitute a payment of interest (at a rate of 11.0% per annum) and a partial repayment of principal on the Senior Amortizing Note. Following certain corporate events that occur prior to the maturity date, holders of the Senior Amortizing Notes will have the right to require K. Hovnanian to repurchase such holders' Senior Amortizing Notes.

13. Per Share Calculation

Basic earnings per share is computed by dividing net income (loss) (the "numerator") by the weighted-average number of common shares outstanding, adjusted for nonvested shares of restricted stock (the "denominator") for the period. Computing diluted earnings per share is similar to computing basic earnings per share, except that the denominator is increased to include the dilutive effects of options and nonvested shares of restricted stock, as well as common shares issuable upon exchange of our Senior Exchangeable Notes issued as part of our 6.0% Exchangeable Note Units. Any options that have an exercise price greater than the average market price are considered to be anti-dilutive and are excluded from the diluted earnings per share calculation.

All outstanding nonvested shares that contain nonforfeitable rights to dividends or dividend equivalents that participate in undistributed earnings with common stock are considered participating securities and are included in computing earnings per share pursuant to the two-class method. The two-class method is an earnings allocation formula that determines earnings per share for each class of common stock and participating securities according to dividends or dividend equivalents and participation rights in undistributed earnings in periods when we have net income. The Company's restricted common stock ("nonvested shares") are considered participating securities.

Incremental shares attributed to nonvested stock and outstanding options to purchase common stock of 0.2 million for the nine months ended July 31, 2015 were excluded from the computation of diluted earnings per share because we had a net loss for the period, and any incremental shares would not be dilutive. There were no incremental shares attributed to nonvested stock and outstanding options to purchase common stock for the three and nine months ended July 31, 2016 and the three months ended July 31, 2015. Also, for both the three and nine months ended July 31, 2016 and 2015, 15.2 million shares of common stock issuable upon the exchange of our Senior Exchangeable Notes (which were issued in fiscal 2012) were excluded from the computation of diluted earnings per share because we had net losses for the periods.

In addition, shares related to out-of-the money stock options that could potentially dilute basic earnings per share in the future that were not included in the computation of diluted earnings per share were 6.8 million and 7.3 million for the three and nine months ended July 31, 2016, respectively, and 3.9 million and 3.1 million for the three and nine months ended July 31, 2015, respectively, because to do so would have been anti-dilutive for the periods presented.

14. Preferred Stock

On July 12, 2005, we issued 5,600 shares of 7.625% Series A Preferred Stock, with a liquidation preference of $25,000 per share. Dividends on the Series A Preferred Stock are not cumulative and are paid at an annual rate of 7.625%. The Series A Preferred Stock is not convertible into the Company's common stock and is redeemable in whole or in part at our option at the liquidation preference of the shares. The Series A Preferred Stock is traded as depositary shares, with each depositary share representing 1/1000th of a share of Series A Preferred Stock. The depositary shares are listed on the NASDAQ Global Market under the symbol "HOVNP." During the three and nine months ended July 31, 2016 and 2015, we did not pay any dividends on the Series A Preferred Stock due to covenant restrictions in our debt instruments.

15. Common Stock

Each share of Class A Common Stock entitles its holder to one vote per share, and each share of Class B Common Stock generally entitles its holder to ten votes per share. The amount of any regular cash dividend payable on a share of Class A Common Stock will be an amount equal to 110% of the corresponding regular cash dividend payable on a share of Class B Common Stock. If a shareholder desires to sell shares of Class B Common Stock, such stock must be converted into shares of Class A Common Stock.

On August 4, 2008, our Board of Directors adopted a shareholder rights plan (the "Rights Plan") designed to preserve shareholder value and the value of certain tax assets primarily associated with net operating loss (NOL) carryforwards and built-in losses under Section 382 of the Internal Revenue Code. Our ability to use NOLs and built-in losses would be limited if there was an "ownership change" under Section 382. This would occur if shareholders owning (or deemed under Section 382 to own) 5% or more of our stock increase their collective ownership of the aggregate amount of our outstanding shares by more than 50 percentage points over a defined period of time. The Rights Plan was adopted to reduce the likelihood of an "ownership change" occurring as defined by Section 382. Under the Rights Plan, one right was distributed for each share of Class A Common Stock and Class B Common Stock outstanding as of the close of business on August 15, 2008. Effective August 15, 2008, if any person or group acquires 4.9% or more of the outstanding shares of Class A Common Stock without the approval of the Board of Directors, there would be a triggering event causing significant dilution in the voting power of such person or group. However, existing stockholders who owned, at the time of the Rights Plan's adoption, 4.9% or more of the outstanding shares of Class A Common Stock will trigger a dilutive event only if they acquire additional shares. The approval of the Board of Directors' decision to adopt the Rights Plan may be terminated by the Board of Directors at any time, prior to the Rights being triggered. The Rights Plan will continue in effect until August 15, 2018, unless it expires earlier in accordance with its terms. The approval of the Board of Directors' decision to adopt the Rights Plan was submitted to a stockholder vote and approved at a special meeting of stockholders held on December 5, 2008. Also at the Special Meeting on December 5, 2008, our stockholders approved an amendment to our Certificate of Incorporation to restrict certain transfers of Class A Common Stock in order to preserve the tax treatment of our NOLs and built-in losses under Section 382 of the Internal Revenue Code. Subject to certain exceptions pertaining to pre-existing 5% stockholders and Class B stockholders, the transfer restrictions in the amended Certificate of Incorporation generally restrict any direct or indirect transfer (such as transfers of our stock that result from the transfer of interests in other entities that own our stock) if the effect would be to (i) increase the direct or indirect ownership of our stock by any person (or public group) from less than 5% to 5% or more of our common stock; (ii) increase the percentage of our common stock owned directly or indirectly by a person (or public group) owning or deemed to own 5% or more of our common stock; or (iii) create a new public group. Transfers included under the transfer restrictions include sales to persons (or public groups) whose resulting percentage ownership (direct or indirect) of common stock would exceed the 5% thresholds discussed above, or to persons whose direct or indirect ownership of common stock would by attribution cause another person (or public group) to exceed such threshold.

On July 3, 2001, our Board of Directors authorized a stock repurchase program to purchase up to 4 million shares of Class A Common Stock. There were no shares purchased during the three and nine months ended July 31, 2016. As of July 31, 2016, the maximum number of shares of Class A Common Stock that may yet be purchased under this program is 0.5 million.

16. Income Taxes

The total income tax expense of $1.6 million and benefit of $4.6 million for the three and nine months ended July 31, 2016, respectively, was primarily due to deferred taxes, partially offset by state tax expenses and state tax reserves for uncertain tax positions. In addition, the nine months ended July 31, 2016 was also impacted by permanent differences between book income and taxable income as a result of the issuance of shares under a deferred compensation plan that were expensed during vesting at significantly higher value than the value at the time of issuance. The total income tax benefit of $2.3 million and $17.5 million recognized for the three and nine months ended July 31, 2015, respectively, was primarily due to deferred taxes partially offset by state tax expenses and state tax reserves for uncertain tax positions.

Deferred federal and state income tax assets primarily represent the deferred tax benefits arising from temporary differences between book and tax income which will be recognized in future years as an offset against future taxable income. If the combination of future years' income (or loss) and the reversal of the timing differences results in a loss, such losses can be carried forward to future years. In accordance with ASC 740, we evaluate our deferred tax assets quarterly to determine if valuation allowances are required. ASC 740 requires that companies assess whether valuation allowances should be established based on the consideration of all available evidence using a "more likely than not" standard.

As of October 31, 2015, and again at July 31, 2016, we concluded that it was more likely than not that a substantial amount of our deferred tax assets ("DTA") would be utilized. This conclusion was based on a detailed evaluation of all relevant evidence, both positive and negative. The positive evidence included factors such as positive earnings for two of the last three fiscal years and the expectation of earnings going forward over the long term and evidence of a sustained recovery in the housing markets in which we operate. Such evidence is supported by significant increases in key financial indicators over the last few years, including new orders, backlog, and community count compared with the prior years. Economic data has also been affirming the housing market recovery. Housing starts, homebuilding volume and prices are increasing and forecasted to continue to increase. Historically low mortgage rates, affordable home prices, reduced foreclosures and a favorable home ownership to rental comparison are key factors in the recovery.

Potentially offsetting this positive evidence is the fact that we had a loss before income taxes for the fiscal year ended October 31, 2015 as well as for the nine months ended July 31, 2016. However, we did have income before income taxes for the three months ended July 31, 2016 and we are not in a three year cumulative loss position as of July 31, 2016. As per ASC 740, cumulative losses are one of the most objectively verifiable forms of negative evidence; we no longer have this negative evidence and we expect to be profitable going forward over the long term. Our recent three years cumulative performance and our expectations for the coming years based on our current backlog, community count and recent sales contracts provide evidence that reaffirms our conclusion that a full valuation allowance was not necessary and that the current valuation allowance for deferred taxes of $635.4 million as of July 31, 2016 is appropriate.

17. Operating and Reporting Segments

Our operating segments are components of our business for which discrete financial information is available and reviewed regularly by the chief operating decision maker, our Chief Executive Officer, to evaluate performance and make operating decisions. Based on this criteria, each of our communities qualifies as an operating segment, and therefore, it is impractical to provide segment disclosures for this many segments. As such, we have aggregated the homebuilding operating segments into six reportable segments.

Our homebuilding operating segments are aggregated into reportable segments based primarily upon geographic proximity, similar regulatory environments, land acquisition characteristics and similar methods used to construct and sell homes. Our reportable segments consist of the following six homebuilding segments and a financial services segment:

Homebuilding:

(1) Northeast (New Jersey and Pennsylvania)
(2) Mid-Atlantic (Delaware, Maryland, Virginia, Washington D.C. and West Virginia)
(3) Midwest (Illinois, Minnesota and Ohio)
(4) Southeast (Florida, Georgia, North Carolina and South Carolina)
(5) Southwest (Arizona and Texas)
(6) West (California)

Financial Services

Operations of the Company's Homebuilding segments primarily include the sale and construction of single-family attached and detached homes, attached townhomes and condominiums, urban infill and active lifestyle homes in planned residential developments. In addition, from time to time, operations of the homebuilding segments include sales of land. Operations of the Company's Financial Services segment include mortgage banking and title services provided to the homebuilding operations' customers. We do not typically retain or service mortgages that we originate but rather sell the mortgages and related servicing rights to investors.

Corporate and unallocated primarily represents operations at our headquarters in Red Bank, New Jersey. This includes our executive offices, information services, human resources, corporate accounting, training, treasury, process redesign, internal audit, construction services, and administration of insurance, quality and safety. It also includes interest income and interest expense resulting from interest incurred that cannot be capitalized in inventory in the Homebuilding segments, as well as the gains or losses on extinguishment of debt from any debt repurchases or exchanges.

Evaluation of segment performance is based primarily on operating earnings from continuing operations before provision for income taxes ("Income (loss) before income taxes"). Income (loss) before income taxes for the Homebuilding segments consist of revenues generated from the sales of homes and land, income (loss) from unconsolidated entities, management fees and other income, less the cost of homes and land sold, selling, general and administrative expenses and interest expense. Income before income taxes for the Financial Services segment consist of revenues generated from mortgage financing, title insurance and closing services, less the cost of such services and selling, general and administrative expenses incurred by the Financial Services segment.

Operational results of each segment are not necessarily indicative of the results that would have occurred had the segment been an independent stand-alone entity during the periods presented.

Financial information relating to the Company's segment operations was as follows:

(In thousands)	Three Months Ended July 31, 2016	Three Months Ended July 31, 2015	Nine Months Ended July 31, 2016	Nine Months Ended July 31, 2015
Revenues:				
Northeast	$69,989	$36,209	$196,539	$126,213
Mid-Atlantic	111,739	113,992	295,546	271,954
Midwest	72,581	82,325	249,132	220,020
Southeast	96,323	57,329	186,873	144,498
Southwest	248,546	203,249	729,606	560,863
West	101,158	33,180	237,831	93,895
Total homebuilding	700,336	526,284	1,895,527	1,417,443
Financial services	16,485	14,360	51,714	37,939
Corporate and unallocated	29	(31)	(63)	(106)
Total revenues	$716,850	$540,613	$1,947,178	$1,455,276
Income (loss) before income taxes:				
Northeast	$(995)	$(4,008)	$(4,945)	$(10,973)
Mid-Atlantic	3,467	5,440	7,161	10,439
Midwest	(2,452)	3,120	(8,034)	8,041
Southeast	(5,621)	(1,225)	(14,710)	(3,583)
Southwest	20,532	17,170	55,392	42,517
West	3,297	(3,973)	(6,989)	(15,309)
Homebuilding income before income taxes	18,228	16,524	27,875	31,132
Financial services	7,569	6,116	24,965	14,870
Corporate and unallocated	(24,704)	(32,641)	(82,545)	(105,164)
Income (loss) before income taxes	$1,093	$(10,001)	$(29,705)	$(59,162)

(In thousands)	July 31, 2016	October 31, 2015
Assets:		
Northeast	$252,007	$321,983
Mid-Atlantic	337,371	342,159
Midwest	125,552	197,899
Southeast	235,141	223,206
Southwest	410,313	465,740
West	287,298	259,943
Total homebuilding	1,647,682	1,810,930
Financial services	165,885	159,981
Corporate and unallocated(1)	575,274	631,387
Total assets	$2,388,841	$2,602,298

(1) Includes $293.4 million and $290.3 million of income taxes receivable, including deferred tax assets, as of July 31, 2016 and October 31, 2015, respectively.

18. Investments in Unconsolidated Homebuilding and Land Development Joint Ventures

We enter into homebuilding and land development joint ventures from time to time as a means of accessing lot positions, expanding our market opportunities, establishing strategic alliances, managing our risk profile, leveraging our capital base and enhancing returns on capital. Our homebuilding joint ventures are generally entered into with third-party investors to develop land and construct homes that are sold directly to third-party home buyers. Our land development joint ventures include those entered into with developers and other homebuilders as well as financial investors to develop finished lots for sale to the joint venture's members or other third parties.

In November 2015, the Company entered into a new joint venture to which the company contributed a land parcel that had been mothballed by the company, but on which construction by the joint venture has now begun. Upon formation of the joint venture, the Company received $25.7 million of cash proceeds for the contributed land. In addition, during the third quarter of 2016, we entered into a new joint venture by contributing eight communities we owned and our option to buy one community to the joint venture. As a result of the formation of the joint venture, the Company received $29.8 million of cash in return for the land and option contributions.

The tables set forth below summarize the combined financial information related to our unconsolidated homebuilding and land development joint ventures that are accounted for under the equity method.

(Dollars in thousands)	July 31, 2016		
	Homebuilding	Land Development	Total
Assets:			
Cash and cash equivalents	$39,129	$860	$39,989
Inventories	504,730	12,299	517,029
Other assets	24,832	-	24,832
Total assets	$568,691	$13,159	$581,850
Liabilities and equity:			
Accounts payable and accrued liabilities	$50,686	$1,222	$51,908
Notes payable	209,868	2,864	212,732
Total liabilities	260,554	4,086	264,640
Equity of:			
Hovnanian Enterprises, Inc.	80,747	3,309	84,056
Others	227,390	5,764	233,154
Total equity	308,137	9,073	317,210
Total liabilities and equity	$568,691	$13,159	$581,850
Debt to capitalization ratio	41%	24%	40%

(Dollars in thousands)	October 31, 2015		
	Homebuilding	Land Development	Total
Assets:			
Cash and cash equivalents	$27,856	$1,755	$29,611
Inventories	314,814	11,767	326,581
Other assets	11,225	-	11,225
Total assets	$353,895	$13,522	$367,417
Liabilities and equity:			
Accounts payable and accrued liabilities	$29,994	$669	$30,663
Notes payable	112,554	3,774	116,328
Total liabilities	142,548	4,443	146,991
Equity of:			
Hovnanian Enterprises, Inc.	57,336	3,122	60,458
Others	154,011	5,957	159,968
Total equity	211,347	9,079	220,426
Total liabilities and equity	$353,895	$13,522	$367,417
Debt to capitalization ratio	35%	29%	35%

As of July 31, 2016 and October 31, 2015, we had advances outstanding of $0.9 million and $0.8 million, respectively, to these unconsolidated joint ventures, which were included in the “Accounts payable and accrued liabilities” balances in the tables above. On our Condensed Consolidated Balance Sheets, our “Investments in and advances to unconsolidated joint ventures” amounted to $88.0 million and $61.2 million at July 31, 2016 and October 31, 2015, respectively.

(In thousands)	For the Three Months Ended July 31, 2016		
	Homebuilding	Land Development	Total
Revenues	$31,145	$1,219	$32,364
Cost of sales and expenses	(37,245)	(1,143)	(38,388)
Joint venture net (loss) income	$(6,100)	$76	$(6,024)
Our share of net (loss) income	$(2,418)	$38	$(2,380)

(In thousands)	For the Three Months Ended July 31, 2015		
	Homebuilding	Land Development	Total
Revenues	$27,459	$1,394	$28,853
Cost of sales and expenses	(29,705)	(1,296)	(31,001)
Joint venture net (loss) income	$(2,246)	$98	$(2,148)
Our share of net (loss) income	$(488)	$49	$(439)

(In thousands)	For the Nine Months Ended July, 2016		
	Homebuilding	Land Development	Total
Revenues	$77,171	$2,836	$80,007
Cost of sales and expenses	(92,904)	(2,462)	(95,366)
Joint venture net (loss) income	$(15,733)	$374	$(15,359)
Our share of net (loss) income	$(5,267)	$187	$(5,080)

(In thousands)	For the Nine Months Ended July 31, 2015		
	Homebuilding	Land Development	Total
Revenues	$91,300	$4,009	$95,309
Cost of sales and expenses	(53,821)	(4,103)	(57,924)
Joint venture net income (loss)	$37,479	$(94)	$37,385
Our share of net income (loss)	$728	$(47)	$681

“(Loss) income from unconsolidated joint ventures” is reflected as a separate line in the accompanying Condensed Consolidated Statements of Operations and reflects our proportionate share of the income or loss of these unconsolidated homebuilding and land development joint ventures. The difference between our share of the income or loss from these unconsolidated joint ventures in the tables above compared to the Condensed Consolidated Statements of Operations is due primarily to the reclassification of the intercompany portion of management fee income from certain joint ventures and the deferral of income for lots purchased by us from certain joint ventures. To compensate us for the administrative services we provide as the manager of certain joint ventures we receive a management fee based on a percentage of the applicable joint venture’s revenues. These management fees, which totaled $1.2 million for both the three months ended July 31, 2016 and 2015, and $3.1 million and $3.6 million for the nine months ended July 31, 2016 and 2015, respectively, are recorded in “Homebuilding: Selling, general and administrative” on the Condensed Consolidated Statement of Operations.

In determining whether or not we must consolidate joint ventures that we manage, we assess whether the other partners have specific rights to overcome the presumption of control by us as the manager of the joint venture. In most cases, the presumption is overcome because the joint venture agreements require that both partners agree on establishing the operations and capital decisions of the partnership, including budgets in the ordinary course of business.

Typically, our unconsolidated joint ventures obtain separate project specific mortgage financing. The amount of financing is generally targeted to be no more than 50% of the joint venture’s total assets. For some of our joint ventures, obtaining financing was challenging, therefore, some of our joint ventures are capitalized only with equity. The total debt to capitalization ratio of all our joint ventures is currently 40%. Any joint venture financing is on a nonrecourse basis, with guarantees from us limited only to performance and completion of development, environmental warranties and indemnification, standard indemnification for fraud, misrepresentation and other similar actions, including a voluntary bankruptcy filing. In some instances, the joint venture entity is considered a VIE under ASC 810-10 “Consolidation – Overall” due to the returns being capped to the equity holders; however, in these instances, we have determined that we are not the primary beneficiary, and therefore we do not consolidate these entities.

19. Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers" (Topic 606), ("ASU 2014-09"). ASU 2014-09 requires entities to recognize revenue that represents the transfer of promised goods or services to customers in an amount equivalent to the consideration to which the entity expects to be entitled to in exchange for those goods or services. The following steps should be applied to determine this amount: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 supersedes the revenue recognition requirements in ASU 605, "Revenue Recognition," and most industry-specific guidance in the Accounting Standards Codification. In August 2015, the FASB issued ASU 2015-14 on this same topic, which defers for one year the effective date of ASU 2014-09, therefore making the guidance effective for the Company beginning November 1, 2018. Additionally, the FASB also decided to permit entities to early adopt the standard, which allows for either full retrospective or modified retrospective methods of adoption, for reporting periods beginning after December 15, 2016. We are currently evaluating the impact of adopting this guidance on our Condensed Consolidated Financial Statements.

In August 2014, the FASB issued ASU 2014-15, "Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern" ("ASU 2014-15"), which requires management to perform interim and annual assessments on whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year of the date the financial statements are issued and to provide related disclosures, if required. ASU 2014-15 is effective for the Company for our fiscal year ending October 31, 2017. Early adoption is permitted. We do not anticipate the adoption of ASU 2014-15 to have a material impact on the Company's Condensed Consolidated Financial Statements.

In February 2015, the FASB issued ASU 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis" ("ASU 2015-02"), which amends the consolidation requirements in ASC 810, primarily related to limited partnerships and VIEs. ASU 2015-02 is effective for the Company beginning on November 1, 2016. Early adoption is permitted. We do not anticipate the adoption of ASU 2015-02 to have a material impact on the Company's Condensed Consolidated Financial Statements.

In April 2015, the FASB issued ASU 2015-03, "Interest - Imputation of Interest" ("ASU 2015-03"), which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. This new guidance is a change from the current treatment of recording debt issuance costs as an asset representing a deferred charge, and is consistent with the accounting treatment for debt discounts. The guidance, which requires retrospective application, is effective for the Company beginning November 1, 2016. Early adoption is permitted. The adoption of ASU 2015-03 will result in reclassification of our deferred bond issuance costs from assets to an offset of our notes payable on the Company's Consolidated Financial Statements. Additionally, in August 2015, as a follow-up to ASU 2015-03, the FASB issued ASU 2015-15 "Interest – Imputation of Interest (Subtopic 835-30)" ("ASU 2015-15"). ASU 2015-15 addresses the presentation of debt issuance costs for line-of-credit arrangements, allowing an entity to defer and present debt issuance costs as an asset and subsequently amortize the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The adoption of ASU 2015-15 will be concurrent with the adoption of ASU 2015-03. The Company does not expect ASU 2015-15 to have a material impact on the Company's Condensed Consolidated Financial Statements.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)" ("ASU 2016-02"), which provides guidance for accounting for leases. ASU 2016-02 requires lessees to classify leases as either finance or operating leases and to record a right-of-use asset and a lease liability for all leases with a term greater than 12 months regardless of the lease classification. The lease classification will determine whether the lease expense is recognized based on an effective interest rate method or on a straight line basis over the term of the lease. Accounting for lessors remains largely unchanged from current GAAP. ASU 2016-02 is effective for the Company beginning November 1, 2019. Early adoption is permitted. We are currently evaluating the impact of adopting this guidance on our Condensed Consolidated Financial Statements.

In March 2016, the FASB issued ASU 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"). ASU 2016-09 simplifies several aspects related to the accounting for share-based payment transactions, including the accounting for income taxes, statutory tax withholding requirements and classification on the statement of cash flows. ASU 2016-09 is effective for the Company's fiscal year beginning November 1, 2017. Early adoption is permitted and the Company elected to adopt ASU 2016-09 in the second quarter of fiscal 2016. The adoption did not have a material impact on the Company's Condensed Consolidated Financial Statements.

20. Fair Value of Financial Instruments

ASC 820, "Fair Value Measurements and Disclosures," provides a framework for measuring fair value, expands disclosures about fair-value measurements and establishes a fair-value hierarchy which prioritizes the inputs used in measuring fair value summarized as follows:

Level 1: Fair value determined based on quoted prices in active markets for identical assets.

Level 2: Fair value determined using significant other observable inputs.

Level 3: Fair value determined using significant unobservable inputs.

Our financial instruments measured at fair value on a recurring basis are summarized below:

(In thousands)	Fair Value Hierarchy	Fair Value at July 31, 2016	Fair Value at October 31, 2015
Mortgage loans held for sale (1)	Level 2	$137,510	$129,818
Interest rate lock commitments	Level 2	583	(7)
Forward contracts	Level 2	(309)	509
Total		$137,784	$130,320

(1) The aggregate unpaid principal balance was $123.3 million and $122.7 million at July 31, 2016 and October 31, 2015, respectively.

We elected the fair value option for our loans held for sale for mortgage loans originated subsequent to October 31, 2008, in accordance with ASC 825, "Financial Instruments," which permits us to measure financial instruments at fair value on a contract-by-contract basis. Management believes that the election of the fair value option for loans held for sale improves financial reporting by mitigating volatility in reported earnings caused by measuring the fair value of the loans and the derivative instruments used to economically hedge them without having to apply complex hedge accounting provisions. Fair value of loans held for sale is based on independent quoted market prices, where available, or the prices for other mortgage loans with similar characteristics.

The Financial Services segment had a pipeline of loan applications in process of $752.6 million at July 31, 2016. Loans in process for which interest rates were committed to the borrowers totaled $85.4 million as of July 31, 2016. Substantially all of these commitments were for periods of 60 days or less. Since a portion of these commitments is expected to expire without being exercised by the borrowers, the total commitments do not necessarily represent future cash requirements.

The Financial Services segment uses investor commitments and forward sales of mandatory MBS to hedge its mortgage-related interest rate exposure. These instruments involve, to varying degrees, elements of credit and interest rate risk. Credit risk is managed by entering into MBS forward commitments, option contracts with investment banks, federally regulated bank affiliates and loan sales transactions with permanent investors meeting the segment's credit standards. The segment's risk, in the event of default by the purchaser, is the difference between the contract price and fair value of the MBS forward commitments and option contracts. At July 31, 2016, the segment had open commitments amounting to $25.0 million to sell MBS with varying settlement dates through August 18, 2016.

The assets accounted for using the fair value option are initially measured at fair value. Gains and losses from initial measurement and subsequent changes in fair value are recognized in the Financial Services segment's income. The changes in fair values that are included in income are shown, by financial instrument and financial statement line item, below:

	Three Months Ended July 31, 2016		
(In thousands)	Mortgage Loans Held For Sale	Interest Rate Lock Commitments	Forward Contracts
Changes in fair value included in net loss all reflected in financial services revenues	$(175)	$560	$(268)

	Three Months Ended July 31, 2015		
(In thousands)	Mortgage Loans Held For Sale	Interest Rate Lock Commitments	Forward Contracts
Changes in fair value included in net loss all reflected in financial services revenues	$5	$400	$(587)

(In thousands)	Nine Months Ended July 31, 2016 Mortgage Loans Held For Sale	Interest Rate Lock Commitments	Forward Contracts
Changes in fair value included in net loss all reflected in financial services revenues	$3,654	$590	$(818)

(In thousands)	Nine Months Ended July 31, 2015 Mortgage Loans Held For Sale	Interest Rate Lock Commitments	Forward Contracts
Changes in fair value included in net loss all reflected in financial services revenues	$(168)	$341	$(89)

The Company's assets measured at fair value on a nonrecurring basis are those assets for which the Company has recorded valuation adjustments and write-offs during the periods presented. The Company did not have any assets measured at fair value on a nonrecurring basis during the three months ended July 31, 2015. The assets measured at fair value for the three and nine months ended July 31, 2016 and the nine months ended July 31, 2015 on a nonrecurring basis are all within the Company's Homebuilding operations and are summarized below:

Nonfinancial Assets

(In thousands)	Fair Value Hierarchy	Three Months Ended July 31, 2016 Pre-Impairment Amount	Total Losses	Fair Value
Land and land options held for future development or sale	Level 3	$5,407	$(1,282)	$4,125

(In thousands)	Fair Value Hierarchy	Nine Months Ended July 31, 2016 Pre-Impairment Amount	Total Losses	Fair Value
Sold and unsold homes and lots under development	Level 3	$44,238	$(14,399)	$29,839
Land and land options held for future development or sale	Level 3	$6,576	$(1,976)	$4,600

(In thousands)	Fair Value Hierarchy	Nine Months Ended July 31, 2015 Pre-Impairment Amount	Total Losses	Fair Value
Sold and unsold homes and lots under development	Level 3	$16,756	$(4,466)	$12,290

We record impairment losses on inventories related to communities under development and held for future development when events and circumstances indicate that they may be impaired and the undiscounted cash flows estimated to be generated by those assets are less than their related carrying amounts. If the expected undiscounted cash flows are less than the carrying amount, then the community is written down to its fair value. We estimate the fair value of each impaired community by determining the present value of its estimated future cash flows at a discount rate commensurate with the risk of the respective community. Should the estimates or expectations used in determining cash flows or fair value decrease or differ from current estimates in the future, we may be required to recognize additional impairments. We recorded inventory impairments, which are included in the Condensed Consolidated Statements of Operations as "Inventory impairment loss and land option write-offs" and deducted from Inventory of $1.3 million and $16.4 million for the three and nine months ended July 31, 2016, respectively, and $4.4 million for the nine months ended July 31, 2015. We did not record any inventory impairments for the three months ended July 31, 2015.

The fair value of our cash equivalents, restricted cash and cash equivalents and borrowings under the revolving credit facility approximates their carrying amount, based on Level 1 inputs.

The fair value of each series of the senior unsecured notes (other than the senior exchangeable notes and the senior amortizing notes) is estimated based on recent trades or quoted market prices for the same issues or based on recent trades or quoted market prices for our debt of similar security and maturity to achieve comparable yields, which are Level 2 measurements. The fair value of the senior unsecured notes (all series in the aggregate), other than the senior exchangeable notes and senior amortizing notes, was estimated at $393.9 million and $689.6 million as of July 31, 2016 and October 31, 2015, respectively.

The fair value of each of the senior secured notes (all series in the aggregate), the senior amortizing notes and the senior exchangeable notes is estimated based on third party broker quotes, a Level 3 measurement. The fair value of the senior secured notes (all series in the aggregate), the senior amortizing notes and the senior exchangeable notes were estimated at $818.9 million, $8.1 million and $66.7 million, respectively, as of July 31, 2016. As of October 31, 2015, the fair value of the senior secured notes (all series in the aggregate), the senior amortizing notes and the senior exchangeable notes were estimated at $869.4 million, $12.8 million and $69.0 million, respectively.

21. Financial Information of Subsidiary Issuer and Subsidiary Guarantors

Hovnanian Enterprises, Inc., the parent company (the "Parent"), is the issuer of publicly traded common stock and preferred stock, which is represented by depository shares. One of its wholly owned subsidiaries, K. Hovnanian Enterprises, Inc. (the "Subsidiary Issuer"), acts as a finance entity that, as of July 31, 2016, had issued and outstanding $992.0 million of senior secured notes ($982.5 million, net of discount), $521.0 million senior notes, and $8.1 million senior amortizing notes and $76.7 million senior exchangeable notes (issued as components of our 6.0% Exchangeable Note Units). The senior secured notes, senior notes, senior amortizing notes and senior exchangeable notes are fully and unconditionally guaranteed by the Parent.

In addition to the Parent, each of the wholly owned subsidiaries of the Parent other than the Subsidiary Issuer (collectively, "Guarantor Subsidiaries"), with the exception of our home mortgage subsidiaries, certain of our title insurance subsidiaries, joint ventures, subsidiaries holding interests in our joint ventures and our foreign subsidiary (collectively, the "Nonguarantor Subsidiaries"), have guaranteed fully and unconditionally, on a joint and several basis, the obligations of the Subsidiary Issuer to pay principal and interest under the senior secured notes (other than the 2021 Notes), senior notes, senior exchangeable notes and senior amortizing notes. The Guarantor Subsidiaries are directly or indirectly 100% owned subsidiaries of the Parent. The 2021 Notes are guaranteed by the Guarantor Subsidiaries and the members of the Secured Group (see Note 11).

The January 2017 Notes, senior amortizing notes and senior exchangeable notes have been registered under the Securities Act of 1933, as amended (the "Act"). The 7.0% Notes, the 8.0% Senior Notes due 2019, the 2020 Secured Notes and the 2021 Notes (see Note 11) are not, pursuant to the indentures under which such notes were issued, required to be registered under the Act. The Condensed Consolidating Financial Statements presented below are in respect of our registered notes only and not the 7.0% Notes, the 8.0% Senior Notes due 2019, the 2020 Secured Notes or the 2021 Notes (however, the Guarantor Subsidiaries for the 7.0% Notes, the 8.0% Senior Notes due 2019 and the 2020 Secured Notes are the same as those represented by the accompanying Condensed Consolidating Financial Statements). In lieu of providing separate financial statements for the Guarantor Subsidiaries of our registered notes, we have included the accompanying Condensed Consolidating Financial Statements. Therefore, separate financial statements and other disclosures concerning such Guarantor Subsidiaries are not presented.

The following Condensed Consolidating Financial Statements present the results of operations, financial position and cash flows of (i) the Parent, (ii) the Subsidiary Issuer, (iii) the Guarantor Subsidiaries, (iv) the Nonguarantor Subsidiaries and (v) the eliminations to arrive at the information for Hovnanian Enterprises, Inc. on a consolidated basis.

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
CONDENSED CONSOLIDATING BALANCE SHEET
JULY 31, 2016
(In Thousands)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
ASSETS:						
Homebuilding	$-	$152,404	$1,356,452	$420,742	$-	$1,929,598
Financial services			13,023	152,862		165,885
Income taxes receivable	138,604	(66,948)	221,680	22		293,358
Intercompany receivable		1,371,437		78,344	(1,449,781)	-
Investments in and amounts due from consolidated subsidiaries			419,419		(419,419)	-
Total assets	$138,604	$1,456,893	$2,010,574	$651,970	$(1,869,200)	$2,388,841
LIABILITIES AND EQUITY:						
Homebuilding	$3,166	$113	$622,053	$102,679	$-	$728,011
Financial services			13,085	128,954		142,039
Notes payable		1,664,756	5,063	915		1,670,734
Intercompany payable	172,741		1,277,040		(1,449,781)	-
Amounts due to consolidated subsidiaries	114,640	25,966			(140,606)	-
Stockholders' (deficit) equity	(151,943)	(233,942)	93,333	419,422	(278,813)	(151,943)
Total liabilities and equity	$138,604	$1,456,893	$2,010,574	$651,970	$(1,869,200)	$2,388,841

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
CONDENSED CONSOLIDATING BALANCE SHEET
OCTOBER 31, 2015
(In Thousands)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
ASSETS:						
Homebuilding	$-	$230,358	$1,553,811	$367,869	$-	$2,152,038
Financial services			15,680	144,301		159,981
Income taxes receivable	128,176	(89,212)	251,293	22		290,279
Intercompany receivable		1,575,712		58,280	(1,633,992)	-
Investments in and amounts due from consolidated subsidiaries		1,013	383,032		(384,045)	-
Total assets	$128,176	$1,717,871	$2,203,816	$570,472	$(2,018,037)	$2,602,298
LIABILITIES AND EQUITY:						
Homebuilding	$3,076	$87	$588,854	$65,947	$-	$657,964
Financial services			15,677	121,106		136,783
Notes payable		1,933,119	2,132	384		1,935,635
Intercompany payable	180,681		1,453,311		(1,633,992)	-
Amounts due to consolidated subsidiaries	72,503				(72,503)	-
Stockholders' (deficit) equity	(128,084)	(215,335)	143,842	383,035	(311,542)	(128,084)
Total liabilities and equity	$128,176	$1,717,871	$2,203,816	$570,472	$(2,018,037)	$2,602,298

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
THREE MONTHS ENDED JULY 31, 2016
(In Thousands)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Revenues:						
Homebuilding	$-	$-	$595,124	$105,241	$-	$700,365
Financial services			2,645	13,840		16,485
Intercompany charges		26,433			(26,433)	-
Total revenues	-	26,433	597,769	119,081	(26,433)	716,850
Expenses:						
Homebuilding	1,277	32,225	565,447	105,491		704,440
Financial services	16		1,761	7,139		8,916
Intercompany charges			27,239	(806)	(26,433)	-
Total expenses	1,293	32,225	594,447	111,824	(26,433)	713,356
Income (loss) from unconsolidated joint ventures			17	(2,418)		(2,401)
(Loss) income before income taxes	(1,293)	(5,792)	3,339	4,839	-	1,093
State and federal income tax (benefit) provision	(484)	(6,936)	8,987			1,567
Equity in income (loss) of consolidated subsidiaries	335	93	4,839		(5,267)	-
Net (loss) income	$(474)	$1,237	$(809)	$4,839	$(5,267)	$(474)

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
THREE MONTHS ENDED JULY 31, 2015
(In Thousands)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Revenues:						
Homebuilding	$-	$-	$446,581	$79,672	$-	$526,253
Financial services			2,146	12,214		14,360
Intercompany charges		31,246		64	(31,310)	-
Total revenues	-	31,246	448,727	91,950	(31,310)	540,613
Expenses:						
Homebuilding	2,416	38,284	431,816	69,406		541,922
Financial services	16		1,618	6,610		8,244
Intercompany charges			31,310		(31,310)	-
Total expenses	2,432	38,284	464,744	76,016	(31,310)	550,166
Income (loss) from unconsolidated joint ventures			12	(460)		(448)
(Loss) income before income taxes	(2,432)	(7,038)	(16,005)	15,474	-	(10,001)
State and federal income tax provision (benefit)	224		(2,541)			(2,317)
Equity in (loss) income of consolidated subsidiaries	(5,028)	(13,855)	15,474		3,409	-
Net (loss) income	$(7,684)	$(20,893)	$2,010	$15,474	$3,409	$(7,684)

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
NINE MONTHS ENDED JULY 31, 2016
(In Thousands)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Revenues:						
Homebuilding	$-	$-	$1,593,452	$302,012	$-	$1,895,464
Financial services			7,566	44,148		51,714
Intercompany charges		87,540			(87,540)	-
Total revenues	-	87,540	1,601,018	346,160	(87,540)	1,947,178
Expenses:						
Homebuilding	2,874	101,432	1,557,620	282,981		1,944,907
Financial services	16		5,208	21,525		26,749
Intercompany charges			87,540		(87,540)	-
Total expenses	2,890	101,432	1,650,368	304,506	(87,540)	1,971,656
Income (loss) from unconsolidated joint ventures			40	(5,267)		(5,227)
(Loss) income before income taxes	(2,890)	(13,892)	(49,310)	36,387	-	(29,705)
State and federal income tax (benefit) provision	(19,919)	(22,264)	37,586			(4,597)
Equity in (loss) income of consolidated subsidiaries	(42,137)	(26,979)	36,387		32,729	-
Net (loss) income	$(25,108)	$(18,607)	$(50,509)	$36,387	$32,729	$(25,108)

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
NINE MONTHS ENDED JULY 31, 2015
(In Thousands)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Revenues:						
Homebuilding	$-	$-	$1,202,668	$214,669	$-	$1,417,337
Financial services			5,914	32,025		37,939
Intercompany charges		91,631			(91,631)	-
Total revenues	-	91,631	1,208,582	246,694	(91,631)	1,455,276
Expenses:						
Homebuilding	9,209	114,499	1,181,860	188,271		1,493,839
Financial services	104		4,747	18,218		23,069
Intercompany charges			91,631		(91,631)	-
Total expenses	9,313	114,499	1,278,238	206,489	(91,631)	1,516,908
(Loss) income from unconsolidated joint ventures			(2)	2,472		2,470
(Loss) income before income taxes	(9,313)	(22,868)	(69,658)	42,677	-	(59,162)
State and federal income tax (benefit) provision	(17,968)		425			(17,543)
Equity in (loss) income of consolidated subsidiaries	(50,274)	(40,219)	42,677		47,816	-
Net (loss) income	$(41,619)	$(63,087)	$(27,406)	$42,677	$47,816	$(41,619)

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED JULY 31, 2016
(In Thousands)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:						
Net (loss) income	$(25,108)	$(18,607)	$(50,509)	$36,387	$32,729	$(25,108)
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities	(9,089)	(25,300)	289,872	(3,090)	(32,729)	219,664
Net cash (used in) provided by operating activities	(34,197)	(43,907)	239,363	33,297	-	194,556
Cash flows from investing activities:						
Proceeds from sale of property and assets			622	21		643
Purchase of property, equipment & other fixed assets and acquisitions			(5,064)	(30)		(5,094)
Decrease in restricted cash related to mortgage company				88		88
Decrease in restricted cash related to letters of credit		873				873
Investments in and advances to unconsolidated joint ventures		(110)	(1,395)	(37,584)		(39,089)
Distributions of capital from unconsolidated joint ventures		(186)	1,087	5,502		6,403
Intercompany investing activities		231,254			(231,254)	-
Net cash provided by (used in) investing activities	-	231,831	(4,750)	(32,003)	(231,254)	(36,176)
Cash flows from financing activities:						
Net payments related to mortgages and notes			(53,780)	677		(53,103)
Net proceeds from model sale leaseback financing programs			(977)	357		(620)
Net borrowings from land bank financing programs			69,388	22,331		91,719
Net proceeds from revolving credit facility		5,000				5,000
Payments for senior notes and senior amortizing notes		(263,994)				(263,994)
Net proceeds related to mortgage warehouse lines of credit				6,781		6,781
Deferred financing costs from land bank financing programs and note issuances		(2,139)	(4,180)	(1,547)		(7,866)
Intercompany financing activities	34,197		(245,387)	(20,064)	231,254	-
Net cash provided by (used in) financing activities	34,197	(261,133)	(234,936)	8,535	231,254	(222,083)
Net (decrease) increase in cash	-	(73,209)	(323)	9,829	-	(63,703)
Cash and cash equivalents balance, beginning of period		199,318	(4,800)	59,227		253,745
Cash and cash equivalents balance, end of period	$-	$126,109	$(5,123)	$69,056	$-	$190,042

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED JULY 31, 2015
(In Thousands)

	Parent	Subsidiary Issuer	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:						
Net (loss) income	$(41,619)	$(63,087)	$(27,406)	$42,677	$47,816	$(41,619)
Adjustments to reconcile net (loss) income to net cash used in operating activities	(3,128)	12,191	(154,619)	(97,689)	(47,816)	(291,061)
Net cash used in operating activities	(44,747)	(50,896)	(182,025)	(55,012)	-	(332,680)
Cash flows from investing activities:						
Proceeds from sale of property and assets			1,112	31		1,143
Purchase of property, equipment & other fixed assets and acquisitions			(1,653)			(1,653)
Decrease in restricted cash related to mortgage company				1,466		1,466
Investments in and advances to unconsolidated joint ventures		81	184	(17,266)		(17,001)
Distributions of capital from unconsolidated joint ventures		315	646	9,760		10,721
Intercompany investing activities		(189,879)			189,879	-
Net cash (used in) provided by investing activities	-	(189,483)	289	(6,009)	189,879	(5,324)
Cash flows from financing activities:						
Net proceeds from mortgages and notes			18,682	12,103		30,785
Net proceeds from model sale leaseback financing programs			17,918	1,846		19,764
Net payments related to land bank financing programs			(10,065)	(311)		(10,376)
Proceeds from senior notes		250,000				250,000
Net proceeds related to mortgage warehouse lines of credit				11,635		11,635
Deferred financing costs from land bank financing programs and note issuances		(4,689)	(1,781)	(1,057)		(7,527)
Principal payments and debt repurchases		(4,238)				(4,238)
Intercompany financing activities	44,747		157,306	(12,174)	(189,879)	-
Net cash provided by (used in) financing activities	44,747	241,073	182,060	12,042	(189,879)	290,043
Net (decrease) increase in cash and cash equivalents	-	694	324	(48,979)	-	(47,961)
Cash and cash equivalents balance, beginning of period		159,508	(4,726)	107,116		261,898
Cash and cash equivalents balance, end of period	$-	$160,202	$(4,402)	$58,137	$-	$213,937

22. Transactions with Related Parties

During the three months ended July 31, 2016 and 2015, an engineering firm owned by Tavit Najarian, a relative of our Chairman of the Board of Directors and Chief Executive Officer, provided services to the Company totaling $0.2 million for both periods. During the nine months ended July 31, 2016 and 2015, the services provided by such engineering firm to the Company totaled $0.8 million and $0.7 million, respectively. Neither the Company nor the Chairman of the Board of Directors and Chief Executive Officer has a financial interest in the relative's company from whom the services were provided.

23. Subsequent Events

On September 8, 2016, the Company and K. Hovnanian completed the Financings with the Investor (see Note 11) pursuant to which K. Hovnanian (i) borrowed the $75.0 million Term Loan Facility under the Term Loan Credit Agreement (defined below), (ii) issued $75.0 million of New Second Lien Notes and (iii) exchanged $75.0 million aggregate principal amount of its Existing Second Lien Notes for $75.0 million aggregate principal amount of newly issued Exchange Notes for aggregate cash proceeds of approximately $146.3 million, before expenses. In addition, on September 8, 2016, K. Hovnanian used a portion of the proceeds (approximately $126.1 million) of the Term Loan Facility and the New Second Lien Notes to fund the redemption of all of its January 2017 Notes and the satisfaction and discharge of the January 2017 Notes Indenture. As a condition to the closing of the Financings, K. Hovnanian was required to deposit the proceeds from the Financings in excess of the aggregate amount of funds needed for the redemption of the January 2017 Notes and the satisfaction and discharge of the January 2017 Notes Indenture into a segregated account under which K. Hovnanian and the Company may only use the funds deposited therein to repurchase or otherwise retire, discharge or defease K. Hovnanian's debt securities with maturities in 2017 or, as agreed between the Investor and K. Hovnanian, its other indebtedness.

The Term Loan Facility has a maturity of August 1, 2019 (provided that if any of K. Hovnanian's 7.0% Notes remain outstanding on October 15, 2018, the maturity date of the Term Loan Facility will be October 15, 2018, or if any refinancing indebtedness with respect to the 7.0% Notes has a maturity date prior to January 15, 2021, the maturity date of the Term Loan Facility will be October 15, 2018) and bears interest at a rate equal to LIBOR plus an applicable margin of 7.0% or, at K. Hovnanian's option, a base rate plus an applicable margin of 6.0%, payable monthly. The New Second Lien Notes have a maturity of October 15, 2018, and bear interest at a rate of 10.0% per annum, payable semi-annually on February 15 and August 15 of each year, commencing February 15, 2017, to holders of record at the close of business on February 1 and August 1, as the case may be, immediately preceding such interest payment dates. The Exchange Notes have a maturity of November 15, 2020, and bear interest at a rate of 9.50% per annum, payable semi-annually on February 15 and August 15 of each year, commencing February 15, 2017, to holders of record at the close of business on February 1 and August 1, as the case may be, immediately preceding such interest payment dates.

All of K. Hovnanian's obligations under the Term Loan Facility and the New Second Lien Notes are guaranteed by the Notes Guarantors. The Term Loan Facility and the guarantees thereof are secured on a first lien super priority basis relative to K. Hovnanian's First Lien Notes, the Existing Second Lien Notes and the New Second Lien Notes, and the New Second Lien Notes and the guarantees thereof are secured on a pari passu second lien basis with K. Hovnanian's Existing Second Lien Notes, by substantially all of the assets owned by K. Hovnanian and the Notes Guarantors, in each case subject to permitted liens and certain exceptions. The Exchange Notes are guaranteed by the Notes Guarantors and the members of the Secured Group. The Exchange Notes are secured on a pari passu first lien basis with K. Hovnanian's 2021 Notes, by substantially all of the assets of the members of the Secured Group, subject to permitted liens and certain exceptions.

In connection with borrowing the Term Loan Facility and the issuance of the New Second Lien Notes and the Exchange Notes, K. Hovnanian and the applicable guarantors entered into security and pledge agreements pursuant to which K. Hovnanian, the Company and the applicable guarantors pledged substantially all of their assets to secure their obligations under the Term Loan Facility, the New Second Lien Notes and the Exchange Notes, subject to permitted liens and certain exceptions as set forth in such agreements. K. Hovnanian, the Company and the applicable guarantors also entered into applicable intercreditor and collateral agency agreements which set forth agreements with respect to the relative priority of their various secured obligations.

The Term Loan Facility was incurred pursuant to a Credit Agreement dated July 29, 2016 (the "Term Loan Credit Agreement") entered into among K. Hovnanian, the Notes Guarantors, Wilmington Trust, National Association, as administrative agent (the "Administrative Agent") and the Investor. The Term Loan Credit Agreement contains representations and warranties and affirmative and restrictive covenants that limit among other things, and in each case subject to certain exceptions, the ability of the Company and certain of its subsidiaries, including K. Hovnanian, to incur additional indebtedness (including a requirement that any new or refinancing indebtedness is scheduled to mature no earlier than January 15, 2021), pay dividends and make distributions on common and preferred stock, repurchase subordinated indebtedness and common and preferred stock, make other restricted payments, including investments, sell certain assets (including in certain land banking transactions), incur liens, consolidate, merge, sell or otherwise dispose of all or substantially all of its assets and enter into certain transactions with affiliates. The Term Loan Credit Agreement also contains customary events of default which would permit the Administrative Agent to exercise remedies with respect to the collateral and declare loans made under the Term Loan Facility (the "Term Loans") to be immediately due and payable if not cured within applicable grace periods, including the failure to make timely payments on the Term Loans or other material indebtedness, the failure to satisfy covenants, the material inaccuracy of representations or warranties, cross default to other material indebtedness, a change of control, the failure of the documents granting security for the Term Loans to be in full force and effect, the failure of the liens on any material portion of the collateral securing the Term Loans to be valid and perfected and specified events of bankruptcy and insolvency.

The Indenture governing the New Second Lien Notes (the "New Second Lien Notes Indenture"), which was entered into on September 8, 2016 among K. Hovnanian, the Notes Guarantors and Wilmington Trust, National Association, as trustee and collateral agent, contains restrictive covenants that limit among other things, and in each case subject to certain exceptions, the ability of the Company and certain of its subsidiaries, including K. Hovnanian, to incur additional indebtedness (including a requirement that any new or refinancing indebtedness is scheduled to mature no earlier than January 15, 2021), pay dividends and make distributions on common and preferred stock, repurchase subordinated indebtedness and common and preferred stock, make other restricted payments, including investments, sell certain assets (including in certain land banking transactions), incur liens, consolidate, merge, sell or otherwise dispose of all or substantially all of its assets and enter into certain transactions with affiliates. The New Second Lien Notes Indenture also contains customary events of default which would permit the holders of the New Second Lien Notes to declare those New Second Lien Notes to be immediately due and payable if not cured within applicable grace periods, including the failure to make timely payments on the New Second Lien Notes or other material indebtedness, the failure to satisfy covenants, the failure of the documents granting security for the New Second Lien Notes to be in full force and effect, the failure of the liens on any material portion of the collateral securing the New Second Lien Notes to be valid and perfected and specified events of bankruptcy and insolvency.

The Indenture governing the Exchange Notes (the "Exchange Notes Indenture"), which was entered into on September 8, 2016 among K. Hovnanian, the Notes Guarantors, the members of the Secured Group and Wilmington Trust, National Association, as trustee and collateral agent contains restrictive covenants that limit among other things, the ability of the Company and certain of its subsidiaries, including K. Hovnanian, to incur additional indebtedness (including a requirement that any new or refinancing indebtedness is scheduled to mature no earlier than January 15, 2021, to the extent no member of the Secured Group is an obligor thereon, or February 15, 2021, if otherwise), pay dividends and make distributions on common and preferred stock, repurchase common and preferred stock, make other restricted payments, including investments, sell certain assets, incur liens, consolidate, merge, sell or otherwise dispose of all or substantially all of its assets and enter into certain transactions with affiliates. The Exchange Notes Indenture also contains customary events of default which would permit the holders of the Exchange Notes to declare those Exchange Notes to be immediately due and payable if not cured within applicable grace periods, including the failure to make timely payments on the Exchange Notes or other material indebtedness, the failure to satisfy covenants, the failure of the documents granting security for the Exchange Notes to be in full force and effect, the failure of the liens on any material portion of the collateral securing the Exchange Notes to be valid and perfected and specified events of bankruptcy and insolvency.

On September 8, 2016, K. Hovnanian called for redemption on October 8, 2016, all outstanding January 2017 Notes for an aggregate redemption price of approximately $126.1 million, including accrued and unpaid interest, and deposited with the trustee for the January 2017 Notes sufficient funds for such redemption and to satisfy and discharge its obligations under the January 2017 Notes Indenture. The January 2017 Notes redemption and the satisfaction and discharge of the 2017 Notes Indenture was funded with portion of the proceeds from the Term Loan Facility and New Second Lien Notes. Upon satisfaction and discharge of the January 2017 Notes Indenture, the restrictive covenants and events of default contained therein ceased to have effect.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

During the first nine months of fiscal 2016, we continued to experience some positive operating trends compared to the same period of the prior year. For the three and nine months ended July 31, 2016, sale of homes revenues increased 21.7% and 28.9%, respectively, as compared to the same period of the prior year. These increases in revenues were primarily due to increases in the volume of deliveries, along with increases in average price per home, which was a result of changes in geographic and community mix of our deliveries. Net contracts decreased 4.3% for the three months ended July 31, 2016, primarily due to the decrease in community count, but increased 3.5% for the nine months ended July 31, 2016 compared to the same periods of the prior year. Net contracts per active selling community increased from 7.4 for the three months ended July 31, 2015 to 8.4 for the three months ended July 31, 2016. Net contracts per average active selling community increased to 23.9 for the nine months ended July 31, 2016 compared to 22.9 in the same period in the prior year. Selling, general and administrative costs (including corporate general and administrative expenses) as a percentage of total revenues decreased from 12.6% for the three months ended July 31, 2015, to 9.3% for the three months ended July 31, 2016, and decreased from 13.8% for the nine months ended July 31, 2015, to 10.2% for the nine months ended July 31, 2016. These positive operating improvements were partially offset by a decrease in our gross margin percentage, before cost of sales interest expense and land charges, from 17.8% and 17.4%, respectively, for the three and nine months ended July 31, 2015 to 16.9% and 16.5%, respectively, for the three and nine months ended July 31, 2016. This decrease was a result of deliveries in certain of our new communities in the nine months ended July 31, 2016 having higher land costs as a percentage of revenue compared to deliveries in the same period of the prior year, as well as higher construction costs in many of our markets. Active selling communities decreased from 206 at July 31, 2015 to 174 at July 31, 2016, as discussed below.

Homebuilding selling, general and administrative expenses (“SGA”) decreased $0.3 million from $52.0 million for the third quarter of fiscal 2015 to $51.7 million for the third quarter of fiscal 2016, while corporate general and administrative expenses decreased $1.0 million from $15.9 million to $14.9 million for the same periods. SGA increased $3.3 million from $152.3 million for the nine months ended July 31, 2015 to $155.6 million for the nine months ended July 31, 2016, while corporate general and administrative expenses decreased $5.5 million from $49.3 million to $43.8 million for the same periods. The decrease in corporate general and administrative expenses was partially due to the reversal of a previously recognized expense for certain performance based stock option grants for which the performance metrics are no longer expected to be satisfied. In addition, there was an adjustment to the Company’s medical self-insurance reserves based on current claim estimates. As a percentage of total revenues, SGA decreased 2.4% to 7.2% for the three months ended July 31, 2016 and 2.5% to 8.0% for the nine months ended July 31, 2016 as compared to the prior year periods, as revenues increased year over year. Corporate general and administrative expenses as a percentage of total revenues decreased to 2.1% and 2.2%, respectively, for the three and nine months ended July 31, 2016 from 2.9% and 3.4%, respectively, for the three and nine months ended July 31, 2015. Improving the efficiency of our SGA will continue to be a significant area of focus.

During the last twelve months ended July 31, 2016, our active communities decreased by 32 communities from 206 communities at July 31, 2015 to 174 communities at July 31, 2016, partially due to the sale of 10 communities (related to the sale of our land portfolios in our Minneapolis, MN and Raleigh, NC divisions), along with the contribution of four of our communities to a new joint venture during the period. In addition, we opened for sale 83 new communities and closed 101 communities during the same period. Also during the twelve months ended July 31, 2016, we put under option or acquired approximately 10,000 lots in 116 wholly owned communities (which includes 1,860 lots in 35 wholly owned communities which are no longer owned inventory but are optioned inventory under our land banking transactions closed during the first quarter of fiscal 2016) and walked away from 6,573 lots in 101 wholly owned communities. Most of the walk-aways occured during the due diligence period, in which case we recovered our option deposits and only wrote-off predevelopment costs.

Based on the 3.8% increase of the dollar value of backlog at July 31, 2016 compared to July 31, 2015, as well as our increased sales per community during the first nine months of fiscal 2016, we believe that we are well-positioned to have strong results in the fourth quarter of fiscal 2016 compared to the prior year. However, several challenges, such as economic weakness and uncertainty, lower oil prices (which may affect our Texas markets), the restrictive mortgage lending environment and rising mortgage interest rates, continue to impact the housing market and, consequently, our performance. Both national new home sales and our home sales remain below historical levels. We continue to believe that we are still in the early stages of the housing recovery. However, given our recent uneven operating performance, we may continue to experience mixed results across our operating markets.

As previously disclosed in the first quarter of fiscal 2016, as a result of our evaluation of our geographic operating footprint as it related to our strategic objectives we decided to exit the Minneapolis, MN and Raleigh, NC markets by selling our land portfolios in those markets and to wind down our operations in the San Francisco Bay area in Northern California and in Tampa, FL by building and delivering homes to sell through our existing land position. In the third quarter of fiscal 2016, we completed the sales of our Minneapolis, MN and Raleigh, NC markets land portfolios. In our remaining markets, we continue to see opportunities to purchase land at prices that make economic sense in light of our current sales prices and sales paces and plan to continue pursuing such land acquisitions.

CRITICAL ACCOUNTING POLICIES

As disclosed in our annual report on Form 10-K for the fiscal year ended October 31, 2015, our most critical accounting policies relate to income recognition from mortgage loans; inventories; unconsolidated joint ventures; post-development completion, warranty and insurance reserves; and deferred income taxes. Since October 31, 2015, there have been no significant changes to those critical accounting policies.

CAPITAL RESOURCES AND LIQUIDITY

On January 15, 2016, $172.7 million principal amount of our 6.25% Senior Notes due 2016 matured and was paid. On May 15, 2016, $86.5 million principal amount of our 7.5% Senior Notes due 2016 matured and was paid. We have $121.0 million principal amount of our 8.625% Senior Notes due on January 15, 2017 (the "January 2017 Notes"). On July 29, 2016, the Company and K. Hovnanian Enterprises, Inc. ("K. Hovnanian") entered into financing commitments with certain investment funds managed by affiliates of H/2 Capital Partners LLC (collectively, the "Investor") pursuant to which the Investor agreed to (i) fund a $75.0 million Term Loan Facility to be borrowed by K. Hovnanian and guaranteed by the Notes Guarantors with a maturity on August 1, 2019 (provided that if any of K. Hovnanian's 7.0% Notes remain outstanding on October 15, 2018, the maturity date of the Term Loan Facility will be October 15, 2018, or if any refinancing indebtedness with respect to the 7.0% Notes has a maturity date prior to January 15, 2021, the maturity date of the Term Loan Facility will be October 15, 2018) and bearing interest at a rate equal to LIBOR plus an applicable margin of 7.0% or, at K. Hovnanian's option, a base rate plus an applicable margin of 6.0%, payable monthly, (ii) purchase $75.0 million aggregate principal amount of New Second Lien Notes to be issued by K. Hovnanian and guaranteed by the Notes Guarantors and bearing interest at 10.0% per annum, payable semi-annually, and (iii) exchange $75.0 million aggregate principal amount of Existing Second Lien Notes held by such Investor for $75.0 million of Exchange Notes to be issued by K. Hovnanian and guaranteed by the Notes Guarantors and the members of the Secured Group, and bearing interest at 9.50% per annum, payable semi-annually. The Financings closed on September 8, 2016 for aggregate cash proceeds of approximately $146.3 million, before expenses. See Part II, Item 5 - "Other Information" for a discussion of the Financings and the terms thereof (certain of which are more restrictive than those applicable to our existing senior and senior secured notes and Credit Facility). On September 8, 2016, K. Hovnanian called for redemption on October 8, 2016 all outstanding January 2017 Notes for an aggregate redemption price of approximately $126.1 million, including accrued and unpaid interest, and deposited with the trustee for the January 2017 Notes sufficient funds for such redemption and to satisfy and discharge its obligations under the January 2017 Notes Indenture. The January 2017 Notes redemption and the satisfaction and discharge of the 2017 Notes Indenture was funded with a portion of the proceeds from the Term Loan Facility and New Second Lien Notes. Upon the satisfaction and discharge of the January 2017 Notes Indenture, the restrictive covenants and events of default contained therein ceased to have effect.

In May 2016, we closed on the land sale transactions to exit our Minneapolis, MN and Raleigh, NC markets. In addition, we entered into a new joint venture by contributing eight communities to the joint venture and receiving cash in return. The combination of these activities resulted in $78.9 million of net cash proceeds to us, enhancing our liquidity.

Under the terms of our indentures, we have the right to make certain redemptions and, depending on market conditions and covenant restrictions, may do so from time to time. We also continue to evaluate our capital structure and may also continue to make debt purchases and/or exchanges for debt or equity from time to time through tender offers, open market purchases, private transactions, or otherwise, or seek to raise additional debt or equity capital, depending on market conditions and covenant restrictions.

We have historically funded our homebuilding and financial services operations with cash flows from operating activities, borrowings under our bank credit facilities, the issuance of new debt and equity securities and other financing activities.

After paying $172.7 million for our 6.25% Senior Notes that matured in January 2016 and $86.5 million for our 7.5% Senior Notes that matured in May 2016, our homebuilding cash balance at July 31, 2016 decreased $63.9 million from October 31, 2015 to $181.5 million. In addition to paying debt during the period, we spent $435.6 million on land and land development. After considering this land and land development and all other operating activities, including revenue received from deliveries, we generated $194.6 million of cash from operations. During the first nine months of fiscal 2016, net cash used in investing activities was $36.2 million, primarily related to investments in two new joint ventures. Net cash used in financing activities was $222.1 million during the first nine months of fiscal 2016, which included the payment of our 6.25% Senior Notes and 7.5% Senior Notes discussed above, partially offset by net proceeds from land banking. We intend to continue to use nonrecourse mortgage financings, model sale leaseback and, subject to covenant restrictions in our debt instruments, land banking programs as our business needs dictate.

Our cash uses during the nine months ended July 31, 2016 and 2015 were for operating expenses, land purchases, land deposits, land development, construction spending, financing transactions, debt payments, state income taxes, interest payments and investments in joint ventures. During these periods, we provided for our cash requirements from available cash on hand, housing and land sales, financing transactions, debt issuances, our revolving credit facility, model sale leasebacks, land banking transactions, joint ventures, financial service revenues and other revenues. We believe that these sources of cash will be sufficient in fiscal 2016 and 2017 to finance our working capital requirements.

Our net income (loss) historically does not approximate cash flow from operating activities. The difference between net income (loss) and cash flow from operating activities is primarily caused by changes in inventory levels together with changes in receivables, prepaid and other assets, mortgage loans held for sale, interest and other accrued liabilities, deferred income taxes, accounts payable and other liabilities, and noncash charges relating to depreciation, stock compensation awards and impairment losses for inventory. When we are expanding our operations, inventory levels, prepaids and other assets increase causing cash flow from operating activities to decrease. Certain liabilities also increase as operations expand and partially offset the negative effect on cash flow from operations caused by the increase in inventory levels, prepaids and other assets. Similarly, as our mortgage operations expand, net income from these operations increases, but for cash flow purposes net income is partially offset by the net change in mortgage assets and liabilities. The opposite is true as our investment in new land purchases and development of new communities decrease, which is what happened during the last half of fiscal 2007 through fiscal 2009, allowing us to generate positive cash flow from operations during this period. Since the latter part of fiscal 2009 cumulative through January 31, 2016, as a result of new land purchases and land development, we have used cash in operations as we have added new communities. Thereafter in fiscal 2016, we have shifted our focus from growing our community count and revenues to increasing operating efficiency and profitability while generating positive cash flow from operations (we generated $225.7 million of cash flow from operations in the third quarter of fiscal 2016) to pay debt maturities as they come due. While we successfully completed the refinancing of our January 2017 Notes, looking forward, because we may not be able to refinance our future debt maturities, we plan to continue to make adjustments to our business plans in order to maximize our liquidity while also taking steps to return to sustained profitability.

In June 2013, K. Hovnanian, as borrower, and we and certain of our subsidiaries, as guarantors, entered into a five-year, $75.0 million unsecured revolving credit facility (the "Credit Facility") with Citicorp USA, Inc., as administrative agent and issuing bank, and Citibank, N.A., as a lender. The Credit Facility is available for both letters of credit and general corporate purposes. The Credit Facility does not contain any financial maintenance covenants, but does contain certain restrictive covenants that track those contained in our indenture governing the 8.0% Senior Notes due 2019, which are described in Note 11 to the Condensed Consolidated Financial Statements. The Credit Facility also contains certain customary events of default which would permit the administrative agent at the request of the required lenders to, among other things, declare all loans then outstanding to be immediately due and payable if such default is not cured within applicable grace periods, including the failure to make timely payments of amounts payable under the Credit Facility or other material indebtedness or the acceleration of other material indebtedness, the failure to comply with agreements and covenants or for representations or warranties to be correct in all material respects when made, specified events of bankruptcy and insolvency, and the entry of a material judgment against a loan party. Outstanding borrowings under the Credit Facility accrue interest at an annual rate equal to either, as selected by K. Hovnanian, (i) the alternate base rate plus the applicable spread determined on the date of such borrowing or (ii) an adjusted London Interbank Offered Rate ("LIBOR") rate plus the applicable spread determined as of the date two business days prior to the first day of the interest period for such borrowing. As of July 31, 2016 and October 31, 2015 there were $52.0 million and $47.0 million of borrowings, respectively, and $18.5 million and $25.9 million of letters of credit outstanding, respectively, under the Credit Facility. As of July 31, 2016, we believe we were in compliance with the covenants under the Credit Facility.

In addition to the Credit Facility, we have certain stand–alone cash collateralized letter of credit agreements and facilities under which there were a total of $1.7 million and $2.6 million letters of credit outstanding at July 31, 2016 and October 31, 2015, respectively. These agreements and facilities require us to maintain specified amounts of cash as collateral in segregated accounts to support the letters of credit issued thereunder, which will affect the amount of cash we have available for other uses. As of July 31, 2016 and October 31, 2015, the amount of cash collateral in these segregated accounts was $1.7 million and $2.6 million, respectively, which is reflected in "Restricted cash and cash equivalents" on the Condensed Consolidated Balance Sheets.

Our wholly owned mortgage banking subsidiary, K. Hovnanian American Mortgage, LLC ("K. Hovnanian Mortgage"), originates mortgage loans primarily from the sale of our homes. Such mortgage loans and related servicing rights are sold in the secondary mortgage market within a short period of time. In certain instances, we retain the servicing rights for a small amount of loans. Our secured Master Repurchase Agreement with JPMorgan Chase Bank, N.A. ("Chase Master Repurchase Agreement"), which was amended on July 29, 2016 to extend the maturity to July 28, 2017, is a short-term borrowing facility that provides up to $50.0 million through maturity. The loan is secured by the mortgages held for sale and is repaid when we sell the underlying mortgage loans to permanent investors. Interest is payable monthly on outstanding advances at an adjusted LIBOR rate, which was 0.50% at July 31, 2016, plus the applicable margin of 2.5% or 2.63% based upon type of loan. As of July 31, 2016 and October 31, 2015, the aggregate principal amount of all borrowings outstanding under the Chase Master Repurchase Agreement was $38.6 million and $30.5 million, respectively.

K. Hovnanian Mortgage has another secured Master Repurchase Agreement with Customers Bank ("Customers Master Repurchase Agreement"), which was amended on February 18, 2016 to extend the maturity date to February 17, 2017, that is a short-term borrowing facility that provides up to $25.0 million through maturity. On July 15, 2016, a temporary increase to $40.0 million of available borrowings went into effect until August 15, 2016. After August 15, 2016, the borrowing availability will revert back to $25.0 million. The loan is secured by the mortgages held for sale and is repaid when we sell the underlying mortgage loans to permanent investors. Interest is payable daily or as loans are sold to permanent investors on outstanding advances at the current LIBOR rate, plus the applicable margin ranging from 2.5% to 5.25% based on the type of loan and the number of days outstanding on the warehouse line. As of July 31, 2016 and October 31, 2015, the aggregate principal amount of all borrowings outstanding under the Customers Master Repurchase Agreement was $30.1 million and $29.7 million, respectively.

K. Hovnanian Mortgage has a third secured Master Repurchase Agreement with Credit Suisse First Boston Mortgage Capital LLC ("Credit Suisse Master Repurchase Agreement"), which was amended on February 23, 2016, that is a short-term borrowing facility that provides up to $50.0 million through February 21, 2017. The loan is secured by the mortgages held for sale and is repaid when we sell the underlying mortgage loans to permanent investors. Interest is payable monthly on outstanding advances at the Credit Suisse Base Rate (as defined in the loan documents), which was 0.91% at July 31, 2016, plus an applicable margin of 2.25% to 2.5%. As of July 31, 2016 and October 31, 2015, the aggregate principal amount of all borrowings outstanding under the Credit Suisse Master Repurchase Agreement was $27.7 million and $30.1 million, respectively.

In February 2014, K. Hovnanian Mortgage executed a secured Master Repurchase Agreement with Comerica Bank ("Comerica Master Repurchase Agreement"), which was amended on June 24, 2016 to extend the maturity date to June 22, 2017. The Comerica Master Repurchase Agreement is a short-term borrowing facility that provides up to $35.0 million through maturity. The loan is secured by the mortgages held for sale and is repaid when we sell the underlying mortgage loans to permanent investors. Interest is payable monthly at the current LIBOR rate, subject to a floor of 0.25%, plus the applicable margin of 2.5%. As of July 31, 2016 and October 31, 2015, the aggregate principal amount of all borrowings outstanding under the Comerica Master Repurchase Agreement was $19.3 million and $18.6 million, respectively.

The Chase Master Repurchase Agreement, Customers Master Repurchase Agreement, Credit Suisse Master Repurchase Agreement and Comerica Master Repurchase Agreement (together, the "Master Repurchase Agreements") require K. Hovnanian Mortgage to satisfy and maintain specified financial ratios and other financial condition tests. Because of the extremely short period of time mortgages are held by K. Hovnanian Mortgage before the mortgages are sold to investors (generally a period of a few weeks), the immateriality to us on a consolidated basis of the size of the Master Repurchase Agreements, the levels required by these financial covenants, our ability based on our immediately available resources to contribute sufficient capital to cure any default, were such conditions to occur, and our right to cure any conditions of default based on the terms of the applicable agreement, we do not consider any of these covenants to be substantive or material. As of July 31, 2016, we believe we were in compliance with the covenants under the Master Repurchase Agreements.

As of July 31, 2016, we had $992.0 million of outstanding senior secured notes ($982.5 million, net of discount), comprised of $577.0 million 7.25% Senior Secured First Lien Notes due 2020 (the "First Lien Notes"), $220.0 million 9.125% Senior Secured Second Lien Notes due 2020 (the "Second Lien Notes" and, together with the First Lien Notes, the "2020 Secured Notes"), $53.2 million 2.0% Senior Secured Notes due 2021 (the "2.0% 2021 Notes") and $141.8 million 5.0% Senior Secured Notes due 2021 (the "5.0% 2021 Notes" and, together with the 2.0% 2021 Notes, the "2021 Notes"). As of July 31, 2016, we also had $521.0 million of outstanding senior notes comprised of $121.0 million 8.625% Senior Notes due 2017, $150.0 million 7.0% Senior Notes due 2019 and $250.0 million 8.0% Senior Notes due 2019. In addition, as of July 31, 2016, we had outstanding $8.1 million 11.0% Senior Amortizing Notes due 2017 (issued as a component of our 6.0% Exchangeable Note Units) and $76.7 million Senior Exchangeable Notes due 2017 (issued as a component of our 6.0% Exchangeable Note Units).

Except for K. Hovnanian, the issuer of the notes, our home mortgage subsidiaries, joint ventures and subsidiaries holding interests in our joint ventures, certain of our title insurance subsidiaries and our foreign subsidiary, we and each of our subsidiaries are guarantors of the senior secured, senior, senior amortizing and senior exchangeable notes outstanding at July 31, 2016 (collectively, the "Notes Guarantors") (see Note 21 to the Condensed Consolidated Financial Statements). In addition to the Notes Guarantors, the 2021 Notes are guaranteed by K. Hovnanian JV Holdings, L.L.C. and its subsidiaries except for certain joint ventures and joint venture holding companies (collectively, the "Secured Group"). Members of the Secured Group do not guarantee K. Hovnanian's other indebtedness.

The indentures governing the notes outstanding at July 31, 2016 do not contain any financial maintenance covenants, but do contain restrictive covenants that limit, among other things, the Company's ability and that of certain of its subsidiaries, including K. Hovnanian, to incur additional indebtedness (other than certain permitted indebtedness, refinancing indebtedness and nonrecourse indebtedness), pay dividends and make distributions on common and preferred stock, repurchase subordinated indebtedness (with respect to certain of the senior secured and senior notes), make other restricted payments, make investments, sell certain assets, incur liens, consolidate, merge, sell or otherwise dispose of all or substantially all assets, and enter into certain transactions with affiliates. The indentures also contain events of default which would permit the holders of the notes to declare the notes to be immediately due and payable if not cured within applicable grace periods, including the failure to make timely payments on the notes or other material indebtedness, the failure to comply with agreements and covenants and specified events of bankruptcy and insolvency and, with respect to the indentures governing the senior secured notes, the failure of the documents granting security for the senior secured notes to be in full force and effect, and the failure of the liens on any material portion of the collateral securing the senior secured notes to be valid and perfected. As of July 31, 2016, we believe we were in compliance with the covenants of the indentures governing our outstanding notes.

If our consolidated fixed charge coverage ratio, as defined in the indentures governing our senior secured and senior notes (other than the senior exchangeable notes discussed in Note 12 to the Condensed Consolidated Financial Statements), is less than 2.0 to 1.0, we are restricted from making certain payments, including dividends, and from incurring indebtedness other than certain permitted indebtedness and refinancing indebtedness (currently, however, our ability to incur additional indebtedness is limited and we expect it to be limited for the foreseeable future) and nonrecourse indebtedness. As a result of this ratio restriction, we are currently restricted from paying dividends, which are not cumulative, on our 7.625% Series A Preferred Stock. We anticipate that we will continue to be restricted from paying dividends for the foreseeable future. Our inability to pay dividends is in accordance with covenant restrictions and will not result in a default under our debt instruments or otherwise affect compliance with any of the covenants contained in our debt instruments.

The First Lien Notes are secured by a first-priority lien and the Second Lien Notes are secured by a second-priority lien, in each case, subject to permitted liens and other exceptions, on substantially all the assets owned by us, K. Hovnanian and the guarantors of such notes. At July 31, 2016, the aggregate book value of the real property that constituted collateral securing the 2020 Secured Notes was approximately $640.0 million, which does not include the impact of inventory investments, home deliveries or impairments thereafter and which may differ from the value if it were appraised. In addition, cash and cash equivalents collateral that secured the 2020 Secured Notes was $122.7 million as of July 31, 2016, which included $1.7 million of restricted cash collateralizing certain letters of credit. Subsequent to such date, fluctuations as a result of cash uses include general business operations and real estate and other investments along with cash inflow primarily from deliveries.

The guarantees of the Secured Group with respect to the 2021 Notes are secured, subject to permitted liens and other exceptions, by a first-priority lien on substantially all of the assets of the members of the Secured Group. As of July 31, 2016, the collateral securing the guarantees included (1) $60.5 million of cash and cash equivalents (subsequent to such date, fluctuations as a result of cash uses include general business operations and real estate and other investments along with cash inflow primarily from deliveries); (2) $146.4 million aggregate book value of real property of the Secured Group, which does not include the impact of inventory investments, home deliveries or impairments thereafter and which may differ from the value if it were appraised, and (3) equity interests in guarantors that are members of the Secured Group. Members of the Secured Group also own equity in joint ventures, either directly or indirectly through ownership of joint venture holding companies, with a book value of $80.7 million as of July 31, 2016; this equity is not pledged to secure, and is not collateral for, the 2021 Notes. Members of the Secured Group are “unrestricted subsidiaries” under K. Hovnanian's other senior notes and senior secured notes, and thus have not guaranteed such indebtedness.

On November 5, 2014, K. Hovnanian issued $250.0 million aggregate principal amount of 8.0% Senior Notes due 2019, resulting in net proceeds of $245.7 million. These proceeds were used for general corporate purposes. The notes will mature on November 1, 2019. The notes are redeemable in whole or in part at K. Hovnanian’s option at any time prior to August 1, 2019 at a redemption price equal to 100% of their principal amount plus an applicable “Make-Whole Amount.” At any time and from time to time on or after August 1, 2019, K. Hovnanian may also redeem some or all of the notes at a redemption price equal to 100% of their principal amount.

As a result of our evaluation of our geographic operating footprint as it relates to our strategic objectives, we decided to exit the Minneapolis, MN and Raleigh, NC markets, and in the third quarter of fiscal 2016, we completed the sale of our land portfolios in those markets. We have also decided to wind down our operations in the San Francisco Bay area in Northern California and in Tampa, FL by building and delivering homes to sell through our existing land position.

Any other liquidity-enhancing transaction will depend on identifying counterparties, negotiation of documentation and applicable closing conditions and any required approvals. Due to covenant restrictions in our debt instruments, we are currently limited in the amount of debt we can incur that does not qualify as refinancing indebtedness with certain maturity requirements (as discussed in Part II, Item 5 - "Other Information") (a limitation that we expect to continue for the foreseeable future), even if market conditions would otherwise be favorable, which could also impact our ability to grow our business.

On August 1, 2016, Moody's Investors Service took certain rating actions as follows:

- First Lien Notes, downgraded to B3;
- Existing Second Lien Notes, downgraded to Caa3.

On May 3, 2016, S&P Global Ratings took certain rating actions as follows:

- Corporate Credit Rating, downgraded to CCC+;
- First Lien Notes, downgraded to CCC+;
- 2021 Notes, downgraded to CCC;
- Existing Second Lien Notes, downgraded to CCC-; and
- Senior unsecured notes, downgraded to CCC-.

Downgrades in our credit ratings do not accelerate the scheduled maturity dates of our debt or affect the interest rates charged on any of our debt issues or our debt covenant requirements or cause any other operating issue. A potential risk from negative changes in our credit ratings is that they may make it more difficult or costly for us to access capital.

Total inventory, excluding consolidated inventory not owned, decreased $336.3 million during the nine months ended July 31, 2016 from October 31, 2015. Total inventory, excluding consolidated inventory not owned, decreased in the Northeast by $94.9 million, in the Mid-Atlantic by $54.3 million, in the Midwest by $90.1 million, in the Southeast by $14.6 million and in the Southwest by $94.0 million. This decrease was slightly offset by an increase in the West of $11.6 million. The decreases were primarily attributable to new land banking transactions during the period (discussed below), along with home deliveries, and the contribution of certain of our communities to a new joint venture, partially offset by new land purchases and land development. During the nine months ended July 31, 2016, we had aggregate impairments in the amount of $16.4 million primarily related to land that was held for sale in the Midwest (discussed above) and the Northeast. We wrote-off costs in the amount of $6.5 million during the nine months ended July 31, 2016 related to land options that expired or that we terminated, as the communities' forecasted profitability was not projected to produce adequate returns on investment commensurate with the risk. In the last few years, we have been able to acquire new land parcels at prices that we believe will generate reasonable returns under current homebuilding market conditions. There can be no assurances that this trend will continue in the near term. Substantially all homes under construction or completed and included in inventory at July 31, 2016 are expected to be closed during the next six to nine months.

Consolidated inventory not owned increased $158.5 million during the nine months ended July 31, 2016 from October 31, 2015. Consolidated inventory not owned consists of specific performance options and other options that were included in our Condensed Consolidated Balance Sheet in accordance with US GAAP. The increase from October 31, 2015 to July 31, 2016 was primarily due to an increase in land banking transactions during the period, along with an increase in the sale and leaseback of certain model homes. Under our land banking arrangements, we sell land parcels to the land bankers and they provide us an option to purchase back finished lots on a monthly or quarterly basis. Because of our options to repurchase these parcels, for accounting purposes in accordance with ASC 360-20-40-38, these transactions are considered a financing rather than a sale. For purposes of our Condensed Consolidated Balance Sheet, at July 31, 2016, inventory of $183.8 million was recorded to "Consolidated inventory not owned," with a corresponding amount of $108.5 million recorded to "Liabilities from inventory not owned" for the amount of net cash received from the transactions. In addition, we sell and lease back certain of our model homes with the right to participate in the potential profit when each home is sold to a third party at the end of the respective lease. As a result of our continued involvement, for accounting purposes in accordance with ASC 360-20-40-38, these sale and leaseback transactions are considered a financing rather than a sale. Therefore, for purposes of our Condensed Consolidated Balance Sheet, at July 31, 2016, inventory of $96.9 million was recorded to "Consolidated inventory not owned," with a corresponding amount of $87.3 million recorded to "Liabilities from inventory not owned" for the amount of net cash received from the transactions. From time to time, we enter into option agreements that include specific performance requirements whereby we are required to purchase a minimum number of lots. Because of our obligation to purchase these lots, for accounting purposes in accordance with ASC 360-20-40-38, we are required to record this inventory on our Condensed Consolidated Balance Sheets. As of July 31, 2016, we had no specific performance options recorded on our Condensed Consolidated Balance Sheets.

When possible, we option property for development prior to acquisition. By optioning property, we are only subject to the loss of the cost of the option and predevelopment costs if we choose not to exercise the option (other than with respect to specific performance options discussed above). As a result, our commitment for major land acquisitions is reduced. The costs associated with optioned properties are included in "Land and land options held for future development or sale" on the Condensed Consolidated Balance Sheets. Also included in "Land and land options held for future development or sale" are amounts associated with inventory in mothballed communities. We mothball (or stop development on) certain communities when we determine the current performance does not justify further investment at the time. That is, we believe we will generate higher returns if we decide against spending money to improve land today and save the raw land until such time as the markets improve or we determine to sell the property. As of July 31, 2016, we had mothballed land in 28 communities. The book value associated with these communities at July 31, 2016 was $74.9 million, which was net of impairment charges recorded in prior periods of $293.1 million. We continually review communities to determine if mothballing is appropriate. During the first three quarters of fiscal 2016, we did not mothball any new communities, but we sold one previously mothballed community, re-activated one previously mothballed community and contributed one previously mothballed community to a new joint venture which has begun construction.

Inventories held for sale, which are land parcels where we have decided not to build homes, represented $29.5 million and $1.3 million, respectively, of our total inventories at July 31, 2016 and October 31, 2015, and are reported at the lower of carrying amount or fair value less costs to sell. In determining fair value for land held for sale, management considers, among other things, prices for land in recent comparable sale transactions, market analysis studies, which include the estimated price a willing buyer would pay for the land (other than in a forced liquidation sale) and recent bona fide offers received from outside third parties. The increase in land held for sale during the period was related to a few land parcels that are planned to be sold in various markets.

The following tables summarize home sites included in our total residential real estate. The decrease in total home sites available at July 31, 2016 compared to October 31, 2015 was primarily attributable to the reduction of 2,185 lots related to the sale of our land portfolios in our Minneapolis, MN and Raleigh, NC divisions and the contribution of lots to our two new joint ventures during the period. The remaining reduction was related to the decline in community count, due to delivering homes and terminating certain option agreements, partially offset by signing new land option agreements and acquiring new land parcels.

	Active Communities(1)	Active Communities Homes	Proposed Developable Homes	Total Homes
July 31, 2016:				
Northeast	9	804	4,727	5,531
Mid-Atlantic	33	2,163	2,209	4,372
Midwest	21	2,264	1,500	3,764
Southeast	22	1,572	1,941	3,513
Southwest	73	4,102	769	4,871
West	16	1,694	3,806	5,500
Consolidated total	174	12,599	14,952	27,551
Unconsolidated joint ventures	19	3,288	1,440	4,728
Total including unconsolidated joint ventures	193	15,887	16,392	32,279
Owned		6,797	7,442	14,239
Optioned		5,648	7,510	13,158
Controlled lots		12,445	14,952	27,397
Construction to permanent financing lots		154	-	154
Consolidated total		12,599	14,952	27,551
Lots controlled by unconsolidated joint ventures		3,288	1,440	4,728
Total including unconsolidated joint ventures		15,887	16,392	32,279

(1) Active communities are open for sale communities with ten or more home sites available.

	Active Communities(1)	Active Communities Homes	Proposed Developable Homes	Total Homes
October 31, 2015:				
Northeast	12	1,220	4,390	5,610
Mid-Atlantic	40	2,728	2,860	5,588
Midwest	30	3,105	1,399	4,504
Southeast	33	2,344	3,919	6,263
Southwest	86	4,913	1,993	6,906
West	18	1,668	4,190	5,858
Consolidated total	219	15,978	18,751	34,729
Unconsolidated joint ventures	10	1,969	1,155	3,124
Total including unconsolidated joint ventures	229	17,947	19,906	37,853
Owned		10,448	8,164	18,612
Optioned		5,336	10,587	15,923
Controlled lots		15,784	18,751	34,535
Construction to permanent financing lots		194	-	194
Consolidated total		15,978	18,751	34,729
Lots controlled by unconsolidated joint ventures		1,969	1,155	3,124
Total including unconsolidated joint ventures		17,947	19,906	37,853

(1) Active communities are open for sale communities with ten or more home sites available.

The following table summarizes our started or completed unsold homes and models, excluding unconsolidated joint ventures, in active and substantially completed communities. The decrease in the number of started unsold homes and models from October 31, 2015 to July 31, 2016 is primarily due to the decrease in community count during the period.

	July 31, 2016			October 31, 2015		
	Unsold Homes	Models	Total	Unsold Homes	Models	Total
Northeast	78	16	94	68	14	82
Mid-Atlantic	105	5	110	132	13	145
Midwest	29	12	41	61	3	64
Southeast	93	15	108	99	17	116
Southwest	385	2	387	395	4	399
West	33	21	54	65	26	91
Total	723	71	794	820	77	897
Started or completed unsold homes and models per active selling communities (1)	4.2	0.4	4.6	3.7	0.4	4.1

(1) Active selling communities (which are communities that are open for sale with ten or more home sites available) were 174 and 219 at July 31, 2016 and October 31, 2015, respectively. Ratio does not include substantially completed communities, which are communities with less than ten home sites available.

Restricted cash and cash equivalents – Homebuilding, decreased $3.2 million to $4.1 million at July 31, 2016. The decrease was due to the release of escrow cash being held for our land portfolio in our Minnesota division which was sold in the third quarter of fiscal 2016, along with the release of escrow cash being held for a community in the Northeast that delivered its remaining homes during the period, and the release of escrow cash being held as collateral against a letter of credit which was settled during the period.

Investments in and advances to unconsolidated joint ventures increased $26.8 million to $88.0 million at July 31, 2016 compared to October 31, 2015. The increase was primarily due to an investment in two new joint ventures in the first and third quarters of fiscal 2016, along with an additional contribution to an existing joint venture during the period, partially offset by joint venture partnership distributions received during the period. As of July 31, 2016 and October 31, 2015, we had investments in ten and nine homebuilding joint ventures, respectively, and one land development joint venture. We have no guarantees associated with our unconsolidated joint ventures, other than guarantees limited only to performance and completion of development, environmental indemnification and standard warranty and representation against fraud misrepresentation and similar actions, including a voluntary bankruptcy.

Receivables, deposits and notes, net, decreased $4.2 million from October 31, 2015 to $66.2 million at July 31, 2016. The decrease was primarily due to the timing of home closings, along with a decrease in refundable deposits.

Prepaid expenses and other assets were as follows as of:

(In thousands)	July 31, 2016	October 31, 2015	Dollar Change
Prepaid insurance	$4,396	$2,389	$2,007
Prepaid project costs	39,838	42,459	(2,621)
Net rental properties	566	924	(358)
Prepaid bond fees	18,647	20,323	(1,676)
Other prepaids	10,954	11,173	(219)
Other assets	284	403	(119)
Total	$74,685	$77,671	$(2,986)

Prepaid insurance increased $2.0 million during the nine months ended July 31, 2016 due to the timing of premium payments. These costs are amortized over the life of the associated insurance policy, which can be one to three years. Prepaid project costs consist of community specific expenditures that are used over the life of the community. Such prepaids are expensed as homes are delivered. The decrease of $2.6 million from October 31, 2015 to July 31, 2016 was the result of the number of closed communities outpacing the number of new communities during the first three quarters of fiscal 2016. Prepaid bond fees decreased $1.7 million during the period, due to the amortization of existing prepaid bond fees.

Financial Services - Mortgage loans held for sale consist primarily of residential mortgages receivable held for sale of which $128.1 million and $124.1 million at July 31, 2016 and October 31, 2015, respectively, were being temporarily warehoused and are awaiting sale in the secondary mortgage market. Mortgage loans held for sale increased $7.5 million from October 31, 2015, resulting from an increase in the fair value adjustment required at July 31, 2016 compared to October 31, 2015, along with an increase in the amount of mortgage loans which are currently not able to be sold in the secondary market from October 31, 2015 to July 31, 2016.

Income taxes receivable increased $3.1 million to $293.4 million at July 31, 2016 as compared to October 31, 2015. The increase was primarily due to net deferred tax benefits resulting from our loss before income taxes, recorded during the nine months ended July 31, 2016.

Nonrecourse mortgages secured by inventory decreased to $91.3 million at July 31, 2016 from $143.9 million at October 31, 2015. The decrease was primarily due to the payment of existing mortgages, including mortgages on certain communities which were sold to a new joint venture in the third quarter of fiscal 2016, partially offset by new mortgages for communities primarily in the Northeast, Midwest, Southeast and West obtained during the period.

Accounts payable and other liabilities are as follows as of:

(In thousands)	July 31, 2016	October 31, 2015	Dollar Change
Accounts payable	$169,791	$144,735	$25,056
Reserves	144,589	140,566	4,023
Accrued expenses	17,759	19,280	(1,521)
Accrued compensation	37,678	36,349	1,329
Other liabilities	10,969	7,586	3,383
Total	$380,786	$348,516	32,270

The increase in accounts payable was primarily due to the timing of payments made in the third quarter of fiscal 2016 compared to the fourth quarter of fiscal 2015, as we adjusted payment schedules in fiscal 2016 so that payments are made in accordance with payment due dates. Reserves increased slightly during the period as new accruals for general liability insurance exceeded payments for warranty related claims. The decrease in accrued expenses was primarily due to decreases in accrued property tax and amortization of accruals related to abandoned lease space. The increase in accrued compensation was primarily due to an increase in salary accruals based on the timing of pay periods, partially offset by a decrease in bonus accruals due to the payment of our fiscal year 2015 bonuses during the first quarter of fiscal 2016, partially offset by the accrual for nine months of the fiscal 2016 estimated bonuses. Other liabilities increased primarily due to deferred income from municipality reimbursements for infrastructure costs and development fees related to work performed under a bond issuance in one of our communities in the West.

Liabilities from inventory not owned increased $89.9 million to $195.8 million at July 31, 2016. The increase was primarily due to new land banking transactions during the period, slightly offset by a decrease in the sale and leaseback of certain model homes and specific performance options, all accounted for as financing transactions as described above.

Financial Services - Mortgage warehouse lines of credit increased $6.8 million from $108.9 million at October 31, 2015, to $115.7 million at July 31, 2016. The increase is a result of increased equity in K. Hovnanian Mortgage during the period, allowing us to increase our borrowings within the limits of our Master Repurchase Agreements.

Accrued interest decreased $9.9 million to $30.5 million at July 31, 2016. The decrease was primarily due to the timing of interest payments and accruals on the Company’s long term debt as most of our notes have interest payments in the first and third quarters, resulting in lower accruals in these respective quarters. Also contributing to the decrease was the payment at maturity of our 6.25% Senior Notes in January 2016 and our 7.5% Senior Notes in May 2016.

RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED JULY 31, 2016 COMPARED TO THE THREE AND NINE MONTHS ENDED JULY 31, 2015

Total revenues

Compared to the same prior period, revenues increased as follows:

	Three Months Ended			
(Dollars in thousands)	July 31, 2016	July 31, 2015	Dollar Change	Percentage Change
Homebuilding:				
Sale of homes	$640,386	$526,156	$114,230	21.7%
Land sales and other revenues	59,979	97	59,882	61,734.0%
Financial services	16,485	14,360	2,125	14.8%
Total revenues	$716,850	$540,613	$176,237	32.6%

	Nine Months Ended			
(Dollars in thousands)	July 31, 2016	July 31, 2015	Dollar Change	Percentage Change
Homebuilding:				
Sale of homes	$1,823,318	$1,414,799	$408,519	28.9%
Land sales and other revenues	72,146	2,538	69,608	2,742.6%
Financial services	51,714	37,939	13,775	36.3%
Total revenues	$1,947,178	$1,455,276	$491,902	33.8%

Homebuilding

For the three and nine months ended July 31, 2016, sale of homes revenues increased $114.2 million, or 21.7%, and $408.5 million or 28.9%, respectively, as compared to the same period of the prior year. These increases were primarily due to the number of home deliveries increasing 11.8% and 21.5% for the three and nine months ended July 31, 2016, respectively, as compared to the prior year periods along with increases in the average price per home. The average price per home increased to $407,000 in the three months ended July 31, 2016 from $374,000 in the three months ended July 31, 2015. The average price per home increased to $397,000 in the nine months ended July 31, 2016 from $374,000 in the nine months ended July 31, 2015. The fluctuations in average prices were primarily a result of changes in the geographic and community mix of our deliveries as opposed to home price increases (which we increase or decrease in communities depending on the respective community's performance). Our ability to raise prices during fiscal 2016 was limited because in order to increase our sales pace per community, we lowered prices or increased incentives in certain of our communities, especially with respect to certain started unsold homes. Land sales are ancillary to our homebuilding operations and are expected to continue in the future but may significantly fluctuate up or down. For further details on the increase in land sales and other revenues, see the section titled “Land Sales and Other Revenues” below.

Information on homes delivered by segment is set forth below:

(Dollars in thousands)	Three Months Ended July 31, 2016	2015	% Change	Nine Months Ended July 31, 2016	2015	% Change
Northeast:						
Dollars	$66,308	$36,109	83.6%	$192,659	$125,873	53.1%
Homes	136	78	74.4%	395	244	61.9%
Mid-Atlantic:						
Dollars	$111,579	$113,886	(2.0)%	$295,004	$270,899	8.9%
Homes	228	243	(6.2)%	628	598	5.0%
Midwest:						
Dollars	$56,643	$82,618	(31.4)%	$225,276	$220,243	2.3%
Homes	193	253	(23.7)%	706	674	4.7%
Southeast:						
Dollars	$56,471	$57,294	(1.4)%	$146,895	$144,333	1.8%
Homes	145	176	(17.6)%	417	455	(8.4)%
Southwest:						
Dollars	$248,228	$203,075	22.2%	$725,721	$559,659	29.7%
Homes	671	568	18.1%	1,954	1,577	23.9%
West:						
Dollars	$101,157	$33,174	204.9%	$237,763	$93,792	153.5%
Homes	201	90	123.3%	494	232	112.9%
Consolidated total:						
Dollars	$640,386	$526,156	21.7%	$1,823,318	$1,414,799	28.9%
Homes	1,574	1,408	11.8%	4,594	3,780	21.5%
Unconsolidated joint ventures						
Dollars	$30,714	$27,286	12.6%	$76,477	$82,190	(7.0)%
Homes	53	67	(20.9)%	146	204	(28.4)%
Totals:						
Dollars	$671,100	$553,442	21.3%	$1,899,795	$1,496,989	26.9%
Homes	1,627	1,475	10.3%	4,740	3,984	19.0%

As discussed above, the overall increase in housing revenues during the three and nine months ended July 31, 2016 as compared to the same period of the prior year was primarily attributed to an increase in the volume of deliveries, along with an increase in average sales price.

An important indicator of our future results are recently signed contracts and our home contract backlog for future deliveries. Our sales contracts and homes in contract backlog by segment are set forth below:

(Dollars in thousands)	Net Contracts (1) for the Three Months Ended July 31,		Net Contracts (1) for the Nine Months Ended July 31,		Contract Backlog as of July 31,	
	2016	2015	2016	2015	2016	2015
Northeast:						
Dollars	$61,945	$69,410	$176,456	$195,879	$130,800	$143,333
Homes	128	137	362	384	260	286
Mid-Atlantic:						
Dollars	$97,338	$115,164	$368,603	$334,115	$312,698	$252,139
Homes	208	242	753	700	566	473
Midwest: (2)						
Dollars	$49,260	$70,578	$184,496	$243,366	$128,381	$211,718
Homes	176	186	599	705	464	696
Southeast: (3)						
Dollars	$59,242	$54,776	$234,166	$173,891	$159,489	$110,628
Homes	142	176	560	554	355	331
Southwest:						
Dollars	$225,929	$248,907	$696,915	$733,393	$393,906	$469,054
Homes	638	656	1,929	1,955	1,008	1,148
West:						
Dollars	$99,284	$60,573	$317,862	$142,661	$186,986	$77,480
Homes	175	136	607	350	316	163
Consolidated total:						
Dollars	$592,998	$619,408	$1,978,498	$1,823,305	$1,312,260	$1,264,352
Homes	1,467	1,533	4,810	4,648	2,969	3,097
Unconsolidated joint ventures						
Dollars	$40,275	$75,225	$112,530	$143,438	$168,135	$110,372
Homes	70	125	181	270	263	178
Totals:						
Dollars	$633,273	$694,633	$2,091,028	$1,966,743	$1,480,395	$1,374,724
Homes	1,537	1,658	4,991	4,918	3,232	3,275

(1) Net contracts are defined as new contracts executed during the period for the purchase of homes, less cancellations of contracts in the same period.

(2) The Midwest net contracts include 4 homes and 65 homes, respectively, and $1.9 million and $27.4 million, respectively, for the three and nine months ended July 31, 2016, and 53 homes and 192 homes, respectively, and $21.8 million and $75.2 million, respectively, for the three and nine months ended July 31, 2015 from Minneapolis, MN. Contract backlog as of July 31, 2016 reflects the reduction of 64 homes and $24.1 million, related to the sale of our land portfolio in Minneapolis, MN.

(3) The Southeast net contracts include 70 homes and $31.6 million for the nine months ended July 31, 2016, and 25 homes and 99 homes, respectively, and $7.8 million and $30.2 million, respectively, for the three and nine months ended July 31, 2015 for Raleigh, NC. There were no net contracts for Raleigh, NC, for the three months ended July 31, 2016. Contract backlog as of July 31, 2016 reflects the reduction of 67 homes and $33.7 million related to the sale of our land portfolio in Raleigh, NC.

In the first three quarters of fiscal 2016, our open for sale community count decreased to 174 from 219 at October 31, 2015, partially due to the sale of 10 communities (related to the sale of our land portfolios in our Minneapolis, MN and Raleigh, NC divisions), along with the contribution of four communities to a new joint venture during the period. In addition, we opened 56 new communities and closed 87 communities since the beginning of fiscal 2016. Our reported level of sales contracts (net of cancellations) has been impacted by an increase in the sales pace per community in most of the Company's segments for the nine months ended July 31, 2016 as compared to the same period of the prior year. Net contracts per average active selling community for the nine months ended July 31, 2016 was 23.9 compared to 22.9 for the same period of the prior year. Net contracts per active selling community increased to 8.4 for the three months ended July 31, 2016 from 7.4 for the three months ended July 31, 2015.

Cancellation rates represent the number of cancelled contracts in the quarter divided by the number of gross sales contracts executed in the quarter. For comparison, the following are historical cancellation rates, excluding unconsolidated joint ventures:

Quarter	2016	2015	2014	2013	2012
First	20%	16%	18%	16%	21%
Second	19%	16%	17%	15%	16%
Third	21%	20%	22%	17%	20%
Fourth		20%	22%	23%	23%

Another common and meaningful way to analyze our cancellation trends is to compare the number of contract cancellations as a percentage of beginning backlog. The following table provides this historical comparison, excluding unconsolidated joint ventures:

Quarter	2016	2015	2014	2013	2012
First	13%	11%	11%	12%	18%
Second	14%	14%	17%	15%	21%
Third	12%	13%	13%	12%	18%
Fourth		12%	14%	14%	18%

Most cancellations occur within the legal rescission period, which varies by state but is generally less than two weeks after the signing of the contract. Cancellations also occur as a result of a buyer's failure to qualify for a mortgage, which generally occurs during the first few weeks after signing. As shown in the tables above, contract cancellations over the past several years have been within what we believe to be a normal range. However, market conditions are uncertain and it is difficult to predict what cancellation rates will be in the future.

Total cost of sales on our Condensed Consolidated Statements of Operations includes expenses for consolidated housing and land and lot sales, including inventory impairment loss and land option write-offs (defined as "land charges" in the tables below). A breakout of such expenses for housing sales and housing gross margin is set forth below:

(Dollars in thousands)	Three Months Ended July 31, 2016	Three Months Ended July 31, 2015	Nine Months Ended July 31, 2016	Nine Months Ended July 31, 2015
Sale of homes	$640,386	$526,156	$1,823,318	$1,414,799
Cost of sales, net of impairment reversals and excluding interest expense and land charges	532,116	432,625	1,521,704	1,168,874
Homebuilding gross margin, before cost of sales interest expense and land charges	108,270	93,531	301,614	245,925
Cost of sales interest expense, excluding land sales interest expense	23,108	16,323	61,291	39,615
Homebuilding gross margin, after cost of sales interest expense, before land charges	85,162	77,208	240,323	206,310
Land charges	1,565	1,077	22,915	7,618
Homebuilding gross margin, after cost of sales interest expense and land charges	$83,597	$76,131	$217,408	$198,692
Gross margin percentage, before cost of sales interest expense and land charges	16.9%	17.8%	16.5%	17.4%
Gross margin percentage, after cost of sales interest expense, before land charges	13.3%	14.7%	13.2%	14.6%
Gross margin percentage, after cost of sales interest expense and land charges	13.1%	14.5%	11.9%	14.0%

Cost of sales expenses as a percentage of consolidated home sales revenues are presented below:

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2016	2015	2016	2015
Sale of homes	100%	100%	100%	100%
Cost of sales, net of impairment reversals and excluding interest expense and land charges:				
Housing, land and development costs	73.3%	72.0%	73.4%	71.9%
Commissions	3.4%	3.5%	3.4%	3.6%
Financing concessions	1.3%	1.4%	1.4%	1.4%
Overheads	5.1%	5.3%	5.3%	5.7%
Total cost of sales, before interest expense and land charges	83.1%	82.2%	83.5%	82.6%
Gross margin percentage, before cost of sales interest expense and land charges	16.9%	17.8%	16.5%	17.4%
Cost of sales interest	3.6%	3.1%	3.3%	2.8%
Gross margin percentage, after cost of sales interest expense and before land charges	13.3%	14.7%	13.2%	14.6%

We sell a variety of home types in various communities, each yielding a different gross margin. As a result, depending on the mix of communities delivering homes, consolidated gross margin may fluctuate up or down. Total homebuilding gross margin percentage before interest expense and land charges, decreased to 16.9% during the three months ended July 31, 2016 compared to 17.8% for the same period last year and decreased to 16.5% during the nine months ended July 31, 2016 compared to 17.4% for the same period last year. The decreases in gross margin percentage for the three and nine months ended July 31, 2016 were primarily due to higher land and development costs as a percentage of sales of homes revenue in certain of our new communities delivering in the first nine months of fiscal 2016 compared to the same period of the prior year. In addition, gross margin has been impacted by increased labor costs for particular trades in certain markets. For the nine months ended July 31, 2016 and 2015, gross margin was favorably impacted by the reversal of prior period inventory impairments of $42.2 million and $25.1 million, respectively, which represented 2.3% and 1.8%, respectively, of “Sale of homes” revenue.

Reflected as inventory impairment loss and land option write-offs in cost of sales, we have written-off or written-down certain inventories totaling $1.5 million and $1.1 million for the three months ended July 31, 2016 and 2015, respectively, and $22.9 million and $7.6 million during the nine months ended July 31, 2016 and 2015, respectively, to their estimated fair value. During the three and nine months ended July 31, 2016, we wrote-off residential land options and approval and engineering costs amounting to $0.2 million and $6.5 million compared to $1.1 million and $3.2 million for the three and nine months ended July 31, 2015, which are included in the total land charges discussed above. When a community is redesigned or abandoned, engineering costs are written-off. Option, approval and engineering costs are written-off when a community’s pro forma profitability is not projected to produce adequate returns on the investment commensurate with the risk and we believe it is probable we will cancel the option. Such write-offs were located in each of our segments in both the first nine months of fiscal 2016 and 2015. We recorded $1.3 million of inventory impairments during the three months ended July 31, 2016, and $16.4 million and $4.4 million in inventory impairments during the nine months ended July 31, 2016 and July 31, 2015, respectively. We did not record any inventory impairments during the three months ended July 31, 2015. It is difficult to predict if impairment levels will remain low and, should it become necessary to lower prices, or should the estimates or expectations used in determining estimated cash flows or fair value decrease or differ from current estimates in the future, we may need to recognize additional impairments.

Land Sales and Other Revenues:

Land sales and other revenues consist primarily of land and lot sales. A breakout of land and lot sales is set forth below:

(In thousands)	Three Months Ended July 31, 2016	Three Months Ended July 31, 2015	Nine Months Ended July 31, 2016	Nine Months Ended July 31, 2015
Land and lot sales	$58,897	$-	$70,051	$850
Cost of sales, excluding interest	51,667	-	62,275	702
Land and lot sales gross margin, excluding interest	7,230	-	7,776	148
Land and lot sales interest expense	5,298	-	5,402	39
Land and lot sales gross margin, including interest	$1,932	$-	$2,374	$109

Land sales are ancillary to our residential homebuilding operations and are expected to continue in the future but may significantly fluctuate up or down. Although we budget land sales, they are often dependent upon receiving approvals and entitlements, the timing of which can be uncertain. As a result, projecting the amount and timing of land sales is difficult. Revenue associated with land sales can vary significantly due to the mix of land parcels sold. There were 19 land sales in the three months ended July 31, 2016, resulting in $58.9 million in land sales revenue, while there were no land sales in the same period of the prior year. There were 24 land sales in the nine months ended July 31, 2016 compared to three in the same period of the prior year, resulting in an increase of $69.2 million in land sales revenue. This increase was primarily due to the sale of six land parcels in the Midwest and ten land parcels in the Southeast in the third quarter of fiscal 2016, in connection with our previously discussed strategy to exit the Minneapolis, MN and Raleigh, NC markets.

Land sales and other revenues increased $59.9 million and $69.6 million for the three and nine months ended July 31, 2016, respectively, compared to the same period in the prior year. Other revenues include income from contract cancellations, where the deposit has been forfeited due to contract terminations, interest income, cash discounts and miscellaneous one-time receipts. For the three and nine months ended July 31, 2016, compared to the three and nine months ended July 31, 2015, the increase was mainly due to the fluctuation in land sales revenues discussed above.

Homebuilding Selling, General and Administrative

Homebuilding selling, general and administrative expenses (“SGA”) decreased $0.3 million for the three months ended July 31, 2016, compared to the same period last year mainly due to the impact of our exit of the Minneapolis, MN and Raleigh, NC markets. SGA increased $3.3 million for the nine months ended July 31, 2016 compared to the same period last year mainly due to increases in sales and other compensation, related to increased headcount and increased compensation reflective of the competitive homebuilding market, increased advertising costs related to community count growth that occurred at the end of fiscal 2015, and the reduction of joint venture management fees received, which offset general and administrative expenses, as a result of fewer joint venture deliveries. These increases were partially offset by the decrease from the impact of our exit from the Minneapolis, MN and Raleigh, NC markets in the third quarter of fiscal 2016, discussed above. SGA as a percentage of homebuilding revenues was 7.4% and 8.2% for the three and nine months ended July 31, 2016 compared to 9.9% and 10.7% for the three and nine months ended July 31, 2015. These improvements are a result of increased deliveries and our ability to leverage fixed SGA costs.

HOMEBUILDING OPERATIONS BY SEGMENT

Segment Analysis

(Dollars in thousands, except average sales price)	Three Months Ended July 31, 2016	2015	Variance	Variance %
Northeast				
Homebuilding revenue	$69,989	$36,209	$33,780	93.3%
Loss before income taxes	$(995)	$(4,008)	$3,013	75.2%
Homes delivered	136	78	58	74.4%
Average sales price	$487,558	$462,932	$24,626	5.3%
Mid-Atlantic				
Homebuilding revenue	$111,739	$113,992	$(2,253)	(2.0)%
Income before income taxes	$3,467	$5,440	$(1,973)	(36.3)%
Homes delivered	228	243	(15)	(6.2)%
Average sales price	$489,382	$468,670	$20,712	4.4%
Midwest				
Homebuilding revenue	$72,581	$82,325	$(9,744)	(11.8)%
(Loss) income before income taxes	$(2,452)	$3,120	$(5,572)	(178.6)%
Homes delivered	193	253	(60)	(23.7)%
Average sales price	$293,487	$326,554	$(33,067)	(10.1)%
Southeast				
Homebuilding revenue	$96,323	$57,329	$38,994	68.0%
Loss before income taxes	$(5,621)	$(1,225)	$(4,396)	(358.9)%
Homes delivered	145	176	(31)	(17.6)%
Average sales price	$389,458	$325,534	$63,924	19.6%
Southwest				
Homebuilding revenue	$248,546	$203,249	$45,297	22.3%
Income before income taxes	$20,532	$17,170	$3,362	19.6%
Homes delivered	671	568	103	18.1%
Average sales price	$369,937	$357,526	$12,411	3.5%
West				
Homebuilding revenue	$101,158	$33,180	$67,978	204.9%
Income (loss) before income taxes	$3,297	$(3,973)	$7,270	183.0%
Homes delivered	201	90	111	123.3%
Average sales price	$503,269	$368,598	$134,671	36.5%

(Dollars in thousands, except average sales price)	Nine Months Ended July 31, 2016	2015	Variance	Variance %
Northeast				
Homebuilding revenue	$196,539	$126,213	$70,326	55.7%
Loss before income taxes	$(4,945)	$(10,973)	$6,028	54.9%
Homes delivered	395	244	151	61.9%
Average sales price	$487,743	$515,872	$(28,129)	(5.5)%
Mid-Atlantic				
Homebuilding revenue	$295,546	$271,954	$23,592	8.7%
Income before income taxes	$7,161	$10,439	$(3,278)	(31.4)%
Homes delivered	628	598	30	5.0%
Average sales price	$469,751	$453,010	$16,741	3.7%
Midwest				
Homebuilding revenue	$249,132	$220,020	$29,112	13.2%
(Loss) income before income taxes	$(8,034)	$8,041	$(16,075)	(199.9)%
Homes delivered	706	674	32	4.7%
Average sales price	$319,088	$326,769	$(7,681)	(2.4)%
Southeast				
Homebuilding revenue	$186,873	$144,498	$42,375	29.3%
Loss before income taxes	$(14,710)	$(3,583)	$(11,127)	(310.5)%
Homes delivered	417	455	(38)	(8.4)%
Average sales price	$352,268	$317,215	$35,053	11.1%
Southwest				
Homebuilding revenue	$729,606	$560,863	$168,743	30.1%
Income before income taxes	$55,392	$42,517	$12,875	30.3%
Homes delivered	1,954	1,577	377	23.9%
Average sales price	$371,403	$354,888	$16,515	4.7%
West				
Homebuilding revenue	$237,831	$93,895	$143,936	153.3%
Loss before income taxes	$(6,989)	$(15,309)	$8,320	54.3%
Homes delivered	494	232	262	112.9%
Average sales price	$481,301	$404,278	$77,023	19.1%

Homebuilding Results by Segment

Northeast - Homebuilding revenues increased 93.3% for the three months ended July 31, 2016 compared to the same period of the prior year. The increase for the three months ended July 31, 2016 was attributed to a 74.4% increase in homes delivered and a 5.3% increase in average sales price due to the mix of communities delivering in the three months ended July 31, 2016 compared to the same period of fiscal 2015. Also impacting the increase was a $3.6 million increase in land sales and other revenue.

Loss before income taxes decreased $3.0 million compared to the prior year to a loss of $1.0 million for the three months ended July 31, 2016. This lower loss was mainly due to the increase in homebuilding revenue discussed above and a $0.7 million decrease in selling, general and administrative costs. Gross margin percentage before interest expense for the period was relatively flat compared to the same period of the prior year.

Homebuilding revenues increased 55.7% for the nine months ended July 31, 2016 compared to the same period of the prior year. The increase was attributed to a 61.9% increase in homes delivered partially offset by a 5.5% decrease in average sales price due to the mix of communities delivering in the nine months ended July 31, 2016 compared to the same period of fiscal 2015.

Loss before income taxes decreased $6.0 million compared to the prior year to a loss of $4.9 million for the nine months ended July 31, 2016. This decrease in loss was due to the increase in homebuilding revenue discussed above and a $3.5 million decrease in selling, general and administrative costs while gross margin percentage before interest expense for the nine months ended July 31, 2016 was relatively flat compared to the same period of the prior year. The decreased loss was slightly offset by a $3.8 million increase in inventory impairment loss and land option write-offs.

Mid-Atlantic - Homebuilding revenues decreased 2.0% for the three months ended July 31, 2016 compared to the same period in the prior year. The decrease was primarily due to a 6.2% decrease in homes delivered partially offset by a 4.4% increase in average sales price for the three months ended July 31, 2016 compared to the same period in the prior year. The increase in average sales prices was the result of the mix of communities delivering in the three months ended July 31, 2016 compared to the same period of fiscal 2015.

Income before income taxes decreased $2.0 million compared to the prior year to $3.5 million for the three months ended July 31, 2016 primarily due to the decrease in homebuilding revenues discussed above and a slight decrease in gross margin percentage before interest expense for the three months ended July 31, 2016.

Homebuilding revenues increased 8.7% for the nine months ended July 31, 2016 compared to the same period in the prior year. The increase was primarily due to a 5.0% increase in homes delivered as well as a 3.7% increase in average sales price for the nine months ended July 31, 2016. The increase in average sales price was the result of the mix of communities delivering in the nine months ended July 31, 2016 compared to the same period of fiscal 2015.

Income before income taxes decreased $3.3 million compared to the prior year to $7.2 million for the nine months ended July 31, 2016 due primarily to a $2.9 million decrease in income from unconsolidated joint ventures, along with a slight decrease in gross margin percentage before interest expense. Partially offsetting the decrease was the increase in homebuilding revenues discussed above and a $2.0 million decrease in selling, general and administrative costs for the nine months ended July 31, 2016 compared to the same period of the prior year.

Midwest - Homebuilding revenues decreased 11.8% for the three months ended July 31, 2016 compared to the same period in the prior year. The decrease was due to a 23.7% decrease in homes delivered and a 10.1% decrease in average sales price for the three months ended July 31, 2016. The decrease in average sales price was the result of the mix of communities delivering in the three months ended July 31, 2016 compared to the same period of fiscal 2015. Partially offsetting this decrease was a $16.2 million increase in land sales and other revenue primarily due to the sale of our land portfolio in our Minneapolis, MN division during the period.

Income before income taxes decreased $5.6 million to a loss of $2.5 million for the three months ended July 31, 2016 compared to the same period in the prior year. The decrease in the income for the three months ended July 31, 2016 was primarily due to the decrease in homebuilding revenue discussed above and a decrease in gross margin percentage before interest expense for the period, partially offset by an improvement in SGA due to the sale of our land portfolio in our Minneapolis, MN division.

Homebuilding revenues increased 13.2% for the nine months ended July 31, 2016 compared to the same period in the prior year. The increase was primarily due to a $24.1 million increase in land sales and other revenue mainly due to the sale of our land portfolio in our Minneapolis, MN division during the period, along with a 4.7% increase in homes delivered, partially offset by a 2.4% decrease in average sales price for the nine months ended July 31, 2016. The slight decrease in average sales price was the result of the mix of communities delivering in the nine months ended July 31, 2016 compared to the same period of fiscal 2015.

Income before income taxes decreased $16.1 million compared to the prior year to a loss of $8.0 million for the nine months ended July 31, 2016. The decrease in income for the nine months ended July 31, 2016 was primarily due to an $11.3 million increase in inventory impairment loss and land option write-offs, due to the sale of our land portfolio in our Minneapolis, MN division during the period, along with a decrease in gross margin percentage before interest expense for the period, partially offset by an improvement in SGA due to the sale of our land portfolio in our Minneapolis, MN division.

Southeast - Homebuilding revenues increased 68.0% for the three months ended July 31, 2016 compared to the same period in the prior year. The increase for the three months ended July 31, 2016 was primarily due to a $39.8 million increase in land sales and other revenue mainly due to the sale of our land portfolio in our Raleigh, NC division during the period, along with a 19.6% increase in average sales price, partially offset by a 17.6% decrease in homes delivered. The increase in average sales price was the result of the different mix of communities delivering in the three months ended July 31, 2016 compared to the same period of fiscal 2015.

Loss before income taxes increased $4.4 million compared to the prior year to $5.6 million for the three months ended July 31, 2016 primarily due to a $1.5 million increase in selling, general and administrative costs, a $1.0 million increase in inventory impairment loss and land option write-offs and a $1.3 million decrease in income from unconsolidated joint ventures to a loss as compared to the prior period, while gross margin percentage before interest expense remained flat.

Homebuilding revenues increased 29.3% for the nine months ended July 31, 2016 compared to the same period in the prior year. The increase for the nine months ended July 31, 2016 was primarily due to a $39.8 million increase in land sales and other revenue mainly due to the sale of our land portfolio in our Raleigh, NC division during the period, along with an 11.1% increase in average sales price, partially offset by an 8.4% decrease in homes delivered. The increase in average sales price was primarily due to the different mix of communities delivering in the nine months ended July 31, 2016 compared to the same period of fiscal 2015.

Loss before income taxes increased $11.1 million compared to the prior year to $14.7 million for the nine months ended July 31, 2016. The increase for the nine months ended July 31, 2016 was primarily due to a $4.7 million increase in selling, general and administrative costs, a $0.7 million increase in inventory impairment loss and land option write-offs, a $2.0 million decrease in income from unconsolidated joint ventures to a loss and a slight decrease in gross margin percentage before interest expense for the period compared to the same period of the prior year.

Southwest - Homebuilding revenues increased 22.3% for the three months ended July 31, 2016 compared to the same period in the prior year. The increase in homebuilding revenues was primarily due to an 18.1% increase in homes delivered for the three months ended July 31, 2016. The increase was also due to a 3.5% increase in average sales price, which was the result of the different mix of communities delivering in the three months ended July 31, 2016 compared to the same period of fiscal 2015.

Income before income taxes increased $3.4 million to $20.5 million for the three months ended July 31, 2016. The increase was primarily due to the increase in homebuilding revenue discussed above. This increase was slightly offset by a $1.1 million increase in selling, general and administrative costs, while gross margin percentage before interest expense was flat for the three months ended July 31, 2016 compared to the same period of the prior year.

Homebuilding revenues increased 30.1% for the nine months ended July 31, 2016 compared to the same period in the prior year. The increase was primarily due to a 23.9% increase in homes delivered and a 4.7% increase in average sales price for the nine months ended July 31, 2016, as a result of the different mix of communities delivering in the nine months ended July 31, 2016 compared to the same period of fiscal 2015. Also impacting this increase was a $2.7 million increase in land sales and other revenue.

Income before income taxes increased $12.9 million compared to the prior year to $55.4 million for the nine months ended July 31, 2016. The increase was due to the increase in homebuilding revenues discussed above, partially offset by a $2.1 million increase in inventory impairments and land option write-offs and a $2.2 million increase in selling, general and administrative costs, while gross margin percentage before interest expense for the nine months ended July 31, 2016 compared to the same period of the prior year remained flat.

West - Homebuilding revenues increased 204.9% for the three months ended July 31, 2016 compared to the same period in the prior year. The increase for the three months ended July 31, 2016 was primarily attributed to a 123.3% increase in homes delivered, primarily resulting from increased community count, as well as a 36.5% increase in average sales price, which was due to the different mix of communities delivering in the three months ended July 31, 2016 compared to the same period of the prior year.

Loss before income taxes decreased $7.3 million to income of $3.3 million for the three months ended July 31, 2016. The decrease in the loss for the three months ended July 31, 2016 was primarily due to the increase in homebuilding revenues discussed above and a slight increase in gross margin percentage before interest expense for the three months ended July 31, 2016 compared to the same period in the prior year. This decrease in loss was partially offset by a $0.5 million increase in selling, general and administrative costs.

Homebuilding revenues increased 153.3% for the nine months ended July 31, 2016 compared to the same period in the prior year. The increase for the nine months ended July 31, 2016 was primarily attributed to a 112.9% increase in homes delivered, primarily resulting from increased community count, as well as a 19.1% increase in average sales price, which was due to the different mix of communities delivering in the nine months ended July 31, 2016 compared to the same period of the prior year.

Loss before income taxes decreased $8.3 million compared to the prior year to $7.0 million for the nine months ended July 31, 2016. The decrease in the loss was due to the increase in homebuilding revenue discussed above and a $2.0 million decrease in inventory impairment loss and land option write-offs and a slight increase in gross margin percentage before interest expense for the nine months ended July 31, 2016 compared to the same period in the prior year. Partially offsetting this decrease in loss was a $4.2 million increase in selling, general and administrative costs.

Financial Services

Financial services consist primarily of originating mortgages from our homebuyers, selling such mortgages in the secondary market, and title insurance activities. We use mandatory investor commitments and forward sales of mortgage-backed securities ("MBS") to hedge our mortgage-related interest rate exposure on agency and government loans. These instruments involve, to varying degrees, elements of credit and interest rate risk. Credit risk associated with MBS forward commitments and loan sales transactions is managed by limiting our counterparties to investment banks, federally regulated bank affiliates and other investors meeting our credit standards. Our risk, in the event of default by the purchaser, is the difference between the contract price and fair value of the MBS forward commitments. For the first three quarters of fiscal 2016 and 2015, Federal Housing Administration and Veterans Administration ("FHA/VA") loans represented 25.4% and 27.9%, respectively, of our total loans. While the origination of FHA/VA loans have decreased slightly from the first three quarters of fiscal 2015 to the first three quarters of fiscal 2016, our conforming conventional loan originations as a percentage of our total loans increased from 69.2% to 70.5% for these periods, respectively. Profits and losses relating to the sale of mortgage loans are recognized when legal control passes to the buyer of the mortgage and the sales price is collected.

During the three and nine months ended July 31, 2016, financial services provided a $7.6 million and $25.0 million pretax profit compared to $6.1 million and $14.9 million of pretax profit for the same periods of fiscal 2015. Revenues were up 14.8% and 36.3% and costs were up 8.2% and 16.0% for the three and nine months ended July 31, 2016 compared to the three and nine months ended July 31, 2015, respectively. The increase in revenues was attributable to the increase in deliveries, an increase in the percentage of homebuyers that used our mortgage company and the average price of loans settled for the three and nine months ended July 31, 2016 compared to the same period in the prior year. The increase in costs was attributed to the increase in the number of loans originated for the three and nine months ended July 31, 2016 compared to the same period in the prior year. In the market areas served by our wholly owned mortgage banking subsidiaries, 75.9% and 74.8% of our noncash homebuyers obtained mortgages originated by these subsidiaries during the three months ended July 31, 2016 and 2015, respectively, and 75.9% and 73.1% of our noncash homebuyers obtained mortgages originated by these subsidiaries for the nine months ended July 31, 2016 and 2015, respectively. Servicing rights on new mortgages originated by us are sold with the loans.

Corporate General and Administrative

Corporate general and administrative expenses include the operations at our headquarters in Red Bank, New Jersey. These expenses include payroll, stock compensation, facility and other costs associated with our executive offices, information services, human resources, corporate accounting, training, treasury, process redesign, internal audit, construction services, and administration of insurance, quality and safety. Corporate general and administrative expenses decreased to $14.9 million for the three months ended July 31, 2016 compared to $15.9 million for the three months ended July 31, 2015, and decreased to $43.8 million for the nine months ended July 31, 2016 compared to $49.3 million for the nine months ended July 31, 2015. The decrease in the three months ended July 31, 2016 from the prior period was primarily due to a decrease in stock compensation expense resulting from lower stock prices on our more recent grants. The decrease in the nine months ended July 31, 2016 from the prior year period was primarily attributed to decreases in reserves for self-insured medical claims based on current claim estimates and the reversal of previously recognized expense for certain performance based stock grants for which the performance metrics are no longer expected to be satisfied, along with the decrease noted above for stock compensation expense resulting from lower stock prices on our more recent grants.

Other Interest

Other interest increased $0.7 million for the three months ended July 31, 2016 compared to the three months ended July 31, 2015 and decreased $2.1 million for the nine months ended July 31, 2016 compared to the nine months ended July 31, 2015. Our assets that qualify for interest capitalization (inventory under development) are less than our debt, and therefore a portion of interest not covered by qualifying assets must be directly expensed. The increase for the three months ended July 31, 2016 was attributed to the increase in interest incurred as a result of higher nonrecourse mortgage balances and increased land banking activities. The decrease in the nine months ended July 31, 2016 was attributed to the reduction in directly expensed interest as our assets that qualified for interest capitalization in the first half of fiscal 2016 were greater than the first half of fiscal 2015.

Other Operations

Other operations consist primarily of miscellaneous residential housing operations expenses, rent expense for commercial office space and amortization of prepaid bond fees. Other operations decreased $0.6 million to $1.0 million for the three months ended July 31, 2016 compared to the three months ended July 31, 2015 and decreased $1.4 million to $3.5 million for the nine months ended July 31, 2016 compared to the nine months ended July 31, 2015. The decrease for the three and nine months ended July 31, 2016 compared to the same periods in the prior year was due to decreased prepaid bond fees amortization as a result of the maturity of our 11.875% Senior Notes in October 2015, 6.25% Senior Notes in January 2016, and 7.5% Senior Notes in May 2016.

Total Taxes

The total income tax provision of $1.6 million and benefit of $4.6 million for the three and nine months ended July 31, 2016, respectively, was primarily due to deferred taxes, partially offset by state tax expenses and state tax reserves for uncertain tax positions. In addition, the nine months ended July 31, 2016 was also impacted by permanent differences between book income and taxable income as a result of the issuance of shares under a deferred compensation plan that were expensed during vesting at significantly higher value than the value at the time of issuance. The total income tax benefit of $2.3 million and $17.5 million recognized for the three and nine months ended July 31, 2015, respectively, was primarily due to deferred taxes, partially offset by state tax expenses and state tax reserves for uncertain tax positions.

Deferred federal and state income tax assets primarily represent the deferred tax benefits arising from temporary differences between book and tax income which will be recognized in future years as an offset against future taxable income. If the combination of future years' income (or loss) and the reversal of the timing differences results in a loss, such losses can be carried forward to future years. In accordance with ASC 740, we evaluate our deferred tax assets quarterly to determine if valuation allowances are required. ASC 740 requires that companies assess whether valuation allowances should be established based on the consideration of all available evidence using a "more likely than not" standard.

As of October 31, 2015, and again at July 31, 2016, we concluded that it was more likely than not that a substantial amount of our deferred tax assets ("DTA") would be utilized. This conclusion was based on a detailed evaluation of all relevant evidence, both positive and negative. The positive evidence included factors such as positive earnings for two of the last three fiscal years and the expectation of earnings going forward over the long term and evidence of a sustained recovery in the housing markets in which we operate. Such evidence is supported by significant increases in key financial indicators over the last few years, including new orders, backlog, and community count compared with the prior years. Economic data has also been affirming the housing market recovery. Housing starts, homebuilding volume and prices are increasing and forecasted to continue to increase. Historically low mortgage rates, affordable home prices, reduced foreclosures and a favorable home ownership to rental comparison are key factors in the recovery.

Potentially offsetting this positive evidence is the fact that we had a loss before income taxes for the fiscal year ended October 31, 2015 as well as for the nine months ended July 31, 2016. However, we did have income before taxes for the three months ended July 31, 2016 and we are not in a three year cumulative loss position as of July 31, 2016. As per ASC 740, cumulative losses are one of the most objectively verifiable forms of negative evidence; we no longer have this negative evidence and we expect to be profitable going forward over the long term. Our recent three years cumulative performance and our expectations for the coming years based on our current backlog, community count and recent sales contracts provide evidence that reaffirms our conclusion that a full valuation allowance was not necessary and that the current valuation allowance for deferred taxes of $635.4 million as of July 31, 2016 is appropriate.

Inflation

Inflation has a long-term effect, because increasing costs of land, materials and labor result in increasing sale prices of our homes. In general, these price increases have been commensurate with the general rate of inflation in our housing markets and have not had a significant adverse effect on the sale of our homes. A significant risk faced by the housing industry generally is that rising house construction costs, including land and interest costs, will substantially outpace increases in the income of potential purchasers.

Inflation has a lesser short-term effect, because we generally negotiate fixed price contracts with many, but not all, of our subcontractors and material suppliers for the construction of our homes. These prices usually are applicable for a specified number of residential buildings or for a time period of between three to twelve months. Construction costs for residential buildings represent approximately 51.8% of our homebuilding cost of sales.

Safe Harbor Statement

All statements in this Quarterly report on Form 10-Q that are not historical facts should be considered as "Forward-Looking Statements" within the meaning of the "Safe Harbor" provisions of the Private Securities Litigation Reform Act of 1995. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such forward-looking statements include but are not limited to statements related to the Company's goals and expectations with respect to its financial results for future financial periods. Although we believe that our plans, intentions and expectations reflected in, or suggested by, such forward-looking statements are reasonable, we can give no assurance that such plans, intentions or expectations will be achieved. By their nature, forward-looking statements: (i) speak only as of the date they are made, (ii) are not guarantees of future performance or results and (iii) are subject to risks, uncertainties and assumptions that are difficult to predict or quantify. Therefore, actual results could differ materially and adversely from those forward-looking statements as a result of a variety of factors. Such risks, uncertainties and other factors include, but are not limited to:

- Changes in general and local economic, industry and business conditions and impacts of a sustained homebuilding downturn;
- Adverse weather and other environmental conditions and natural disasters;
- Levels of indebtedness and restrictions on the Company's operations and activities imposed by the agreements governing the Company's outstanding indebtedness;
- The Company's sources of liquidity;
- Changes in credit ratings;
- Changes in market conditions and seasonality of the Company's business;
- The availability and cost of suitable land and improved lots;

- Shortages in, and price fluctuations of, raw materials and labor;
- Regional and local economic factors, including dependency on certain sectors of the economy, and employment levels affecting home prices and sales activity in the markets where the Company builds homes;
- Fluctuations in interest rates and the availability of mortgage financing;
- Changes in tax laws affecting the after-tax costs of owning a home;
- Operations through joint ventures with third parties;
- Government regulation, including regulations concerning development of land, the home building, sales and customer financing processes, tax laws and the environment;
- Product liability litigation, warranty claims and claims made by mortgage investors;
- Levels of competition;
- Availability and terms of financing to the Company;
- Successful identification and integration of acquisitions;
- Significant influence of the Company's controlling stockholders;
- Availability of net operating loss carryforwards;
- Utility shortages and outages or rate fluctuations;
- Geopolitical risks, terrorist acts and other acts of war;
- Increases in cancellations of agreements of sale;
- Loss of key management personnel or failure to attract qualified personnel;
- Information technology failures and data security breaches; and
- Legal claims brought against us and not resolved in our favor.

Certain risks, uncertainties and other factors are described in detail in Part I, Item 1 "Business" and Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended October 31, 2015 as updated by our subsequent filings with the SEC. Except as otherwise required by applicable securities laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason after the date of this Quarterly Report on Form 10-Q.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

A primary market risk facing us is interest rate risk on our long term debt, including debt instruments at variable interest rates. In connection with our mortgage operations, mortgage loans held for sale and the associated mortgage warehouse lines of credit under our Master Repurchase Agreements are subject to interest rate risk; however, such obligations reprice frequently and are short-term in duration. In addition, we hedge the interest rate risk on mortgage loans by obtaining forward commitments from private investors. Accordingly, the interest rate risk from mortgage loans is not material. We do not use financial instruments to hedge interest rate risk except with respect to mortgage loans. The following table sets forth as of July 31, 2016, our principal cash payment obligations on our long-term debt obligations by scheduled maturity, weighted average interest rates and estimated fair value ("FV").

	Long Term Debt as of July 31, 2016 by Fiscal Year of Expected Maturity Date							
(Dollars in thousands)	2016	2017	2018	2019	2020	Thereafter	Total	FV at 7/31/16
Long term debt (1)(2):								
Fixed rate	$310	$127,593	$132,906	$151,536	$828,673	$423,390	$1,664,408	$1,354,218
Weighted average interest rate	8.12%	8.72%	4.37%	7.02%	7.48%	6.85%	7.12%	

(1) *Does not include the mortgage warehouse lines of credit made under our Master Repurchase Agreements. Also, does not include $18.5 million of letters of credit issued as of July 31, 2016 under our $75.0 million revolving Credit Facility.*

(2) *Does not include $91.3 million of nonrecourse mortgages secured by inventory. These mortgages have various maturities spread over the next two to three years and are paid as homes are delivered.*

Item 4. CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's reports under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. The Company's management, with the participation of the Company's chief executive officer and chief financial officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of July 31, 2016. Based upon that evaluation and subject to the foregoing, the Company's chief executive officer and chief financial officer concluded that the design and operation of the Company's disclosure controls and procedures are effective to accomplish their objectives.

There was no change in the Company's internal control over financial reporting that occurred during the quarter ended July 31, 2016 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

Information with respect to legal proceedings is incorporated into this Part II, Item 1 from Note 7 to the Condensed Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Recent Sales of Unregistered Equity Securities

None.

Issuer Purchases of Equity Securities

No shares of our Class A Common Stock or Class B Common Stock were purchased by or on behalf of the Company or any affiliated purchaser during the fiscal third quarter of 2016. The maximum number of shares that may be purchased under the Company's repurchase plans or programs is 0.5 million.

Dividends

Certain debt agreements to which we are a party contain restrictions on the payment of cash dividends. As a result of the most restrictive of these provisions, we are not currently able to pay any cash dividends. We have never paid a cash dividend to our common stockholders.

Item 5. OTHER INFORMATION.

On September 8, 2016, the Company and K. Hovnanian completed the Financings with the Investor (see Part I, Item II - "Management's Discussion and Analysis of Financial Condition and Results of Operations — Capital Resources and Liquidity") pursuant to which K. Hovnanian (i) borrowed the $75.0 million Term Loan Facility under the Term Loan Credit Agreement, (ii) issued $75.0 million of New Second Lien Notes and (iii) exchanged $75.0 million aggregate principal amount of its Existing Second Lien Notes for $75.0 million aggregate principal amount of newly issued Exchange Notes for aggregate cash proceeds of approximately $146.3 million, before expenses. In addition, on September 8, 2016, K. Hovnanian used a portion of the proceeds (approximately $126.1 million) of the Term Loan Facility and the New Second Lien Notes to fund the redemption of all of its January 2017 Notes and the satisfaction and discharge of the January 2017 Notes Indenture. As a condition to the closing of the Financings, K. Hovnanian was required to deposit the proceeds from the Financings in excess of the aggregate amount of funds needed for the redemption of the January 2017 Notes and the satisfaction and discharge of the January 2017 Notes Indenture into a segregated account under which K. Hovnanian and the Company may only use the funds deposited therein to repurchase or otherwise retire, discharge or defease K. Hovnanian's debt securities with maturities in 2017 or, as agreed between the Investor and K. Hovnanian, its other indebtedness.

The Term Loan Facility has a maturity of August 1, 2019 (provided that if any of K. Hovnanian's 7.0% Notes remain outstanding on October 15, 2018, the maturity date of the Term Loan Facility will be October 15, 2018, or if any refinancing indebtedness with respect to the 7.0% Notes has a maturity date prior to January 15, 2021, the maturity date of the Term Loan Facility will be October 15, 2018) and bears interest at a rate equal to LIBOR plus an applicable margin of 7.0% or, at K. Hovnanian's option, a base rate plus an applicable margin of 6.0%, payable monthly. The New Second Lien Notes have a maturity of October 15, 2018, and bear interest at a rate of 10.0% per annum, payable semi-annually on February 15 and August 15 of each year, commencing February 15, 2017, to holders of record at the close of business on February 1 and August 1, as the case may be, immediately preceding such interest payment dates. The Exchange Notes have a maturity of November 15, 2020, and bear interest at a rate of 9.50% per annum, payable semi-annually on February 15 and August 15 of each year, commencing February 15, 2017, to holders of record at the close of business on February 1 and August 1, as the case may be, immediately preceding such interest payment dates.

All of K. Hovnanian's obligations under the Term Loan Facility and the New Second Lien Notes are guaranteed by the Notes Guarantors. The Term Loan Facility and the guarantees thereof are secured on a first lien super priority basis relative to K. Hovnanian's First Lien Notes, the Existing Second Lien Notes and the New Second Lien Notes, and the New Second Lien Notes and the guarantees thereof are secured on a pari passu second lien basis with K. Hovnanian's Existing Second Lien Notes, by substantially all of the assets owned by K. Hovnanian and the Notes Guarantors, in each case subject to permitted liens and certain exceptions. The Exchange Notes are guaranteed by the Notes Guarantors and the members of the Secured Group. The Exchange Notes are secured on a pari passu first lien basis with K. Hovnanian's 2021 Notes, by substantially all of the assets of the members of the Secured Group, subject to permitted liens and certain exceptions.

In connection with borrowing the Term Loan Facility and the issuance of the New Second Lien Notes and the Exchange Notes, K. Hovnanian and the applicable guarantors entered into security and pledge agreements pursuant to which K. Hovnanian, the Company and the applicable guarantors pledged substantially all of their assets to secure their obligations under the Term Loan Facility, the New Second Lien Notes and the Exchange Notes, subject to permitted liens and certain exceptions as set forth in such agreements. K. Hovnanian, the Company and the applicable guarantors also entered into applicable intercreditor and collateral agency agreements which set forth agreements with respect to the relative priority of their various secured obligations.

The Term Loan Facility was incurred pursuant to the Term Loan Credit Agreement. The Term Loan Credit Agreement contains representations and warranties and affirmative and restrictive covenants that limit among other things, and in each case subject to certain exceptions, the ability of the Company and certain of its subsidiaries, including K. Hovnanian, to incur additional indebtedness (including a requirement that any new or refinancing indebtedness is scheduled to mature no earlier than January 15, 2021), pay dividends and make distributions on common and preferred stock, repurchase subordinated indebtedness and common and preferred stock, make other restricted payments, including investments, sell certain assets (including in certain land banking transactions), incur liens, consolidate, merge, sell or otherwise dispose of all or substantially all of its assets and enter into certain transactions with affiliates. The Term Loan Credit Agreement also contains customary events of default which would permit the Administrative Agent to exercise remedies with respect to the collateral and declare loans made under the Term Loan Facility (the "Term Loans") to be immediately due and payable if not cured within applicable grace periods, including the failure to make timely payments on the Term Loans or other material indebtedness, the failure to satisfy covenants, the material inaccuracy of representations or warranties, cross default to other material indebtedness, a change of control, the failure of the documents granting security for the Term Loans to be in full force and effect, the failure of the liens on any material portion of the collateral securing the Term Loans to be valid and perfected and specified events of bankruptcy and insolvency.

The New Second Lien Notes Indenture contains restrictive covenants that limit among other things, and in each case subject to certain exceptions, the ability of the Company and certain of its subsidiaries, including K. Hovnanian, to incur additional indebtedness (including a requirement that any new or refinancing indebtedness is scheduled to mature no earlier than January 15, 2021), pay dividends and make distributions on common and preferred stock, repurchase subordinated indebtedness and common and preferred stock, make other restricted payments, including investments, sell certain assets (including in certain land banking transactions), incur liens, consolidate, merge, sell or otherwise dispose of all or substantially all of its assets and enter into certain transactions with affiliates. The New Second Lien Notes Indenture also contains customary events of default which would permit the holders of the New Second Lien Notes to declare those New Second Lien Notes to be immediately due and payable if not cured within applicable grace periods, including the failure to make timely payments on the New Second Lien Notes or other material indebtedness, the failure to satisfy covenants, the failure of the documents granting security for the New Second Lien Notes to be in full force and effect, the failure of the liens on any material portion of the collateral securing the New Second Lien Notes to be valid and perfected and specified events of bankruptcy and insolvency.

The Exchange Notes Indenture contains restrictive covenants that limit among other things, the ability of the Company and certain of its subsidiaries, including K. Hovnanian, to incur additional indebtedness (including a requirement that any new or refinancing indebtedness is scheduled to mature no earlier than January 15, 2021, to the extent no member of the Secured Group is an obligor thereon, or February 15, 2021, if otherwise), pay dividends and make distributions on common and preferred stock, repurchase common and preferred stock, make other restricted payments, including investments, sell certain assets, incur liens, consolidate, merge, sell or otherwise dispose of all or substantially all of its assets and enter into certain transactions with affiliates. The Exchange Notes Indenture also contains customary events of default which would permit the holders of the Exchange Notes to declare those Exchange Notes to be immediately due and payable if not cured within applicable grace periods, including the failure to make timely payments on the Exchange Notes or other material indebtedness, the failure to satisfy covenants, the failure of the documents granting security for the Exchange Notes to be in full force and effect, the failure of the liens on any material portion of the collateral securing the Exchange Notes to be valid and perfected and specified events of bankruptcy and insolvency.

On September 8, 2016, K. Hovnanian called for redemption on October 8, 2016, all outstanding January 2017 Notes for an aggregate redemption price of approximately $126.1 million, including accrued and unpaid interest, and deposited with the trustee for the January 2017 Notes sufficient funds for such redemption and to satisfy and discharge its obligations under the January 2017 Notes Indenture. The January 2017 Notes redemption and the satisfaction and discharge of the 2017 Notes Indenture was funded with portion of the proceeds from the Term Loan Facility and New Second Lien Notes. Upon satisfaction and discharge of the January 2017 Notes Indenture, the restrictive covenants and events of default contained therein ceased to have effect.

Item 6. EXHIBITS

3(a)	Restated Certificate of Incorporation of the Registrant.(2)
3(b)	Amended and Restated Bylaws of the Registrant.(3)
4(a)	Specimen Class A Common Stock Certificate.(6)
4(b)	Specimen Class B Common Stock Certificate.(6)
4(c)	Certificate of Designations, Powers, Preferences and Rights of the 7.625% Series A Preferred Stock of Hovnanian Enterprises, Inc., dated January 12, 2005.(4)
4(d)	Certificate of Designations of the Series B Junior Preferred Stock of Hovnanian Enterprises, Inc., dated August 14, 2008.(1)
4(e)	Rights Agreement, dated as of August 14, 2008, between Hovnanian Enterprises, Inc. and National City Bank, as Rights Agent, which includes the Form of Certificate of Designation as Exhibit A, Form of Right Certificate as Exhibit B and the Summary of Rights as Exhibit C.(5)
4(f)	Indenture, dated as of September 8, 2016, relating to the 10.000% Senior Secured Second Lien Notes due 2018, among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., the other guarantors named therein and Wilmington Trust, National Association, as Trustee and Collateral Agent, including the form of 10.000% Senior Secured Second Lien Notes due 2018.
4(g)	Indenture, dated as of September 8, 2016, relating to the 9.50% Senior Secured Notes due 2020, among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., the other guarantors named therein and Wilmington Trust, National Association, as Trustee and Collateral Agent, including the form of 9.50% Senior Secured Notes due 2020.
10(a)*	Market Share Unit Agreement Class A (2016 grants and thereafter)
10(b)*	Market Share Unit Agreement Class B (2016 grants and thereafter)
10(c)*	Market Share Unit Agreement (Gross Margin Performance Vesting) Class A (2016 grants and thereafter)
10(d)*	Market Share Unit Agreement (Gross Margin Performance Vesting) Class B (2016 grants and thereafter)
10(e)*	Market Share Unit Agreement (Debt Reduction Performance Vesting) Class A (2016 grants and thereafter)
10(f)*	Market Share Unit Agreement (Debt Reduction Performance Vesting) Class B (2016 grants and thereafter)
10(g)*	Premium-Priced Incentive Stock Option Agreement Class A (2016 grants and thereafter)
10(h)*	Premium-Priced Non-qualified Stock Option Agreement Class B (2016 grants and thereafter)
10(i)*	Incentive Stock Option Agreement Class A (2016 grants and thereafter)
10(j)*	Restricted Share Unit Agreement Class A (2016 grants and thereafter)
10(k)*	Director Restricted Share Unit Agreement Class A (2016 grants and thereafter)
10(l)	Credit Agreement, dated as of July 29, 2016, among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., the other guarantors named therein, Wilmington Trust, National Association, as Administrative Agent, and the lenders party thereto.
10(m)	First Lien Intercreditor Agreement, dated September 8, 2016, among Hovnanian Enterprises, Inc., K. Hovnanian Enterprises, Inc., the other guarantors party thereto, Wilmington Trust, National Association, in its capacity as Mortgage Tax Collateral Agent (as defined therein), and Wilmington Trust, National Association, in its capacities as First Lien Trustee and First Lien Collateral Agent (each as defined therein).
10(n)	Amended and Restated Intercreditor Agreement, dated September 8, 2016, among Hovnanian Enterprises, Inc., K. Hovnanian Enterprises, Inc., the other guarantors party thereto, Wilmington Trust, National Association, in its capacities as Senior Notes Trustee and Senior Notes Collateral Agent (each as defined therein), Wilmington Trust, National Association, in its capacity as Administrative Agent (as defined therein), Wilmington Trust, National Association, in its capacity as Mortgage Tax Collateral Agent (as defined therein), Wilmington Trust, National Association, in its capacities as 9.125% Junior Trustee and 9.125% Junior Collateral Agent (each as defined therein), Wilmington Trust, National Association, in its capacities as 10.000% Junior Trustee and 10.000% Junior Collateral Agent (each as defined therein) and Wilmington Trust, National Association, in its capacity as Junior Joint Collateral Agent (as defined therein).
10(o)	First Lien Collateral Agency Agreement, dated as of September 8, 2016, among Wilmington Trust, National Association, in its capacity as Existing Collateral Agent (as defined therein), Wilmington Trust, National Association, in its capacity as 9.50% Collateral Agent (as defined therein), Wilmington Trust, National Association, in its capacity as Collateral Agent (as defined therein), K. Hovnanian Enterprises, Inc., and the Grantors (as defined therein).
10(p)	Second Lien Collateral Agency Agreement, dated as of September 8, 2016, among Wilmington Trust, National Association, in its capacity as 9.125% Collateral Agent (as defined therein), Wilmington Trust, National Association, in its capacity as 10.000% Collateral Agent (as defined therein), Wilmington Trust, National Association, in its capacity as Collateral Agent (as defined therein), Hovnanian Enterprises, Inc., K. Hovnanian Enterprises, Inc., and the Grantors (as defined therein).
10(q)	Amended and Restated Collateral Agency Agreement, dated as of September 8, 2016, among Hovnanian Enterprises, Inc., K. Hovnanian Enterprises, Inc., Wilmington Trust, National Association in its capacity as Senior Notes Collateral Agent (as defined therein), Wilmington Trust, National Association in its capacity as Senior Credit Agreement Administrative Agent (as defined therein), Wilmington Trust, National Association in its capacity as Mortgage Tax Collateral Agent (as defined therein), Wilmington Trust, National Association in its capacity as 9.125% Junior Collateral Agent (as defined therein), Wilmington Trust, National Association in its capacity as 10.000% Junior Collateral Agent (as defined therein) and Wilmington Trust, National Association in its capacity as Junior Joint Collateral Agent (as defined therein).

10(r)	Security Agreement, dated as of September 8, 2016, relating to the Credit Agreement dated as of July 29, 2016.
10(s)	Pledge Agreement, dated as of September 8, 2016, relating to the Credit Agreement dated as of July 29, 2016.
10(t)	First Lien Intellectual Property Agreement, dated as of September 8, 2016, relating to the Credit Agreement dated as of July 29, 2016.
10(u)	Amended and Restated Second Lien Security Agreement, dated as of September 8, 2016, relating to the 9.125% Senior Secured Second Lien Notes due 2020 and the 10.000% Senior Secured Second Lien Notes due 2018.
10(v)	Amended and Restated Second Lien Pledge Agreement, dated as of September 8, 2016, relating to the 9.125% Senior Secured Second Lien Notes due 2020 and the 10.000% Senior Secured Second Lien Notes due 2018.
10(w)	Amended and Restated Second Lien Intellectual Property Agreement, dated as of September 8, 2016, relating to the 9.125% Senior Secured Second Lien Notes due 2020 and the 10.000% Senior Secured Second Lien Notes due 2018.
10(x)	Amended and Restated First Lien Security Agreement, dated as of September 8, 2016, relating to the 5.0% Senior Secured Notes due 2021, the 2.0% Senior Secured Notes due 2021 and the 9.50% Senior Secured Notes due 2020.
10(y)	Amended and Restated First Lien Pledge Agreement, dated as of September 8, 2016, relating to the 5.0% Senior Secured Notes due 2021, the 2.0% Senior Secured Notes due 2021 and the 9.50% Senior Secured Notes due 2020.
31(a)	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
31(b)	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
32(a)	Section 1350 Certification of Chief Executive Officer.
32(b)	Section 1350 Certification of Chief Financial Officer.
101	The following financial information from our Quarterly Report on Form 10-Q for the quarter ended July 31, 2016, formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheets at July 31, 2016 and October 31, 2015, (ii) the Condensed Consolidated Statements of Operations for the three and nine months ended July 31, 2016 and 2015, (iii) the Condensed Consolidated Statement of Equity for the nine months ended July 31, 2016, (iv) the Condensed Consolidated Statements of Cash Flows for the nine months ended July 31, 2016 and 2015, and (v) the Notes to Condensed Consolidated Financial Statements.

* Management contracts or compensatory plan or arrangements

(1) Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q (001-08551) of the Registrant for the quarter ended July 31, 2008.

(2) Incorporated by reference to Exhibits to Current Report on Form 8-K (001-08551) of the Registrant filed March 15, 2013.

(3) Incorporated by reference to Exhibits to Current Report on Form 8-K (001-08551) of the Registrant filed March 11, 2015.

(4) Incorporated by reference to Exhibits to Current Report on Form 8-K (001-08551) of the Registrant filed on July 13, 2005.

(5) Incorporated by reference to Exhibits to the Registration Statement on Form 8-A (001-08551) of the Registrant filed August 14, 2008.

(6) Incorporated by reference to Exhibits to Quarterly Report on Form 10-Q (001-08551) of the Registrant for the quarter ended January 31, 2009.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HOVNANIAN ENTERPRISES, INC.
(Registrant)

DATE: September 9, 2016
/S/ J. LARRY SORSBY
J. Larry Sorsby
Executive Vice President and
Chief Financial Officer

DATE: September 9, 2016
/S/ BRAD G. O'CONNOR
Brad G. O'Connor
Vice President/Chief Accounting Officer/Corporate Controller

Exhibit 4(f)

Execution Version

K. HOVNANIAN ENTERPRISES, INC.,
as Issuer

HOVNANIAN ENTERPRISES, INC.
and
the other Guarantors party hereto

and

WILMINGTON TRUST, NATIONAL ASSOCIATION,
as Trustee and Collateral Agent

Indenture

Dated as of September 8, 2016

10.000% Senior Secured Second Lien Notes Due 2018

TABLE OF CONTENTS

EXHIBITS

INDENTURE, dated as of September 8, 2016, among K. HOVNANIAN ENTERPRISES, INC., a California corporation (the "**Issuer**"), HOVNANIAN ENTERPRISES, INC., a Delaware corporation (the "**Company**"), each of the other Guarantors (as defined hereafter) and WILMINGTON TRUST, NATIONAL ASSOCIATION, a national banking association, as Trustee (the "**Trustee**") and as Collateral Agent (the "**Collateral Agent**").

RECITALS

The Issuer has duly authorized the execution and delivery of this Indenture to provide for the issuance on the Issue Date of $75,000,000 aggregate principal amount of the Issuer's 10.000% Senior Secured Second Lien Notes Due 2018 and, if and when issued, any Additional Notes (together, the "**Notes**"). All things necessary to make this Indenture a valid agreement of the Issuer, in accordance with its terms, have been done, and the Issuer has done all things necessary to make the Notes (in the case of any Additional Notes, when duly authorized), when duly issued and executed by the Issuer and authenticated and delivered by the Trustee, the valid obligations of the Issuer as hereinafter provided.

In addition, the Guarantors party hereto have duly authorized the execution and delivery of this Indenture as guarantors of the Notes. All things necessary to make this Indenture a valid agreement of each Guarantor, in accordance with its terms, have been done, and each Guarantor has done all things necessary to make the Guarantees (in the case of the Guarantee of any Additional Notes, when duly authorized), when duly issued and executed by each Guarantor and when the Notes have been authenticated and delivered by the Trustee, the valid obligation of such Guarantor as hereinafter provided.

THIS INDENTURE WITNESSETH

For and in consideration of the premises and the purchase of the Notes by the Holders thereof, the parties hereto covenant and agree, for the equal and proportionate benefit of all Holders, as follows:

ARTICLE I
DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.1. *Definitions*.

"**7.000% Notes**" means the Issuer's 7.000% Senior Notes due 2019.

"**7.000% Notes Indenture**" means the indenture governing the Issuer's 7.000% Notes, dated as of January 10, 2014 (as may be amended or supplemented as of the date hereof or from time to time), among the Issuer, the Company, each of the other Guarantors (as defined in the 7.000% Notes Indenture) and Wilmington Trust, National Association as Trustee (as defined in the 7.000% Notes Indenture).

"**7.000% Notes Issue Date**" means January 10, 2014.

"**8.000% Notes**" means the Issuer's 8.000% Senior Notes due 2019.

"**Acquired Indebtedness**" means (a) with respect to any Person that becomes a Restricted Subsidiary (or is merged into the Company, the Issuer or any Restricted Subsidiary) after the Issue Date, Indebtedness of such Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary (or is merged into the Company, the Issuer or any Restricted Subsidiary) that was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary (or being merged into the Company, the Issuer or any Restricted Subsidiary) and (b) with respect to the Company, the Issuer or any Restricted Subsidiary, any Indebtedness expressly assumed by the Company, the Issuer or any Restricted Subsidiary in connection with the acquisition of any assets from another Person (other than the Company, the Issuer or any Restricted Subsidiary), which Indebtedness was not incurred by such other Person in connection with or in contemplation of such acquisition. Indebtedness incurred in connection with or in contemplation of any transaction described in clause (a) or (b) of the preceding sentence shall be deemed to have been incurred by the Company or a Restricted Subsidiary, as the case may be, at the time such Person becomes a Restricted Subsidiary (or is merged into the Company, the Issuer or any Restricted Subsidiary) in the case of clause (a) or at the time of the acquisition of such assets in the case of clause (b), but shall not be deemed Acquired Indebtedness.

"**Additional Notes**" means any notes of the Issuer issued under this Indenture in addition to the Initial Notes having the same terms in all respects as the Initial Notes, except that interest may accrue on the Additional Notes from their date of issuance, and any notes issued in replacement therefor.

"**Affiliate**" means, when used with reference to a specified Person, any Person directly or indirectly controlling, or controlled by or under direct or indirect common control with, the Person specified.

"**Affiliate Legend**" means the legend set forth in Exhibit E.

"**Affiliate Transaction**" has the meaning ascribed to it in Section 4.13 hereof.

"**Agent**" means any Registrar, Paying Agent or Authenticating Agent.

"**Agent Member**" means a member of, or a participant in, the Depositary.

"**Applicable Debt**" means all Indebtedness of the Company, the Issuer or any Guarantor (a) under Credit Facilities or (b) that is publicly traded (including in the Rule 144A market), including, without limitation, the Issuer's senior notes outstanding on the Issue Date.

"**Asset Acquisition**" means (a) an Investment by the Company, the Issuer or any Restricted Subsidiary in any other Person if, as a result of such Investment, such Person shall become a Restricted Subsidiary or shall be consolidated or merged with or into the Company, the Issuer or any Restricted Subsidiary or (b) the acquisition by the Company, the Issuer or any Restricted Subsidiary of the assets of any Person, which constitute all or substantially all of the assets or of an operating unit or line of business of such Person or which is otherwise outside the ordinary course of business.

"**Asset Disposition**" means any sale, transfer, conveyance, lease or other disposition (including, without limitation, by way of merger, consolidation or sale and leaseback or sale of shares of Capital Stock in any Subsidiary) (each, a "**transaction**") by the Company, the Issuer or any Restricted Subsidiary to any Person of any Property having a Fair Market Value in any transaction or series of related transactions of at least $10.0 million, *provided* that such de-minimis amount shall not apply to any Land Banking Transactions (and with respect to Land Banking Transactions, the proviso in clause (b) below shall apply). The term "**Asset Disposition**" shall not include:

(a) a transaction between the Company, the Issuer and any Restricted Subsidiary or a transaction between Restricted Subsidiaries,

(b) a transaction in the ordinary course of business, including, without limitation, sales (directly or indirectly), sales subject to repurchase options, dedications and other donations to governmental authorities, leases and sales and leasebacks of (i) homes, improved land and unimproved land and (ii) real estate (including related amenities and improvements); *provided* that sales of Collateral pursuant to Land Banking Transactions (other than Collateral acquired by the Company, the Issuer or any Restricted Subsidiary within 180 days prior to the entering into of a definitive agreement for such Land Banking Transaction) do not in the aggregate exceed a GAAP book value for all such Collateral of $10.0 million during any fiscal quarter (with any unused amounts in any fiscal quarter being carried over to subsequent fiscal quarters subject to a maximum GAAP book value of $50.0 million in any fiscal quarter),

(c) a transaction involving the sale of Capital Stock of, or the disposition of assets in, an Unrestricted Subsidiary,

(d) any exchange or swap of assets of the Company, the Issuer or any Restricted Subsidiary for assets (including Capital Stock of any Person that is or will be a Restricted Subsidiary following receipt thereof) that (i) are to be used by the Company, the Issuer or any Restricted Subsidiary in the ordinary course of its Real Estate Business and (ii) have a Fair Market Value not less than the Fair Market Value of the assets exchanged or swapped (*provided* that (except as permitted by clause (c) under the definition of "Permitted Investment") to the extent that the assets exchanged or swapped were Collateral, the assets received are pledged as Collateral under the Security Documents substantially simultaneously with such exchange or swap, with the Lien on such assets received being of the same priority with respect to the Notes as the Lien on the assets disposed of),

(e) any sale, transfer, conveyance, lease or other disposition of assets and properties that is governed by Section 4.14 hereof,

(f) dispositions of mortgage loans and related assets and mortgage-backed securities in the ordinary course of a mortgage lending business,

(g) the creation of a Permitted Lien and dispositions in connection with Permitted Liens,

(h) any sale, transfer, conveyance, lease or other disposition that constitutes a Restricted Payment or Permitted Investment,

(i) sales, transfers and other dispositions of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding arrangements,

(j) the unwinding of any Hedging Obligations,

(k) foreclosures, condemnation, eminent domain or any similar action on assets,

(l) any financing transaction with respect to property built or acquired by the Company or any Restricted Subsidiary after the Issue Date,

(m) any surrender or waiver of contractual rights or the settlement, release or surrender of contractual rights or other litigation claims in the ordinary course of business, and

(n) the issuance of directors' qualifying shares and shares issued to foreign nationals or other third parties as required by applicable law.

"**Attributable Debt**" means, with respect to any Capitalized Lease Obligations, the capitalized amount thereof determined in accordance with GAAP.

"**Authenticating Agent**" refers to a Person engaged to authenticate the Notes in the stead of the Trustee.

"**Automatic Exchange**" has the meaning ascribed to it in Section 2.13(a) hereof.

"**Automatic Exchange Notice**" has the meaning ascribed to it in Section 2.13(a) hereof.

"**Bankruptcy Law**" means title 11 of the United States Code, as amended, or any similar federal or state law for the relief of debtors.

"**Board of Directors**" means, when used with reference to the Issuer or the Company, as the case may be, the board of directors or any duly authorized committee of that board or any director or directors and/or officer or officers to whom that board or committee shall have duly delegated its authority.

"**Business Day**" means any day except a Saturday, Sunday or other day on which commercial banks in New York City or in the city where the Corporate Trust Office of the Trustee is located are authorized or required by law or regulation to close.

"**Capital Stock**" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated) of or in such Person's capital stock or other equity interests, and options, rights or warrants to purchase such capital stock or other equity interests, whether now outstanding or issued after the Issue Date, including, without limitation, all Disqualified Stock and Preferred Stock, but excluding any debt security that is convertible into, or exchangeable for, Capital Stock.

"**Capitalized Lease Obligations**" of any Person means the obligations of such Person to pay rent or other amounts under a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP, and the amount of such obligations will be the capitalized amount thereof determined in accordance with GAAP.

"**Cash Equivalents**" means

(a) U.S. dollars, Canadian dollars, euros, pound sterling, any national currency of any participating member state in the European Union or local currencies held from time to time in the ordinary course of business;

(b) securities issued or directly and fully guaranteed or insured by the U.S. government or any country that is a member state of the European Union or any agency or instrumentality thereof having maturities of one year or less from the date of acquisition;

(c) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances with maturities of one year or less from the date of acquisition, in each case with any domestic commercial bank having capital and surplus in excess of $500.0 million;

(d) marketable general obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition and, at the time of acquisition, having a credit rating of at least "A" or the equivalent thereof by S&P or Moody's, or carrying an equivalent rating by a nationally recognized Rating Agency, if both of the two named Rating Agencies cease publishing ratings of investments;

(e) repurchase obligations for underlying securities of the types described in clauses (b), (c) and (d) of this definition entered into with any financial institution meeting the qualifications specified in clause (c) of this definition;

(f) commercial paper rated P-1, A-1 or the equivalent thereof by Moody's or S&P, respectively, and in each case maturing within one year after the date of acquisition;

(g) investments with average maturities of one year or less from the date of acquisition in money market funds rated AAA- (or the equivalent thereof) or better by S&P or Aaa3 (or the equivalent thereof) or better by Moody's; and

(h) investments in investment companies or money market funds substantially all of the assets of which consist of securities described in the foregoing clauses (a) through (g) of this definition.

Notwithstanding the foregoing, Cash Equivalents shall include amounts denominated in currencies other than those set forth in clause (a) above; *provided* that such amounts are converted into any currency listed in clause (a) as promptly as practicable and in any event within ten business days following the receipt of such amounts.

"**Cash Management Services**" means any of the following to the extent not constituting a line of credit (other than an overnight overdraft facility that is not in default): ACH transactions, treasury and/or cash management services, including, without limitation, controlled disbursement services, overdraft facilities, foreign exchange facilities, deposit and other accounts and merchant services.

"**cash transaction**" has the meaning ascribed to it in Section 7.3 hereof.

"**Certificate of Beneficial Ownership**" means a certificate substantially in the form of Exhibit I.

"**Certificated Note**" means a Note in registered individual form without interest coupons.

"**Change of Control**" means:

(a) any sale, lease or other transfer (in one transaction or a series of transactions) of all or substantially all of the consolidated assets of the Company and its Restricted Subsidiaries to any Person (other than a Restricted Subsidiary); *provided*, *however*, that a transaction where the holders of all classes of Common Equity of the Company immediately prior to such transaction own, directly or indirectly, more than 50% of all classes of Common Equity of such Person immediately after such transaction shall not be a Change of Control;

(b) a "**person**" or "**group**" (within the meaning of Section 13(d) of the Exchange Act (other than (x) the Company or (y) the Permitted Hovnanian Holders)) becomes the "**beneficial owner**" (as defined in Rule 13d-3 under the Exchange Act) of Common Equity of the Company representing more than 50% of the voting power of the Common Equity of the Company;

(c) Continuing Directors cease to constitute at least a majority of the Board of Directors of the Company; or

(d) the stockholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company; *provided*, *however*, that a liquidation or dissolution of the Company which is part of a transaction that does not constitute a Change of Control under the proviso contained in clause (a) of this definition shall not constitute a Change of Control.

"**Clearstream**" means Clearstream Banking, société anonyme, Luxembourg.

"**Collateral**" means all property or assets of the Issuer and the Guarantors (whether now owned or hereafter arising or acquired) that secures Second-Priority Lien Obligations under the Security Documents.

"**Collateral Agency Agreement**" means the Collateral Agency Agreement, dated as of September 8, 2016, among the Issuer, the Guarantors, the Collateral Agent, the Existing Second Lien Collateral Agent and the Joint Second Lien Collateral Agent.

"**Collateral Agent**" means the party named as such in the preamble of this Indenture, including any agent appointed by the Collateral Agent to act in such capacity (which, for avoidance of doubt, includes the Mortgage Tax Collateral Agent and the Joint Second Lien Collateral Agent) or and any successor acting in such capacity.

"**Commission**" means the Securities and Exchange Commission.

"**Common Equity**" of any Person means Capital Stock of such Person that is generally entitled to (a) vote in the election of directors of such Person or (b) if such Person is not a corporation, vote or otherwise participate in the selection of the governing body, partners, managers or others that will control the management or policies of such Person.

"**Company**" has the meaning ascribed to it in the preamble hereof and shall also refer to any successor obligor under this Indenture and its Guarantee(s).

"**Consolidated Cash Flow Available for Fixed Charges**" means, for any period, Consolidated Net Income for such period plus (each to the extent deducted in calculating such Consolidated Net Income and determined in accordance with GAAP) the sum for such period, without duplication, of:

(a) provision for taxes based on income or profits or capital gains, including, without limitation, U.S. federal, state, non-U.S., franchise, excise, value added and similar taxes and foreign withholding taxes of such Person paid or accrued during such period, including any penalties and interest relating to such taxes or arising from any tax examinations,

(b) Consolidated Interest Expense,

(c) depreciation and amortization expenses and other non-cash charges to earnings,

(d) any fees, expenses, charges or losses (other than depreciation or amortization expense) related to any Equity Offering, Permitted Investment, acquisition, disposition, recapitalization or the incurrence of Indebtedness permitted to be incurred by the Indenture (including a refinancing thereof) (whether or not successful), including (i) such fees, expenses or charges related to the issuance of the Notes and the First Lien Exchange Notes and the making of the Senior Secured Super Priority Term Loan and (ii) any amendment or other modification of the Notes, the First Lien Exchange Notes and the Senior Secured Super Priority Term Loans or other Indebtedness,

(e) any other non-cash charges, including any write offs, write downs, expenses, losses or items, excluding any such charge that represents an accrual or reserve for a cash expenditure for a future period,

(f) costs of surety bonds incurred in such period in connection with financing activities,

(g) any costs or expense incurred by the Company or a Restricted Subsidiary pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement or any stock subscription or shareholder agreement, to the extent that such cost or expenses are funded with cash proceeds contributed to the capital of the Company or net cash proceeds of an issuance of Qualified Stock solely to the extent that such net cash proceeds are excluded from the calculation set forth in clause (iii) of Section 4.7(a),

(h) effects of adjustments (including the effects of such adjustments pushed down to the Company and its Restricted Subsidiaries) in any line item in such Person's consolidated financial statements in accordance with GAAP resulting from the application of purchase accounting, or the amortization or write-off of any amounts thereof, net of taxes,

(i) any impairment charge, asset write-off or write-down pursuant to ASC 350 and ASC 360 (formerly Financial Accounting Standards Board Statement Nos. 142 and 144, respectively) and the amortization of intangibles arising pursuant to ASC 805 (formerly Financial Accounting Standards Board Statement No. 141), and

(j) cash receipts (or any netting arrangements resulting in reduced cash expenses) not included in Consolidated Cash Flow Available for Fixed Charges in any period to the extent non-cash gains relating to such receipts were deducted in the calculation of Consolidated Cash Flow Available for Fixed Charges pursuant to clause (k) below for any previous period and not added back, *minus*

(k) non-cash gains increasing Consolidated Net Income for such period, excluding any non-cash gains which represent the reversal of any accrual of, or cash reserve for, anticipated cash charges that reduced Consolidated Cash Flow Available for Fixed Charges in any prior period; *provided* that, to the extent non-cash gains are deducted pursuant to this clause (k) for any previous period and not otherwise added back to Consolidated Cash Flow Available for Fixed Charges, Consolidated Cash Flow Available for Fixed Charges shall be increased by the amount of any cash receipts (or any netting arrangements resulting in reduced cash expenses) in respect of such non-cash gains received in subsequent periods to the extent not already included therein, and *plus* or *minus* (as applicable and without duplication) to eliminate the following items to the extent reflected in Consolidated Net Income,

(l) (i) any net gain or loss resulting in such period from currency gains or losses related to Indebtedness, intercompany balances and other balance sheet items, and (ii) any unrealized net gain or loss resulting in such period from Hedging Obligations, and the application of Financial Accounting Standards Codification No. 815—Derivatives and Hedging (formerly Financing Accounting Standards Board Statement No. 133), and its related pronouncements and interpretations (or any successor provision).

"**Consolidated Fixed Charge Coverage Ratio**" means, with respect to any determination date, the ratio of (x) Consolidated Cash Flow Available for Fixed Charges for the prior four full fiscal quarters (the "**Four Quarter Period**") for which financial results have been reported immediately preceding the determination date (the "**Transaction Date**"), to (y) the aggregate Consolidated Interest Incurred for the Four Quarter Period. For purposes of this definition, "**Consolidated Cash Flow Available for Fixed Charges**" and "**Consolidated Interest Incurred**" shall be calculated after giving effect on a *pro forma* basis for the period of such calculation to:

(a) the incurrence or the repayment, repurchase, redemption, retirement, defeasance or other discharge or the assumption by another Person that is not an Affiliate (collectively, "**repayment**") of any Indebtedness of the Company, the Issuer or any Restricted Subsidiary (and the application of the proceeds thereof) giving rise to the need to make such calculation, and any incurrence or repayment of other Indebtedness (and the application of the proceeds thereof), at any time on or after the first day of the Four Quarter Period and on or prior to the Transaction Date, as if such incurrence or repayment, as the case may be (and the application of the proceeds thereof), occurred on the first day of the Four Quarter Period, except that Indebtedness under revolving credit facilities shall be deemed to be the average daily balance of such Indebtedness during the Four Quarter Period (as reduced on such *pro forma* basis by the application of any proceeds of the incurrence of Indebtedness giving rise to the need to make such calculation);

(b) any Asset Disposition, Asset Acquisition (including, without limitation, any Asset Acquisition giving rise to the need to make such calculation as a result of the Company, the Issuer or any Restricted Subsidiary (including any Person that becomes a Restricted Subsidiary as a result of any such Asset Acquisition) incurring Acquired Indebtedness at any time on or after the first day of the Four Quarter Period and on or prior to the Transaction Date), Investment, merger or consolidation as if such Asset Disposition, Asset Acquisition (including the incurrence or repayment of any such Indebtedness), Investment, merger or consolidation and the inclusion, notwithstanding clause (b) of the definition of "Consolidated Net Income," of any Consolidated Cash Flow Available for Fixed Charges associated with such Asset Acquisition or other transaction occurred on the first day of the Four Quarter Period; *provided, however*, that the Consolidated Cash Flow Available for Fixed Charges associated with any Asset Acquisition or other transaction shall not be included to the extent the net income so associated would be excluded pursuant to the definition of "Consolidated Net Income," other than clause (b) thereof, as if it applied to the Person or assets involved before they were acquired; and

(c) the Consolidated Cash Flow Available for Fixed Charges and the Consolidated Interest Incurred attributable to discontinued operations, as determined in accordance with GAAP, shall be excluded.

Furthermore, in calculating "Consolidated Cash Flow Available for Fixed Charges" for purposes of determining the denominator (but not the numerator) of this "Consolidated Fixed Charge Coverage Ratio,"

(a) interest on Indebtedness in respect of which a *pro forma* calculation is required that is determined on a fluctuating basis as of the Transaction Date (including Indebtedness actually incurred on the Transaction Date) and which will continue to be so determined thereafter shall be deemed to have accrued at a fixed rate per annum equal to the rate of interest on such Indebtedness in effect on the Transaction Date, and

(b) notwithstanding the immediately preceding clause (a), interest on such Indebtedness determined on a fluctuating basis, to the extent such interest is covered by agreements relating to Interest Protection Agreements, shall be deemed to accrue at the rate per annum resulting after giving effect to the operation of such agreements.

"**Consolidated Interest Expense**" of the Company for any period means the Interest Expense of the Company, the Issuer and the Restricted Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP.

"**Consolidated Interest Incurred**" for any period means the Interest Incurred of the Company, the Issuer and the Restricted Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP.

"**Consolidated Net Income**" for any period means the aggregate net income (or loss) of the Company and its Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP; *provided*, that there will be excluded from such net income (loss) (to the extent otherwise included therein), without duplication:

(a) the net income (or loss) of (x) any Unrestricted Subsidiary (other than a Mortgage Subsidiary) or (y) any Person (other than a Restricted Subsidiary or a Mortgage Subsidiary) that is accounted for by the equity method of accounting, except, in each case, to the extent that any such income has actually been received by the Company, the Issuer or any Restricted Subsidiary in the form of cash dividends or similar cash distributions during such period,

(b) except to the extent includable in Consolidated Net Income pursuant to clause (a) of this definition, the net income (or loss) of any Person that accrued prior to the date that (i) such Person becomes a Restricted Subsidiary or is merged with or into or consolidated with the Company, the Issuer or any of its Restricted Subsidiaries (except, in the case of an Unrestricted Subsidiary that is redesignated a Restricted Subsidiary during such period, to the extent of its retained earnings from the beginning of such period to the date of such redesignation) or (ii) the assets of such Person are acquired by the Company or any Restricted Subsidiary,

(c) solely for the purpose of determining the amount available for Restricted Payments under clause (iii) of Section 4.7(a), the net income of any Restricted Subsidiary that is not a Guarantor to the extent that (but only so long as) the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of that income is not permitted by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary during such period, except, the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash that could have been distributed by such Restricted Subsidiary during such period to the Company or another Restricted Subsidiary as a dividend,

(d) the gains or losses, together with any related provision for taxes, realized during such period by the Company, the Issuer or any Restricted Subsidiary resulting from (i) the acquisition of securities, or extinguishment of Indebtedness or Hedging Obligations or other derivative instruments (including deferred financing costs written off and premiums paid), of the Company or any Restricted Subsidiary, (ii) any Asset Disposition by the Company or any Restricted Subsidiary, (iii) any non-cash income (or loss) related to currency gains or losses related to Indebtedness, intercompany balances and other balance sheet items and to Hedging Obligations pursuant to Financial Accounting Standards Codification No. 815—Derivatives and Hedging (formerly Financing Accounting Standards Board Statement No. 133) and its related pronouncements and interpretations (or any successor provision) and (iv) any non-cash expense, income or loss attributable to the movement in mark-to-market valuation of foreign currencies, Indebtedness or derivative instruments pursuant to GAAP,

(e) any extraordinary, unusual or non-recurring gain or loss (but excluding any impairment charges), in each case, less all fees and expenses relating thereto and any expenses, severance, relocation costs, curtailments or modifications to pension and post-retirement employee benefits plans, integration and other restructuring and business optimization costs, charges, reserves or expenses (including relating to acquisitions after the 7.000% Notes Issue Date), and one-time compensation charges together with any related provision for taxes, realized by the Company, the Issuer or any Restricted Subsidiary,

(f) the cumulative effect of a change in accounting principles and changes as a result of adoption or modification of accounting policies during such period,

(g) any net after-tax gains or losses on disposal of disposed, abandoned, transferred, closed or discontinued operations,

(h) any after-tax effect of gains or losses (less all fees and expenses relating thereto) attributable to asset dispositions or abandonments other than in the ordinary course of business, as determined in good faith by the Company,

(i) (i) any non-cash compensation expense recorded from grants of stock appreciation or similar rights, phantom equity, stock options, restricted stock, units or other rights to officers, directors, managers or employees and (ii) non-cash income (loss) attributable to deferred compensation plans or trusts,

(j) any fees and expenses incurred during such period, or any amortization thereof for such period, in connection with any acquisition, Investment, recapitalization, Asset Disposition, issuance or repayment of Indebtedness, issuance of Capital Stock, refinancing transaction or amendment or modification of any debt instrument (in each case, including any such transaction consummated prior to the 7.000% Notes Issue Date and any such transaction undertaken but not completed) and any charges or non-recurring merger costs incurred during such period as a result of any such transaction, and

(k) to the extent covered by insurance or indemnification and actually reimbursed, or, so long as the Issuer has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer or indemnifying party and only to the extent that such amount is (i) not denied by the applicable carrier or indemnifying party in writing within 180 days and (ii) in fact reimbursed within 365 days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed within 365 days), losses and expenses with respect to liability or casualty events or business interruption shall be excluded;

provided, further, that for purposes of calculating Consolidated Net Income solely as it relates to clause (iii) of Section 4.7(a), clauses (d)(ii) and (h) above shall not be applicable.

"**Consolidated Tangible Assets**" of the Company as of any date means the total amount of assets of the Company and its Restricted Subsidiaries (less applicable reserves and including any deferred tax assets (for which a valuation allowance has been recorded with respect thereto as if no such valuation allowance was required in making such calculation)) on a consolidated basis at the end of the fiscal quarter for which financial results have been reported immediately preceding such date, as determined in accordance with GAAP, less: (a) Intangible Assets and (b) appropriate adjustments on account of minority interests of other Persons holding equity investments in Restricted Subsidiaries, in the case of each of clauses (a) and (b) above, as reflected on the consolidated balance sheet of the Company and its Restricted Subsidiaries as of the end of the fiscal quarter immediately preceding such date, with such *pro forma* adjustments to Consolidated Tangible Assets as are appropriate and consistent with the *pro forma* adjustment provisions set forth in the definition of "Consolidated Fixed Charge Coverage Ratio."

"**Consolidated Tangible Net Worth**" of the Company as of any date means the stockholders' equity (including any Preferred Stock that is classified as equity under GAAP, other than Disqualified Stock) of the Company and its Restricted Subsidiaries on a consolidated basis at the end of the fiscal quarter for which financial results have been reported immediately preceding such date, as determined in accordance with GAAP (*provided* that any deferred tax assets for which a valuation allowance has been recorded with respect thereto shall be included as if no such valuation allowance was required in making such calculation), less the amount of Intangible Assets reflected on the consolidated balance sheet of the Company and its Restricted Subsidiaries as of the end of the fiscal quarter for which financial results have been reported immediately preceding such date.

"**Continuing Director**" means a director who either was a member of the Board of Directors of the Company on the Effective Date or who became a director of the Company subsequent to such date and whose election or nomination for election by the Company's stockholders was duly approved by a majority of the Continuing Directors on the Board of Directors of the Company at the time of such approval, either by a specific vote or by approval of the proxy statement issued by the Company on behalf of the entire Board of Directors of the Company in which such individual is named as nominee for director.

"**control**" when used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "**controlling**" and "**controlled**" have meanings correlative to the foregoing.

"**Corporate Trust Office**" means the office of the Trustee at which the corporate trust business of the Trustee is principally administered, which at the date of this Indenture is located at Rodney Square North, 1100 North Market Street, Wilmington, DE 19890-1600.

"**Covenant Defeasance**" has the meaning ascribed to it in Section 8.2 hereof.

"**Credit Facilities**" means, with respect to the Company, the Issuer or any of its Restricted Subsidiaries, one or more debt facilities or other financing arrangements (including, without limitation, commercial paper facilities or indentures) providing for revolving credit loans, term loans, letters of credit or other long-term indebtedness, including any notes, mortgages, guarantees, collateral documents, instruments and agreements executed in connection therewith, and any amendments, supplements, modifications, extensions, renewals, restatements or refundings thereof and any indentures or credit facilities or commercial paper facilities that exchange, replace, refund, refinance, extend, renew, restate, amend, supplement or modify any part of the loans, notes, other credit facilities or commitments thereunder, including any such exchanged, replacement, refunding, refinancing, extended, renewed, restated, amended, supplemented or modified facility or indenture that increases the amount permitted to be borrowed thereunder or alters the maturity thereof (*provided* that such increase in borrowings is permitted under Section 4.6(a) hereof) or adds the Company, the Issuer or Restricted Subsidiaries as additional borrowers or guarantors thereunder and whether by the same or any other agent, lender or group of lenders.

"**Currency Agreement**" of any Person means any foreign exchange contract, currency swap agreement or other similar agreement or arrangement designed to protect such Person or any of its Subsidiaries against fluctuations in currency values. For the avoidance of doubt, any Permitted Convertible Indebtedness Call Transaction will not constitute a Currency Agreement.

"**Custodian**" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

"**Default**" means any event, act or condition that is, or after notice or the passage of time or both would be, an Event of Default.

"**Depositary**" means the depositary of each Global Note, which will initially be DTC.

"**Designation Amount**" has the meaning ascribed to it in the definition of "Unrestricted Subsidiary."

"**Disqualified Stock**" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, (a) matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, in whole or in part, on or prior to the final maturity date of the Notes or (b) is convertible into or exchangeable or exercisable for (whether at the option of the issuer or the holder thereof) (i) debt securities or (ii) any Capital Stock referred to in (a) above, in each case, at any time prior to the final maturity date of the Notes; *provided*, *however*, that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof (or the holders of any security into or for which such Capital Stock is convertible, exchangeable or exercisable) the right to require the Company to repurchase or redeem such Capital Stock upon the occurrence of a change in control or asset disposition occurring prior to the final maturity date of the Notes shall not constitute Disqualified Stock if the change in control or asset disposition provision applicable to such Capital Stock are no more favorable to such holders than the provisions of Section 4.10 or Section 4.12 hereof (as applicable) and such Capital Stock specifically provides that the Company will not repurchase or redeem any such Capital Stock pursuant to such provisions prior to the Company's repurchase of the Notes as are required pursuant to the provisions of Section 4.10 or Section 4.12 hereof (as applicable).

"**DTC**" means The Depository Trust Company, a New York corporation.

"**DTC Legend**" means the legend set forth in Exhibit D.

"**Equity Offering**" means any public or private sale, after the Issue Date, of Qualified Stock of the Company, other than (i) public offerings registered on Form S-4 or S-8 or any successor form thereto or (ii) any issuance pursuant to employee benefit plans or otherwise in compensation to officers, directors or employees.

"**Euroclear**" means Euroclear Bank S.A./N.V. and its successors or assigns, as operator of the Euroclear System.

"**Event of Default**" has the meaning ascribed to it in Section 5.1 hereof.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

"**Excluded Property**" means (a) any pledges of stock of the Issuer, any Guarantor or of K. Hovnanian JV Holdings, L.L.C. to the extent that Rule 3-16 of Regulation S-X under the Securities Act requires or would require (or is replaced with another rule or regulation, or any other law, rule or regulation is adopted, that would require) the filing with the Commission of separate financial statements of the Issuer, such Guarantor or of K. Hovnanian JV Holdings, L.L.C. that are not otherwise required to be filed, but only to the extent necessary to not be subject to such requirement, (b) up to $50.0 million of assets received in connection with Asset Dispositions and asset swaps or exchanges as permitted by clause (c) of the definition of "Permitted Investment," (c) personal property where the cost of obtaining a security interest or perfection thereof exceeds its benefits (as reasonably determined by the Company's Board of Directors in a board resolution delivered to the Collateral Agent), (d) property subject to a Lien securing Indebtedness incurred for the purpose of financing the acquisition thereof (plus any construction or improvements thereon and any licenses, permits, authorizations, consent forms or contracts related to the acquisition, development, use or improvement thereof) to the extent the terms of such Indebtedness prohibit the incurrence of any other Liens thereon, (e) real property located outside the United States, (f) Unentitled Land, (g) property that is leased or held for the purpose of leasing to unaffiliated third parties, (h) equity interests in Unrestricted Subsidiaries, except for K. Hovnanian JV Holdings, L.L.C., and subject to future grants under the terms of this Indenture, (i) any property in a community under development with a dollar amount of investment as of the most recent month-end (as determined in accordance with GAAP) of less than $2.0 million or with less than 10 lots remaining, (j) any assets or property excluded from the Collateral pursuant to clause (ii) of the proviso of Article 2 of the Security Agreement and (k) up to $25.0 million of cash or cash equivalents that are pledged to secure obligations permitted to be secured pursuant to clause (d) of the definition of "Permitted Liens" if, after the use of commercially reasonable efforts by the Company to obtain a Lien on such cash or cash equivalents for the benefit of the Holders of the Notes, the holders of the obligations secured by such cash and cash equivalents do not consent to the granting of such Liens.

"**Excluded Subsidiary**" means (i) each non-wholly owned Subsidiary and (ii) each Subsidiary of the Company (other than the Issuer) that has a book value of less than $5.0 million, measured at the end of the most recently completed fiscal year for which financial statements have been provided as set forth under Section 4.15 (or if acquired or created subsequent to such delivery, measured at the most recent practicable date (or estimated in the reasonable judgment of the Company)); *provided* that in each case, such Subsidiary has not guaranteed any other Applicable Debt of the Company or the Issuer; *provided*, *further*, that in no event shall Excluded Subsidiaries comprise in the aggregate more than 5% of the Consolidated Tangible Assets, measured at the end of the most recently completed fiscal quarter or year, as applicable, for which financial statements have been provided as set forth under Section 4.15.

"**Existing Second Lien Collateral Agent**" means the Existing Second Lien Trustee acting as the collateral agent for the holders of the Existing Second Lien Notes under the security documents related thereto and any successor acting in such capacity.

"**Existing Second Lien Guarantees**" means the guarantee of the Existing Second Lien Notes by each guarantor under the Existing Second Lien Indenture.

"**Existing Second Lien Indenture**" means the indenture, dated as of October 2, 2012, by and among the Issuer, the Company, each of the guarantors party thereto, the Existing Second Lien Trustee and the Existing Second Lien Collateral Agent, as amended or supplemented as of the date hereof and as further amended or supplemented from time to time hereafter, under which the Existing Second Lien Notes were issued.

"**Existing Second Lien Notes**" means the Issuer's 9.125% Senior Secured Second Lien Notes due 2020 issued under the Existing Second Lien Indenture.

"**Existing Second Lien Trustee**" means Wilmington Trust, National Association acting as the trustee for the holders of the Existing Second Lien Notes under the Existing Second Lien Indenture and any successor acting in such capacity.

"**Existing Senior Secured New Group Notes**" means the Issuer's 2.00% Senior Secured Notes due 2021 and 5.00% Senior Secured Notes due 2021 issued under the Existing Senior Secured New Group Notes Indenture.

"**Existing Senior Secured New Group Notes Collateral Agent**" means the Existing Senior Secured New Group Notes Trustee acting as the collateral agent for the holders of the Existing Senior Secured New Group Notes under the Existing Senior Secured New Group Notes Indenture and the security documents related thereto and any successor acting in such capacity.

"**Existing Senior Secured New Group Notes Indenture**" means the indenture dated as of November 1, 2011 among the Issuer, the Company, the other guarantors party thereto and the Existing Senior Secured New Group Notes Trustee and the Existing Senior Secured New Group Notes Collateral Agent, as amended and supplemented as of the date hereof and as further amended or supplemented from time to time hereafter, relating to the Existing Senior Secured New Group Notes.

"**Existing Senior Secured New Group Notes Trustee**" means Wilmington Trust, National Association acting as the trustee for the holders of the Existing Senior Secured New Group Notes under the Existing Senior Secured New Group Notes Indenture and any successor acting in such capacity.

"**Existing Senior Secured Old Group Notes**" means the First Lien Notes and the Existing Second Lien Notes.

"**Existing Unsecured Notes**" means the 7.000% Notes and the 8.000% Notes.

"**expiration date**" has the meaning ascribed to it in Section 3.5(b) hereof.

"**Fair Market Value**" means, with respect to any asset, the price (after taking into account any liabilities relating to such assets) that would be negotiated in an arm's-length transaction for cash between a willing seller and a willing and able buyer, neither of which is under any compulsion to complete the transaction, as such price is determined in good faith by the Board of Directors of the Company or a duly authorized committee thereof, as evidenced by a resolution of such Board or committee.

"**First-Priority Lien Obligations**" means (1) the First Lien Notes and the First Lien Notes Guarantees thereof and (2) all other Indebtedness secured by Liens on the Collateral that are senior or equal in priority to the Liens on the Collateral securing the First Lien Notes, including the Senior Secured Super Priority Term Loan and, in each case, all Obligations in respect thereof.

"**First Lien Exchange Notes**" means the 9.50% Senior Secured First Lien Notes due 2020 of the Issuer issued under the First Lien Exchange Notes Indenture.

"**First Lien Exchange Notes Guarantees**" means the guarantee of the First Lien Exchange Notes by each guarantor under the First Lien Exchange Notes Indenture.

"**First Lien Exchange Notes Indenture**" means the indenture, dated as of September 8, 2016, by and among the Issuer, the Company, each of the guarantors party thereto, the First Lien Exchange Notes Trustee and the collateral agent named therein under which the First Lien Exchange Notes were issued.

"**First Lien Exchange Notes Trustee**" means Wilmington Trust, National Association acting as the trustee for the holders of the First Lien Exchange Notes under the First Lien Exchange Notes Indenture and any successor acting in such capacity.

"**First Lien Notes**" means the Issuer's 7.25% Senior Secured First Lien Notes due 2020 issued under the First Lien Notes Indenture.

"**First Lien Notes Collateral Agent**" means the First Lien Notes Trustee acting as the collateral agent for the holders of the First Lien Notes under the security documents related thereto and any successor acting in such capacity.

"**First Lien Notes Guarantees**" means the guarantee of the First Lien Notes by each guarantor under the First Lien Notes Indenture.

"**First Lien Notes Guarantors**" means (a) initially, the Company and each of the other guarantors signatory to the First Lien Notes Indenture and the Senior Secured Super Priority Term Loan and (b) each of the Company's subsidiaries that becomes a guarantor of the First Lien Notes and the Senior Secured Super Priority Term Loan pursuant to the provisions of the First Lien Notes Indenture and the Senior Secured Super Priority Term Loan, and their successors, in each case until released from its respective guarantee pursuant to the First Lien Notes Indenture and the Senior Secured Super Priority Term Loan.

"**First Lien Notes Indenture**" means the indenture, dated as of October 2, 2012, by and among the Issuer, the Company, each of the other First Lien Notes Guarantors, the First Lien Notes Trustee and the First Lien Notes Collateral Agent, as amended or supplemented as of the date hereof and as further amended or supplemented from time to time hereafter, under which the First Lien Notes were issued.

"**First Lien Notes Trustee**" means Wilmington Trust, National Association acting as the trustee for the holders of the First Lien Notes under the First Lien Notes Indenture and any successor acting in such capacity.

"**GAAP**" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession of the United States, as in effect on February 1, 2014.

"**Global Note**" means a Note in registered, global form without interest coupons.

"**Guarantee**" means the guarantee of the Notes by each Guarantor under this Indenture.

"**guarantee**" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person: (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (b) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof, in whole or in part; *provided*, that the term "**guarantee**" does not include endorsements for collection or deposit in the ordinary course of business. The term "**guarantee**" used as a verb has a corresponding meaning.

"**Guarantors**" means (a) initially, the Company and each of the other Guarantors signatory hereto as set forth on Schedule A hereto, and (b) each of the Company's Subsidiaries that becomes a Guarantor of the Notes pursuant to the provisions of this Indenture, and their successors, in each case until released from its respective Guarantee pursuant to this Indenture.

"**Hedging Obligations**" means, with respect to any Person, the obligations of such Person under any Interest Protection Agreement, commodity swap agreement, commodity cap agreement, commodity collar agreement, Currency Agreement or similar agreement providing for the transfer or mitigation of interest rate, commodity price or currency risks either generally or under specific contingencies.

"**Holder**", "**Holders**", "**Holder of Notes**" or "**Holders of Notes**" means the Person or each Person in whose name a Note is registered in the books of the Registrar for the Notes.

"**incurrence**" has the meaning ascribed to it in Section 4.6(a) hereof.

"**Indebtedness**" of any Person means, without duplication,

(a) any liability of such Person (i) for borrowed money or under any reimbursement obligation relating to a letter of credit or other similar instruments (other than standby letters of credit or similar instruments issued for the benefit of, or surety, performance, completion or payment bonds, earnest money notes or similar purpose undertakings or indemnifications issued by, such Person in the ordinary course of business), (ii) evidenced by a bond, note, debenture or similar instrument (including a purchase money obligation) given in connection with the acquisition of any businesses, properties or assets of any kind or with services incurred in connection with capital expenditures (other than any obligation to pay a contingent purchase price which, as of the date of incurrence thereof, is not required to be recorded as a liability in accordance with GAAP), or (iii) in respect of Capitalized Lease Obligations (to the extent of the Attributable Debt in respect thereof),

(b) any Indebtedness of others that such Person has guaranteed to the extent of the guarantee; *provided*, *however*, that Indebtedness of the Company and its Restricted Subsidiaries will not include the obligations of the Company or a Restricted Subsidiary under warehouse lines of credit of Mortgage Subsidiaries to repurchase mortgages at prices no greater than 98% of the principal amount thereof, and upon any such purchase the excess, if any, of the purchase price thereof over the Fair Market Value of the mortgages acquired, will constitute Restricted Payments subject to Section 4.7 hereof,

(c) to the extent not otherwise included, the obligations of such Person under Hedging Obligations to the extent recorded as liabilities not constituting Interest Incurred, net of amounts recorded as assets in respect of such obligations, in accordance with GAAP, and

(d) all Indebtedness of others secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person;

provided, that Indebtedness shall not include accounts payable, liabilities to trade creditors of such Person or other accrued expenses arising in the ordinary course of business or completion guarantees entered into in the ordinary course of business. The amount of Indebtedness of any Person at any date shall be (i) the outstanding balance at such date of all unconditional obligations as described above, net of any unamortized discount to be accounted for as Interest Expense, in accordance with GAAP, (ii) the maximum liability of such Person for any contingent obligations under clause (a) of this definition at such date, net of an unamortized discount to be accounted for as Interest Expense in accordance with GAAP, (iii) in the case of clause (c) above, the net termination amount payable in respect thereof, and (iv) in the case of clause (d) above, the lesser of (x) the fair market value of any asset subject to a Lien securing the Indebtedness of others on the date that the Lien attaches and (y) the amount of the Indebtedness secured.

For the avoidance of doubt, obligations of any Person under a Permitted Bond Hedge Transaction or a Permitted Warrant Transaction shall be deemed not to constitute Indebtedness.

"**Indenture**" means this indenture, as amended or supplemented from time to time.

"**Initial Notes**" means the Notes of the Issuer issued under this Indenture on the Issue Date and any Notes issued in replacement therefor.

"**Institutional Accredited Investor Certificate**" means a certificate substantially in the form of Exhibit G hereto.

"**Intangible Assets**" of the Company means all unamortized debt discount and expense, unamortized deferred charges, goodwill, patents, trademarks, service marks, trade names, copyrights and all other items (other than any deferred tax assets) which would be treated as intangibles on the consolidated balance sheet of the Company and its Restricted Subsidiaries prepared in accordance with GAAP.

"**Intercreditor Agreement**" means the Amended and Restated Intercreditor Agreement dated as of September 8, 2016 among the Company, the Guarantors, Wilmington Trust, National Association, in its capacities as Senior Notes Trustee and Senior Notes Collateral Agent (as defined therein), the Mortgage Tax Collateral Agent, the Existing Second Lien Trustee, the Existing Second Lien Collateral Agent, the Trustee and the Collateral Agent, the Joint Second Lien Collateral Agent, the Senior Secured Super Priority Term Loan Administrative Agent and the Senior Secured Super Priority Term Loan Collateral Agent, as such agreement may be amended, restated, supplemented or otherwise modified from time to time.

"**Interest Expense**" of any Person for any period means, without duplication, the aggregate amount of (a) interest which, in conformity with GAAP, would be set opposite the caption "interest expense" or any like caption on an income statement for such Person (including, without limitation, imputed interest included in Capitalized Lease Obligations, all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing, the net costs (but reduced by net gains) associated with Currency Agreements and Interest Protection Agreements, amortization of other financing fees and expenses, the interest portion of any deferred payment obligation, amortization of discount or premium, if any, and all other noncash interest expense (other than interest and other charges amortized to cost of sales)), and (b) all interest actually paid by the Company or a Restricted Subsidiary under any guarantee of Indebtedness (including, without limitation, a guarantee of principal, interest or any combination thereof) of any Person other than the Company, the Issuer or any Restricted Subsidiary during such period; *provided*, that Interest Expense shall exclude any expense associated with the complete write-off of financing fees and expenses in connection with the repayment of any Indebtedness.

"**Interest Incurred**" of any Person for any period means, without duplication, the aggregate amount of (a) Interest Expense and (b) all capitalized interest and amortized debt issuance costs.

"**Interest Payment Date**" means each August 15 and February 15 of each year, commencing February 15, 2017.

"**Interest Protection Agreement**" of any Person means any interest rate swap agreement, interest rate collar agreement, option or futures contract or other similar agreement or arrangement designed to protect such Person or any of its Subsidiaries against fluctuations in interest rates with respect to Indebtedness permitted to be incurred under this Indenture. For the avoidance of doubt, any Permitted Convertible Indebtedness Call Transaction will not constitute an Interest Protection Agreement.

"**Investment Grade**" means, with respect to a debt rating of the Notes, a rating of Baa3 (or the equivalent) or higher by Moody's together with a rating of BBB- (or the equivalent) or higher by S&P or, in the event S&P or Moody's or both shall cease rating the Notes (for reasons outside the control of the Company or the Issuer) and the Company shall select any other Rating Agency, the equivalent of such ratings by such other Rating Agency.

"**Investments**" of any Person means (a) all investments by such Person in any other Person in the form of loans, advances or capital contributions, (b) all guarantees of Indebtedness of any other Person by such Person, (c) all purchases (or other acquisitions for consideration) by such Person of Indebtedness, Capital Stock or other securities of any other Person and (d) all other items that would be classified as investments in any other Person (including, without limitation, purchases of assets outside the ordinary course of business) on a balance sheet of such Person prepared in accordance with GAAP.

"**Issue Date**" means September 8, 2016.

"**Issuer**" has the meaning ascribed to it in the preamble hereof and shall also refer to any successor obligor under this Indenture.

"**January 2017 Notes**" means the Issuer's 8.625% Senior Notes due 2017.

"**Joint Second Lien Collateral Agent**" means the Existing Second Lien Collateral Agent, in its capacity as joint collateral agent for the Existing Second Lien Notes and the Notes pursuant to the appointment under the Collateral Agency Agreement or any successor acting in such capacity.

"**Junior-Priority Lien Obligations**" means all Indebtedness secured by junior Liens on the Collateral as permitted by the definition of "Permitted Liens" and all Obligations in respect thereof.

"**Land Banking Transaction**" means an arrangement relating to Property now owned or hereafter acquired whereby the Company, the Issuer or a Restricted Subsidiary sells such Property to a Person (other than the Company, the Issuer or a Restricted Subsidiary) and the Company, the Issuer or a Restricted Subsidiary, as applicable, has an option to purchase such Property back on a specified schedule.

"**L/C Collateral**" means cash and cash equivalents that secure obligations permitted to be secured pursuant to clause (d) of the definition of "Permitted Liens".

"**Legal Defeasance**" has the meaning ascribed to it in Section 8.1 hereof.

"**Lien**" means, with respect to any Property, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such Property. For purposes of this definition, a Person shall be deemed to own, subject to a Lien, any Property which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such Property.

"**Make-Whole Amount**" has the meaning ascribed to it in Section 3.1 hereof.

"**Marketable Securities**" means (a) equity securities that are listed on the New York Stock Exchange, the NYSE MKT or The Nasdaq Stock Market and (b) debt securities that are rated by a nationally recognized rating agency, listed on the New York Stock Exchange, the NYSE MKT or covered by at least two reputable market makers.

"**Moody's**" means Moody's Investors Service, Inc. or any successor to its debt rating business.

"**Mortgage Subsidiary**" means any Subsidiary of the Company substantially all of whose operations consist of the mortgage lending business.

"**Mortgage Tax Collateral Agent**" means Wilmington Trust, National Association in its capacity as Mortgage Tax Collateral Agent with respect to Liens granted on real property located in certain states identified pursuant to the terms of the Intercreditor Agreement and any successor thereto.

"**Mortgage Tax Collateral Agency Agreement"** means the Amended and Restated Mortgage Tax Collateral Agency Agreement, dated as of September 8, 2016, among the Issuer, the Company, the Mortgage Tax Collateral Agent, the Senior Notes Collateral Agent (as defined therein), the Joint Second Lien Collateral Agent, the Existing Second Lien Collateral Agent, the Collateral Agent and the Senior Secured Super Priority Term Loan Collateral Agent.

"**Net Cash Proceeds**" means with respect to an Asset Disposition, payments received in cash (including any such payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise (including any cash received upon sale or disposition of such note or receivable), but only as and when received), excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to the Property disposed of in such Asset Disposition or received in any other non-cash form unless and until such non-cash consideration is converted into cash therefrom, in each case, net of all legal, title and recording tax expenses, commissions and other fees and expenses incurred, and all federal, state and local taxes required to be accrued as a liability under GAAP as a consequence of such Asset Disposition, and in each case net of a reasonable reserve for the after-tax cost of any indemnification or other payments (fixed and contingent) attributable to the seller's indemnities or other obligations to the purchaser undertaken by the Company, the Issuer or any of its Restricted Subsidiaries in connection with such Asset Disposition, and net of all payments made on any Indebtedness which is secured by or relates to such Property (other than Indebtedness secured by Liens on the Collateral) in accordance with the terms of any Lien or agreement upon or with respect to such Property or which such Indebtedness must by its terms or by applicable law be repaid out of the proceeds from such Asset Disposition, and net of all contractually required distributions and payments made to minority interest holders in Restricted Subsidiaries or joint ventures as a result of such Asset Disposition.

"**Non-Recourse Indebtedness**" with respect to any Person means Indebtedness of such Person for which (a) the sole legal recourse for collection of principal and interest on such Indebtedness is against the specific property, including for the avoidance of doubt, assets directly related thereto or derived therefrom, identified in the instruments evidencing or securing such Indebtedness or other property of such Person financed pursuant to the Credit Facility of such Person under which such Indebtedness was incurred (*provided* that the aggregate principal amount of the total Indebtedness shall not exceed the purchase price or cost (including financing costs) of the properties financed thereby), (b) such properties were acquired (directly or indirectly, including through the purchase of Capital Stock of the Person owning such property), constructed or improved with the proceeds of such Indebtedness or such Indebtedness was incurred within 365 days after the acquisition (directly or indirectly, including through the purchase of Capital Stock of the Person owning such property) or completion of such construction or improvement and (c) no other assets of such Person may be realized upon in collection of principal or interest on such Indebtedness. Indebtedness which is otherwise Non-Recourse Indebtedness will not lose its character as Non-Recourse Indebtedness because there is recourse to the borrower, any guarantor or any other Person for (i) environmental warranties, covenants and indemnities, (ii) indemnities for and liabilities arising from fraud, misrepresentation, misapplication or non-payment of rents, profits, deposits, insurance and condemnation proceeds and other sums actually received by the borrower from secured assets to be paid to the lender, waste and mechanics' liens, breach of separateness covenants, and other customary exceptions, (iii) in the case of the borrower thereof only, other obligations in respect of such Indebtedness that are payable solely as a result of a voluntary or collusive non-voluntary bankruptcy filing (or similar filing or action) by such borrower or (iv) similar customary "bad-boy" guarantees.

"**Non-U.S. Person**" means a Person that is not a "U.S. person," as such term is defined in Regulation S.

"**Notes**" has the meaning ascribed to it in the Recitals hereof.

"**Obligations**" means with respect to any Indebtedness, all obligations (whether in existence on the Effective Date or arising afterwards, absolute or contingent, direct or indirect) for or in respect of principal (when due, upon acceleration, upon redemption, upon mandatory repayment or repurchase pursuant to a mandatory offer to purchase, or otherwise), premium, interest, penalties, fees, indemnification, reimbursement and other amounts payable and liabilities with respect to such Indebtedness, including all interest accrued or accruing after the commencement of any bankruptcy, insolvency or reorganization or similar case or proceeding at the contract rate (including, without limitation, any contract rate applicable upon default) specified in the relevant documentation, whether or not the claim for such interest is allowed as a claim in such case or proceeding.

"**offer**" has the meaning ascribed to it in Section 3.5(a) hereof.

"**Offer to Purchase**" has the meaning ascribed to it in Section 3.5 hereof.

"**Officer**," when used with respect to the Issuer or the Company, means the chairman of the Board of Directors, the president or chief executive officer, any vice president, the chief financial officer, the treasurer, any assistant treasurer, the controller, any assistant controller, the secretary or any assistant secretary of the Issuer or the Company, as the case may be.

"**Officers' Certificate**," when used with respect to the Issuer or the Company, means a certificate signed by the chairman of the Board of Directors, the president or chief executive officer, or any vice president and by the chief financial officer, the treasurer, any assistant treasurer, the controller, any assistant controller, the secretary or any assistant secretary of the Issuer or the Company, as the case may be.

"**Opinion of Counsel**" means a written opinion signed by legal counsel of the Issuer or the Company, who may be an employee of, or counsel to, the Issuer or the Company, and who shall be reasonably satisfactory to the Trustee.

"**Paying Agent**" refers to a Person engaged to perform the obligations of the Trustee in respect of payments made or funds held hereunder in respect of the Notes.

"**Permanent Regulation S Global Note**" means a Regulation S Global Note that does not bear the Regulation S Temporary Global Note Legend.

"**Permitted Bond Hedge**" means any call or capped call option (or substantively equivalent derivative transaction) on the Company's Capital Stock purchased by the Company, the Issuer or any Restricted Subsidiary in connection with the issuance of any Permitted Convertible Indebtedness; *provided* that the purchase price for such Permitted Bond Hedge, less the proceeds received by the Company, the Issuer or the Restricted Subsidiaries from the sale of any related Permitted Warrant, does not exceed the net proceeds received by the Company, the Issuer or the Restricted Subsidiaries from the sale of such Permitted Convertible Indebtedness issued in connection with the Permitted Bond Hedge.

"**Permitted Convertible Indebtedness**" means Indebtedness of the Company, the Issuer or any Restricted Subsidiary permitted to be incurred under the terms of this Indenture that is either (a) convertible or exchangeable into Capital Stock of the Company (and cash in lieu of fractional shares) and/or cash (in an amount determined by reference to the price of such Capital Stock) or (b) sold as units with call options, warrants or rights to purchase (or substantially equivalent derivative transactions) that are exercisable for Capital Stock of the Company and/or cash (in an amount determined by reference to the price of such Capital Stock). For the avoidance of doubt, the Units and the senior unsecured exchange notes which are a component of such Units, shall be Permitted Convertible Indebtedness.

"**Permitted Convertible Indebtedness Call Transaction**" means any Permitted Bond Hedge and any Permitted Warrant.

"**Permitted Hovnanian Holders**" means, collectively, Ara K. Hovnanian, the members of his immediate family and the members of the immediate family of the late Kevork S. Hovnanian, the respective estates, spouses, heirs, ancestors, lineal descendants, legatees and legal representatives of any of the foregoing and the trustee of any *bona fide* trust of which one or more of the foregoing are the sole beneficiaries or the grantors thereof, or any entity of which any of the foregoing, individually or collectively, beneficially own more than 50% of the Common Equity. Any Person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control offer is made in accordance with the requirements of the Indenture (or would result in a Change of Control offer in the absence of the waiver of such requirement by Holder in accordance with the Indenture) will thereafter constitute Permitted Hovnanian Holders.

"**Permitted Indebtedness**" means:

(a) Indebtedness under (i) the Notes (and Guarantees thereof), other than Additional Notes, (ii) the Senior Secured Super Priority Term Loan (and the Senior Secured Super Priority Guarantees) and (iii) the First Lien Exchange Notes (and the First Lien Exchange Notes Guarantees), other than Additional Notes (as defined in the First Lien Exchange Notes Indenture);

(b) Indebtedness incurred under Credit Facilities in an aggregate principal amount outstanding at any one time (including for purposes of determining amounts outstanding under this clause (b), any Refinancing Indebtedness in respect thereof, which Refinancing Indebtedness shall be deemed to have been incurred under this clause (b)) not to exceed the greater of (i) $250.0 million and (ii) 10.0% of Consolidated Tangible Assets measured at the time of incurrence; *provided* that all Indebtedness of the Company or any Restricted Subsidiary incurred pursuant to this clause (b) (other than any Indebtedness outstanding on the Effective Date and incurred under this clause (b)) shall be scheduled to mature no earlier than January 15, 2021;

(c) Indebtedness under (i) the Existing Senior Secured Old Group Notes (and the guarantees thereof), other than Additional Notes (as defined in the First Lien Notes Indenture and the Existing Second Lien Indenture, as applicable), (ii) the Existing Senior Secured New Group Notes (and the guarantees thereof), other than Additional Notes (as defined in the Existing Senior Secured New Group Notes Indenture) and (iii) the Revolving Credit Facility, *provided* that the amount of Indebtedness under the Revolving Credit Facility permitted under this clause (c)(iii) shall not exceed $75.0 million principal amount;

(d) Indebtedness in respect of obligations of the Company and its Subsidiaries to the trustees under indentures for debt securities;

(e) intercompany debt obligations of (i) the Company to the Issuer, (ii) the Issuer to the Company, (iii) the Company or the Issuer to any Restricted Subsidiary and (iv) any Restricted Subsidiary to the Company or the Issuer or any other Restricted Subsidiary; *provided*, *however*, that any Indebtedness of any Restricted Subsidiary or the Issuer or the Company owed to any Restricted Subsidiary or the Issuer that ceases to be a Restricted Subsidiary shall be deemed to be incurred and shall be treated as an incurrence for purposes of Section 4.6 hereof at the time the Restricted Subsidiary in question ceases to be a Restricted Subsidiary;

(f) Indebtedness of the Company or the Issuer or any Restricted Subsidiary under Hedging Obligations, in the case of any Currency Agreements or Interest Protection Agreements in a notional amount no greater than the payments due (at the time the related Currency Agreement or Interest Protection Agreement is entered into) with respect to the Indebtedness or currency being hedged, to the extent entered into in the ordinary course of business and not for speculative purposes;

(g) Purchase Money Indebtedness and Capitalized Lease Obligations entered into in the ordinary course of business in an aggregate principal amount (including for purposes of determining amounts outstanding under this clause (g), any Refinancing Indebtedness in respect thereof, which Refinancing Indebtedness shall be deemed to have been incurred under this clause (g)) at any one time outstanding not to exceed $50.0 million;

(h) obligations for, pledge of assets in respect of, and guaranties of, bond financings of political subdivisions or enterprises thereof in the ordinary course of business;

(i) Indebtedness entered into in the ordinary course of business secured only by office buildings owned or occupied by the Company or any Restricted Subsidiary, which Indebtedness does not exceed $25.0 million aggregate principal amount outstanding at any one time;

(j) Indebtedness under warehouse lines of credit, repurchase agreements and Indebtedness secured only by mortgage loans and related assets of mortgage lending Subsidiaries in the ordinary course of a mortgage lending business;

(k) Indebtedness of the Company, the Issuer or any Restricted Subsidiary which (A) together with all other Indebtedness under this clause (k), does not exceed $475.0 million aggregate principal amount outstanding at any one time, including for purposes of determining amounts outstanding under this clause (k), any Refinancing Indebtedness in respect thereof, which Refinancing Indebtedness shall be deemed to have been incurred under this clause (k), and (B) is scheduled to mature no earlier than January 15, 2021 (except with respect to Indebtedness incurred pursuant to this clause (k) that (1) is outstanding on the Effective Date, (2) does not exceed $20.0 million in aggregate principal amount outstanding at any one time or (3) is Purchase Money Indebtedness not to exceed, together with any amounts outstanding under clause (2) above, $25.0 million in aggregate principal amount outstanding at any one time, which, in the case of clauses (1) through (3), may be scheduled to mature earlier than January 15, 2021);

(l) obligations in respect of self-insurance, performance, bid, appeal and surety bonds and completion guarantees and similar obligations provided by the Company or any Restricted Subsidiary or obligations in respect of letters of credit, bank guarantees or similar instruments related thereto, in each case, in the ordinary course of business;

(m) Indebtedness of (x) the Company, the Issuer or a Restricted Subsidiary incurred or issued to finance an acquisition (*provided* that all Indebtedness of the Company, the Issuer or a Restricted Subsidiary incurred pursuant to this clause (x) shall be scheduled to mature no earlier than January 15, 2021) or (y) Persons that are acquired by the Company, the Issuer or any Restricted Subsidiary or merged into or consolidated with the Company, the Issuer or a Restricted Subsidiary in accordance with the terms of the Indenture (including designating an Unrestricted Subsidiary a Restricted Subsidiary), to the extent that the Indebtedness of such Persons in the case of this clause (y), was not incurred or entered into in contemplation of such acquisition, merger or consolidation; *provided* that after giving effect to such acquisition, merger or consolidation, either: (i) the Company could incur at least $1.00 of Indebtedness pursuant to Section 4.6(a), or (ii) the Consolidated Fixed Charge Coverage Ratio would be equal to or greater than the Consolidated Fixed Charge Coverage Ratio immediately prior to such transaction or the ratio of Indebtedness of the Company and the Restricted Subsidiaries to Consolidated Tangible Net Worth of the Company would be equal to or less than the ratio immediately prior to such transaction;

(n) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business;

(o) Indebtedness of the Company or any Restricted Subsidiary supported by a letter of credit (which letter of credit is incurred pursuant to another clause hereof (other than clause (l) of this definition), in a principal amount not in excess of the stated amount of such letter of credit;

(p) Indebtedness of the Company or any Restricted Subsidiary consisting of (i) the financing of insurance premiums or (ii) take or pay obligations contained in supply arrangements, in each case incurred in the ordinary course of business;

(q) Indebtedness of the Company or any of its Restricted Subsidiaries in respect of Cash Management Services;

(r) obligations (other than Indebtedness for borrowed money) of the Company or any of its Restricted Subsidiaries under an agreement with any governmental authority, quasi-governmental entity, utility, adjoining (or common master plan) landowner or seller of real property, in each case entered into in the ordinary course of business in connection with the acquisition of real property, to entitle, develop or construct infrastructure thereupon;

(s) the incurrence by the Company or any Restricted Subsidiary of Indebtedness deemed to exist pursuant to the terms of a joint venture agreement as a result of a failure of the Company or such Restricted Subsidiary to make a required capital contribution therein; *provided* that the only recourse on such Indebtedness is limited to the Company's or such Restricted Subsidiary's equity interests in the related joint venture; and

(t) Indebtedness under the January 2017 Notes outstanding on the Effective Date.

"**Permitted Investment**" means

(a) Cash Equivalents;

(b) any Investment in the Company, the Issuer or any Restricted Subsidiary or any Person that becomes a Restricted Subsidiary as a result of such Investment or that is consolidated or merged with or into, or transfers all or substantially all of the assets of it or an operating unit or line of business to, the Company or a Restricted Subsidiary;

(c) any receivables, loans or other consideration taken by the Company, the Issuer or any Restricted Subsidiary in connection with any asset sale otherwise permitted by this Indenture; *provided* that non-cash consideration received in an Asset Disposition or an exchange or swap of assets shall be pledged as Collateral under the Security Documents to the extent the assets subject to such Asset Disposition or exchange or swap of assets constituted Collateral, with the Lien on such Collateral securing the Notes being of the same priority with respect to the Notes as the Lien on the assets disposed of; *provided, further,* that notwithstanding the foregoing clause, up to an aggregate of $50.0 million of (x) non-cash consideration and consideration received as referred to in Section 4.10(b)(ii), (y) assets invested in pursuant to Section 4.10(c) and (z) assets received pursuant to clause (d) under the definition of "Asset Disposition" may be designated by the Company or the Issuer as Excluded Property not required to be pledged as Collateral, to the extent the documentation, instruments or agreements governing such non-cash consideration or assets, as applicable, prohibit such a pledge as Collateral;

(d) Investments received in connection with any bankruptcy or reorganization proceeding, or as a result of foreclosure, perfection or enforcement of any Lien or any judgment or settlement of any Person in exchange for or satisfaction of Indebtedness or other obligations or other property received from such Person, or for other liabilities or obligations of such Person created, in accordance with the terms of this Indenture;

(e) Investments in Hedging Obligations described in the definition of "Permitted Indebtedness";

(f) any loan or advance to an executive officer, director or employee of the Company or any Restricted Subsidiary made in the ordinary course of business or in accordance with past practice; *provided*, *however*, that any such loan or advance exceeding $1.0 million shall have been approved by the Board of Directors of the Company or a committee thereof consisting of disinterested members;

(g) Investments in interests in issuances of collateralized mortgage obligations, mortgages, mortgage loan servicing, or other mortgage related assets;

(h) obligations of the Company or a Restricted Subsidiary under warehouse lines of credit of Mortgage Subsidiaries to repurchase mortgages;

(i) Investments in an aggregate amount at any time outstanding not to exceed $100.0 million (measured at the time made and without giving effect to subsequent changes in value); *provided, however,* that Investments in Unrestricted Subsidiaries shall not be permitted pursuant to this clause (i);

(j) Guarantees issued in accordance with Section 4.6 hereof;

(k) Investments existing on the Effective Date in K. Hovnanian JV Holdings, L.L.C. and its subsidiaries;

(l) Permitted Bond Hedges which constitute Investments;

(m) extensions of trade credit and credit in connection with the sale of land owned by the Company or a Restricted Subsidiary which is zoned by the applicable governmental authority having jurisdiction for construction and use as a detached or attached (including town homes or condominium) single-family house (but excluding mobile homes), or the sale of a detached or attached (including town homes or condominium) single-family house (but excluding mobile homes) owned by the Company or a Restricted Subsidiary which is completed or for which there has been a start of construction and which has been or is being constructed on any such land;

(n) obligations (but not payments thereon) with respect to homeowners association obligations, community facility district bonds, metro district bonds, mello-roos bonds and subdivision improvement bonds and similar bonding requirements arising in the ordinary course of business of a homebuilder;

(o) guarantee obligations, including completion guarantee or indemnification obligations (other than for the payment of borrowed money) entered into in the ordinary course of business and incurred for the benefit of any adjoining landowner, lender, seller of real property or municipal government authority (or enterprises thereof) in connection with the acquisition, construction, subdivision, entitlement and development of real property;

(p) Investments the payment for which consists of Qualified Stock of the Company; *provided* that such Qualified Stock will not increase the amount available for Restricted Payments under clause (iii) of Section 4.7(a);

(q) advances, loans or extensions of trade credit in the ordinary course of business by the Company or any of the Restricted Subsidiaries;

(r) intercompany current liabilities owed to Unrestricted Subsidiaries or joint ventures incurred in the ordinary course of business in connection with the cash management operations of the Company and its Subsidiaries; and

(s) insurance, lease, utility and workers' compensation, performance and other similar deposits made in the ordinary course of business.

"**Permitted Liens**" means

(a) Liens for taxes, assessments or governmental or quasi-governmental charges or claims that (i) are not yet delinquent for a period of more than 30 days, (ii) are being contested in good faith by appropriate proceedings and as to which appropriate reserves have been established or other provisions have been made in accordance with GAAP, if required, or (iii) encumber solely property abandoned or in the process of being abandoned;

(b) statutory Liens of landlords and carriers', warehousemen's, mechanics', suppliers', materialmen's, repairmen's or other Liens imposed by law and arising in the ordinary course of business and with respect to amounts that, to the extent applicable, either (i) are not yet delinquent for a period of more than 30 days or (ii) are being contested in good faith by appropriate proceedings and as to which appropriate reserves have been established or other provisions have been made in accordance with GAAP, if required;

(c) Liens (other than any Lien imposed by the Employer Retirement Income Security Act of 1974, as amended) incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security or similar legislation or other insurance related obligations (including, but not limited to, in respect of deductibles, self-insured retention amounts and premiums and adjustments thereto) or indemnification obligations of (including obligations in respect of letters of credit or bank guarantees for the benefit of) insurance carriers providing property, casualty or liability insurance, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Person is a party, or deposits to secure public or statutory obligations of such Person or deposits of cash or U.S. government bonds to secure surety, stay, customs or appeal bonds to which such Person is a party, or deposits as security for contested taxes or import duties or for the payment of rent, performance and return-of-money bonds and other similar obligations (including letters of credit issued in lieu of any such bonds or to support the issuance thereof and including those to secure health, safety and environmental obligations);

(d) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory obligations, surety and appeal bonds, development obligations, progress payments, government contracts, utility services, developer's or other obligations to make on-site or off-site improvements and other obligations of like nature (exclusive of obligations for the payment of borrowed money but including the items referred to in the parenthetical in clause (a)(i) of the definition of "Indebtedness"), in each case incurred in the ordinary course of business of the Company, the Issuer and the Restricted Subsidiaries;

(e) attachment or judgment Liens not giving rise to a Default or an Event of Default;

(f) easements, dedications, assessment district or similar Liens in connection with municipal or special district financing, rights-of-way, restrictions, reservations and other similar charges, burdens, and other similar charges or encumbrances not materially interfering with the ordinary course of business of the Company, the Issuer and the Restricted Subsidiaries;

(g) zoning restrictions, licenses, restrictions on the use of real property or minor irregularities in title thereto, which do not materially impair the use of such real property in the ordinary course of business of the Company, the Issuer and the Restricted Subsidiaries;

(h) Liens securing Indebtedness incurred pursuant to clauses (i) or (j) of the definition of "Permitted Indebtedness";

(i) Liens on the Collateral and other assets not constituting Collateral pursuant to clause (a) of the definition of "Excluded Property" securing Indebtedness of the Company, the Issuer or any Restricted Subsidiary permitted to be incurred under this Indenture; provided, that the aggregate amount of all consolidated Indebtedness of the Company, the Issuer and the Restricted Subsidiaries (including, with respect to Capitalized Lease Obligations, the Attributable Debt in respect thereof) secured by Liens under this clause (i) (together with the principal amounts then outstanding under the Notes and the Existing Senior Secured Old Group Notes and any refinancing, replacement or renewal thereof that constitutes Secured Indebtedness which is not permitted by and incurred under another clause of this definition of "Permitted Liens" (other than clauses (s) and (w)) shall not exceed the greater of (i) $800.0 million and (ii) 30% of Consolidated Tangible Assets at any one time outstanding (after giving effect to the incurrence of such Indebtedness and the use of the proceeds thereof) measured at the time of incurrence; *provided* that the Liens under this clause (i) securing (x) Indebtedness which is not Refinancing Indebtedness in respect of, or Indebtedness otherwise serving to renew, extend, refinance or replace, Secured Indebtedness outstanding on the Effective Date or the Notes outstanding on the Issue Date shall rank junior to the Liens securing the Notes and (y) any Refinancing Indebtedness in respect of, or Indebtedness otherwise serving to renew, extend, refinance or replace, Secured Indebtedness outstanding on the Effective Date or the Notes outstanding on the Issue Date shall have the same or junior priority as the initial Liens;

(j) Liens securing Non-Recourse Indebtedness of the Company, the Issuer or any Restricted Subsidiary; *provided*, that such Liens apply only to (i) the property financed, constructed or improved out of the net proceeds of such Non-Recourse Indebtedness within 365 days after the incurrence of such Non-Recourse Indebtedness, and, including for the avoidance of doubt, assets directly related thereto or derived therefrom or other property of the Company, the Issuer or any Restricted Subsidiary financed pursuant to the Credit Facility of such person under which the Non-Recourse Indebtedness was incurred, or (ii) licenses, permits, authorizations, consent forms or contracts related to the acquisition, development, use or improvement of such property;

(k) Liens securing Purchase Money Indebtedness; *provided*, that such Liens apply only to (i) the property financed, designed, installed, constructed or improved with the proceeds of such Purchase Money Indebtedness within 365 days after the incurrence of such Purchase Money Indebtedness, and, including for the avoidance of doubt, assets directly related thereto or derived therefrom or other property of the Company, the Issuer or any Restricted Subsidiary financed pursuant to the Credit Facility of such person under which the Purchase Money Indebtedness was incurred, or (ii) licenses, permits, authorizations, consent forms or contracts related to the acquisition, development, use or improvement of such property;

(l) Liens on property or assets of the Company, the Issuer or any Restricted Subsidiary securing Indebtedness of the Company, the Issuer or any Restricted Subsidiary owing to the Company, the Issuer or one or more Restricted Subsidiaries;

(m) leases, subleases, licenses or sublicenses (including of intellectual property) granted to others not materially interfering with the ordinary course of business of the Company and the Restricted Subsidiaries;

(n) purchase money security interests (including, without limitation, Capitalized Lease Obligations); *provided*, that such Liens apply only to the Property acquired and the related Indebtedness is incurred within 365 days after the acquisition of such Property;

(o) any right of first refusal, right of first offer, option, contract or other agreement to sell an asset; *provided* that such sale is not otherwise prohibited under this Indenture;

(p) any right of a lender or lenders to which the Company, the Issuer or a Restricted Subsidiary may be indebted to offset against, or appropriate and apply to the payment of such, Indebtedness and any and all balances, credits, deposits, accounts or money of the Company, the Issuer, or a Restricted Subsidiary with or held by such lender or lenders or its Affiliates;

(q) any pledge or deposit of cash or property in conjunction with obtaining surety, performance, completion or payment bonds and letters of credit or other similar instruments or providing earnest money obligations, escrows or similar purpose undertakings or indemnifications in the ordinary course of business of the Company, the Issuer and the Restricted Subsidiaries;

(r) Liens for homeowner, condominium, property owner association developments and similar fees, assessments and other payments;

(s) Liens securing Refinancing Indebtedness (except Liens securing Refinancing Indebtedness in respect of Indebtedness secured pursuant to clauses (i), (qq) and (rr) under this definition); *provided*, that such Liens extend only to the assets securing the Indebtedness being refinanced and have the same or junior priority as the initial Liens;

(t) Liens incurred in the ordinary course of business as security for the obligations of the Company, the Issuer and the Restricted Subsidiaries with respect to indemnification in respect of title insurance providers;

(u) Liens on property of a Person existing at the time such Person is merged with or into or consolidated with the Company or any Subsidiary of the Company or becomes a Subsidiary of the Company; *provided*, that such Liens were in existence prior to the contemplation of such merger or consolidation or acquisition and do not extend to any assets other than those of the Person merged into or consolidated with the Company or the Subsidiary or acquired by the Company or its Subsidiaries;

(v) Liens on property existing at the time of acquisition thereof by the Company or any Subsidiary of the Company, *provided*, that such Liens were in existence prior to the contemplation of such acquisition;

(w) Liens existing on the issue date of the Existing Second Lien Notes (other than Liens securing Applicable Debt) and any extensions, renewals, refinancings or replacements thereof;

(x) Liens on specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(y) pledges, deposits and other Liens existing under, or required to be made in connection with, (i) earnest money obligations, escrows or similar purpose undertakings or indemnifications in connection with any purchase and sale agreement, (ii) development agreements or other contracts entered into with governmental authorities (or an entity sponsored by a governmental authority) in connection with the entitlement of real property or (iii) agreements for the funding of infrastructure, including in respect of the issuance of community facility district bonds, metro district bonds, subdivision improvement bonds and similar bonding requirements arising in the ordinary course of business of a homebuilder;

(z) Liens securing obligations of the Company or any Restricted Subsidiary to any third party in connection with any option, repurchase right or right of first refusal to purchase real property granted to the master developer or the seller of real property that arises as a result of the non-use or non-development of such real property by the Company or any Restricted Subsidiary and joint development agreements with third parties to perform and/or pay for or reimburse the costs of construction and/or development related to or benefiting property (and additions, accessions, improvements and replacements and customary deposits in connection therewith and proceeds and products therefrom) of the Company or any Restricted Subsidiary and property belonging to such third parties, in each case entered into in the ordinary course of business; *provided* that such Liens do not at any time encumber any property, other than the property (and additions, accessions, improvements and replacements and customary deposits in connection therewith and proceeds and products therefrom) financed by such Indebtedness and the proceeds and products thereof;

(aa) Liens securing Hedging Obligations and Cash Management Services permitted to be incurred under this Indenture, so long as the related Indebtedness is, and is permitted under this Indenture to be, secured by a Lien on the same property securing such Hedging Obligations or Cash Management Services;

(bb) Liens arising from Uniform Commercial Code (or equivalent statute) financing statement filings regarding operating leases or consignments entered into by the Company or any Restricted Subsidiary in the ordinary course of business;

(cc) Liens in favor of the Issuer or any Guarantor;

(dd) deposits made or other security provided to secure liabilities to insurance carriers under insurance or self-insurance arrangements in the ordinary course of business;

(ee) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods in the ordinary course of business;

(ff) Liens (i) of a collection bank arising under Section 4-210 of the Uniform Commercial Code or any comparable or successor provision on items in the course of collection, and (ii) in favor of banking or other financial institutions or electronic payment service providers arising as a matter of law encumbering deposits (including the right of set-off) and which are within the general parameters customary in the banking or finance industry;

(gg) the rights reserved or vested in any Person by the terms of any lease, license, grant or permit held by the Company or any of its Restricted Subsidiaries or by a statutory provision, to terminate any such lease, license, grant or permit, or to require annual or periodic payments as a condition to the continuance thereof;

(hh) restrictive covenants affecting the use to which real property may be put; *provided* that the covenants are complied with;

(ii) security given to a public utility or any municipality or governmental authority when required by such utility or authority in connection with the operations of that Person in the ordinary course of business;

(jj) zoning by-laws and other land use restrictions, including, without limitation, site plan agreements, development agreements and contract zoning agreements;

(kk) Liens arising out of conditional sale, title retention, consignment or similar arrangements for sale of goods entered into by the Company or any Restricted Subsidiary in the ordinary course of business;

(ll) [Reserved];

(mm) [Reserved];

(nn) any encumbrance or restriction (including put and call arrangements) with respect to capital stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement, to the extent that such encumbrance or restriction does not secure Indebtedness;

(oo) Liens on property or assets used to defease or to irrevocably satisfy and discharge Indebtedness; *provided* that such defeasance or satisfaction and discharge is not prohibited by the Indenture;

(pp) easements, rights-of-way, dedications, covenants, conditions, restrictions, reservations and assessment district or similar Liens in connection with municipal or special district financing, agreements with adjoining landowners or state or local government authorities, quasi-governmental entities or utilities and other similar charges or encumbrances incurred in the ordinary course of business and which do not, in the aggregate, materially interfere with the ordinary course of business of the Company and its Subsidiaries;

(qq) Liens on the Collateral and other assets not constituting Collateral pursuant to clause (a) of the definition of "Excluded Property" securing Indebtedness (including Refinancing Indebtedness) of the Issuer or any Guarantor incurred under Credit Facilities that constitute revolving credit loans, term loans, letters of credit or similar lines of credit in an aggregate amount at any time outstanding (together with the principal amounts then outstanding under the Senior Secured Super Priority Term Loan and any refinancing, replacement or renewal thereof that constitutes Secured Indebtedness which is not permitted by and incurred under another clause of this definition of "Permitted Liens" (other than clauses (s) and (w)) not to exceed the greater of (i) $125.0 million and (ii) 4.0% of Consolidated Tangible Assets at any one time outstanding measured at the time of the incurrence; *provided* that (i) any Indebtedness incurred to refund, refinance or extend (including Refinancing Indebtedness) Indebtedness secured by Liens pursuant to this clause (qq) shall be permitted to be secured by Liens pursuant to this clause (qq) notwithstanding that at the time of incurrence thereof, such Indebtedness may exceed the amount of Indebtedness that would then be permitted to be secured under this clause (qq) due to a diminution in the amount of Consolidated Tangible Assets and (ii) the Liens under this clause (qq) securing (x) Indebtedness which is not Refinancing Indebtedness in respect of, or Indebtedness otherwise serving to renew, extend, refinance or replace, Secured Indebtedness outstanding on the Effective Date or the Senior Secured Super Priority Term Loan outstanding on the Issue Date shall rank junior to the Liens securing the Notes and (y) any Refinancing Indebtedness in respect of, or Indebtedness otherwise serving to renew, extend, refinance or replace, Secured Indebtedness outstanding on the Effective Date or the Senior Secured Super Priority Term Loan outstanding on the Issue Date shall have the same or junior priority as the initial Liens; and

(rr) Liens securing obligations not to exceed $25.0 million at any one time outstanding, *provided* that any Liens on the Collateral incurred under this clause (rr) securing Indebtedness incurred after the Issue Date shall rank junior to the Liens securing the Notes.

For purposes of determining compliance with this definition, (x) a Lien need not be incurred solely by reference to one category of Permitted Liens described in this definition but may be incurred under any combination of such categories (including in part under one such category and in part under any other such category) and (y) in the event that a Lien (or any portion thereof) meets the criteria of one or more of such categories of Permitted Liens, the Issuer shall, in its sole discretion, classify or reclassify such Lien (or any portion thereof) in any manner that complies with this definition.

"**Permitted Warrant**" means any call option on, warrant or right to purchase (or substantively equivalent derivative transaction) the Company's Capital Stock sold by the Company, the Issuer or any Restricted Subsidiary substantially concurrently with any purchase by the Company, the Issuer or any Restricted Subsidiary of a related Permitted Bond Hedge.

"**Person**" means any individual, corporation, partnership, limited liability company, joint venture, incorporated or unincorporated association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"**Preferred Stock**" of any Person means all Capital Stock of such Person which has a preference in liquidation or with respect to the payment of dividends.

"**Property**" of any Person means all types of real, personal, tangible, intangible or mixed property owned by such Person, whether or not included in the most recent consolidated balance sheet of such Person and its Subsidiaries under GAAP.

"**purchase amount**" has the meaning ascribed to it in Section 3.5(b) hereof.

"**purchase date**" has the meaning ascribed to it in Section 3.5(b) hereof.

"**Purchase Money Indebtedness**" means Indebtedness of the Company, the Issuer or any Restricted Subsidiary incurred for the purpose of financing all or any part of the purchase price, or the cost of design, installation, construction, lease or improvement, of any property to be used in the business of the Company, the Issuer and the Restricted Subsidiaries; *provided*, *however*, that (a) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost (including financing costs) and (b) such Indebtedness shall be incurred no later than 365 days after the acquisition of such property or completion of such design, installation, construction, lease or improvement.

"**Qualified Stock**" means Capital Stock of the Company other than Disqualified Stock.

"**Rating Agency**" means a statistical rating agency or agencies, as the case may be, nationally recognized in the United States and selected by the Company (as certified by a resolution of the Board of Directors of the Company) which shall be substituted for S&P or Moody's, or both, as the case may be.

"**Real Estate Business**" means homebuilding, housing construction, real estate development or construction and the sale of homes and related real estate activities, including the provision of mortgage financing or title insurance.

"**Record Date**" for the interest payable on any Interest Payment Date means the August 1 or February 1 (whether or not a Business Day) immediately preceding such Interest Payment Date.

"**Refinancing Indebtedness**" means Indebtedness (to the extent not Permitted Indebtedness) that refunds, refinances or extends any Indebtedness of the Company, the Issuer or any Restricted Subsidiary (other than Non-Recourse Indebtedness and Permitted Indebtedness described under clauses (d) through (f), (h) through (j), (l) and (n) through (t) of the definition thereof), but only to the extent that:

(a) the Refinancing Indebtedness is subordinated, if at all, to the Notes or the Guarantees, as the case may be, to the same extent as the Indebtedness being refunded, refinanced or extended,

(b) the Refinancing Indebtedness (i) in respect of Permitted Indebtedness under clause (g) of the definition thereof and Permitted Indebtedness described under (2) and (3) of the proviso to clause (k)(B) of the definition thereof is scheduled to mature either (x) no earlier than the Indebtedness being refunded, refinanced or extended or (y) after the maturity date of the Notes and (ii) in respect of all other Indebtedness, is scheduled to mature no earlier than January 15, 2021,

(c) the portion, if any, of the Refinancing Indebtedness that is scheduled to mature on or prior to the maturity date of the Notes has a Weighted Average Life to Maturity at the time such Refinancing Indebtedness is incurred that is equal to or greater than the Weighted Average Life to Maturity of the portion of the Indebtedness being refunded, refinanced or extended that is scheduled to mature on or prior to the maturity date of the Notes, and

(d) such Refinancing Indebtedness is in an aggregate principal amount that is equal to or less than the aggregate principal amount then outstanding under the Indebtedness being refunded, refinanced or extended (plus all accrued interest thereon and the amount of any premiums (including tender premiums) and fees, costs and expenses incurred in connection with the refinancing thereof);

provided, that for purposes of determining the principal amount outstanding under clauses (b), (g), (k) and (t) of "Permitted Indebtedness" and clauses (i), (qq) and (rr) of "Permitted Liens," the principal amount referred to in such clauses shall be calculated excluding any principal amount that was incurred in respect of amounts set forth in the parenthetical in clause (d) of this definition and such principal amount shall nonetheless be permitted under such clauses.

"**Register**" has the meaning ascribed to it in Section 2.9 hereof.

"**Registrar**" means a Person engaged to maintain the Register.

"**Regulation S**" means Regulation S under the Securities Act.

"**Regulation S Certificate**" means a certificate substantially in the form of Exhibit F hereto.

"**Regulation S Global Note**" means a Global Note representing Notes issued and sold pursuant to Regulation S.

"**Regulation S Temporary Global Note**" means a Regulation S Global Note that bears the Regulation S Temporary Global Note Legend.

"**Regulation S Temporary Global Note Legend**" means the legend set forth in Exhibit J.

"**Repurchase Date**" has the meaning ascribed to it in Section 4.12(a) hereof.

"**Resale Restriction Termination Date**" has the meaning ascribed to it in Section 2.13(a) hereof.

"**Responsible Officer**," when used with respect to the Trustee, means any officer in the corporate trust department of the Trustee with direct responsibility for the administration of the trust created by this Indenture.

"**Restricted Global Note**" has the meaning ascribed to it in Section 2.13(a) hereof.

"**Restricted Investment**" means any Investment other than a Permitted Investment.

"**Restricted Legend**" means the legend set forth in Exhibit C.

"**Restricted Payment**" means any of the following:

(a) the declaration or payment of any dividend or any other distribution on Capital Stock of the Company, the Issuer or any Restricted Subsidiary or any payment made to the direct or indirect holders (in their capacities as such) of Capital Stock of the Company, the Issuer or any Restricted Subsidiary (other than (i) dividends or distributions payable solely in Qualified Stock and (ii) in the case of the Issuer or Restricted Subsidiaries, dividends or distributions payable to the Company, the Issuer or a Restricted Subsidiary);

(b) the purchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company, the Issuer or any Restricted Subsidiary (other than a payment made to the Company, the Issuer or any Restricted Subsidiary);

(c) any Investment (other than any Permitted Investment), including any Investment in an Unrestricted Subsidiary (including by the designation of a Subsidiary of the Company as an Unrestricted Subsidiary); and

(d) the purchase, repurchase, redemption, acquisition or retirement for value, prior to the date for any scheduled maturity, sinking fund or amortization or other principal installment payment, of any Subordinated Indebtedness (other than (a) Indebtedness permitted under clause (d) of the definition of "Permitted Indebtedness" or (b) the purchase, repurchase, redemption, defeasance, or other acquisition or retirement of Subordinated Indebtedness purchased in anticipation of satisfying a sinking fund obligation, amortization or principal installment or final maturity, in each case due within one year of the date of purchase, repurchase, redemption, defeasance or other acquisition or retirement).

"**Restricted Period**" means the relevant 40-day "distribution compliance period" as such term is defined in Regulation S, which, for each relevant Note, commences on the date such Note is issued.

"**Restricted Subsidiary**" means any Subsidiary of the Company which is not an Unrestricted Subsidiary.

"**Revolving Credit Facility**" means the revolving credit facility under the Credit Agreement, dated as of June 7, 2013, among the Issuer, the Company, the other guarantors party thereto, and the lender party thereto, as amended by the Credit Agreement First Amendment, dated as of June 11, 2013, the Credit Agreement Second Amendment, dated as of June 18, 2013, the Credit Agreement Third Amendment, dated as of June 27, 2013 and the Credit Agreement Fourth Amendment, dated as of July 10, 2013 and as further amended, restated, supplemented or otherwise modified from time to time hereafter, including any such amendment, restatement or other modification that increases the amount permitted to be borrowed thereunder or alters the maturity thereof (to the extent such increase in borrowings is permitted under Section 4.6 hereof) or adds the Company, the Issuer or Restricted Subsidiaries as additional borrowers or guarantors thereunder and whether by the same or any other agent, lender or group of lenders.

"**Rule 144A**" means Rule 144A under the Securities Act.

"**Rule 144A Certificate**" means a certificate substantially in the form of Exhibit G hereto.

"**Rule 144A Global Note**" means a Global Note that bears the Restricted Legend representing Notes issued, transferred or exchanged pursuant to Rule 144A.

"**S&P**" means Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc., a New York corporation, or any successor to its debt rating business.

"**Second-Priority Lien Obligations**" means (1) the Existing Second Lien Notes and the Existing Second Lien Guarantees thereof and (2) all other Indebtedness secured by Liens on the Collateral that are equal in priority to the Liens on the Collateral securing the Existing Second Lien Notes, including the Notes and the Guarantees thereof, and, in each case, all Obligations in respect thereof.

"**Second-Priority Liens**" means all Liens that secure the Second-Priority Lien Obligations.

"**Secured Indebtedness**" means any Indebtedness of the Company or any of its Restricted Subsidiaries secured by a Lien.

"**Securities Act**" means the Securities Act of 1933, as amended.

"**Security Agreement**" means the Amended and Restated Second Lien Security Agreement, dated as of September 8, 2016, among the Issuer and the Guarantors, in favor of the Joint Second Lien Collateral Agent for the benefit of itself, the Trustee and the Holders, as amended, restated, supplemented or otherwise modified from time to time.

"**Security Documents**" means (i) the Intercreditor Agreement, (ii) the Collateral Agency Agreement, (iii) the Mortgage Tax Collateral Agency Agreement and (iii) the security documents or any other agreement, document or instrument granting or perfecting a security interest in any assets of any Person to secure the Indebtedness and related Obligations under the Notes and the Guarantees or under which rights or remedies with respect to any such liens are governed, as each may be amended, restated, supplemented or otherwise modified from time to time.

"**Senior Secured Super Priority Administrative Agent**" means Wilmington Trust, National Association as Administrative Agent (as defined in the Senior Secured Super Priority Credit Agreement).

"**Senior Secured Super Priority Credit Agreement**" means that certain Credit Agreement, dated as of July 29, 2016, among the Issuer, the Company, the other Guarantors, the Initial Term Lenders (as defined therein), each lender from time to time party thereto and Wilmington Trust, National Association, as Administrative Agent and as Collateral Agent (as defined therein).

"**Senior Secured Super Priority Guarantee**" means a Guarantee (as defined in the Senior Secured Super Priority Credit Agreement).

"**Senior Secured Super Priority Guarantor**" means a Guarantor (as defined in the Senior Secured Super Priority Credit Agreement).

"**Senior Secured Super Priority Term Loan**" means a Loan (as defined in the Senior Secured Super Priority Credit Agreement).

"**Senior Secured Super Priority Term Loan Collateral Agent**" means Wilmington Trust, National Association as Collateral Agent (as defined in the Senior Secured Super Priority Credit Agreement).

"**Significant Subsidiary**" means any Subsidiary of the Company which would constitute a "**significant subsidiary**" as defined in Rule 1-02(w)(1) or (2) of Regulation S-X under the Securities Act and the Exchange Act as in effect on the Effective Date.

"**Subordinated Indebtedness**" means Indebtedness subordinated in right of payment to the Notes pursuant to a written agreement.

"**Subsidiary**" of any Person means any corporation or other entity of which a majority of the Capital Stock having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions is at the time directly or indirectly owned or controlled by such Person.

"**Successor**" has the meaning ascribed to it in Section 4.14 hereof.

"**Treasury Rate**" has the meaning ascribed to it in Section 3.1 hereof.

"Trustee" means the party named as such in the preamble of this Indenture until such time, if any, a successor replaces such party in accordance with the applicable provisions of this Indenture and thereafter means the successor serving hereunder.

"**Trust Indenture Act**" or "**TIA**" means the Trust Indenture Act of 1939, as amended.

"U.S. Government Obligations" means non-callable, non-payable bonds, notes, bills or other similar obligations issued or guaranteed by the United States government or any agency thereof the full and timely payment of which are backed by the full faith and credit of the United States and denominated and payable in U.S. dollars only.

"**Unentitled Land**" means land owned by the Issuer or a Guarantor which has not been granted preliminary approvals ((i) in New Jersey, as defined in the Municipal Land Use Law (N.J.S.A. 40:55D-1 et seq.) and (ii) for states other than New Jersey, a point in time equivalent thereto) for residential development.

"**Units**" means the 6.00% Exchangeable Note Units of the Issuer and the Company issued on October 2, 2012 composed of a senior unsecured exchangeable note of the Issuer and guaranteed by the applicable Guarantors and a senior unsecured amortizing note of the Issuer and guaranteed by the applicable Guarantors.

"**Unrestricted Global Note**" has the meaning ascribed to it in Section 2.13(a) hereof.

"**Unrestricted Subsidiary**" means any Subsidiary of the Company so designated by a resolution adopted by the Board of Directors of the Company or a duly authorized committee thereof as provided below; *provided*, that the holders of Indebtedness thereof do not have direct or indirect recourse against the Company, the Issuer or any Restricted Subsidiary, and neither the Company, the Issuer nor any Restricted Subsidiary otherwise has liability for, any payment obligations in respect of such Indebtedness (including any undertaking, agreement or instrument evidencing such Indebtedness), except, in each case, to the extent that the amount thereof constitutes a Restricted Payment or Permitted Investment permitted by this Indenture, in the case of Non-Recourse Indebtedness, to the extent such recourse or liability is for the matters discussed in the last sentence of the definition of "Non-Recourse Indebtedness," or to the extent such Indebtedness is a guarantee by such Subsidiary of Indebtedness of the Company, the Issuer or a Restricted Subsidiary. As of the Effective Date, the Unrestricted Subsidiaries were the Subsidiaries of the Company named in Exhibit K hereto.

Subject to the foregoing, the Board of Directors of the Company or a duly authorized committee thereof may designate any Subsidiary in addition to those named above to be an Unrestricted Subsidiary; *provided*, *however*, that (a) the net amount (the "**Designation Amount**") then outstanding of all previous Investments by the Company and the Restricted Subsidiaries in such Subsidiary will be deemed to be a Restricted Payment at the time of such designation and will reduce the amount available for Restricted Payments under Section 4.7 hereof to the extent provided therein, (b) the Company must be permitted under Section 4.7 hereof or pursuant to the definition of "Permitted Investment" to make the Restricted Payment deemed to have been made pursuant to clause (a) of this paragraph, and (c) after giving effect to such designation, no Default or Event of Default shall have occurred or be continuing. In accordance with the foregoing, and not in limitation thereof, Investments made by any Person in any Subsidiary of such Person prior to such Person's merger with the Company or any Restricted Subsidiary (but not in contemplation or anticipation of such merger) shall not be counted as an Investment by the Company or such Restricted Subsidiary if such Subsidiary of such Person is designated as an Unrestricted Subsidiary.

The Board of Directors of the Company or a duly authorized committee thereof may also redesignate an Unrestricted Subsidiary to be a Restricted Subsidiary; *provided, however*, that (a) the Indebtedness of such Unrestricted Subsidiary as of the date of such redesignation could then be incurred under Section 4.6 hereof and (b) immediately after giving effect to such redesignation and the incurrence of any such additional Indebtedness, (A) the Company and the Restricted Subsidiaries could incur $1.00 of additional Indebtedness under Section 4.6(a) hereof or (B) the Consolidated Fixed Charge Coverage Ratio would be equal to or greater than the Consolidated Fixed Charge Coverage Ratio immediately prior to such redesignation or the ratio of Indebtedness of the Company and the Restricted Subsidiaries to Consolidated Tangible Net Worth of the Company would be equal to or less than the ratio immediately prior to such redesignation. Any such designation or redesignation by the Board of Directors of the Company or a committee thereof will be evidenced to the Trustee by the filing with the Trustee of a certified copy of the resolution of the Board of Directors of the Company or a committee thereof giving effect to such designation or redesignation and an Officers' Certificate certifying that such designation or redesignation complied with the foregoing conditions and setting forth the underlying calculations of such Officers' Certificate. The designation of any Person as an Unrestricted Subsidiary shall be deemed to include a designation of all Subsidiaries of such Person as Unrestricted Subsidiaries; *provided*, *however*, that the ownership of the general partnership interest (or a similar member's interest in a limited liability company) by an Unrestricted Subsidiary shall not cause a Subsidiary of the Company of which more than 95% of the equity interest is held by the Company or one or more Restricted Subsidiaries to be deemed an Unrestricted Subsidiary.

"**Weighted Average Life to Maturity**" means, when applied to any Indebtedness or portion thereof at any date, the number of years obtained by dividing (a) the sum of the products obtained by multiplying (i) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal, including, without limitation, payment at final maturity, in respect thereof, by (ii) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment by (b) the sum of all such payments described in clause (a)(i) of this definition.

"**$**" means U.S. dollars.

Section 1.2. *Rules of Construction.* Unless the context otherwise requires or except as otherwise expressly provided:

(a) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(b) "herein," "hereof" and other words of similar import refer to this Indenture as a whole and not to any particular Section, Article or other subdivision;

(c) all references to Sections or Articles or Exhibits refer to Sections or Articles or Exhibits of or to this Indenture unless otherwise indicated;

(d) references to agreements or instruments, or to statutes or regulations, are to such agreements or instruments, or statutes or regulations, as amended from time to time (or to successor statutes and regulations); and

(e) in the event that a transaction meets the criteria of more than one category of permitted transactions or listed exceptions, the Issuer may classify such transaction as it, in its sole discretion, determines.

ARTICLE II
THE NOTES

Section 2.1. *Form, Dating and Denominations; Legends.* (a) The Notes and the Trustee's certificate of authentication shall be substantially in the form attached as Exhibit A. The terms and provisions contained in the form of the Note annexed as Exhibit A constitute and are hereby expressly made a part of this Indenture. The Notes may have notations, legends or endorsements required by this Indenture, law, rules of or agreements with national securities exchanges to which the Issuer is subject, or usage. Each Note shall be dated the date of its authentication. The Notes shall be issuable in denominations of $2,000 in principal amount and any multiple of $1,000 in excess thereof.

(b) (i) Except as otherwise provided in clause (c) of this Section 2.1, Section 2.9(b)(iv), Section 2.10(b)(iii), Section 2.10(b)(v), or Section 2.10(c), each Initial Note or Additional Note shall bear the Restricted Legend.

(ii) Each Global Note, whether or not an Initial Note or Additional Note, shall bear the DTC Legend.

(iii) Initial Notes and Additional Notes offered and sold in reliance on any exception under the Securities Act other than Regulation S and Rule 144A shall be issued, and upon the request of the Issuer to the Trustee, Initial Notes and Additional Notes offered and sold in reliance on Rule 144A may be issued, in the form of Certificated Notes.

(iv) Each Regulation S Temporary Global Note shall bear the Regulation S Temporary Global Note Legend.

(v) Initial Notes and Additional Notes offered and sold in reliance on Regulation S shall be issued as provided in Section 2.11(a).

(c) If the Issuer determines (upon the advice of counsel and after consideration of other certifications and evidence as the Issuer may reasonably require) that a Note is eligible for resale pursuant to Rule 144 under the Securities Act (or a successor provision) without being subject to any conditions as provided in such Rule and that the Restricted Legend is no longer necessary or appropriate in order to ensure that subsequent transfers of the Note (or a beneficial interest therein) are effected in compliance with the Securities Act, then, the Issuer may instruct the Trustee to cancel the Note and issue to the Holder thereof (or to its transferee) a new Note of like tenor and amount, registered in the name of the Holder thereof (or its transferee), that does not bear the Restricted Legend, and the Trustee shall comply with such instruction.

(d) By its acceptance of any Note bearing the Restricted Legend (or any beneficial interest in such a Note), each Holder thereof and each owner of a beneficial interest therein acknowledges the restrictions on transfer of such Note (and any such beneficial interest) set forth in this Indenture and in the Restricted Legend and agrees that it will transfer such Note (and any such beneficial interest) only in accordance with this Indenture and such legend.

Section 2.2. *Execution and Authentication; Additional Notes.* An Officer shall execute the Notes for the Issuer by facsimile or manual signature in the name and on behalf of the Issuer. If an Officer whose signature is on a Note no longer holds that office at the time the Note is authenticated, the Note will still be valid.

(b) A Note shall not be valid until the Trustee manually signs the certificate of authentication on the Note, with the signature conclusive evidence that the Note has been authenticated under this Indenture.

(c) At any time and from time to time after the execution and delivery of this Indenture, the Issuer may deliver Notes executed by the Issuer to the Trustee for authentication. The Trustee shall authenticate and deliver:

(i) Initial Notes for original issue in the aggregate principal amount not to exceed $75,000,000, and

(ii) Additional Notes from time to time for original issue in the aggregate principal amounts specified by the Issuer after the following conditions have been met:

(A) Receipt by the Trustee of a certificate, executed by an Officer specifying

(1) the amount of Notes to be authenticated and the date on which the Notes are to be authenticated,

(2) whether the Notes are to be Initial Notes or Additional Notes,

(3) in the case of Additional Notes, that the issuance of such Notes does not contravene any provision of Article IV,

(4) whether the Notes are to be issued as one or more Global Notes or Certificated Notes, and

(5) other information the Issuer may determine to include or the Trustee may reasonably request.

(B) Receipt by the Trustee of an Officers' Certificate and an Opinion of Counsel specifying:

(1) that the issuance of the Notes is authorized and permitted by the terms of this Indenture,

(2) that the Notes constitute a legal, valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with their terms (subject to customary exceptions), and

(3) all conditions precedent provided for in this Indenture to the issuance of the Notes have been complied with.

(C) In the case of Additional Notes, receipt by the Trustee of an Opinion of Counsel confirming that the beneficial owners of the outstanding Notes will be subject to United States federal income tax in the same amounts, in the same manner and at the same times as would have been the case if such Additional Notes were not issued.

Section 2.3. *Registrar, Paying Agent and Authenticating Agent; Paying Agent to Hold Money in Trust.* (a) The Issuer may appoint one or more Registrars and one or more Paying Agents, and the Trustee may appoint an Authenticating Agent, in which case each reference in this Indenture to the Trustee in respect of the obligations of the Trustee to be performed by that Agent shall be deemed to be references to the Agent. The Issuer may act as Registrar or (except for purposes of Article VIII) Paying Agent. In each case, the Issuer and the Trustee shall enter into an appropriate agreement with the Agent implementing the provisions of this Indenture relating to the obligations of the Trustee to be performed by the Agent and the related rights.

(b) The Issuer shall require each Paying Agent other than the Trustee to agree in writing that the Paying Agent shall hold in trust for the benefit of the Holders or the Trustee all money held by the Paying Agent for the payment of principal of, premium, if any, and interest, if any, on, the Notes and shall promptly notify the Trustee of any default by the Issuer in making any such payment. The Issuer at any time may require a Paying Agent to pay all money held by it to the Trustee and account for any funds disbursed, and the Trustee may at any time during the continuance of any payment default, upon written request to a Paying Agent, require the Paying Agent to pay all money held by it to the Trustee and to account for any funds disbursed. Upon doing so, the Paying Agent shall have no further liability for the money so paid over to the Trustee.

(c) The Company initially appoints the Trustee as Registrar and Paying Agent with respect to the Notes.

Section 2.4. *Replacement Notes*. If a mutilated Note is surrendered to the Trustee or if a Holder claims that its Note has been lost, destroyed or wrongfully taken, the Issuer shall issue and the Trustee shall authenticate a replacement Note of like tenor and principal amount and bearing a number not contemporaneously outstanding. Every replacement Note is an additional obligation of the Issuer and entitled to the benefits of this Indenture. If required by the Trustee or the Issuer, an indemnity must be furnished that is sufficient in the judgment of both the Trustee and the Issuer to protect the Issuer and the Trustee from any loss they may suffer if a Note is replaced. The Issuer and the Trustee may charge the Holder for the expenses of the Issuer and the Trustee in replacing a Note. In case the mutilated, lost, destroyed or wrongfully taken Note has become or is about to become due and payable, the Issuer in its discretion may pay the Note instead of issuing a replacement Note.

Section 2.5. *Outstanding Notes*. (a) Notes outstanding at any time are all Notes that have been authenticated by the Trustee except for:

(i) Notes cancelled by the Trustee or delivered to it for cancellation;

(ii) any Note which has been replaced pursuant to Section 2.4 unless and until the Trustee and the Issuer receive proof satisfactory to them that the replaced Note is held by a protected purchaser; and

(iii) on or after the maturity date or any redemption date or date for purchase of the Notes pursuant to an Offer to Purchase, those Notes payable or to be redeemed or purchased on that date for which the Trustee (or Paying Agent, other than the Issuer or an Affiliate of the Issuer) holds money sufficient to pay all amounts then due.

(b) A Note does not cease to be outstanding because the Issuer or one of its Affiliates holds the Note; *provided*, that in determining whether the Holders of the requisite principal amount of the outstanding Notes have given or taken any request, demand, authorization, direction, notice, consent, waiver or other action hereunder, Notes owned by the Issuer or any Affiliate of the Issuer shall be disregarded and deemed not to be outstanding (it being understood that in determining whether the Trustee is protected in relying upon any such request, demand, authorization, direction, notice, consent, waiver or other action, only Notes which a Responsible Officer of the Trustee has been notified in writing to be so owned shall be so disregarded). Notes so owned which have been pledged in good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Notes and that the pledgee is not the Issuer or any Affiliate of the Issuer.

Section 2.6. *Temporary Notes*. Until definitive Notes are ready for delivery, the Issuer may prepare and the Trustee shall authenticate temporary Notes. Temporary Notes shall be substantially in the form of definitive Notes but may have insertions, substitutions, omissions and other variations determined to be appropriate by the Officer executing the temporary Notes, as evidenced by the execution of the temporary Notes. If temporary Notes are issued, the Issuer shall cause definitive Notes to be prepared without unreasonable delay. After the preparation of definitive Notes, the temporary Notes shall be exchangeable for definitive Notes upon surrender of the temporary Notes at the office or agency of the Issuer designated for the purpose pursuant to Section 4.2 without charge to the Holder. Upon surrender for cancellation of any temporary Notes, the Issuer shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Notes of authorized denominations. Until so exchanged, the temporary Notes shall be entitled to the same benefits under this Indenture as definitive Notes.

Section 2.7. *Cancellation.* The Issuer at any time may deliver to the Trustee for cancellation any Notes previously authenticated and delivered hereunder which the Issuer may have acquired in any manner whatsoever, and may deliver to the Trustee for cancellation any Notes previously authenticated hereunder which the Issuer has not issued and sold. Any Registrar or the Paying Agent shall forward to the Trustee any Notes surrendered to it for transfer, exchange or payment. The Trustee shall cancel all Notes surrendered for transfer, exchange, payment or cancellation and dispose of them in accordance with its normal procedures or the written instructions of the Issuer. The Issuer may not issue new Notes to replace Notes that it has paid in full or delivered to the Trustee for cancellation.

Section 2.8. *CUSIP and ISIN Numbers.* The Issuer in issuing the Notes may use "CUSIP" and "ISIN" numbers, and the Trustee shall use CUSIP numbers or ISIN numbers in notices of redemption or exchange or in Offers to Purchase as a convenience to Holders, the notice to state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice of redemption or exchange or Offer to Purchase. The Issuer shall promptly notify the Trustee in writing of any change in the CUSIP or ISIN numbers. Any Additional Notes that are not fungible with the Initial Notes for United States federal income tax purposes shall be issued with CUSIP and ISIN numbers different from the CUSIP and ISIN numbers assigned to the Initial Notes.

Section 2.9. *Registration, Transfer and Exchange.* (a) The Notes shall be issued in registered form only, without coupons, and the Issuer shall cause the Trustee to maintain a register (the "**Register**") of the Notes, for registering the record ownership of the Notes by the Holders and transfers and exchanges of the Notes.

(b) (i) Each Global Note shall be registered in the name of the Depositary or its nominee and, so long as DTC is serving as the Depositary thereof, shall bear the DTC Legend.

(ii) Each Global Note shall be delivered to the Trustee as custodian for the Depositary. Transfers of a Global Note (but not a beneficial interest therein) shall be limited to transfers thereof in whole, but not in part, to the Depositary, its successors or their respective nominees, except (A) as set forth in Section 2.9(b)(iv) and (B) transfers of portions thereof in the form of Certificated Notes may be made upon request of an Agent Member (for itself or on behalf of a beneficial owner) by 20 days' prior written notice given to the Trustee by or on behalf of the Depositary in accordance with customary procedures of the Depositary and in compliance with this Section and Section 2.10.

(iii) Agent Members shall have no rights under this Indenture with respect to any Global Note held on their behalf by the Depositary, and the Depositary may be treated by the Issuer, the Trustee and any agent of the Issuer or the Trustee as the absolute owner and Holder of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, the Depositary or its nominee may grant proxies and otherwise authorize any Person (including any Agent Member and any Person that holds a beneficial interest in a Global Note through an Agent Member) to take any action which a Holder is entitled to take under this Indenture or the Notes, and nothing herein shall impair, as between the Depositary and its Agent Members, the operation of customary practices governing the exercise of the rights of a holder of any security. None of the Issuer, the Trustee, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a Note in global form or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. The Trustee may rely and shall be fully protected in relying upon information furnished by the Depositary with respect to its members, participants and any beneficial owners.

(iv) If (x) the Depositary (i) notifies the Issuer that it is unwilling or unable to continue as Depositary for a Global Note and a successor depositary is not appointed by the Issuer within 90 days of the notice or (ii) has ceased to be a clearing agency registered under the Exchange Act, (y) the Issuer, at its option, notifies the Trustee in writing that it elects to cause the issuance of Certificated Notes or (z) the Depository directs the Trustee in writing to do so following the occurrence and during the continuation of an Event of Default with respect to the Notes, the Trustee shall promptly exchange each beneficial interest in the Global Note for one or more Certificated Notes in authorized denominations having an equal aggregate principal amount registered in the name of the owner of such beneficial interest, as identified to the Trustee by the Depositary, and thereupon the Global Note shall be deemed canceled. If such Note does not bear the Restricted Legend, then the Certificated Notes issued in exchange therefor shall not bear the Restricted Legend. If such Note bears the Restricted Legend, then the Certificated Notes issued in exchange therefor shall bear the Restricted Legend; *provided*, that any Holder of any such Certificated Note issued in exchange for a beneficial interest in a Regulation S Temporary Global Note will have the right upon presentation to the Trustee of a duly completed Certificate of Beneficial Ownership after the Restricted Period to exchange such Certificated Note for a Certificated Note of like tenor and amount that does not bear the Restricted Legend, registered in the name of such Holder.

(c) Each Certificated Note shall be registered in the name of the holder thereof or its nominee.

(d) A Holder may transfer a Note (or a beneficial interest therein) to another Person or exchange a Note (or a beneficial interest therein) for another Note or Notes of any authorized denomination by presenting to the Trustee a written request therefor stating the name of the proposed transferee or requesting such an exchange, accompanied by any certification, opinion or other document required by Section 2.10. The Trustee shall promptly register any transfer or exchange that meets the requirements of this Section and Section 2.10 noting the same in the register maintained by the Trustee for the purpose; *provided*, that

(i) no transfer or exchange shall be effective until it is registered in such register, and

(ii) the Trustee shall not be required (x) to issue or register the transfer of or exchange any Note for a period of 15 days before a selection of Notes to be redeemed or purchased pursuant to an Offer to Purchase, (y) to register the transfer of or exchange any Note so selected for redemption or purchase in whole or in part, except, in the case of a partial redemption or purchase, that portion of any Note not being redeemed or purchased, or (z) to register the transfer of or exchange any Note on or after the Record Date and before the date of redemption or purchase. Prior to the registration of any transfer, the Issuer, the Trustee and their agents shall treat the Person in whose name the Note is registered as the owner and Holder thereof for all purposes (whether or not the Note is overdue), and shall not be affected by notice to the contrary.

From time to time the Issuer shall execute and the Trustee shall authenticate additional Notes as necessary in order to permit the registration of a transfer or exchange in accordance with this Section.

No service charge shall be imposed in connection with any transfer or exchange of any Note, but the Issuer or the Trustee may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than a transfer tax or other similar governmental charge payable upon exchange pursuant to subsection (b)(iv)).

(e) (i) *Global Note to Global Note*. If a beneficial interest in a Global Note is transferred or exchanged for a beneficial interest in another Global Note, the Trustee shall (x) record a decrease in the principal amount of the Global Note being transferred or exchanged equal to the principal amount of such transfer or exchange and (y) record a like increase in the principal amount of the other Global Note. Any beneficial interest in one Global Note that is transferred to a Person who takes delivery in the form of an interest in another Global Note, or exchanged for an interest in another Global Note, shall, upon transfer or exchange, cease to be an interest in such Global Note and become an interest in the other Global Note and, accordingly, shall thereafter be subject to all transfer and exchange restrictions, if any, and other procedures applicable to beneficial interests in such other Global Note for as long as it remains such an interest.

(ii) *Global Note to Certificated Note*. If a beneficial interest in a Global Note is transferred or exchanged for a Certificated Note, the Trustee shall (x) record a decrease in the principal amount of such Global Note equal to the principal amount of such transfer or exchange and (y) deliver one or more new Certificated Notes in authorized denominations having an equal aggregate principal amount to the transferee (in the case of a transfer) or the owner of such beneficial interest (in the case of an exchange), registered in the name of such transferee or owner, as applicable.

(iii) *Certificated Note to Global Note*. If a Certificated Note is transferred or exchanged for a beneficial interest in a Global Note, the Trustee shall (x) cancel such Certificated Note, (y) record an increase in the principal amount of such Global Note equal to the principal amount of such transfer or exchange and (z) in the event that such transfer or exchange involves less than the entire principal amount of the canceled Certificated Note, deliver to the Holder thereof one or more new Certificated Notes in authorized denominations having an aggregate principal amount equal to the untransferred or unexchanged portion of the canceled Certificated Note, registered in the name of the Holder thereof.

(iv) *Certificated Note to Certificated Note*. If a Certificated Note is transferred or exchanged for another Certificated Note, the Trustee shall (x) cancel the Certificated Note being transferred or exchanged, (y) deliver one or more new Certificated Notes in authorized denominations having an aggregate principal amount equal to the principal amount of such transfer or exchange to the transferee (in the case of a transfer) or the Holder of the canceled Certificated Note (in the case of an exchange), registered in the name of such transferee or Holder, as applicable, and (z) if such transfer or exchange involves less than the entire principal amount of the canceled Certificated Note, deliver to the Holder thereof one or more Certificated Notes in authorized denominations having an aggregate principal amount equal to the untransferred or unexchanged portion of the canceled Certificated Note, registered in the name of the Holder thereof.

Section 2.10. *Restrictions on Transfer and Exchange*. (a) The transfer or exchange of any Note (or a beneficial interest therein) may only be made in accordance with this Section and Section 2.9 and, in the case of a Global Note (or a beneficial interest therein), the applicable rules and procedures of the Depositary. The Trustee shall refuse to register any requested transfer or exchange that does not comply with the preceding sentence.

(b) Subject to paragraph (c) of this Section, the transfer or exchange of any Note (or a beneficial interest therein) of the type set forth in column A below for a Note (or a beneficial interest therein) of the type set forth opposite in column B below may only be made in compliance with the certification requirements (if any) described in the clause of this paragraph set forth opposite in column C below.

A	*B*	*C*
Rule 144A Global Note	Rule 144A Global Note	(i)
Rule 144A Global Note	Regulation S Global Note	(ii)
Rule 144A Global Note	Certificated Note	(iii)
Regulation S Global Note	Rule 144A Global Note	(iv)
Regulation S Global Note	Regulation S Global Note	(i)
Regulation S Global Note	Certificated Note	(v)
Certificated Note	Rule 144A Global Note	(iv)
Certificated Note	Regulation S Global Note	(ii)
Certificated Note	Certificated Note	(iii)

(i) No certification is required.

(ii) The Person requesting the transfer or exchange must deliver or cause to be delivered to the Trustee a duly completed Regulation S Certificate; *provided*, that if the requested transfer or exchange is made by the Holder of a Certificated Note that does not bear the Restricted Legend, then no certification is required.

(iii) The Person requesting the transfer or exchange must deliver or cause to be delivered to the Trustee (x) a duly completed Rule 144A Certificate, (y) a duly completed Regulation S Certificate or (z) a duly completed Institutional Accredited Investor Certificate, and/or an opinion of counsel and such other certifications and evidence as the Issuer or the Trustee may reasonably require in order to determine that the proposed transfer or exchange is being made in compliance with the Securities Act and any applicable securities laws of any state of the United States; *provided*, that if the requested transfer or exchange is made by the Holder of a Certificated Note that does not bear the Restricted Legend, then no certification is required. In the event that a Rule 144A Global Note or a Certificated Note that does not bear the Restricted Legend is surrendered for transfer or exchange, upon transfer or exchange the Trustee shall deliver a Certificated Note that does not bear the Restricted Legend.

(iv) The Person requesting the transfer or exchange must deliver or cause to be delivered to the Trustee a duly completed Rule 144A Certificate and must comply with all applicable securities laws of any state of the United States or any other jurisdiction.

(v) If the requested transfer involves a beneficial interest in a Regulation S Temporary Global Note, the Person requesting the registration of transfer must deliver or cause to be delivered to the Trustee (x) a duly completed Rule 144A Certificate or (y) a duly completed Institutional Accredited Investor Certificate and/or an opinion of counsel and such other certifications and evidence as the Issuer or the Trustee may reasonably require in order to determine that the proposed transfer is being made in compliance with the Securities Act and any applicable securities laws of any state of the United States. If the requested transfer or exchange involves a beneficial interest in a Permanent Regulation S Global Note, no certification is required and the Trustee will deliver a Certificated Note that does not bear the Restricted Legend. Notwithstanding anything to the contrary contained herein, no such exchange is permitted if the requested exchange involves a beneficial interest in a Regulation S Temporary Global Note.

(c) No certification is required in connection with any transfer or exchange of any Note (or a beneficial interest therein) after such Note is eligible for resale pursuant to Rule 144 under the Securities Act (or a successor provision) without being subject to any conditions as provided in such Rule; *provided*, that the Issuer has provided the Trustee with a certificate to that effect, and the Issuer or the Trustee may require from any Person requesting a transfer or exchange in reliance upon this clause an opinion of counsel and any other reasonable certifications and evidence in order to support such certificate

Any Certificated Note delivered in reliance upon this paragraph shall not bear the Restricted Legend.

(d) The Trustee shall retain copies of all certificates, opinions and other documents received in connection with the registration of transfer or exchange of a Note (or a beneficial interest therein), and the Issuer shall have the right to inspect and make copies thereof at any reasonable time upon written notice to the Trustee. Neither the Company nor the Trustee shall have an obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Indenture or under applicable law with respect to any transfer of any interest in any Note (including any transfers between or among Depositary participants, members or beneficial owners in any Global Note) other than to require delivery of such certificates and other documentation or evidence as are expressly required by the terms of this Indenture and to examine the same to determine compliance as to form with the express requirements hereof.

Section 2.11. *Regulation S Temporary Global Notes*. Each Initial Note and Additional Note originally sold in reliance upon Regulation S will be evidenced by one or more Regulation S Global Notes that bear the Regulation S Temporary Global Note Legend.

(b) An owner of a beneficial interest in a Regulation S Temporary Global Note (or a Person acting on behalf of such an owner) may provide to the Trustee (and the Trustee will accept) a duly completed Certificate of Beneficial Ownership at any time after the Restricted Period (it being understood that the Trustee will not accept any such certificate during the Restricted Period). Promptly after acceptance of a Certificate of Beneficial Ownership with respect to such a beneficial interest, the Trustee will cause such beneficial interest to be exchanged for an equivalent beneficial interest in a Permanent Regulation S Global Note, and will (x) permanently reduce the principal amount of such Regulation S Temporary Global Note by the amount of such beneficial interest and (y) increase the principal amount of such Permanent Regulation S Global Note by the amount of such beneficial interest.

(c) Notwithstanding anything to the contrary contained herein, beneficial interests in a Regulation S Temporary Global Note may be held through the Depositary only through Euroclear or Clearstream and their respective direct and indirect participants.

(d) Notwithstanding paragraph (b), if after the Restricted Period any Initial Purchaser owns a beneficial interest in a Regulation S Temporary Global Note, such Initial Purchaser may, upon written request to the Trustee accompanied by a certification as to its status as an Initial Purchaser, exchange such beneficial interest for an equivalent beneficial interest in a Permanent Regulation S Global Note, and the Trustee will comply with such request and will (x) permanently reduce the principal amount of such Regulation S Temporary Global Note by the amount of such beneficial interest and (y) increase the principal amount of such Permanent Regulation S Global Note by the amount of such beneficial interest.

Section 2.12. *Transfers of Securities Held by Affiliates*. Notwithstanding anything to the contrary in this Article II, unless otherwise permitted by the Issuer, any Note or interest therein (i) that has been transferred to an affiliate (as defined in Rule 405 of the Securities Act) of the Issuer, as evidenced by a notation on the certificate of transfer or certificate of exchange for such transfer or in the representation letter delivered in respect thereof, or (ii) that has been acquired from an affiliate in a transaction or a chain of transactions not involving any public offering, as evidenced by a notation on the certificate of transfer or certificate of exchange for such transfer or in the representation letter delivered in respect thereof, shall, until one year after the last date on which either the Issuer or any affiliate of the Issuer was an owner of such Note, in each case, be in the form of a Certificated Note bearing the Restricted Legend and the Affiliate Legend and shall be subject to the restrictions in Sections 2.09 and 2.10 hereof; *provided* that, with respect to any Certificated Note held by a Person who is not an affiliate of the Issuer but who acquired such Certificated Note from an affiliate of the Issuer, such Person may exchange such Certificated Note for a beneficial interest in a Global Note or a Certificated Note not bearing the Affiliate Legend, as the case may be, or may transfer such Certificated Note to a Person who takes delivery in the form of a Global Note or a Certificated Note not bearing the Affiliate Legend, as the case may be, prior to the end of such one-year period if (x) such Certificated Note would be freely tradable following such exchange or transfer pursuant to Rule 144 under the Securities Act or another applicable provision of the Securities Act or the rules and regulations thereunder and (y) such exchange or transfer is otherwise in accordance with Section 2.10 hereof and Section 2.12 (b) below.

(b) Any Person who is not an affiliate of the Issuer but who acquired such Certificated Note from an affiliate of the Issuer and who wishes to (1) exchange such Certificated Note for a beneficial interest in a Global Note or a Certificated Note not bearing the Affiliate Legend, as the case may be, or (2) transfer such Certificated Note to a Person who takes delivery in the form of a Global Note or Certificated Note not bearing the Affiliate Legend shall, in addition to complying with any other applicable requirements of Section 2.10, deliver to the Issuer and the Trustee certificates substantially in the form of Exhibit F or Exhibit G, as applicable, including, in each case, the certifications under Section C thereof, or Exhibit H, as applicable, including the certifications under Section D thereof. In addition, if the Trustee or the Issuer so requests, the transferring Person shall deliver such other documentation as the Trustee or Issuer may request to the effect that such exchange or transfer is in compliance with the Securities Act, that the transferee shall receive freely tradable securities pursuant to Rule 144 or other applicable provisions of the Securities Act or the rules and regulations thereunder or as to such other matters as the Trustee or the Issuer may reasonably request.

(c) If the Trustee or the Issuer so requests, any affiliate of the Issuer that wishes to transfer or exchange a Note or a beneficial interest therein shall deliver such additional documentation as the Trustee or Issuer may request to the effect that such transfer or exchange is in compliance with the Securities Act or as to such other matters as the Trustee or the Issuer may reasonably request.

Section 2.13. *Automatic Exchange from Restricted Global Notes to Unrestricted Global Notes*. Beneficial interests in a Rule 144A Global Note that is subject to restrictions set out in Section 2.1, as applicable (including the legend set forth in Exhibit C but that does not bear the Affiliate Legend) (the "**Restricted Global Note**"), shall be automatically exchanged into beneficial interests in an unrestricted Global Note that is no longer subject to the restrictions set out in Section 2.1 (including removal of the legend set forth in Exhibit C) (the "**Unrestricted Global Note**"), without any action required by or on behalf of Holders, who are not "affiliates" (as defined in Rule 144 under the Securities Act) of the Issuer (the "**Automatic Exchange**"). In order to effect such exchange, the Issuer shall at least 15 days but not more than 30 days prior to the date which is at least one year after the last date of the original issuance of the Notes (the "**Resale Restriction Termination Date**"), deliver a notice of Automatic Exchange (an "**Automatic Exchange Notice**") to each Holder at such Holder's address appearing in the Register with a copy to the Trustee. The Automatic Exchange Notice shall identify the Notes subject to the Automatic Exchange, shall assume that each such Holder is not an affiliate and has not purchased its Notes from an affiliate, shall result in each such Holder being deemed to have made a representation to the Issuer that it is not an affiliate and that it has not purchased its Notes from an affiliate and shall state: (1) the date of the Automatic Exchange; (2) the "CUSIP" number of the Restricted Global Note from which such Holders' beneficial interests shall be transferred and (3) the "CUSIP" number of the Unrestricted Global Note into which such Holders' beneficial interests shall be transferred. At the Issuer's request on no less than five Business Days' prior notice, the Trustee shall deliver in the Issuer's name and at its expense, the Automatic Exchange Notice to each Holder at such Holder's address appearing in the Register; *provided*, *however*, that the Issuer shall have delivered to the Trustee a written order of the Issuer and an Officers' Certificate requesting that the Trustee give the Automatic Exchange Notice (in the name and at the expense of the Issuer) and setting forth the information to be stated in the Automatic Exchange Notice as provided in the preceding sentence. As a condition to any such exchange pursuant to this Section 2.13(a), the Trustee shall be entitled to receive from the Issuer, and rely conclusively without any liability, upon an Officers' Certificate and an Opinion of Counsel to the Issuer, in form and in substance reasonably satisfactory to the Trustee to the effect that no registration under the Securities Act is required in connection with any re-sales by a holder of beneficial interests in the Unrestricted Global Note. Any such Opinion of Counsel may include an assumption and/or a reliance provision as to the non-affiliate status of the Holders of Notes subject to such Automatic Exchange. Upon such exchange of beneficial interests pursuant to this Section 2.13(a), the Registrar shall reflect on its books and records the date of such transfer and a decrease and increase, respectively, in the principal amount of the applicable Restricted Global Note(s) and the Unrestricted Global Note, respectively, equal to the principal amount of beneficial interests transferred. If an Unrestricted Global Note is not then outstanding at the time of the Automatic Exchange, the Issuer shall execute and the Trustee shall authenticate and deliver an Unrestricted Global Note to the Depositary. Following any such transfer pursuant to this Section 2.13(a), provided that no Holder is an affiliate, the relevant Restricted Global Note shall be cancelled.

(b) If as of the 380th day after the Resale Restriction Termination Date, the Automatic Exchange has not occurred (such event referred to herein as a "Restricted Transfer Default"), and the Issuer has not cured any such Restricted Transfer Default by the date that is ten (10) Business Days following the occurrence of the Restricted Transfer Default (the "Restricted Transfer Triggering Date"), then the Issuer shall pay additional interest on the Notes (other than any Notes bearing the Affiliate Legend which such Notes shall continue to bear interest at a rate of 10.000% per annum), at the rate of 0.25% per annum for the first 90 days for which the Restricted Transfer Default has occurred and is continuing after the Restricted Transfer Triggering Date and thereafter at a rate of 0.50% per annum until the Issuer shall have cured the Restricted Transfer Default, *provided* that the rate at which such additional interest under this Section 2.13(b) accrues may in no event exceed 0.50% per annum. The Issuer shall calculate any additional interest due as a result of any Restricted Transfer Default, and shall notify the Trustee in writing of the same.

All accrued additional interest shall be paid to the Holders entitled thereto in the manner provided for the payment of interest in this Indenture on each Interest Payment Date as more fully set forth in this Indenture and the Notes.

ARTICLE III
REDEMPTION; OFFER TO PURCHASE

Section 3.1. *Optional Redemption.* The Issuer may, at its option, redeem the Notes, in whole, at any time, or in part, from time to time, prior to July 15, 2018 at a redemption price equal to the sum of:

(i) 100% of the principal amount thereof, plus accrued and unpaid interest thereon to, but excluding, the redemption date, if any (subject to the right of Holders of record on the relevant Record Date to receive interest on the relevant Interest Payment Date); *plus*

(ii) the Make-Whole Amount.

The term "**Make-Whole Amount**" shall mean, in connection with any optional redemption of any Note, the excess, if any, of:

(i) the present value at such redemption date of (i) the redemption price of the Note at July 15, 2018 (such redemption price being 100% of the principal amount of the Note to be redeemed) plus (ii) all required interest payments due on the Note through July 15, 2018 (excluding accrued but unpaid interest), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; *over*

(ii) the principal amount of the Note being redeemed.

In no case shall the Trustee be responsible for calculating or determining the Make-Whole Amount.

"**Treasury Rate**" means, in connection with the calculation of any Make-Whole Amount with respect to any Note, as calculated by the Company, the yield to maturity at the time of computation of United States Treasury securities with a constant maturity, as compiled by and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source or similar market data), most nearly equal to the period from the redemption date to July 15, 2018; *provided*, *however*, that if the period from the redemption date to July 15, 2018 is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from the redemption date to July 15, 2018 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

(b) At any time and from time to time on or after July 15, 2018, the Issuer may redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes being redeemed, plus accrued and unpaid interest thereon, if any, to, but excluding, the applicable redemption date (subject to the right of Holders of record on the relevant Record Date to receive interest on the relevant Interest Payment Date).

Section 3.2. *Redemption with Proceeds of Equity Offering.* At any time and from time to time prior to July 15, 2018, the Issuer may redeem Notes with the net cash proceeds received by the Issuer from any Equity Offering at a redemption price equal to 110.000% of the principal amount plus accrued and unpaid interest, if any, to, but excluding, the applicable redemption date (subject to the right of Holders of record on the relevant Record Date to receive interest on the relevant Interest Payment Date), in an aggregate principal amount for all such redemptions not to exceed 35% of the original aggregate principal amount of the Notes (including Additional Notes), *provided* that:

(i) in each case the redemption takes place not later than 60 days after the closing of the related Equity Offering, and

(ii) not less than 65% of the original aggregate principal amount of the Notes (including Additional Notes) remains outstanding immediately thereafter.

Section 3.3. *Sinking Fund; Mandatory Redemption.* There is no sinking fund for, or mandatory redemption of, the Notes. The Company and its Affiliates may at any time and from time to time purchase Notes in the open market or otherwise.

Section 3.4. *Method and Effect of Redemption*. (a) If the Issuer elects to redeem Notes, it must notify the Trustee of the redemption date and the principal amount of Notes to be redeemed by delivering an Officers' Certificate at least 15 days before the redemption date (unless a shorter period is satisfactory to the Trustee). If fewer than all of the Notes are being redeemed, the Notes to be redeemed shall be selected by the Trustee by lot, pro rata or such other method as the Trustee deems fair and appropriate in consultation with the Issuer, subject to applicable DTC procedures and compliance with the rules of any securities exchange on which the Notes may be listed. Notes shall be redeemed in denominations of $2,000 principal amount or any multiple of $1,000 in excess thereof. The Trustee will notify the Issuer promptly of the Notes or portions of Notes to be called for redemption. Notice of redemption must be delivered electronically or mailed by first-class mail, postage prepaid, by the Issuer or, at the Issuer's request, by the Trustee in the name and at the expense of the Issuer to Holders whose Notes are to be redeemed at least 10 days but not more than 60 days before the redemption date at such Holder's registered address or otherwise in accordance with the procedures of DTC, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture. Notices of any redemption may be given prior to the completion thereof, and may, at the Issuer's discretion, be subject to one or more conditions precedent, including, but not limited to, completion of an Equity Offering, another offering or another transaction or event.

(b) The notice of redemption shall identify the Notes to be redeemed and shall include or state the following:

(i) the redemption date;

(ii) the redemption price, including the portion thereof representing any accrued interest, if any;

(iii) the place or places where Notes are to be surrendered for redemption (Notes called for redemption must be so surrendered in order to collect the redemption price);

(iv) that on the redemption date, the redemption price shall become due and payable on Notes called for redemption, and interest on Notes called for redemption shall cease to accrue on and after the redemption date;

(v) that if any Note is redeemed in part, the portion of the principal amount thereof to be redeemed, and that on and after the redemption date, upon surrender of such Note, new Notes equal in principal amount to the unredeemed portion shall be issued;

(vi) if any Note contains a CUSIP or ISIN number, no representation is being made as to the correctness of the CUSIP or ISIN number either as printed on the Notes or as contained in the notice of redemption and that the Holder should rely only on the other identification numbers printed on the Notes; and

(vii) if such redemption is subject to satisfaction of one or more conditions precedent, such notice shall describe each such condition, and if applicable, shall state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date as so delayed.

(c) Once notice of redemption is sent to the Holders, Notes called for redemption become due and payable at the redemption price on the redemption date (subject to any conditions specified in such notice), and upon surrender of the Notes called for redemption, the Issuer shall redeem such Notes at the redemption price. Commencing on the redemption date, Notes redeemed shall cease to accrue interest. Upon surrender of any Note redeemed in part, the Holder shall receive a new Note equal in principal amount to the unredeemed portion of the surrendered Note.

(d) The Company and its Affiliates may acquire Notes by means other than a redemption, whether by tender offer, open market purchases, negotiated transactions or otherwise, in accordance with applicable securities laws, so long as such acquisition does not otherwise violate the terms of this Indenture.

Section 3.5. *Offer to Purchase*. (a) An "**Offer to Purchase**" means an offer by the Issuer to purchase Notes as required by this Indenture. An Offer to Purchase must be made by written offer (the "**offer**") sent to the Holders. The Issuer shall notify the Trustee at least 15 days (or such shorter period as is acceptable to the Trustee) prior to sending the offer to Holders of its obligation to make an Offer to Purchase, and the offer shall be sent by the Issuer or, at the Issuer's request, by the Trustee in the name and at the expense of the Issuer.

(b) The offer must include or state the following as to the terms of the Offer to Purchase:

(i) the provision of this Indenture pursuant to which the Offer to Purchase is being made;

(ii) the aggregate principal amount of the outstanding Notes offered to be purchased by the Issuer pursuant to the Offer to Purchase (including, if less than 100%, the manner by which such amount has been determined pursuant to this Indenture) (the "**purchase amount**");

(iii) the purchase price, including the portion thereof representing accrued interest, if any;

(iv) an expiration date (the "**expiration date**") not less than 30 days or more than 60 days after the date of the offer, and a settlement date for purchase (the "**purchase date**") not more than five Business Days after the expiration date;

(v) information concerning the business of the Company, the Issuer and its Subsidiaries which the Issuer in good faith believes will enable the Holders to make an informed decision with respect to the Offer to Purchase;

(vi) a Holder may tender all or any portion of its Notes, subject to the requirement that any portion of a Note tendered must be in denominations of $2,000 principal amount and any multiple of $1,000 in excess thereof;

(vii) the place or places where Notes are to be surrendered for tender pursuant to the Offer to Purchase;

(viii) each Holder electing to tender a Note pursuant to the offer shall be required to surrender such Note at the place or places specified in the offer prior to the close of business on the expiration date (such Note being, if the Issuer or the Trustee so requires, duly endorsed or accompanied by a duly executed written instrument of transfer);

(ix) interest on any Note not tendered, or tendered but not purchased by the Issuer pursuant to the Offer to Purchase, shall continue to accrue;

(x) on the purchase date the purchase price shall become due and payable on each Note accepted for purchase, and interest on Notes purchased shall cease to accrue on and after the purchase date;

(xi) Holders are entitled to withdraw Notes tendered by giving notice, which must be received by the Issuer or the Trustee not later than the close of business on the expiration date, setting forth the name of the Holder, the principal amount of the tendered Notes, the certificate number of the tendered Notes and a statement that the Holder is withdrawing all or a portion of the tender;

(xii) if Notes in an aggregate principal amount less than or equal to the purchase amount are duly tendered and not withdrawn pursuant to the Offer to Purchase, the Issuer shall purchase all such Notes, and if the Offer to Purchase is for less than all of the outstanding Notes and Notes in an aggregate principal amount in excess of the purchase amount are tendered and not withdrawn pursuant to the offer, the Issuer shall purchase Notes having an aggregate principal amount equal to the purchase amount on a *pro rata* basis, with adjustments so that only Notes in denominations of $2,000 principal amount and any multiples of $1,000 in excess thereof;

(xiii) if any Note is purchased in part, new Notes equal in principal amount to the unpurchased portion of the Note shall be issued; and

(xiv) if any Note contains a CUSIP or ISIN number, no representation is being made as to the correctness of the CUSIP or ISIN number either as printed on the Notes or as contained in the offer and that the Holder should rely only on the other identification numbers printed on the Notes.

(c) Prior to the purchase date, the Issuer shall accept tendered Notes for purchase as required by the Offer to Purchase and deliver to the Trustee all Notes so accepted together with an Officers' Certificate specifying which Notes have been accepted for purchase. On the purchase date, the purchase price shall become due and payable on each Note accepted for purchase, and interest on Notes purchased shall cease to accrue on and after the purchase date. The Trustee shall promptly return to Holders any Notes not accepted for purchase and send to Holders new Notes equal in principal amount to any unpurchased portion of any Notes accepted for purchase in part.

(d) The Issuer shall comply with Rule 14e-1 under the Exchange Act and all other applicable laws in making any Offer to Purchase, and the above procedures shall be deemed modified as necessary to permit such compliance.

ARTICLE IV
COVENANTS

Section 4.1. *Payment of Notes*. (a) The Issuer agrees to pay the principal of, premium, if any, and interest on the Notes on the dates and in the manner provided in the Notes and this Indenture. Not later than 9:00 A.M. (New York City time) on the due date of any principal of, premium, if any, or interest on, any Notes, or any redemption or purchase price of the Notes, the Issuer shall deposit with the Trustee (or Paying Agent) money in immediately available funds in U.S. dollars sufficient to pay such amounts; *provided*, that if the Issuer or any Affiliate of the Issuer is acting as Paying Agent, it shall, on or before each due date, segregate and hold in a separate trust fund for the benefit of the Holders a sum of money sufficient to pay such amounts until paid to such Holders or otherwise disposed of as provided in this Indenture. In each case, the Issuer shall promptly notify the Trustee of its compliance with this paragraph.

(b) An installment of principal, premium, if any, or interest shall be considered paid on the date due if the Trustee (or Paying Agent, other than the Issuer or any Affiliate of the Issuer) holds on that date money designated for and sufficient to pay the installment. If the Issuer or any Affiliate of the Issuer acts as Paying Agent, an installment of principal, premium, if any, or interest shall be considered paid on the due date only if paid to the Holders.

(c) The Issuer agrees to pay interest on overdue principal, and, to the extent lawful, overdue installments of interest, if any, at the rate per annum specified in the Notes.

(d) Payments in respect of the Notes represented by the Global Notes are to be made by wire transfer of immediately available funds to the accounts specified to the Trustee in writing (at least 5 Business Days prior to the Payment Date) by the Holders of the Global Notes. With respect to Certificated Notes, the Issuer shall make all payments by wire transfer of immediately available funds to the accounts specified to the Trustee in writing (at least 5 Business Days prior to the Payment Date) by the Holders thereof or, if no such account is specified, by mailing a check to each Holder's registered address.

Section 4.2. *Maintenance of Office or Agency*. The Company and the Issuer shall maintain an office or agency where Notes may be surrendered for registration of transfer or exchange or for presentation for payment and where notices and demands to or upon the Company and the Issuer in respect of the Notes and this Indenture may be served. The Issuer and the Company hereby initially designate the Corporate Trust Office of the Trustee as such office of the Issuer and the Company. The Issuer shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Issuer and the Company fail to maintain any such required office or agency or fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served to the Trustee.

The Issuer may also from time to time designate one or more other offices or agencies where the Notes may be surrendered or presented for any of such purposes and may from time to time rescind such designations. The Issuer shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

Section 4.3. *Existence*. The Company and the Issuer shall each do or cause to be done all things necessary to preserve and keep in full force and effect their existence and the existence of each of the Restricted Subsidiaries in accordance with their respective organizational documents, and the material rights, licenses and franchises of the Company, the Issuer and each Restricted Subsidiary; *provided*, that the Company and the Issuer are not required to preserve any such right, license or franchise, or the existence of any Restricted Subsidiary, if the maintenance or preservation thereof is no longer desirable in the conduct of the business of the Company and its Restricted Subsidiaries taken as a whole; and *provided*, *further*, that this Section shall not prohibit any transaction otherwise permitted by Section 4.10 or Section 4.14.

Section 4.4. *Payment of Taxes*. The Company shall pay or discharge, and cause each of its Subsidiaries to pay or discharge before the same become delinquent all material taxes, assessments and governmental charges levied or imposed upon the Company or any Subsidiary or its income or profits or property, other than any such tax, assessment or charge the amount, applicability or validity of which is being contested in good faith by appropriate proceedings.

Section 4.5. [Reserved].

Section 4.6. *Limitations on Indebtedness*. (a) The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume, become liable for or guarantee the payment of (collectively, an "**incurrence**") any Indebtedness (including Acquired Indebtedness); *provided* that the Company, the Issuer and any Guarantor may incur any Indebtedness (including Acquired Indebtedness) if, after giving effect thereto and the application of the proceeds therefrom, either (i) the Consolidated Fixed Charge Coverage Ratio on the date thereof would be at least 2.0 to 1.0 or (ii) the ratio of Indebtedness of the Company and the Restricted Subsidiaries to Consolidated Tangible Net Worth of the Company is less than 3.0 to 1.0.

(b) Notwithstanding the foregoing, the provisions of this Indenture will not prevent the incurrence of:

(i) Permitted Indebtedness,

(ii) Refinancing Indebtedness,

(iii) Non-Recourse Indebtedness,

(iv) any Guarantee of Indebtedness represented by the Notes, the Senior Secured Super Priority Term Loan and the First Lien Exchange Notes,

(v) any guarantee of Indebtedness incurred under Credit Facilities in compliance with this Indenture, and

(vi) any guarantee by the Issuer, the Company or any Guarantor of Indebtedness that is permitted to be incurred in compliance with this Indenture; *provided* that in the event such Indebtedness that is being guaranteed is subordinated in right of payment to the Notes or a Guarantee, as the case may be, then the related guarantee shall be subordinated in right of payment to the Notes or such Guarantee, as the case may be.

(c) For purposes of determining compliance with this covenant, in the event that an item of Indebtedness may be incurred through Section 4.6(a) or by meeting the criteria of one or more of the types of Indebtedness described in Section 4.6(b) (or the definitions of the terms used therein), the Company, in its sole discretion,

(i) may divide, classify or later reclassify the amount and type of such item of Indebtedness (or any portion thereof) under and comply with any of such paragraphs (or any of such definitions), as applicable,

(ii) may divide, classify or later reclassify the amount and type of such item of Indebtedness (or any portion thereof) into more than one of such paragraphs (or definitions), as applicable, and

(iii) may elect to comply with such paragraphs (or definitions), as applicable, in any order.

(d) The Company and the Issuer will not, and will not cause or permit any Guarantor to, directly or indirectly, in any event incur any Indebtedness that purports to be by its terms (or by the terms of any agreement governing such Indebtedness) subordinated to any other Indebtedness of the Company or of such Guarantor, as the case may be, unless such Indebtedness is also by its terms (or by the terms of any agreement governing such Indebtedness) made expressly subordinated to the Notes or the Guarantee of such Guarantor, as the case may be, to the same extent and in the same manner as such Indebtedness is subordinated to such other Indebtedness of the Company or such Guarantor, as the case may be.

(e) Accrual of interest or dividends, the accretion of accreted value, the accretion or amortization of original issue discount and the payment of interest or dividends in the form of additional Indebtedness will not be deemed to be an incurrence of Indebtedness for purposes of this Section.

(f) For purposes of determining compliance with any U.S. dollar-denominated restriction on the incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, in the case of term debt, or first committed, in the case of revolving credit debt; provided that if such Indebtedness is incurred to refinance other Indebtedness denominated in another currency, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed (i) the principal amount of such Indebtedness being refinanced plus all accrued interest thereon plus (ii) the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing. Notwithstanding any other provision of this Section 4.6, the maximum amount of Indebtedness the Company, the Issuer or a Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies.

(g) The principal amount of any Indebtedness incurred to refinance other Indebtedness, if incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such respective Indebtedness is denominated that is in effect on the date of such refinancing.

(h) For purposes of this Section 4.6 and the other provisions of this Indenture, (i) unsecured Indebtedness shall not be treated as subordinated or junior to secured Indebtedness merely because it is unsecured, and (ii) senior Indebtedness shall not be treated as subordinated or junior to any other senior Indebtedness merely because it has a junior priority with respect to the same collateral.

(i) The Company and the Issuer will not, and will not cause or permit any Guarantor, directly or indirectly, to incur Indebtedness under Section 4.6(a) (other than Purchase Money Indebtedness) unless it is scheduled to mature no earlier than January 15, 2021.

(j) For purposes of determining compliance with this covenant, (i) any Existing Unsecured Notes and any Units outstanding on the Effective Date shall be deemed to be incurred, at the Company's sole discretion, under clauses (b) or (k) of the definition of "Permitted Indebtedness" and (ii) all Indebtedness outstanding on the Effective Date under the Revolving Credit Facility shall be deemed to be incurred under clause (c) of the definition of "Permitted Indebtedness".

Section 4.7. *Limitations on Restricted Payments*. (a) The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, make any Restricted Payment unless:

(i) no Default or Event of Default shall have occurred and be continuing at the time of or immediately after giving effect to such Restricted Payment;

(ii) immediately after giving effect to such Restricted Payment, the Company could incur at least $1.00 of Indebtedness pursuant to Section 4.6(a) hereof; and

(iii) immediately after giving effect to such Restricted Payment, the aggregate amount of all Restricted Payments (including the Fair Market Value of any non-cash Restricted Payment) declared or made on or after February 1, 2014 does not exceed the sum of:

(A) $16.0 million, *plus*

(B) 50% of the Consolidated Net Income of the Company on a cumulative basis during the period (taken as one accounting period) from and including February 1, 2014 and ending on the last day of the Company's fiscal quarter immediately preceding the date of such Restricted Payment (or in the event such Consolidated Net Income shall be a deficit, minus 100% of such deficit), *plus*

(C) 100% of the aggregate net cash proceeds of and the Fair Market Value of Property received by the Company from (1) any capital contribution to the Company after February 1, 2014 or any issue or sale after February 1, 2014 of Qualified Stock (other than to any Subsidiary of the Company) and (2) the issue or sale on or after February 1, 2014 of any Indebtedness or other securities of the Company or the Issuer convertible into or exchangeable or exercisable for Qualified Stock of the Company that have been so converted, exchanged or exercised, as the case may be, *plus*

(D) in the case of the disposition or repayment of any Investment constituting a Restricted Payment (or if the Investment was made prior to February 1, 2014, that would have constituted a Restricted Payment if made after February 1, 2014, if such disposition or repayment results in cash received by the Company, the Issuer or any Restricted Subsidiary), an amount (to the extent not included in the calculation of Consolidated Net Income referred to in (B)) equal to the return of capital with respect to such Investment, including by dividend, distribution or sale of Capital Stock (to the extent not included in the calculation of Consolidated Net Income referred to in (B)), *plus*

(E) with respect to any Unrestricted Subsidiary that is redesignated as a Restricted Subsidiary after February 1, 2014, in accordance with the definition of "Unrestricted Subsidiary" (so long as the designation of such Subsidiary as an Unrestricted Subsidiary was treated under the 7.000% Notes Indenture or this Indenture as a Restricted Payment made after February 1, 2014, and only to the extent not included in the calculation of Consolidated Net Income referred to in (B)), an amount equal to the lesser of (x) the proportionate interest of the Company or a Restricted Subsidiary in an amount equal to the excess of (I) the total assets of such Subsidiary, valued on an aggregate basis at the lesser of book value and Fair Market Value thereof, over (II) the total liabilities of such Subsidiary, determined in accordance with GAAP, and (y) the Designation Amount at the time of such Subsidiary's designation as an Unrestricted Subsidiary.

(b) Clause (a) of this Section 4.7 (*provided* that in the case of clauses (iv) and (v) below, no Default or Event of Default has occurred and is continuing at the time of such payment) will not prohibit:

(i) the payment of any dividend or distribution or the consummation of any irrevocable redemption within 60 days of its declaration or the giving of notice of such irrevocable redemption, as applicable, if such dividend or such payment could have been made on the date of its declaration or provision of notice, as applicable, without violation of the provisions of this Indenture;

(ii) the purchase, repayment, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of any Subordinated Indebtedness of the Issuer, the Company or any Restricted Subsidiary or shares of Capital Stock of the Company in exchange for, or out of the net proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company) of, shares of Qualified Stock;

(iii) the purchase, repayment, redemption, repurchase, defeasance or other acquisition, cancellation or retirement for value of Subordinated Indebtedness of the Issuer, the Company or any Restricted Subsidiary in exchange for, or out of proceeds of, Refinancing Indebtedness;

(iv) the payment of dividends on Preferred Stock and Disqualified Stock up to an aggregate amount of $10.0 million in any fiscal year; *provided* that immediately after giving effect to any declaration of such dividend, the Company could incur at least $1.00 of Indebtedness pursuant to clause (i) of Section 4.6(a);

(v) the purchase, redemption or other acquisition, cancellation or retirement for value of Capital Stock, or options, warrants, equity appreciation rights or other rights to purchase or acquire Capital Stock, of the Company or any Subsidiary held by any present, future or former officers, directors, managers, employees or consultants of the Company or any Subsidiary (or their estates or beneficiaries under their estates) not to exceed $10.0 million in the aggregate since the Issue Date;

(vi) the making of cash payments in connection with any conversion or exchange of Permitted Convertible Indebtedness in an aggregate amount since the date of the indenture therefor not to exceed the sum of (a) the principal amount of such Permitted Convertible Indebtedness *plus* (b) any payments received by the Company, the Issuer or any Restricted Subsidiaries pursuant to the exercise, settlement or termination of any related Permitted Bond Hedge;

(vii) any payments in connection with (including, without limitation, the purchase of) a Permitted Bond Hedge and the settlement of any related Permitted Warrant (A) by delivery of shares of the Company's Capital Stock upon net share settlement of such Permitted Warrant or (B) by (x) set-off of such Permitted Warrant against the related Permitted Bond Hedge and (y) payment of an amount due upon termination of such Permitted Warrant in Capital Stock or using cash received upon the exercise, settlement or termination of a Permitted Bond Hedge upon any early termination thereof;

(viii) the purchase, repayment, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of any Subordinated Indebtedness (A) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness in the event of a Change of Control in accordance with provisions similar to Section 4.12 hereof or (B) at a purchase price not greater than 100% of the principal amount thereof in accordance with provisions similar to Section 4.10 hereof; *provided* that, prior to or simultaneously with such purchase, repayment, repurchase, redemption, defeasance or other acquisition, cancellation, or retirement, the Company, the Issuer or any Restricted Subsidiary has made the Change of Control offer pursuant to Section 4.12 hereof or Offer to Purchase pursuant to Section 4.10 hereof, as applicable, with respect to the Notes and has completed such repurchase or redemption of all Notes validly tendered for payment in connection with such Change of Control offer or Offer to Purchase;

(ix) (A) any payment of cash by the Company, the Issuer or any of the Restricted Subsidiaries in respect of fractional shares of the Company's Capital Stock upon the exercise, conversion or exchange of any stock options, warrants or other rights to purchase Capital Stock or other convertible or exchangeable securities and (B) payments made or expected to be made by the Company, the Issuer or any of the Restricted Subsidiaries in respect of withholding or similar taxes payable in connection with the exercise or vesting of Capital Stock by any future, present or former officer, employee, director, manager or consultant and repurchases of Capital Stock deemed to occur upon exercise, conversion or exchange of stock options, warrants or other rights to purchase Capital Stock or other convertible or exchangeable securities if such Capital Stock represents all or a portion of the exercise price thereof;

(x) other Restricted Payments in an aggregate amount, when taken together with all other Restricted Payments made pursuant to this clause (x) not to exceed $5.0 million (after giving effect to any return of capital with respect to any Restricted Investments made under this clause (x) in the form of cash);

(xi) payments or distributions to satisfy dissenters' rights, pursuant to or in connection with a consolidation, merger or transfer of assets that complies with Section 4.14; and

(xii) any purchase or redemption of Subordinated Indebtedness from Net Cash Proceeds of an Asset Disposition to the extent permitted under Section 4.10;

provided, *however*, that each Restricted Payment described in clauses (i) and (ii) of this Section 4.7(b) shall be taken into account for purposes of computing the aggregate amount of all Restricted Payments pursuant to clause (iii) of Section 4.7(a).

(c) For purposes of determining the aggregate and permitted amounts of Restricted Payments made, the amount of any guarantee of any Investment in any Person that was initially treated as a Restricted Payment and which was subsequently terminated or expired, net of any amounts paid by the Company or any Restricted Subsidiary in respect of such guarantee, shall be deducted.

(d) In determining the "Fair Market Value of Property" for purposes of clause (iii) of Section 4.7(a), Property other than cash, Cash Equivalents and Marketable Securities shall be deemed to be equal in value to the "equity value" of the Capital Stock or other securities issued in exchange therefor. The equity value of such Capital Stock or other securities shall be equal to (i) the number of shares of Common Equity issued in the transaction (or issuable upon conversion or exercise of the Capital Stock or other securities issued in the transaction) multiplied by the closing sale price of the Common Equity on its principal market on the date of the transaction (less, in the case of Capital Stock or other securities which require the payment of consideration at the time of conversion or exercise, the aggregate consideration payable thereupon) or (ii) if the Common Equity is not then traded on the New York Stock Exchange, the NYSE MKT or Nasdaq Stock Market, or if the Capital Stock or other securities issued in the transaction do not consist of Common Equity (or Capital Stock or other securities convertible into or exercisable for Common Equity), the value (if more than $10.0 million) of such Capital Stock or other securities as determined by a nationally recognized investment banking firm retained by the Board of Directors of the Company.

(e) For purposes of determining compliance with this Section 4.7, in the event that a proposed Restricted Payment or Investment (or a portion thereof) meets the criteria of clauses (i) through (xii) above or is entitled to be made pursuant to Section 4.7(a) and/or one or more of the exceptions contained in the definition of "Permitted Investments" (other than clause (k) of such definition), the Issuer will be entitled to divide, classify or later reclassify (based on circumstances existing on the date of such reclassification) such Restricted Payment or Investment (or portion thereof) among such clauses (i) through (xii) and Section 4.7(a) and/or one or more of the exceptions contained in the definition of "Permitted Investments" (other than clause (k) of such definition), in a manner that otherwise complies with this covenant.

Section 4.8. *Limitations on Liens*. The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, create, incur, assume or suffer to exist any Liens, other than Permitted Liens, on any of its Property, or on any shares of Capital Stock or Indebtedness of any Restricted Subsidiary.

Section 4.9. *Limitations on Restrictions Affecting Restricted Subsidiaries.* The Company and the Issuer will not cause or permit any Restricted Subsidiary to, create, assume or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction (other than encumbrances or restrictions imposed by law or by judicial or regulatory action or by provisions of agreements that restrict the assignability thereof) on the ability of such Restricted Subsidiary to:

(a) pay dividends or make any other distributions on its Capital Stock or any other interest or participation in, or measured by, its profits, owned by the Company or any other Restricted Subsidiary, or pay interest on or principal of any Indebtedness owed to the Company or any other Restricted Subsidiary,

(b) make loans or advances to the Company or any other Restricted Subsidiary, or

(c) transfer any of its property or assets to the Company or any other Restricted Subsidiary,

except for:

(i) encumbrances or restrictions existing under or by reason of applicable law,

(ii) contractual encumbrances or restrictions in effect at or entered into on the Effective Date or the Issue Date and any amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings thereof; *provided*, that such amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in such contractual encumbrances or restrictions, as in effect at or entered into on the Effective Date or the Issue Date,

(iii) encumbrances or restrictions under any agreement or other instrument of a Person acquired by or merged or consolidated with or into the Company or any Restricted Subsidiary, or of an Unrestricted Subsidiary that is designated a Restricted Subsidiary, or that is assumed in connection with the acquisition of assets from such Person, in each case that is in existence at the time of such transaction (but not created in contemplation thereof), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person and its Subsidiaries, or the property or assets of the Person and its Subsidiaries, so acquired or designated,

(iv) any restrictions or encumbrances arising in connection with Refinancing Indebtedness; *provided*, *however*, that any restrictions and encumbrances of the type described in this clause (iv) that arise under such Refinancing Indebtedness shall not be materially more restrictive or apply to additional assets than those under the agreement creating or evidencing the Indebtedness being refunded, refinanced, replaced or extended,

(v) any Permitted Lien, or any other agreement restricting the sale or other disposition of property, securing Indebtedness permitted by this Indenture if such Permitted Lien or agreement does not expressly restrict the ability of a Subsidiary of the Company to pay dividends or make or repay loans or advances prior to default thereunder,

(vi) reasonable and customary borrowing base covenants set forth in agreements evidencing Indebtedness otherwise permitted by this Indenture,

(vii) customary non-assignment provisions in leases, licenses, encumbrances, contracts or similar assets entered into or acquired in the ordinary course of business,

(viii) any restriction with respect to a Restricted Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Restricted Subsidiary pending the closing of such sale or disposition,

(ix) encumbrances or restrictions existing under or by reason of this Indenture, the Notes or the Guarantees, the First Lien Notes Indenture, the First Lien Notes or the First Lien Notes Guarantees, Senior Secured Super Priority Credit Agreement, the Senior Secured Super Priority Term Loan and the Senior Secured Super Priority Guarantees, the First Lien Exchange Notes Indenture, the First Lien Exchange Notes and the First Lien Exchange Notes Guarantees, the Existing Second Lien Indenture, the Existing Second Lien Notes and the Existing Second Lien Guarantees, and (F) the Existing Senior Secured New Group Notes Indenture, the Existing Senior Secured New Group Notes and the Existing Senior Secured New Group Notes Guarantees,

(x) purchase money obligations that impose restrictions on the property so acquired of the nature described in clause (c) of this Section 4.9,

(xi) Liens permitted under this Indenture securing Indebtedness that limit the right of the debtor to dispose of the assets subject to such Lien,

(xii) provisions with respect to the disposition or distribution of assets or property in joint venture agreements, assets sale agreements, stock sale agreements and other similar agreements,

(xiii) customary provisions of any franchise, distribution or similar agreements,

(xiv) restrictions on cash or other deposits or net worth imposed by contracts entered into in the ordinary course of business,

(xv) any encumbrances or restrictions existing under (A) development agreements or other contracts entered into with municipal entities, agencies or sponsors in connection with the entitlement or development of real property or (B) agreements for funding of infrastructure, including in respect of the issuance of community facility district bonds, metro district bonds, mello-roos bonds and subdivision improvement bonds, and similar bonding requirements arising in the ordinary course of business of a homebuilder,

(xvi) any encumbrances or restrictions that require "lockbox" or similar obligations with respect to Non-Recourse Indebtedness,

(xvii) any encumbrances or restrictions of the type referred to in clauses (a), (b) or (c) of this Section 4.9 imposed by any amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings of the contracts, instruments or obligations referred to in clauses (i) and (iii) through (xvi) of this Section 4.9; *provided*, that such amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings are, in the good faith judgment of the Company's Board of Directors or its chief executive officer or chief financial officer, not materially more restrictive with respect to such encumbrances or restrictions than those contained in the encumbrance or restrictions prior to such amendment, modification, restatement, renewal, supplement, refunding, replacement or refinancing, and

(xviii) any encumbrance or restriction under other Indebtedness of Restricted Subsidiaries permitted to be incurred subsequent to the Issue Date pursuant to Section 4.6; provided, that such encumbrances or restrictions will not materially affect the Issuer's ability to make anticipated principal and interest payments on the Notes, as determined in the good faith judgment of the Company's Board of Directors or its chief executive officer or chief financial officer.

(d) For purposes of determining compliance with this Section 4.9: (i) the priority of any preferred stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock shall not be deemed a restriction on the ability to make distributions on Capital Stock and (ii) the subordination of loans or advances made to the Company or a Restricted Subsidiary to other Indebtedness incurred by the Company or any such Restricted Subsidiary shall not be deemed a restriction on the ability to make loans or advances.

Section 4.10. *Limitations on Dispositions of Assets*. (a) The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, make any Asset Disposition unless: (x) the Company (or the Issuer or such Restricted Subsidiary, as the case may be) receives consideration at the time of such Asset Disposition at least equal to the Fair Market Value thereof, and (y) not less than 70% of the consideration received by the Company (or the Issuer or such Restricted Subsidiary, as the case may be) from such Asset Disposition and all other Asset Dispositions since the Issue Date, on a cumulative basis, is in the form of cash, Cash Equivalents and Marketable Securities (which must be pledged as Collateral if the assets disposed of constituted Collateral).

(b) The amount of any Indebtedness (as reflected on the Company's most recent consolidated balance sheet or in the footnotes thereto, or if incurred or accrued subsequent to the date of such balance sheet, such Indebtedness that would have been reflected on the Company's consolidated balance sheet or in the footnotes thereto if such incurrence or accrual had taken place on or prior to the date of such balance sheet, as determined in good faith by the Company) of the Company or the Issuer or any Restricted Subsidiary (other than any Subordinated Indebtedness) that is actually assumed by the transferee in such Asset Disposition (or is otherwise extinguished in connection with the transactions relating to such Asset Disposition), the fair market value (as determined in good faith by the Board of Directors of the Company) of any property or assets (including Capital Stock of any Person that will be a Restricted Subsidiary) received that are used or useful in a Real Estate Business (*provided* that (except as permitted by clause (c) under the definition of "Permitted Investment") to the extent that the assets disposed of in such Asset Disposition were Collateral, such property or assets are pledged as Collateral under the Security Documents substantially simultaneously with such sale, with the Lien on such Collateral securing the Notes being of the same priority with respect to the Notes as the Lien on the assets disposed of), and any securities, notes or other obligations or assets received by the Company or such Restricted Subsidiary from such transferee that are converted by the Company or such Restricted Subsidiary into cash or Cash Equivalents, or by their terms are required to be satisfied for cash or Cash Equivalents (to the extent of the cash or Cash Equivalents received), in each case, within 180 days following the closing of such Asset Disposition, shall in each case be deemed to be consideration required by clause (y) of Section 4.10(a) for purposes of determining the percentage of such consideration received by the Company or the Restricted Subsidiaries.

(c) Other than the Net Cash Proceeds in connection with Land Banking Transactions constituting Asset Dispositions which shall be applied in accordance with clause (f) below, the Net Cash Proceeds of an Asset Disposition shall, within one year, at the Company's election: (1) be used by the Company, the Issuer or a Restricted Subsidiary to invest in assets (including Capital Stock of any Person that is or will be a Restricted Subsidiary following investment therein) used or useful in a Real Estate Business (*provided* that (except as permitted by clause (c) under the definition of "Permitted Investment") to the extent that the assets disposed of in such Asset Disposition were Collateral, such assets are pledged as Collateral under the Security Documents with the Lien on such Collateral securing the Notes being of the same priority with respect to the Notes as the Lien on the assets disposed of), (2) be used to permanently prepay or permanently repay any (i) Indebtedness which had been secured by the assets sold in the relevant Asset Disposition, to the extent the assets sold were not Collateral, or (ii) Indebtedness of a Restricted Subsidiary that is not a Guarantor, to the extent the assets sold were not Collateral or (iii) Indebtedness constituting First-Priority Lien Obligations (or cash collateralize letters of credit that constitute First-Priority Lien Obligations), or (3) be applied to make an Offer to Purchase the Notes and, if the Company or a Restricted Subsidiary elects or is required to do so, to repay, purchase or redeem any other Indebtedness secured by parity Liens on Collateral and, if the Company or a Restricted Subsidiary elects or is required to do so and the assets disposed of were not Collateral, repay, purchase or redeem any unsubordinated Indebtedness (on a *pro rata* basis if the amount available for such repayment, purchase, redemption or cash collateralization is less than the aggregate amount of (x) the principal amount of the Notes tendered in such Offer to Purchase, (y) the lesser of the principal amount, or accreted value, of such other Indebtedness secured by ratable Liens tendered or to be repaid, redeemed, repurchased or cash collateralized and (z) the lesser of the principal amount, or accreted value, of such unsubordinated Indebtedness tendered or to be repaid, repurchased or redeemed, plus, in each case, accrued interest to the date of repayment, purchase or redemption) at 100% of the principal amount or accreted value thereof, as the case may be, plus accrued and unpaid interest, if any, to the date of repurchase, repayment or redemption; *provided* that pending any such application under this Section 4.10(c), Net Cash Proceeds may be used to temporarily reduce Indebtedness or otherwise be invested in any manner not prohibited by this Indenture; *provided further* that in the case of clause (1), a binding commitment to invest in assets shall be treated as a permitted application of the Net Cash Proceeds from the date of such commitment so long as the Company, the Issuer or a Restricted Subsidiary enters into such commitment with the good faith expectation that such Net Cash Proceeds will be applied to satisfy such commitment within 180 days of such commitment (an "**Acceptable Commitment**") and such Net Cash Proceeds are actually applied in such manner within the later of one year from the consummation of the Asset Disposition and 180 days from the date of the Acceptable Commitment, and in the event any Acceptable Commitment is later cancelled or terminated for any reason before the Net Cash Proceeds is applied in connection therewith, the Company, the Issuer or such Restricted Subsidiary enters into another Acceptable Commitment (a "**Second Commitment**") within 180 days of such cancellation or termination and such Net Cash Proceeds are actually applied in such manner within 180 days from the date of the Second Commitment, it being understood that if a Second Commitment is later cancelled or terminated for any reason before such Net Cash Proceeds is applied, then such Net Cash Proceeds shall be applied in accordance with clauses (2) or (3) above. Upon completion of an Offer to Purchase, the amount of Net Cash Proceeds will be reset at zero.

(d) Notwithstanding the foregoing, (A) other than with respect to Net Cash Proceeds in connection with Land Banking Transactions constituting Asset Dispositions which shall be applied in accordance with clause (f) below, the Company will not be required to apply such Net Cash Proceeds in accordance with clauses (2) or (3) of Section 4.10(c) except to the extent that such Net Cash Proceeds, together with the aggregate Net Cash Proceeds of prior Asset Dispositions (other than those so used) which have not been applied in accordance with this provision and as to which no prior prepayments or repayments shall have been made and no Offer to Purchase shall have been made, exceed $25.0 million and (B) other than with respect to an Asset Disposition constituting a Land Banking Transaction, in connection with an Asset Disposition, the Company and the Restricted Subsidiaries will not be required to comply with the requirements of clause (y) of Section 4.10(a) to the extent that the non-cash consideration received in connection with such Asset Disposition, together with the sum of all non-cash consideration received in connection with all prior Asset Dispositions that has not yet been converted into cash, Cash Equivalents or Marketable Securities, does not exceed $25.0 million; *provided, however*, that when any non-cash consideration is converted into cash, Cash Equivalents or Marketable Securities, such cash shall constitute Net Cash Proceeds and be subject to Section 4.10(c).

(e) To the extent that the aggregate amount of Indebtedness validly tendered and not properly withdrawn pursuant to an Offer to Purchase is less than the Net Cash Proceeds, the Company, the Issuer and the Restricted Subsidiaries may use any remaining Net Cash Proceeds for general corporate purposes, subject to the other covenants hereunder.

(f) The Net Cash Proceeds of Land Banking Transactions constituting Asset Dispositions shall within 90 days (1) be used to permanently prepay or permanently repay any Indebtedness constituting First-Priority Lien Obligations, or (2) be applied to make an Offer to Purchase the Notes and, if the Company or a Restricted Subsidiary elects or is required to do so, to repay, purchase or redeem any other Indebtedness secured by parity Liens on Collateral (on a *pro rata* basis if the amount available for such repayment, purchase, redemption or cash collateralization is less than the aggregate amount of (x) the principal amount of the Notes tendered in such Offer to Purchase and (y) the lesser of the principal amount, or accreted value, of such other Indebtedness secured by ratable Liens tendered or to be repaid, redeemed, repurchased or cash collateralized) at 100% of the principal amount or accreted value thereof, as the case may be, plus accrued and unpaid interest, if any, to the date of repurchase, repayment or redemption; *provided* that to the extent that the aggregate amount of Indebtedness prepaid, validly tendered and not properly withdrawn pursuant to an Offer to Purchase pursuant to this Section 4.10(f) is less than such Net Cash Proceeds, the Company, the Issuer and the Restricted Subsidiaries may use any remaining Net Cash Proceeds for general corporate purposes (including, for the avoidance of doubt, the repayment or repurchase of Indebtedness), subject to the other covenants hereunder.

Section 4.11. *Guarantees by Restricted Subsidiaries.* Each existing Restricted Subsidiary (other than the Issuer (for so long as it remains the Issuer) and any Excluded Subsidiary) will be a Guarantor. The Company is permitted to cause any Unrestricted Subsidiary to be a Guarantor. If the Issuer, the Company or any of its Restricted Subsidiaries acquires or creates a Restricted Subsidiary (other than any Excluded Subsidiary) after the Issue Date, such Restricted Subsidiary shall execute a guarantee substantially in the form included in Exhibit A, execute a supplemental indenture in the form of Exhibit B, and deliver an Opinion of Counsel to the Trustee to the effect that the supplemental indenture has been duly authorized, executed and delivered by the new Restricted Subsidiary and constitutes a valid and binding obligation of the new Restricted Subsidiary, enforceable against the new Restricted Subsidiary in accordance with its terms (subject to customary exceptions).

Section 4.12. *Repurchase of Notes upon a Change of Control.* (a) In the event that there shall occur a Change of Control, each Holder of Notes shall have the right, at such Holder's option, to require the Issuer to purchase all or any part of such Holder's Notes on a date (the "**Repurchase Date**") that is no later than 90 days after notice of the Change of Control, at 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the Repurchase Date.

(b) On or before the thirtieth day after any Change of Control, the Issuer is obligated to mail, or cause to be mailed, to all Holders of record of Notes and the Trustee, a notice regarding the Change of Control and the repurchase right. The notice shall state the Repurchase Date, the date by which the repurchase right must be exercised, the price for the Notes and the procedure which the Holder must follow to exercise such right. To exercise such right, the Holder of such Note must deliver, at least ten days prior to the Repurchase Date, written notice to the Issuer (or an agent designated by the Issuer for such purpose) of the Holder's exercise of such right, together with the Note with respect to which the right is being exercised, duly endorsed for transfer; *provided*, *however*, that if mandated by applicable law, a Holder may be permitted to deliver such written notice nearer to the Repurchase Date than may be specified by the Issuer.

(c) Notices may be delivered prior to the occurrence of a Change of Control stating that the Change of Control offer is conditional on the occurrence of such Change of Control, and, if applicable, shall state that, in the Issuer's discretion, the Repurchase Date may be delayed until such time as the Change of Control shall occur, or that such repurchase may not occur and such notice may be rescinded in the event that the Issuer shall determine that such condition will not be satisfied by the Repurchase Date, or by the Repurchase Date as so delayed.

(d) The Issuer will comply with applicable law, including Section 14(e) of the Exchange Act and Rule 14e-1 thereunder, if applicable, if the Issuer is required to give a notice of a right of repurchase as a result of a Change of Control.

(e) The Issuer will not be required to make a Change of Control offer following a Change of Control if a third party makes the Change of Control offer in the manner, at the times and otherwise in compliance with the requirements set forth in this Section 4.12 and purchases all such Notes validly tendered and not withdrawn under such Change of Control offer.

(f) If Holders of not less than 90% in aggregate principal amount of the outstanding Notes validly tender and do not validly withdraw such Notes in an Offer to Purchase in connection with a Change of Control and the Issuer, or any third party making an Offer to Purchase in lieu of the Issuer as permitted by this Section 4.12, purchases of all of the Notes validly tendered and not withdrawn by such Holders, the Issuer or such third party shall have the right, upon not less than 10 nor more than 60 days' prior notice (with a copy to the Trustee), given not more than 30 days following such purchase pursuant to the Change of Control offer described in this Section 4.12, to redeem all Notes that remain outstanding following such purchase at a redemption price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to, but not including, the date of redemption.

Section 4.13. *Limitations on Transactions with Affiliates*. (a) The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, make any loan, advance, guarantee or capital contribution to, or for the benefit of, or sell, lease, transfer or otherwise dispose of any property or assets to or for the benefit of, or purchase or lease any property or assets from, or enter into or amend any contract, agreement or understanding with, or for the benefit of, any Affiliate of the Company or any Affiliate of any of the Company's Subsidiaries involving aggregate payments or consideration in excess of $7.5 million in a single transaction or series of related transactions (each, an "**Affiliate Transaction**"), except for any Affiliate Transaction the terms of which are at least as favorable as the terms which could be obtained by the Company, the Issuer or such Restricted Subsidiary, as the case may be, in a comparable transaction made on an arm's-length basis with Persons who are not such a holder, an Affiliate of such a holder or an Affiliate of the Company or any of the Company's Subsidiaries.

(b) In addition, the Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, enter into an Affiliate Transaction unless:

(i) with respect to any such Affiliate Transaction involving or having a value of more than $15.0 million, the Company shall have (x) obtained the approval of a majority of the Board of Directors of the Company and (y) either obtained the approval of a majority of the Company's disinterested directors or obtained an opinion of a qualified independent financial advisor to the effect that such Affiliate Transaction is fair to the Company, the Issuer or such Restricted Subsidiary, as the case may be, from a financial point of view, and

(ii) with respect to any such Affiliate Transaction involving or having a value of more than $30.0 million, the Company shall have (x) obtained the approval of a majority of the Board of Directors of the Company and (y) delivered to the Trustee an opinion of a qualified independent financial advisor to the effect that such Affiliate Transaction is fair to the Company, the Issuer or such Restricted Subsidiary, as the case may be, from a financial point of view.

(c) Notwithstanding the foregoing, an Affiliate Transaction will not include:

(i) any contract, agreement or understanding with, or for the benefit of, or plan for the benefit of, employees of the Company or its Subsidiaries generally (in their capacities as such) that has been approved by the Board of Directors of the Company;

(ii) Capital Stock issuances to directors, officers and employees of the Company or its Subsidiaries pursuant to plans approved by the stockholders of the Company;

(iii) any Restricted Payment otherwise permitted under Section 4.7 hereof or any Permitted Investment (other than a Permitted Investment referred to in clause (b) of the definition thereof, except as permitted by clause (iv) below);

(iv) any transaction between or among the Company and/or one or more Restricted Subsidiaries or between or among Restricted Subsidiaries (*provided, however*, no such transaction shall involve any other Affiliate of the Company (other than an Unrestricted Subsidiary to the extent permitted by this Indenture)) and any Guarantees issued by the Company or a Restricted Subsidiary for the benefit of the Company or a Restricted Subsidiary, as the case may be, in accordance with Section 4.6;

(v) any transaction between the Company or one or more Restricted Subsidiaries and one or more Unrestricted Subsidiaries (1) where all of the payments to, or other benefits conferred upon, such Unrestricted Subsidiaries are substantially contemporaneously dividended, or otherwise distributed or transferred without charge, to the Company or a Restricted Subsidiary or (2) in the ordinary course of business, including, without limitation, sales (directly or indirectly), sales subject to repurchase options, leases and sales and leasebacks of (A) homes, improved land and unimproved land and (B) real estate (including related amenities and improvements);

(vi) issuances, sales or other transfers or dispositions of mortgages and collateralized mortgage obligations in the ordinary course of business between Restricted Subsidiaries and Unrestricted Subsidiaries of the Company;

(vii) the payment of reasonable and customary fees to, and indemnity provided on behalf of, officers, directors, employees or consultants of the Company, the Issuer or any Restricted Subsidiary;

(viii) transactions in which the Company or any Restricted Subsidiary, as the case may be, delivers to the Trustee an opinion of a qualified independent financial advisor stating that such transaction is fair to the Company or such Restricted Subsidiary from a financial point of view or stating that the terms are not materially less favorable to the Company or its relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person on an arm’s length basis;

(ix) any agreement or arrangement as in effect as of the Effective Date or the Issue Date, or any amendment thereto (so long as any such amendment is not disadvantageous in any material respect to the Holders when taken as a whole as compared to the applicable agreement or arrangement as in effect on the Effective Date or the Issue Date);

(x) transactions with joint ventures entered into in the ordinary course of business, including, without limitation, sales (directly or indirectly), sales subject to repurchase options, leases and sales and leasebacks of (A) homes, improved land and unimproved land and (B) real estate (including related amenities and improvements);

(xi) any transaction with a Person (other than an Unrestricted Subsidiary) which would constitute an Affiliate Transaction solely because the Company or a Restricted Subsidiary owns Capital Stock in or otherwise controls such Person;

(xii) the issuance and transfer of Capital Stock of the Company and the granting and performance of customary registration rights;

(xiii) any lease entered into between the Company or any Restricted Subsidiary, as lessee, and any Affiliate of the Company, as lessor, in the ordinary course of business;

(xiv) intellectual property licenses in the ordinary course of business;

(xv) transactions between the Company or any of its Restricted Subsidiaries and any Person that would constitute an Affiliate Transaction solely because a director of which is also a director of the Company; provided, however, that such director abstains from voting as a director of the Company on any matter involving such other Person; and

(xvi) pledges of Capital Stock of Unrestricted Subsidiaries.

Section 4.14. *Limitations on Mergers, Consolidations and Sales of Assets*. Neither the Issuer nor any Guarantor will consolidate or merge with or into, or sell, lease, convey or otherwise dispose of all or substantially all of its assets (including, without limitation, by way of liquidation or dissolution), or assign any of its obligations under the Notes, the Guarantees or this Indenture (as an entirety or substantially as an entirety in one transaction or in a series of related transactions), to any Person (in each case other than in a transaction in which the Company, the Issuer or a Restricted Subsidiary is the survivor of a consolidation or merger, or the transferee in a sale, lease, conveyance or other disposition) unless:

(i) the Person formed by or surviving such consolidation or merger (if other than the Company, the Issuer or the Guarantor, as the case may be), or to which such sale, lease, conveyance or other disposition or assignment will be made (collectively, the "**Successor**"), is a corporation or other legal entity organized and existing under the laws of the United States or any state thereof or the District of Columbia, and the Successor assumes by supplemental indenture in a form reasonably satisfactory to the Trustee all of the obligations of the Company, the Issuer or the Guarantor, as the case may be, under the Notes or a Guarantee, as the case may be, and this Indenture and the Security Documents,

(ii) immediately after giving effect to such transaction, no Default or Event of Default has occurred and is continuing, and

(iii) immediately after giving effect to such transaction,

(A) the Company (or its Successor) could incur at least $1.00 of Indebtedness pursuant to Section 4.6(a) hereof; or

(B) the Consolidated Fixed Charge Coverage Ratio would be equal to or greater than the Consolidated Fixed Charge Coverage Ratio immediately prior to such transaction or the ratio of Indebtedness of the Company and the Restricted Subsidiaries to Consolidated Tangible Net Worth of the Company would be equal to or less than the ratio immediately prior to such transaction.

The foregoing provisions shall not apply to: (i) a transaction involving the sale or disposition of Capital Stock of a Guarantor, or the consolidation or merger of a Guarantor, or the sale, lease, conveyance or other disposition of all or substantially all of the assets of a Guarantor, that in any such case results in such Guarantor being released from its Guarantee pursuant to Section 6.3, or (ii) a transaction the purpose of which is to change the state of incorporation or formation of the Company, the Issuer or any Guarantor.

Section 4.15. *Reports to Holders of Notes*. (a) The Company shall file with the Commission the annual reports and the information, documents and other reports required to be filed pursuant to Section 13 or 15(d) of the Exchange Act. The Company shall file with the Trustee and deliver to each Holder of record of Notes such reports, information and documents within 15 days after it files them with the Commission. In the event that the Company is no longer subject to these periodic reporting requirements of the Exchange Act, it will nonetheless continue to file reports with the Commission and the Trustee and deliver such reports to each Holder of Notes as if it were subject to such reporting requirements. Regardless of whether the Company is required to furnish such reports to its stockholders pursuant to the Exchange Act, the Company will cause its consolidated financial statements and a "Management's Discussion and Analysis of Results of Operations and Financial Condition" written report, similar to those that would have been required to appear in annual or quarterly reports, to be delivered to Holders of Notes.

(b) The posting of the reports, information and documents referred to above on the Company's website or one maintained on its behalf for such purpose shall be deemed to satisfy the Company's delivery obligations to the Trustee and the Holders. In addition, availability of the foregoing materials on the Commission's EDGAR service shall be deemed to satisfy the Company's delivery obligations to the Trustee and the Holders. The Trustee shall have no obligation to monitor whether the Company posts such reports, information and documents on its website or the Commission's EDGAR service, or collect any such information from the Company's website or the Commission's EDGAR service.

(c) For so long as any of the Notes remain outstanding and constitute "restricted securities" under Rule 144, the Company will furnish to the Holders of Notes and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

(d) Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of them will not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's and/or the Company's compliance with any of its covenants in this Indenture (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

Section 4.16. [Reserved].

Section 4.17. *Notice of Other Defaults*. In the event that any Indebtedness of the Issuer or any Guarantor is declared due and payable before its maturity because of the occurrence of any default under such Indebtedness, the Issuer or the relevant Guarantor, as the case may be, shall promptly deliver to the Trustee an Officers' Certificate stating such declaration; provided, that the term "Indebtedness" as used in this Section 4.17 shall not include Non-Recourse Indebtedness.

Section 4.18. *Collateral Requirement; Further Assurances; Costs*.

(a) On the Issue Date, the Issuer and each Guarantor shall grant Liens on all their property (other than Excluded Property) and take all appropriate steps to cause such Liens to be perfected second-priority liens (subject to Permitted Liens), including through recordation of mortgages, entry into control agreements, filing of UCC-1 financing statements or otherwise, pursuant to, and to the extent required by, the Security Documents to be entered into on the Issue Date and this Indenture. For the avoidance of doubt, the requirements of this Section 4.18(a) are subject to Section 4.18(d) below.

(b) If the Issuer or any of the Guarantors at any time grants, assumes, perfects or becomes subject to any Lien upon any of its property (other than Excluded Property of the type referred to in clause (a) of the definition thereof) then owned or thereafter acquired as security for any First-Priority Lien Obligation or other Second-Priority Lien Obligation that in each case is subject to the Intercreditor Agreement, the Issuer will, or will cause such Guarantor to, as promptly as practical (subject to Section 4.18(d) below):

(i) grant a second-priority Lien on such property to the Collateral Agent for the benefit of the Holders and, to the extent such grant would require the execution and delivery of a Security Document, the Issuer or such Guarantor shall execute and deliver a Security Document on substantially the same terms as the agreement or instrument executed and delivered to secure such other First-Priority Lien Obligations or Second-Priority Lien Obligations (but, in the case of First-Priority Lien Obligations, subject to changes to make such new Security Document consistent with the Security Documents delivered on the Issue Date in respect of the Second-Priority Lien Obligations compared to those for the First-Priority Lien Obligations);

(ii) cause the Lien granted in such Security Document to be duly perfected as a second-priority lien in any manner permitted by law to the same extent as the Liens granted for the benefit of such other First-Priority Lien Obligations or Second-Priority Lien Obligations are perfected; and

(iii) instruct the Collateral Agent in writing to take all action necessary in connection with the foregoing provisions of this Section 4.18(b), including as necessary under the Security Documents and determining whether Collateral constitutes Mortgage Tax Collateral (as defined in the Intercreditor Agreement) for purposes of the Intercreditor Agreement. By their acceptance of the Notes, Holders shall be deemed to have instructed and authorized the Collateral Agent to take such actions as instructed by the Issuer or any Guarantor.

(c) If the Issuer or any Guarantor at any time after the Issue Date acquires any new property (other than Excluded Property) that is not automatically subject to a Lien under the Security Documents, or a non-Guarantor Restricted Subsidiary becomes a Guarantor, the Issuer will, or will cause such Guarantor, subject to the requirements of the Security Documents, to as soon as practical after such property's acquisition or it no longer being Excluded Property (subject to Section 4.18(d) below):

(i) grant a second-priority Lien on such property (or, in the case of a new Guarantor, all of its assets except Excluded Property) to the Collateral Agent for the benefit of the Holders (and, to the extent such grant would require the execution and delivery of a Security Document, the Issuer or such Guarantor shall execute and deliver a Security Document on substantially the same terms as the Security Documents executed and delivered on the Issue Date);

(ii) cause the Lien granted in such Security Document to be duly perfected in any manner permitted by law to the same extent as the Liens granted on the Issue Date are perfected; and

(iii) instruct the Collateral Agent in writing to take all action necessary in connection with the foregoing provisions of this Section 4.18(c) including as necessary under the Security Documents and determining whether Collateral constitutes Mortgage Tax Collateral (as defined in the Intercreditor Agreement) for purposes of the Intercreditor Agreement. By their acceptance of the Notes, Holders shall be deemed to have instructed and authorized the Collateral Agent to take such action as instructed by the Issuer or any Guarantor.

The Issuer or such Guarantor shall deliver an Opinion of Counsel to the Trustee in respect of any Lien grant referred to in this Section 4.18(c) by a new Guarantor or with respect to real property, addressing customary matters (and containing customary exceptions) consistent with the Opinion of Counsel (if any) delivered on the Issue Date in respect of such matters; *provided*, that, an Opinion of Counsel shall not be required with respect to any mortgage or similar instrument for real property located in a jurisdiction for which an Opinion of Counsel has been previously delivered to the Trustee pursuant to this Indenture.

(d) Notwithstanding anything to the contrary set forth in this Section 4.18 or elsewhere in this Indenture or any Security Document:

(i) any mortgages, deeds of trust or similar instruments (and any related Security Documents) required to be granted pursuant to this Indenture or the Security Documents with respect to real property owned by the Issuer or a Guarantor on the Issue Date shall be granted, together with Opinions of Counsel delivered to the Trustee in respect of the enforceability and validity of such mortgages, deeds of trust and similar instruments, addressing customary matters (and containing customary exceptions) (*provided*, that, an Opinion of Counsel shall not be required with respect to any mortgage or similar instrument for real property located in a jurisdiction for which an Opinion of Counsel has been previously delivered to the Trustee pursuant to this Indenture), using reasonable best efforts following the Issue Date, but in no event later than (A) 90 days following the Issue Date with respect to real property to be pledged as Collateral with an aggregate book value of at least 40% of the aggregate book value of such real property owned on the Issue Date, (B) 120 days following the Issue Date with respect to real property to be pledged as Collateral with an aggregate book value of at least 50% of the aggregate book value of such real property owned on the Issue Date, (C) 150 days following the Issue Date with respect to real property to be pledged as Collateral with an aggregate book value of at least 60% of the aggregate book value of such real property owned on the Issue Date, (D) 180 days following the Issue Date with respect to real property to be pledged as Collateral with an aggregate book value of at least 75% of the aggregate book value of such real property owned on the Issue Date and (E) in any event, 210 days after the Issue Date with respect to all real property owned on the Issue Date to be pledged as Collateral;

(ii) any control, intercreditor or similar agreements or other Security Documents with respect to L/C Collateral (other than Excluded Property) and any deposit, checking and securities accounts required to be provided pursuant to this Indenture or the Security Documents on the Issue Date shall be provided as soon as commercially reasonable following the Issue Date, but in no event later than 90 days following the Issue Date;

(iii) in the event that Rule 3-16 of Regulation S-X under the Securities Act requires or would require (or is replaced with another rule or regulation, or any other law, rule or regulation is adopted, which would require) the filing with the Commission of separate financial statements of the Issuer, a Guarantor or of K. Hovnanian JV Holdings, L.L.C. that are not otherwise required to be filed, then the capital stock or other securities of such Person need not be pledged pursuant to this Section 4.18 and shall automatically be deemed released and to not be and to not have been part of the Collateral, but only to the extent necessary to not be subject to such requirement. In such event, the Security Documents may be amended or modified, without the consent of any Holder of Notes, to the extent necessary to evidence the release of Liens securing the Notes and the Guarantees on the shares of capital stock or other securities that are so deemed to no longer constitute part of the Collateral;

(iv) any control, intercreditor or similar agreements or other Security Documents required pursuant to this Indenture or the Security Documents with respect to L/C Collateral (other than Excluded Property) may provide that the Collateral Agent for the benefit of the Holders has a security interest in such Collateral that is junior to both the lien granted to the holders of the obligations secured by such L/C Collateral and the First-Priority Lien Obligations;

(v) in the case of personal property, the Issuer and the Guarantors will not be required to take any steps to perfect liens on personal property outside the United States; and

(vi) in the case of real property Collateral, the Issuer and the Guarantors will not be required to provide title insurance policies in respect thereof.

(e) The Issuer will bear and pay all legal expenses, collateral audit and valuation costs, filing fees, insurance premiums and other costs associated with the performance of the obligations of the Issuer and the Guarantors set forth in this Section 4.18 and will also pay or reimburse the Trustee and Collateral Agent for all reasonable out-of-pocket expenses, disbursements and advances incurred or made by the Trustee and Collateral Agent in connection therewith, including the reasonable compensation and expenses of the Trustee and Collateral Agent's agents and counsel.

(f) Neither the Issuer nor any of the Guarantors will be permitted to take any action, or knowingly or negligently omit to take any action, which action or omission might or would have the result of materially impairing the security interest with respect to the Collateral for the benefit of the Trustee and the Holders of the Notes.

Section 4.19. *Limitation of Applicability of Certain Covenants if Notes Rated Investment Grade*.

(a) The Issuer's, the Company's and its Restricted Subsidiaries' obligations to comply with the provisions of this Indenture described under this Article IV (except for Section 4.1, Section 4.2, Section 4.3, Section 4.8, Section 4.10 (to the extent the property disposed of constitutes Collateral), Section 4.12, Section 4.14 (other than clause (iii) of the first paragraph thereof), Section 4.15 and Section 4.18) will be suspended (such suspended covenants, the "**Suspended Covenants**") and cease to have any further effect from and after the first date when the Notes are rated Investment Grade (the "**Suspension Date**"); *provided*, that if the Notes subsequently cease to be rated Investment Grade, then, from and after the time the Notes cease to be rated Investment Grade (the "**Reversion Date**"), the Issuer's, the Company's and its Restricted Subsidiaries' obligation to comply with the Suspended Covenants shall be reinstated. The period of time between the Suspension Date and the Reversion Date is referred to in this description as the "**Suspension Period**."

(b) Following the achievement of such Investment Grade ratings, no Restricted Subsidiary thereafter acquired or created will be required to be a Guarantor unless it thereafter guarantees any Applicable Debt or (other than with respect to an Excluded Subsidiary) the Notes cease to be rated Investment Grade.

(c) Notwithstanding clauses (a) and (b) of this Section 4.19, in the event of any reinstatement of the obligation to comply with the Suspended Covenants referred to in Section 4.19(a), no action taken or omitted to be taken by the Company or any of its Subsidiaries prior to such reinstatement, or action taken by the Company or any of its Subsidiaries at any time pursuant to a contractual obligation arising prior to such reinstatement (not entered into in contemplation of such reinstatement) shall give rise to a Default or Event of Default under this Indenture upon reinstatement.

(d) On the Reversion Date, all Indebtedness incurred during the Suspension Period will be classified to have been incurred or issued pursuant to clause (c) of the definition of "Permitted Indebtedness." Calculations made after the Reversion Date of the amount available to be made as Restricted Payments under Section 4.7 will be made as though Section 4.7 had been in effect prior to, but not during, the Suspension Period. Any Affiliate Transaction entered into after the Reversion Date pursuant to an agreement entered into during any Suspension Period shall be deemed to be permitted pursuant to clause (ix) of Section 4.13(c). Any encumbrance or restriction on the ability of any Restricted Subsidiary that is not a Guarantor to take any action described in clauses (a) through (c) of Section 4.9 that becomes effective during any Suspension Period shall be deemed to be permitted pursuant to clause (c)(ii) of Section 4.9.

(e) The Issuer shall promptly notify the Trustee in writing of any suspension or reinstatement of the Suspended Covenants and in the absence of such notice, the Trustee shall be entitled to presume that no such suspension or reinstatement has occurred.

ARTICLE V
REMEDIES

Section 5.1. *Events of Default*. "**Event of Default**" means any one or more of the following events:

(i) the failure by the Company, the Issuer and the Guarantors to pay interest on any Note when the same becomes due and payable and the continuance of any such failure for a period of 30 days;

(ii) the failure by the Company, the Issuer and the Guarantors to pay the principal or premium of any Note when the same becomes due and payable at maturity, upon acceleration or otherwise;

(iii) the failure by the Company, the Issuer or any Restricted Subsidiary to comply with any of its agreements or covenants in, or provisions of, the Notes, the Security Documents, the Guarantees or this Indenture and such failure continues for the period and after the notice specified below (except in the case of a default under Section 4.12 and 4.14, which will constitute an Event of Default with notice but without passage of time);

(iv) the acceleration of any Indebtedness (other than Non-Recourse Indebtedness) of the Company, the Issuer or any Restricted Subsidiary that has an outstanding principal amount of $40.0 million or more, individually or in the aggregate, and such acceleration does not cease to exist, or such Indebtedness is not satisfied, in either case within 30 days after such acceleration;

(v) the failure by the Company, the Issuer or any Restricted Subsidiary to make any principal or interest payment in an amount of $40.0 million or more, individually or in the aggregate, in respect of Indebtedness (other than Non-Recourse Indebtedness) of the Company or any Restricted Subsidiary within 30 days of such principal or interest becoming due and payable (after giving effect to any applicable grace period set forth in the documents governing such Indebtedness);

(vi) a final judgment or judgments that exceed $40.0 million or more, individually or in the aggregate, for the payment of money having been entered by a court or courts of competent jurisdiction against the Company, the Issuer or any of its Restricted Subsidiaries and such judgment or judgments is not satisfied, stayed, annulled or rescinded within 60 days of being entered;

(vii) the Company, the Issuer or any Restricted Subsidiary that is a Significant Subsidiary pursuant to or within the meaning of any Bankruptcy Law:

(A) commences a voluntary case,

(B) consents to the entry of an order for relief against it in an involuntary case,

(C) consents to the appointment of a Custodian of it or for all or substantially all of its property, or

(D) makes a general assignment for the benefit of its creditors;

(viii) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief against the Company, the Issuer or any Restricted Subsidiary that is a Significant Subsidiary as debtor in an involuntary case,

(B) appoints a Custodian of the Company, the Issuer or any Restricted Subsidiary that is a Significant Subsidiary or a Custodian for all or substantially all of the property of the Company or any Restricted Subsidiary that is a Significant Subsidiary, or

(C) orders the liquidation of the Company, the Issuer or any Restricted Subsidiary that is a Significant Subsidiary,

and the order or decree remains unstayed and in effect for 60 days;

(ix) any Guarantee of a Guarantor that is a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Guarantee and this Indenture) or is declared null and void and unenforceable or found to be invalid or any Guarantor denies its liability under its Guarantee (other than by reason of release of a Guarantor from its Guarantee in accordance with the terms of this Indenture and the Guarantee); or

(x) the Liens created by the Security Documents shall at any time not constitute valid and perfected Liens on any material portion of the Collateral intended to be covered thereby (to the extent perfection by filing, registration, recordation or possession is required by this Indenture or the Security Documents) other than in accordance with the terms of the relevant Security Document and this Indenture and other than the satisfaction in full of all Obligations under this Indenture or the release or amendment of any such Lien in accordance with the terms of this Indenture or the Security Documents, or, except for expiration in accordance with its terms or amendment, modification, waiver, termination or release in accordance with the terms of this Indenture and the relevant Security Document, any of the Security Documents shall for whatever reason be terminated or cease to be in full force and effect, if in either case, such default continues for 30 days after notice, or the enforceability thereof shall be contested by the Issuer or any Guarantor.

A Default as described in subclause (iii) of this Section 5.1 will not be deemed an Event of Default until the Trustee notifies the Company, or the Holders of at least 25 percent in principal amount of the then outstanding Notes notify the Company and the Trustee, of the Default and (except in the case of a Default with respect to Section 4.12 and 4.14 hereof) the Company does not cure the Default within 60 days after receipt of the notice. The notice must specify the Default, demand that it be remedied and state that the notice is a "Notice of Default." If such a Default is cured within such time period, it ceases to be a Default.

If an Event of Default (other than an Event of Default with respect to the Company or the Issuer resulting from subclauses (vii) or (viii) of this Section 5.1), shall have occurred and be continuing under this Indenture, the Trustee by notice to the Company, or the Holders of at least 25 percent in principal amount of the Notes then outstanding by notice to the Company and the Trustee, may declare all Notes to be due and payable immediately. Upon such declaration of acceleration, the amounts due and payable on the Notes will be due and payable immediately. If an Event of Default with respect to the Company or the Issuer specified in subclauses (vii) or (viii) of this Section 5.1 occurs, such an amount will *ipso facto* become and be immediately due and payable without any declaration, notice or other act on the part of the Trustee and the Company or any Holder. This provision, however, is subject to the condition that, if at any time after the unpaid principal amount (or such specified amount) of the Notes shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, the Issuer shall pay or shall deposit with the Trustee a sum sufficient to pay all matured installments of interest, if any, upon all of the Notes and the principal of all the Notes which shall have become due otherwise than by acceleration (with interest on overdue installments of interest, if any, to the extent that payment of such interest is enforceable under applicable law and on such principal at the rate borne by the Notes to the date of such payment or deposit) and the reasonable compensation, disbursements, expenses and advances of the Trustee and all other amounts due to the Trustee under Section 7.7, and any and all defaults under this Indenture, other than the nonpayment of such portion of the principal amount of and accrued interest, if any, on Notes which shall have become due by acceleration, shall have been cured or shall have been waived in accordance with Section 5.3 or provision deemed by the Trustee to be adequate shall have been made therefor, then and in every such case the Holders of a majority in aggregate principal amount of the Notes then outstanding, by written notice to the Issuer and to the Trustee, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair any right consequent thereon. Notwithstanding the previous sentence, no waiver shall be effective against any Holder for any Event of Default or event which with notice or lapse of time or both would be an Event of Default with respect to any covenant or provision which cannot be modified or amended without the consent of the Holder of each outstanding Note affected thereby, unless all such affected Holders agree, in writing, to waive such Event of Default or other event.

If the Trustee shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned because of such rescission or annulment or for any reason or shall have been determined to be adverse to the Trustee, then and in every such case the Issuer, the Trustee and the Holders of Notes shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Issuer, the Trustee and the Holders of Notes shall continue as though no such proceeding had been taken.

Except with respect to an Event of Default pursuant to clauses (i) or (ii) of this Section 5.1, the Trustee shall not be charged with knowledge of any Event of Default unless written notice thereof shall have been given to a Responsible Officer of the Trustee by the Issuer, a Paying Agent or any Holder and such notice references the Notes and this Indenture.

Section 5.2. *Other Remedies*. If an Event of Default occurs and is continuing, the Trustee may pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of, premium, if any, and interest, if any, on the Notes or to enforce the performance of any provision of the Notes, this Indenture or the Security Documents. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding.

Section 5.3. *Waiver of Defaults by Majority of Holders*. By written notice to the Trustee and the Company, the Holders of a majority in aggregate principal amount of the Notes then outstanding may on behalf of the Holders of all of the Notes waive any past Default or Event of Default hereunder and its consequences, except a Default in the payment of interest, if any, on, or the principal of, the Notes. Upon any such waiver, the Issuer, the Trustee and the Holders of Notes shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon. Whenever any Default or Event of Default hereunder shall have been waived as permitted by this Section 5.3, said Default or Event of Default shall for all purposes of the Notes and this Indenture be deemed to have been cured and to be not continuing.

Section 5.4. *Direction of Proceedings*. The Holders of a majority in aggregate principal amount of the Notes then outstanding shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee with respect to the Notes; *provided*, *however*, that (subject to the provisions of Section 7.1) the Trustee shall have the right to decline to follow any such direction if the Trustee shall determine upon advice of counsel that the action or proceeding so directed may not lawfully be taken or if the Trustee in good faith by its board of directors, its executive committee, or a trust committee of directors or Responsible Officers or both shall determine that the action or proceeding so directed would involve the Trustee in personal liability.

Section 5.5. *Application of Moneys Collected by Trustee*. Any moneys collected by the Trustee pursuant to this Article (including any proceeds from Collateral received pursuant to the terms of the Security Documents) with respect to outstanding Notes shall be applied in the order following, at the date or dates fixed by the Trustee for the distribution of such moneys, upon presentation of the Notes and stamping thereon the payment, if only partially paid, and upon surrender thereof, if fully paid:

FIRST: To the payment of costs and expenses of collection and reasonable compensation to the Trustee (including in its role as Collateral Agent under the Security Documents), its agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Trustee pursuant to Section 7.7 except as a result of its negligence or willful misconduct;

SECOND: If the principal of the Notes shall not have become due and be unpaid, to the payment of interest, if any, on the Notes, in the order of the maturity of the installments of such interest, if any, with interest (to the extent that such interest has been collected by the Trustee) upon the overdue installments of interest, if any, at the rate borne by the Notes, such payment to be made ratably to the Persons entitled thereto;

THIRD: If the principal of the Notes shall have become due, by declaration or otherwise, to the payment of the whole amount then owing and unpaid upon the Notes for principal or interest, if any, with interest on the overdue principal and (to the extent that such interest has been collected by the Trustee) upon overdue installments of interest, if any, at the rate borne by the Notes, and in case such moneys shall be insufficient to pay in full the whole amounts so due and unpaid upon the Notes, then to the payment of such principal and interest, if any, without preference or priority of principal over interest, if any, or of interest, if any, over principal, or of any installment of interest, if any, over any other installment of interest, if any, ratably to the aggregate of such principal and accrued and unpaid interest, if any; and

FOURTH: To the payment of any surplus then remaining to the Issuer, its successors or assigns, or to whomsoever may be lawfully entitled to receive the same.

No claim for interest which in any manner at or after maturity shall have been transferred or pledged separate or apart from the Notes to which it relates, or which in any manner shall have been kept alive after maturity by an extension (otherwise than pursuant to an extension made pursuant to a plan proposed by the Issuer to the Holders of all Notes), purchase, funding or otherwise by or on behalf or with the consent or approval of the Issuer shall be entitled, in case of a default hereunder, to any benefit of this Indenture, except after prior payment in full of the principal of all Notes and of all claims for interest not so transferred, pledged, kept alive, extended, purchased or funded.

Section 5.6. *Proceedings by Holders*. No holder of any Notes shall have any right by virtue of or by availing of any provision of this Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to this Indenture for the appointment of a receiver or trustee or similar official, or for any other remedy hereunder, unless such Holder previously shall have given to the Trustee written notice of default and of the continuance thereof, as hereinbefore provided, and unless the Holders of not less than 25% in aggregate principal amount of the Notes then outstanding shall have made written request to the Trustee to institute such action, suit or proceeding in its own name as Trustee hereunder and shall have offered to the Trustee such reasonable indemnity or security as the Trustee may require against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee for 60 days after its receipt of such notice, request and offer of reasonable indemnity or security shall have neglected or refused to institute any such action, suit or proceeding, it being understood and intended, and being expressly covenanted by the Holder of every Note with every other Holder and the Trustee, that no one or more Holders of Notes shall have any right in any manner whatever by virtue of or by availing of any provision of this Indenture or of the Notes to affect, disturb or prejudice the rights of any other Holder of Notes, or to obtain or seek to obtain priority over or preference as to any other such Holder, or to enforce any right under this Indenture or the Notes, except in the manner herein provided and for the equal, ratable and common benefit of all Holders of Notes.

Notwithstanding any other provisions in this Indenture, however, the contractual right of any Holder of any Note to bring suit for the payment of principal, premium, if any, and interest on its Note, on or after the respective due dates expressed or provided for in such Note, shall not be amended without the consent of such Holder.

Section 5.7. *Proceedings by Trustee*. In case of an Event of Default hereunder, the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any of such rights, either by suit in equity or by action at law or by proceedings in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted in this Indenture, or to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law.

Section 5.8. *Remedies Cumulative and Continuing*. All powers and remedies given by this Article V to the Trustee or to the Holders shall, to the extent permitted by law, be deemed cumulative and not exclusive of any thereof or of any other powers and remedies available to the Trustee or the Holders, by judicial proceedings or otherwise, to enforce the performance or observance of the covenants and agreements contained in this Indenture, and no delay or omission of the Trustee or of any Holder to exercise any right or power accruing upon any default occurring and continuing as aforesaid shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence therein; and, subject to the provisions of Section 5.6, every power and remedy given by this Article V or by law to the Trustee or to the Holders may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by the Holders.

Section 5.9. *Undertaking to Pay Costs*. All parties to this Indenture agree, and each Holder of any Note by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, or in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the cost of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 5.9 shall not apply to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in principal amount of the then outstanding Notes, or to any suit instituted by any Holders for the enforcement of the payment of the principal of, premium, if any, or interest, if any, on any Note against the Issuer on or after the due date of such Note.

Section 5.10. *Notice of Defaults*. (a) The Company is required to deliver to the Trustee an annual statement regarding compliance with this Indenture, and include in such statement, if any officer of the Company is aware of any Default or Event of Default, a statement specifying such Default or Event of Default and what action the Company is taking or proposes to take with respect thereto. In addition, the Company is required to deliver to the Trustee prompt written notice of the occurrence of any Default or Event of Default.

(b) The Trustee shall, within 90 days after the occurrence of a Default actually known to a Responsible Officer of the Trustee, with respect to the Notes, deliver to all Holders of Notes, as the names and the addresses of such Holders appear upon the Register, subject to the applicable procedures of DTC, notice of all Defaults, unless such Defaults shall have been cured before the giving of such notice; *provided*, *however*, that, except in the case of default in the payment of the principal of, premium, if any, or interest, if any, on any of the Notes, or in the payment or satisfaction of a purchase obligation, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, a trust committee of directors or a Responsible Officer of the Trustee in good faith determines that the withholding of such notice is in the best interests of the Holders.

Section 5.11. *Waiver of Stay, Extension or Usury Laws*. The Company, the Issuer and each Guarantor covenants, to the extent permitted by applicable law, that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law or any usury law or other law that would prohibit or forgive the Company, the Issuer or the Guarantor from paying all or any portion of the principal of, premium, if any, or interest, if any, on the Notes as contemplated herein, wherever enacted, now or at any time hereafter in force, or that may affect the covenants or the performance of this Indenture. The Company, the Issuer and each Guarantor hereby expressly waives, to the extent that it may lawfully do so, all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 5.12. *Trustee May File Proof of Claim*. The Trustee may file proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due to the Trustee hereunder) and the Holders allowed in any judicial proceedings relating to the Company, the Issuer or any Guarantor or their respective creditors or property, and is entitled and empowered to collect, receive and distribute any money, securities or other property payable or deliverable upon conversion or exchange of the Notes or upon any such claims. Any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, if the Trustee consents to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agent and counsel, and any other amounts due to the Trustee hereunder. Nothing in this Indenture will be deemed to empower the Trustee to authorize or consent to, or accept or adopt on behalf of any Holder, any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 5.13. *Payment of Notes on Default; Suit Therefor.* The Issuer covenants that if default shall be made in the payment of any installment of interest upon the Notes as and when the same shall become due and payable, and such default shall have continued for a period of 30 days, or if default shall be made in the payment of the principal of, and premium, if any, on the Notes as and when the same shall have become due and payable, whether at maturity of the Notes or upon redemption or by declaration or otherwise, then, upon demand of the Trustee, the Issuer will pay to the Trustee, for the benefit of the Holders, the whole amount that then shall have become due and payable on all such Notes for principal, and premium, if any, or interest, if any, or both, as the case may be, with interest upon the overdue principal and (to the extent that payment of such interest is enforceable under applicable law) upon the overdue installments of interest, if any, at the rate borne by the Notes; and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including reasonable compensation to the Trustee, its agents, attorneys and counsel, and any expenses or liabilities incurred by the Trustee hereunder other than through its negligence or willful misconduct.

If the Issuer shall fail forthwith to pay such amounts upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any actions or proceedings at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceeding to judgment or final decree, and may enforce any such judgment or final decree against the Issuer or any other obligor on the Notes and collect in the manner provided by law out of the property of the Issuer or any other obligor on the Notes, wherever situated, the moneys adjudged or decreed to be payable.

If there shall be pending proceedings for the bankruptcy or for the reorganization of the Issuer or any other obligor on the Notes under any bankruptcy, insolvency or other similar law now or hereafter in effect, or if a receiver or trustee or similar official shall have been appointed for the property of the Issuer or such other obligor, or in the case of any other similar judicial proceedings relative to the Issuer or other obligor on the Notes, or to the creditors or property of the Issuer or such other obligor, the Trustee, irrespective of whether the principal of the Notes shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the provisions of this Section 5.13, shall be entitled and empowered by intervention in such proceedings or otherwise to file and prove a claim or claims for the whole amount of principal, premium, if any, and interest, if any, owing and unpaid in respect of the Notes, and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and of the Holders allowed in such judicial proceedings relative to the Issuer or any other obligor on the Notes, its or their creditors, or its or their property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same after the deduction of its charges and expenses, and any receiver, assignee or trustee or similar official in bankruptcy or reorganization is hereby authorized by each of the Holders to make such payments to the Trustee, and, if the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for compensation and expenses or otherwise pursuant to Section 7.7, including counsel fees and expenses incurred by it up to the date of such distribution. To the extent that such payment of reasonable compensation, expenses and counsel fees and expenses out of the estate in any such proceedings shall be denied for any reason, payment of the same shall be secured by a lien on, and shall be paid out of, any and all distributions, dividends, moneys, securities and other property which the Holders of Notes may be entitled to receive in such proceedings, whether in liquidation or under any plan of reorganization or arrangement or otherwise.

All rights of action and of asserting claims under this Indenture, or under any of the Notes, may be enforced by the Trustee without the possession of any of the Notes, or the production thereof at any trial or other proceeding relative thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall be for the ratable benefit of the Holders of Notes in respect of which such judgment has been recovered.

ARTICLE VI
GUARANTEES; RELEASE OF GUARANTOR

Section 6.1. *Guarantee.* Each of the Guarantors hereby unconditionally guarantees, jointly and severally with each other Guarantor, to each Holder and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of this Indenture, the Notes or the obligations of the Issuer hereunder or thereunder, that: (i) the due and punctual payment of the principal of, premium, if any, and interest on the Notes, whether at maturity or on an interest payment date, by acceleration, pursuant to an Offer to Purchase or otherwise, to the extent lawful, and all other obligations of the Issuer to the Holders or the Trustee hereunder or thereunder shall be promptly paid in full when due, all in accordance with the terms hereof and thereof, including all amounts payable to the Trustee under Section 7.7 hereof, and (ii) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, the same shall be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise.

If the Issuer fails to make any payment when due of any amount so guaranteed for whatever reason, each Guarantor shall be obligated, jointly and severally with each other Guarantor, to pay the same immediately. Each Guarantor hereby agrees that its obligations hereunder shall be continuing, absolute and unconditional, irrespective of, and shall be unaffected by, the validity, regularity or enforceability of the Notes, this Indenture, the Security Documents, the absence of any action to enforce the same, any waiver or consent by any Holder or the Trustee with respect to any provisions hereof or thereof, the recovery of any judgment against the Issuer, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of such Guarantor. If any Holder or the Trustee is required by any court or otherwise to return to the Issuer or any Guarantor, or any custodian, trustee, liquidator or other similar official acting in relation to the Issuer or such Guarantor, any amount paid by the Issuer or any Guarantor to the Trustee or such Holder, this Article VI, to the extent theretofore discharged with respect to any Guarantee, shall be reinstated in full force and effect. Each Guarantor agrees that it shall not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby by such Guarantor until payment in full of all such obligations. Each Guarantor further agrees that, as between such Guarantor, on the one hand, and the Holders of Notes and the Trustee on the other hand, (i) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article V hereof for the purposes of such Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby and (ii) in the event of any acceleration of such obligations as provided in Article V hereof such obligations (whether or not due and payable) shall forthwith become due and payable by such Guarantor, jointly and severally with each other Guarantor, for the purpose of this Article VI. In addition, without limiting the foregoing, upon the effectiveness of an acceleration under Article V, the Trustee may make a demand for payment on the Notes under any Guarantee provided hereunder and not discharged.

The Guarantee set forth in this Section 6.1 and as annexed to any Note shall not be valid or become obligatory for any purpose with respect to a Note until the certificate of authentication on such Note shall have been signed by the Trustee or any duly appointed authentication agent.

Section 6.2. *Obligations of each Guarantor Unconditional*. Nothing contained in this Article VI or elsewhere in this Indenture or in any Note is intended to or shall impair, as between each Guarantor and the Holders, the obligations of such Guarantor which are absolute and unconditional, to pay to the Holders the principal of, premium, if any, and interest on the Notes as and when the same shall become due and payable in accordance with the provisions of their Guarantee or is intended to or shall affect the relative rights of the Holders and creditors of such Guarantor, nor shall anything herein or therein prevent the Trustee or any Holder from exercising all remedies otherwise permitted by applicable law upon any Default under this Indenture in respect of cash, property or securities of such Guarantor received upon the exercise of any such remedy.

Upon any distribution of assets of a Guarantor referred to in this Article VI, the Trustee, subject to the provisions of Article VII, and the Holders shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which such dissolution, winding up, liquidation or reorganization proceedings are pending, or a certificate of the liquidating trustee or agent or other person making any distribution to the Trustee or to such Holders for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of other indebtedness of such Guarantor, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article VI.

Section 6.3. *Release of a Guarantor*. (a) If all or substantially all of the assets of any Guarantor other than the Company or all of the Capital Stock of any Guarantor other than the Company is sold (including by consolidation, merger, issuance or otherwise) or disposed of (including by liquidation, dissolution or otherwise) by the Company or any of its Subsidiaries, unless the Company elects otherwise, any Guarantor other than the Company is designated an Unrestricted Subsidiary in accordance with the terms of this Indenture or becomes an Excluded Subsidiary, the Indenture is discharged or defeased in accordance with Article VIII, or in accordance with Article IX, then in each case such Guarantor or the Person acquiring such assets (in the event of a sale or other disposition of all or substantially all of the assets of a Guarantor), as the case may be, shall be deemed automatically and unconditionally released and discharged from any of its obligations under this Indenture without any further action on the part of the Trustee or any Holder of the Notes.

(b) An Unrestricted Subsidiary or Excluded Subsidiary that is a Guarantor shall be deemed automatically and unconditionally released and discharged from all obligations under its Guarantee upon written notice from the Company to the Trustee to such effect, without any further action required on the part of the Trustee or any Holder.

Section 6.4. *Execution and Delivery of Guarantee.* The execution by each Guarantor of this Indenture (or a supplemental indenture in the form of Exhibit B) together with an executed guarantee substantially in the form included in Exhibit A evidences the Guarantee of such Guarantor, whether or not the person signing as an officer of the Guarantor still holds that office at the time of authentication of any Note. The delivery of any Note by the Trustee after authentication constitutes due delivery of the Guarantee on behalf of each Guarantor.

Section 6.5. *Limitation on Guarantor Liability*. Notwithstanding anything to the contrary in this Article VI, each Guarantor, and by its acceptance of a Note, each Holder, hereby confirms that it is the intention of all such parties that the Guarantee of such Guarantor not constitute a fraudulent conveyance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of state law. To effectuate that intention, the Trustee, the Holders and the Guarantors hereby irrevocably agree that the obligations of each Guarantor under its Guarantee are limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of state law.

Section 6.6. *Article VI* not to Prevent Events of Default. The failure to make a payment on account of principal, premium, if any, or interest, if any, on the Notes by reason of any provision in this Article VI shall not be construed as preventing the occurrence of any Event of Default under Section 5.1.

Section 6.7. *Waiver by the Guarantors*. To the extent permitted by applicable law, each Guarantor hereby irrevocably waives diligence, presentment, demand of payment, demand of performance, filing of claims with a court in the event of insolvency of bankruptcy of the Issuer, any right to require a proceeding first against the Issuer, the benefit of discussion, protest, notice and all demand whatsoever and covenants that this Guarantee shall not be discharged except by complete performance of the obligations contained in the Notes, in this Indenture and in this Article VI.

Section 6.8. *Subrogation and Contribution*. Upon making any payment with respect to any obligation of the Issuer under this Article, the Guarantor making such payment shall be subrogated to the rights of the payee against the Issuer with respect to such obligation; *provided*, that the Guarantor may not enforce either any right of subrogation, or any right to receive payment in the nature of contribution, or otherwise, from any other Guarantor, with respect to such payment so long as any amount payable by the Issuer hereunder or under the Notes remains unpaid.

Each Guarantor that makes a payment under its Guarantee shall be entitled, upon payment in full of all guaranteed obligations under this Indenture, to seek and receive contribution from and against each other Guarantor in an amount equal to such other Guarantor's *pro rata* portion of such payment based on the respective net assets of all the Guarantors at the time of such payment determined in accordance with GAAP.

Section 6.9. *Stay of Acceleration*. If acceleration of the time for payment of any amount payable by the Issuer under this Indenture or the Notes is stayed upon the insolvency, bankruptcy or reorganization of the Issuer, all such amounts otherwise subject to acceleration under the terms of this Indenture are nonetheless payable by the Guarantors hereunder forthwith on demand by the Trustee or the Holders.

ARTICLE VII
THE TRUSTEE

Section 7.1. *General*. (a) The duties, rights and responsibilities of the Trustee are solely set forth herein. Whether or not expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of, or affording protection to, the Trustee is subject to this Article.

(b) Except during the continuance of an Event of Default, the Trustee need perform only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee and the permissive rights of the Trustee set forth herein shall not be construed as duties. In case an Event of Default has occurred and is continuing of which a Responsible Officer of the Trustee has knowledge thereof pursuant to Section 5.1, the Trustee shall exercise those rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

Section 7.2. *Certain Rights of the Trustee*.

(a) The Trustee may rely, and shall be protected in acting or refraining from acting, upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document, but the Trustee, in its discretion, may make further inquiry or investigation into such facts or matters as it sees fit.

(b) Subject to Section 7.1(b), the Trustee may conclusively rely, as to the truth of the statements and the correctness of the statements and opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture, and the Trustee shall not be responsible for the accuracy or content of any such statements or opinions; however, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(c) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel conforming to Section 13.5 and the Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such a certificate or opinion. Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Issuer or the Company, as applicable, shall be sufficient if signed by an Officer of the Issuer or the Company, as applicable.

(d) The Trustee may act through its attorneys and agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(e) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders, unless such Holders have offered to the Trustee reasonable security or indemnity satisfactory to it against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction.

(f) The Trustee shall not be liable for any action it takes or omits to take in good faith that it believes to be authorized or within its rights or powers or for any action it takes or omits to take in accordance with the direction of the Holders in accordance with Section 5.4 relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture.

(g) The Trustee shall not be liable for any error of judgment made in good faith by any of its officers or employees unless it is proved that the Trustee was negligent in ascertaining the pertinent facts.

(h) The Trustee may consult with counsel, and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(i) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder, or in the exercise of its rights or powers, unless it receives reasonable indemnity or security satisfactory to it against any loss, liability or expense.

(j) The Trustee may request that the Company (on behalf of itself and the Issuer) deliver an Officers' Certificate setting forth the name of the individuals and/or titles of Officers authorized at such time to take specific actions pursuant to this Indenture, which Officers' Certificate may be signed by any person authorized to sign an Officers' Certificate, including any person specified as so authorized in any such Officers' Certificate previously delivered and not superseded.

(k) In no event shall the Trustee be liable, directly or indirectly, for any special, punitive, indirect or consequential damages, even if the Trustee has been advised of the possibility of such damages and regardless of the form of action.

(l) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and to each agent, custodian and other Person employed to act hereunder.

(m) In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and, except in the case of failures or delays due to the Trustee's negligence or bad faith, interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services, it being understood that the Trustee shall use reasonable best efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

(n) The Trustee shall have no duty to ensure any recording, filing or depositing of this Indenture or any agreement referred to herein or any financing statement or continuation statement evidencing a security interest, or to ensure the maintenance of any such recording or filing or depositing or to any re-recording, re-filing or re-depositing of any thereof.

Section 7.3. *Individual Rights of the Trustee.* The Trustee, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not the Trustee. Any Agent may do the same with like rights. However, the Trustee is subject to Trust Indenture Act Sections 310(b) and 311. For purposes of Trust Indenture Act Section 311(b)(4) and (6):

(a) "**cash transaction**" means any transaction in which full payment for goods or securities sold is made within seven days after delivery of the goods or securities in currency or in checks or other orders drawn upon banks or bankers and payable upon demand; and

(b) "**self-liquidating paper**" means any draft, bill of exchange, acceptance or obligation which is made, drawn, negotiated or incurred for the purpose of financing the purchase, processing, manufacturing, shipment, storage or sale of goods, wares or merchandise and which is secured by documents evidencing title to, possession of, or a lien upon, the goods, wares or merchandise or the receivables or proceeds arising from the sale of the goods, wares or merchandise previously constituting the security, provided the security is received by the Trustee simultaneously with the creation of the creditor relationship arising from the making, drawing, negotiating or incurring of the draft, bill of exchange, acceptance or obligation.

Section 7.4. *Trustee's Disclaimer*. The Trustee (a) makes no representation as to the validity or adequacy of this Indenture, the Notes, the Guarantees or the Collateral, (b) is not accountable for the Company's use or application of the proceeds from the Notes and (c) is not responsible for any statement in the Notes other than its certificate of authentication.

Section 7.5. [Reserved].

Section 7.6. [Reserved].

Section 7.7. *Compensation and Indemnity*. (a) The Company shall pay the Trustee compensation as agreed upon in writing for its services. The compensation of the Trustee is not limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee promptly upon request for all reasonable out-of-pocket expenses, disbursements and advances incurred or made by the Trustee, including the reasonable compensation, disbursements and expenses of the Trustee's agents and counsel.

(b) In addition to any other indemnity provided to the Trustee hereunder, the Company shall indemnify the Trustee for, and hold it harmless against, any loss or liability or expense incurred by it without negligence or willful misconduct on its part arising out of or in connection with the acceptance or administration of this Indenture and its duties under this Indenture and the Notes, including the reasonable costs and expenses of counsel (and including the costs and expenses of defending itself against any claim or liability and of complying with any process served upon it or any of its officers) in connection with the exercise or performance of any of its powers or duties under this Indenture and the Notes (regardless of whether brought or initiated by a third party or a party hereto).

(c) To secure the Company's payment obligations in this Section or as otherwise provided in this Indenture, the Trustee shall have a lien prior to the Notes on all money or property held or collected by the Trustee, in its capacity as Trustee, except money or property held in trust to pay principal of, premium, if any, and interest, if any, on particular Notes.

(d) When the Trustee incurs expenses or renders services after an Event of Default specified in Section 5.1(vii) or Section 5.1(viii) hereof occurs, the expenses and the compensation for the services (including the fees, disbursements and expenses of its agents and counsel) are intended, to the extent permitted by law, to constitute expenses of administration under any Bankruptcy Law.

(e) The Company's obligations and the Trustee's rights under this Section 7.7 shall survive the resignation or removal of the Trustee, the payment of the Notes in full and the termination of this Indenture.

Section 7.8. *Replacement of Trustee*. (a)(i) The Trustee may resign at any time by written notice to the Issuer.

(ii) The Holders of a majority in principal amount of the outstanding Notes may remove the Trustee by written notice to the Trustee.

(iii) If the Trustee is no longer eligible under Section 7.10 or in the circumstances described in the Trust Indenture Act Section 310(b), any Holder that satisfies the requirements of Trust Indenture Act Section 310(b) may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(iv) The Issuer may remove the Trustee if: (A) the Trustee is no longer eligible under Section 7.10; (B) the Trustee is adjudged bankrupt or an insolvent; (C) a receiver or other public officer takes charge of the Trustee or its property; or (D) the Trustee becomes incapable of acting.

A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section.

(b) If the Trustee has been removed by the Holders, Holders of a majority in principal amount of the Notes may appoint a successor Trustee with the consent of the Issuer. Otherwise, if the Trustee resigns or is removed, or if a vacancy exists in the office of Trustee for any reason, the Issuer shall promptly appoint a successor Trustee. If the successor Trustee does not deliver its written acceptance within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Issuer or the Holders of a majority in principal amount of the outstanding Notes may petition, at the expense of the Issuer, any court of competent jurisdiction for the appointment of a successor Trustee.

(c) Upon delivery by the successor Trustee of a written acceptance of its appointment to the retiring Trustee and to the Issuer, (i) the retiring Trustee shall transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 7.7, (ii) the resignation or removal of the retiring Trustee shall become effective, and (iii) the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. Upon request of any successor Trustee, the Issuer shall execute any and all instruments for fully and vesting in and confirming to the successor Trustee all such rights, powers and trusts. The Issuer shall give notice of any resignation and any removal of the Trustee and each appointment of a successor Trustee to all Holders, and include in the notice the name of the successor Trustee and the address of its Corporate Trust Office.

(d) Notwithstanding replacement of the Trustee pursuant to this Section, Issuer's obligations under Section 7.7 shall continue for the benefit of the retiring Trustee.

(e) The Trustee agrees to give the notices provided for in, and otherwise comply with, Trust Indenture Act Section 310(b).

Section 7.9. *Successor Trustee by Merger*. If the Trustee consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation or national banking association, the resulting, surviving or transferee corporation or national banking association without any further act shall be the successor Trustee with the same effect as if the successor Trustee had been named as the Trustee in this Indenture.

Section 7.10. *Eligibility*. The Indenture must always have a Trustee that satisfies the requirements of Trust Indenture Act Section 310(a) and has a combined capital and surplus of at least $25,000,000 as set forth in its most recent published annual report of condition.

Section 7.11. *Money Held in Trust*. The Trustee shall not be liable for interest or investment income on any money received by it except as it may agree with the Issuer. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law and except for money held in trust under Article VIII.

ARTICLE VIII
DEFEASANCE AND DISCHARGE

Section 8.1. *Legal Defeasance and Discharge.* The Issuer, the Company and the Guarantors shall, subject to the satisfaction of the conditions set forth in Section 8.3 hereof, be deemed to have been discharged from their respective obligations with respect to the Notes, the Guarantees, this Indenture (other than the right of Holders to receive interest on and principal of the Notes when due solely out of the trust referred to below and certain other obligations and subject to Section 7.7) and under the Security Documents and cause the release of all Liens on the Collateral granted under the Security Documents, on the date the conditions set forth below are satisfied (hereinafter, "**Legal Defeasance**"). For this purpose, Legal Defeasance means that the Issuer shall be deemed to have paid and discharged the entire Indebtedness represented by the Notes, which shall thereafter be deemed to be outstanding only for the purposes of Section 8.4 hereof and the other Sections of this Indenture referred to in clauses (a) through (f) of this Section 8.1, and the Issuer, the Company and the Guarantors shall be deemed to have satisfied all of their respective obligations under the Notes, the Guarantees, this Indenture and the Security Documents (and the Trustee, on demand of and at the expense of the Issuer, shall execute proper instruments delivered to it by the Issuer acknowledging the same), except for the following provisions which shall survive until otherwise terminated or discharged hereunder: the rights of Holders of Notes to receive payments in respect of the principal, premium, if any, and interest, if any, on the Notes when such payments are due from the trust referred to below; the Issuer's obligations with respect to the Notes concerning mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust; the rights, powers, trusts, duties and immunities of the Trustee, and the Issuer's and the Guarantors' obligations in connection therewith; the Legal Defeasance provisions of Article VIII of this Indenture; the rights of registration of transfer and exchange of the Notes; and the rights of Holders that are beneficiaries with respect to property so deposited with the Trustee payable to all or any of them.

Section 8.2. *Covenant Defeasance.* The Issuer, the Company and the Guarantors shall, subject to the satisfaction of the conditions set forth in Section 8.3 hereof, be released from their obligations with respect to the Notes and the Guarantees under the covenants contained in Sections 4.6, 4.7, 4.8, 4.9, 4.10, 4.11, 4.12 and 4.13, clause (iii) of Section 4.14, Section 4.15, Section 4.18 and Article VI (except for Section 6.3) and each Guarantor's obligation under its Guarantee, on and after the date that the conditions set forth in Section 8.3 are satisfied, the Liens on the Collateral granted under the Security Documents shall be released (hereinafter, "**Covenant Defeasance**"), and the Notes shall thereafter be deemed not outstanding for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed outstanding for all other purposes hereunder (it being understood that the Notes shall not be deemed outstanding for accounting purposes). For this purpose, Covenant Defeasance means that, with respect to the Notes and the Guarantees, the Issuer, the Company and the Guarantors may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 5.1 hereof, but, except as specified above, the remainder of this Indenture and the Notes shall be unaffected thereby. Subject to the satisfaction of the conditions set forth in Section 8.3 hereof, Sections 5.1(iii) (with respect to the covenants so defeased), 5.1(iv), 5.1(v), 5.1(vi), 5.1(ix) and 5.1(x) shall not constitute Events of Default or Defaults hereunder.

Section 8.3. *Conditions to Legal or Covenant Defeasance.* The following shall be the conditions to the application of either Section 8.1 or Section 8.2 hereof to the Notes:

In order to exercise either Legal Defeasance or Covenant Defeasance:

(a) the Issuer must irrevocably deposit, or cause to be deposited, with the Trustee, in trust under an irrevocable trust agreement, for the benefit of the Holders of Notes, cash in U.S. dollars, U.S. Government Obligations, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay, without reinvestment, the principal of, premium, if any, and interest, if any, on the Notes on the stated maturity thereof or on the applicable redemption date, as the case may be, and the Issuer must specify whether the Notes are being defeased to maturity or to a particular redemption date;

(b) in the case of Legal Defeasance, the Issuer must deliver to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that the Issuer has received from, or there has been published by, the Internal Revenue Service a ruling, or there has been a change in the applicable United States federal income tax law after the date of this Indenture, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the beneficial owners of the Notes will not recognize income, gain or loss for United States federal income tax purposes as a result of such Legal Defeasance, and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(c) in the case of Covenant Defeasance, the Issuer must deliver to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that the beneficial owners of the Notes will not recognize income, gain or loss for United States federal income tax purposes as a result of such Covenant Defeasance, and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(d) no Default or Event of Default shall have occurred and be continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) or insofar as Events of Default from bankruptcy or insolvency events are concerned, at any time in the period ending on the 91st day after the date of deposit;

(e) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than this Indenture) to which the Issuer or any of its Restricted Subsidiaries is a party or by which the Issuer or any of its Restricted Subsidiaries is bound;

(f) the Issuer must deliver to the Trustee an Officers' Certificate stating that the deposit was not made by the Issuer with the intent of preferring the Holders of Notes over other creditors of the Issuer, or with the intent of defeating, hindering, delaying or defrauding creditors of the Issuer or others; and

(g) the Issuer must deliver to the Trustee an Officers' Certificate and an Opinion of Counsel in the United States reasonably acceptable to the Trustee, each stating that the conditions precedent provided for or relating to Legal Defeasance or Covenant Defeasance, as applicable, in the case of the Officers' Certificate, in clauses (a) through (f) and, in the case of the Opinion of Counsel, in clauses (b) and (c) of this Section 8.3, have been complied with.

Section 8.4. *Deposited Money and Government Securities to be Held in Trust; Other Miscellaneous Provisions.* Subject to Section 8.5 hereof, all money and U.S. Government Obligations (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee, collectively, and solely for purposes of this Section 8.4, the "Trustee") pursuant to Section 8.3 or Section 8.8 hereof in respect of the Notes shall be held in trust and applied by the Trustee, in accordance with the provisions of the Notes and this Indenture, to the payment, either directly or indirectly or through any paying agent (including the Issuer acting as paying agent) as the Trustee may determine, to the Holders of such Notes of all sums due and to become due thereon in respect of principal, premium, if any, and interest, but such money need not be segregated from other funds except to the extent required by law.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the cash or non-callable U.S. Government Obligations deposited pursuant to Section 8.3 or Section 8.8 hereof or the principal, premium, if any, and interest, if any, received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of Notes.

Subject to the preceding paragraph and Section 7.7 herein, anything in this Article VIII to the contrary notwithstanding, the Trustee shall deliver or pay, solely to the extent available in such trust, to the Issuer from time to time upon the request of the Issuer any money or non-callable U.S. Government Obligations held by it as provided in Section 8.3 or Section 8.8 hereof which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee (which may be the opinion delivered under Section 8.3(a) hereof), are in excess of the amount thereof that would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance.

Section 8.5. *Repayment to Issuer.* Any money deposited with the Trustee or any paying agent, or then held by the Issuer, in trust for the payment of the principal, premium, if any, and interest on the Notes and remaining unclaimed for two years after such principal, premium, if any, and interest has become due and payable shall be paid to the Issuer on its request or (if then held by the Issuer) shall, subject to any relevant unclaimed property laws, upon written request therefor, be discharged from such trust and returned to the Issuer; and the Holder of such Note shall thereafter, as an unsecured creditor, look only to the Issuer for payment thereof, and all liability of the Trustee or such paying agent with respect to such trust money, and all liability of the Issuer as trustee thereof, shall thereupon cease.

Section 8.6. *Reinstatement.* If the Trustee or paying agent is unable to apply any money or non-callable U.S. Government Obligations in accordance with Section 8.1, Section 8.2 or Section 8.8 hereof, as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Issuer's obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 8.1, Section 8.2 or Section 8.8 hereof until such time as the Trustee or paying agent is permitted to apply all such money in accordance with Section 8.1, Section 8.2 or Section 8.8 hereof, as the case may be; *provided*, *however*, that, if the Issuer makes any payment of principal of, premium, if any, or interest, if any, on any Note following the reinstatement of its obligations, the Issuer shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money held by the Trustee or paying agent.

Section 8.7. *Survival.* The Trustee's rights under Article VII (including, but not limited to, its right to indemnification) and this Article VIII shall survive termination of this Indenture, the payment of the Notes in full and the resignation or removal of the Trustee.

Section 8.8. *Satisfaction and Discharge of Indenture*. If at any time (a)(i) the Issuer shall have paid or caused to be paid the principal of, premium, if any, and interest on all the outstanding Notes (other than Notes which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.4) as and when the same shall have become due and payable, or (ii) the Issuer shall have delivered to the Trustee for cancellation all Notes theretofore authenticated (other than Notes which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.4), or (b) (i) the Notes mature within one year, or all of them are to be called for redemption within one year under arrangements satisfactory to the Trustee for giving the notice of redemption, (ii) the Issuer irrevocably deposits in trust with the Trustee, as trust funds solely for the benefit of the Holders, money in U.S. dollars or U.S. Government Obligations or a combination thereof sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certificate delivered to the Trustee, without consideration of any reinvestment, to pay principal of and premium, if any, and interest on the Notes to maturity or redemption, as the case may be, and to pay all other sums payable by it hereunder, (iii) no Default has occurred and is continuing on the date of the deposit, (iv) the deposit will not result in a breach or violation of, or constitute a default under, this Indenture or any other agreement or instrument to which the Issuer is a party or by which it is bound, and (v) the Issuer delivers to the Trustee an Officers' Certificate and an Opinion of Counsel, in each case stating that all conditions precedent provided for herein relating to the satisfaction and discharge of this Indenture have been complied with; and if, in any such case, the Issuer shall also pay or cause to be paid all other sums payable hereunder by the Issuer (including all amounts, payable to the Trustee pursuant to Section 7.7), then, (x) after satisfying the conditions in clause , only the Company's obligations under Sections 7.7 and 8.4 will survive or (y) after satisfying the conditions in clause , only the Issuer's or the Company's, as applicable, obligations in Article II and Sections 4.1, 4.2, 7.7, 7.8, 8.4, 8.5 and 8.6 will survive, and, in either case, the Trustee, on demand of the Issuer accompanied by an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent relating to the satisfaction and discharge contemplated by this provision have been complied with, and at the cost and expense of the Issuer, shall execute proper instruments acknowledging such satisfaction and discharging of this Indenture and the Security Documents and cause the release of all Liens on the Collateral granted under the Security Documents. The Issuer agrees to reimburse the Trustee for any costs or expenses thereafter reasonably incurred, and to compensate the Trustee for any services thereafter reasonably rendered, by the Trustee in connection with this Indenture or the Notes.

ARTICLE IX
AMENDMENTS, SUPPLEMENTS AND WAIVERS

Section 9.1. *Amendments Without Consent of Holders.* The Company, the Issuer, the Guarantors, the Trustee and the Collateral Agent, as applicable, may amend, supplement or waive this Indenture, the Notes, the Guarantees or the Security Documents without notice to or the consent of any Holder:

(a) to evidence the succession of another Person to the Issuer or the Company or successive successions, and the assumption by the successor Person of the covenants, agreements and obligations of the Issuer or the Company herein and in the Notes or the Guarantees;

(b) to add to the covenants of the Issuer or the Company such further covenants, restrictions, conditions or provisions for the protection of the Holders of Notes, or to surrender any right or power herein conferred upon the Issuer or the Company, and to make the occurrence, or the occurrence and continuance, of a default in any such additional covenants, restrictions, conditions or provisions an Event of Default permitting the enforcement of all or any of the several remedies provided in this Indenture as herein set forth; *provided*, *however*, that in respect of any such additional covenants, restrictions, conditions or provisions such amendment, supplemented indenture or waiver may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such an Event of Default or may limit the remedies available to the Trustee upon such an Event of Default or may limit the right of the Holders of a majority in aggregate principal amount of the Notes to waive such an Event of Default;

(c) to cure any ambiguity, defect or inconsistency in this Indenture, the Notes, the Guarantees or the Security Documents;

(d) [Reserved];

(e) to evidence and provide for the acceptance of appointment hereunder by a successor or replacement Trustee or under the Security Documents of a successor or replacement Collateral Agent (including for the avoidance of doubt, the Joint Second Lien Collateral Agent or Mortgage Tax Collateral Agent), as applicable;

(f) to provide for uncertificated Notes in addition to, or in place of, Certificated Notes;

(g) to provide for any Guarantee of the Notes;

(h) to add security to or for the benefit of the Notes and, in the case of the Security Documents, to or for the benefit of the other secured parties named therein, or to confirm and evidence the release, termination or discharge of any Guarantee of the Notes or Lien securing the Notes or any Guarantee when such release, termination or discharge is permitted by this Indenture and the Security Documents;

(i) to provide for, or confirm the issuance of, Additional Notes;

(j) to evidence compliance with Section 4.14; or

(k) to make any other change that does not adversely affect the legal rights of any Holder.

By receiving Notes, Holders of the Notes are hereby deemed to have consented for purposes of this Indenture and the Security Documents, and the Collateral Agent and the Trustee are hereby authorized and directed by the Holders of the Notes, upon receipt of an Officers' Certificate more fully described below, to amend, supplement or otherwise modify the Security Documents to add or provide for additional secured parties to the extent Liens securing Indebtedness and other Obligations held by such parties are permitted under this Indenture (and to reflect any differing level of Lien priorities among the holders of First-Priority Lien Obligations); *provided* that after so securing any such additional secured parties, the amount of First-Priority Lien Obligations, Second-Priority Lien Obligations and Junior-Priority Lien Obligations does not exceed the amount permitted by the definition of "Permitted Liens."

In executing any such amendment, supplement, consent or waiver or other modification of a Security Document (or in entering into a new intercreditor agreement or other Security Document described in the preceding paragraph), the Trustee and the Collateral Agent shall be entitled to receive and (subject to their duties set forth in this Indenture) shall be fully protected in relying upon an Officers' Certificate stating that the execution of such amendment, supplement, consent or waiver or new agreement is authorized or permitted by the applicable Security Document and complies with the provisions thereof and of this Indenture. Notwithstanding anything in this Indenture to the contrary, no Opinion of Counsel shall be required in connection with the execution by the Trustee or Collateral Agent of any such amendment, supplement, consent or waiver or other modification of the Security Documents (or the entry into a new intercreditor agreement or other Security Document) as contemplated above.

Section 9.2. *Amendments with Consent of Holders*. (a) Except as otherwise provided in Sections 5.1, 5.3 and 5.6 or Section 9.2(b) and Section 9.2(c) of this Section, the Company, the Issuer, the Guarantors, the Trustee and the Collateral Agent, as applicable, may amend or supplement this Indenture, the Notes, the Guarantees and the Security Documents with the consent of the Holders of a majority in principal amount of the outstanding Notes (which may include written consents obtained in connection with a tender offer or exchange offer for Notes), and the Holders of a majority in principal amount of the outstanding Notes by written notice to the Trustee may waive future compliance by the Company, the Issuer and the Guarantors with any provision of this Indenture, the Notes, the Guarantees or the Security Documents (which may include waivers obtained in connection with a tender offer or exchange offer for Notes).

(b) Notwithstanding the provisions of paragraph (a) of this Section 9.2, without the consent of each Holder affected, an amendment or waiver may not:

(i) reduce the amount of Notes whose Holders must consent to an amendment, supplement or waiver,

(ii) reduce the rate of, or extend the time for payment of, any interest, including default interest, on any Note,

(iii) reduce principal of, or change the fixed maturity of, any Note or alter the provisions (including related definitions, except amendments to the definitions of "Asset Disposition," "Change of Control" and "Permitted Hovnanian Holders") with respect to redemptions described under Article III or with respect to mandatory offers to repurchase Notes described under Section 4.10 and Section 4.12,

(iv) make any Note payable in money other than that stated in the Note,

(v) modify the ranking or priority of the Notes or any Guarantee,

(vi) make any change in Section 5.3 or Section 5.6,

(vii) release any Guarantor from any of its obligations under its Guarantee or this Indenture otherwise than in accordance with this Indenture, or

(viii) waive a continuing Default or Event of Default in the payment of principal of, premium, if any, or interest, if any, on the Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of the then outstanding Notes with respect to a nonpayment default and a waiver of the payment default that resulted from such acceleration).

(c) Without the consent of the Holders of at least 66⅔% in principal amount of the Notes, the Company, the Issuer, the Guarantors, the Trustee and the Collateral Agent may not effect a release of all or substantially all of the Collateral other than pursuant to the terms of the Security Documents or as otherwise permitted under this Indenture.

(d) It is not necessary for Holders to approve the particular form of any proposed amendment, supplement or waiver, but is sufficient if their consent approves the substance thereof.

(e) An amendment, supplement or waiver under this Section 9.2 shall become effective on receipt by the Trustee of written consents from the Holders of the requisite percentage in principal amount of the outstanding Notes. After an amendment, supplement or waiver under this Section 9.2 becomes effective, the Issuer (or the Trustee at the request and expense of the Issuer) will send to the Holders affected thereby a notice briefly describing the amendment, supplement or waiver. The Issuer will send supplemental indentures to Holders upon request. Any failure of the Issuer to send such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such supplemental indenture, amendment or waiver.

Section 9.3. *Effect of Consent.* (a) After an amendment, supplement or waiver becomes effective, it will bind every Holder unless it is of the type requiring the consent of each Holder affected. If the amendment, supplement or waiver is of the type requiring the consent of each Holder affected, the amendment, supplement or waiver will bind each Holder that has consented to it and every subsequent Holder of a Note that evidences the same debt as the Note of the consenting Holder.

(b) If an amendment, supplement or waiver changes the terms of a Note, the Trustee may require the Holder to deliver it to the Trustee so that the Trustee may place an appropriate notation of the changed terms on the Note and return it to the Holder, or exchange it for a new Note that reflects the changed terms. The Trustee may also place an appropriate notation on any Note thereafter authenticated. However, the effectiveness of the amendment, supplement or waiver shall not be affected or impaired by any failure to annotate or exchange Notes in this fashion.

Section 9.4. *Trustee's Rights and Obligations.* The Trustee is entitled to receive, in addition to the documents required by Section 13.4, and will be fully protected in relying upon, an Opinion of Counsel stating (i) that the execution of any amendment, supplement or waiver authorized pursuant to this Article is authorized or permitted by this Indenture or the applicable Security Document and (ii) in the case of an amendment, supplement or waiver in connection with Section 9.1(k) that such amendment, supplement or waiver does not adversely affect the legal rights of any Holder of Notes affected by such change. If the Trustee has received such Opinion of Counsel, it shall sign the amendment, supplement or waiver so long as the same does not adversely affect the rights of the Trustee. The Trustee may, but is not obligated to, execute any amendment, supplement or waiver that affects the Trustee's own rights, duties or immunities under this Indenture.

ARTICLE X
[RESERVED]

ARTICLE XI
COLLATERAL AND SECURITY

Section 11.1. *Security Documents*. The payment of the principal of and interest and premium, if any, on the Notes when due, whether on an interest payment date, at maturity, by acceleration, repurchase, redemption or otherwise and whether by the Issuer pursuant to the Notes or by any Guarantor pursuant to its Guarantee and the performance of all other obligations of the Issuer and the Guarantors under this Indenture, the Notes, the Guarantees and the Security Documents are secured by Second-Priority Liens on the Collateral, subject to Permitted Liens, as provided in the Security Documents which the Issuer and the Guarantors have entered into simultaneously with the execution of this Indenture, or in certain circumstances, prior to or subsequent to the Issue Date, and shall be secured as provided in the Security Documents hereafter delivered as required or permitted by this Indenture.

Section 11.2. *Collateral Agent*.

(a) The Issuer hereby appoints Wilmington Trust, National Association (including in its capacity as Mortgage Tax Collateral Agent and Joint Second Lien Collateral Agent) to act as Collateral Agent, and the Collateral Agent shall have the duties, rights, indemnities, privileges, powers and immunities of the Collateral Agent as set forth herein and in the Security Documents. The Issuer and the Guarantors hereby agree that the Collateral Agent shall hold the Collateral in trust for the benefit of all of the Holders and the Trustee, in each case, pursuant to the terms of the Security Documents and the Collateral Agent is hereby authorized to execute and deliver the Security Documents. Subject to the Intercreditor Agreement, the Collateral Agent is authorized and empowered to appoint one or more collateral agents to act on its behalf, co-Collateral Agents, co-Joint Second Lien Collateral Agents or co-Mortgage Tax Collateral Agents as it deems necessary or appropriate, including the Joint Second Lien Collateral Agent.

(b) Neither the Trustee (subject to Section 7.1) nor the Collateral Agent nor any of their respective officers, directors, employees, attorneys or agents shall be responsible or liable for the legality, enforceability, effectiveness or sufficiency of the Security Documents, for the creation, perfection, priority, sufficiency, maintenance, renewal or protection of any Second-Priority Lien, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Second-Priority Liens or Security Documents or any delay in doing so; *provided*, *however*, that nothing in this Section 11.2(b) shall alter the Collateral Agent's obligations under Section 7.02 of the Security Agreement.

(c) The Collateral Agent shall be subject to such directions as may be given it by the Trustee from time to time (as required or permitted by this Indenture). Except as directed by the Trustee as required or permitted by this Indenture or as required or permitted by the Security Documents, the Collateral Agent shall not be obligated:

(1) to act upon directions purported to be delivered to it by any other Person;

(2) to foreclose upon or otherwise enforce any Second-Priority Lien with respect to the Notes and the Guarantees; or

(3) to take any other action whatsoever with regard to any or all of the Second-Priority Liens with respect to the Notes and the Guarantees, Security Documents or Collateral.

(d) The Collateral Agent shall be accountable only for amounts that it actually receives as a result of the enforcement of the Second-Priority Liens with respect to the Notes and the Guarantees or the Security Documents.

(e) In acting as Collateral Agent or co-Collateral Agent, the Collateral Agent and each co-Collateral Agent may rely upon and enforce for its own benefit each and all of the rights, powers, immunities, indemnities and benefits of the Trustee under Article 7 hereof, each of which shall also be deemed to be for the benefit of the Collateral Agent.

(f) At all times when the Trustee is not itself the Collateral Agent, the Issuer shall deliver to the Trustee copies of all Security Documents delivered to the Collateral Agent and copies of all documents delivered to the Collateral Agent pursuant to the Security Documents.

(g) Neither the Trustee nor the Collateral Agent, in their capacities as such hereunder, shall be deemed to owe any fiduciary duty to the holders of the First Lien Notes, the holders of the Senior Secured Super Priority Term Loan, the holders of the Existing Second Lien Notes or the holders of any First-Priority Lien Obligations.

Section 11.3. *Authorization of Actions to be Taken*.

(a) Each Holder of Notes, by its acceptance thereof, consents and agrees to the terms of each Security Document, as originally in effect on the Issue Date and as amended, supplemented or replaced from time to time (including in connection with the issuance of the Notes) in accordance with its terms or the terms of this Indenture, authorizes and directs the Trustee and the Collateral Agent to execute and deliver the Security Documents to which it is a party and authorizes and empowers the Trustee and the Collateral Agent to bind the Holders of Notes and other holders of Second-Priority Lien Obligations as set forth in the Security Documents to which it is a party and to perform its obligations and exercise its rights and powers thereunder.

(b) The Collateral Agent and the Trustee are authorized and empowered to receive for the benefit of the Holders of Notes any funds collected or distributed under the Security Documents to which the Collateral Agent or Trustee is a party and to make further distributions of such funds to the Holders of Notes according to the provisions of this Indenture.

(c) Subject to the provisions of Section 7.1 and Section 7.2, the Trustee may (but shall not be obligated), in its sole discretion and without the consent of the Holders of Notes, direct, on behalf of the Holders of Notes, the Collateral Agent to take all actions it deems necessary or appropriate in order to:

(1) foreclose upon or otherwise enforce any or all of the Second-Priority Liens;

(2) enforce any of the terms of the Security Documents to which the Collateral Agent or Trustee is a party; or

(3) collect and receive payment of any and all Second-Priority Lien Obligations.

Subject to Section 7.1 and Section 7.2, the Trustee is authorized and empowered (but shall not be obligated) to institute and maintain, or direct the Collateral Agent to institute and maintain, such suits and proceedings as it may deem expedient to protect or enforce the Second-Priority Liens or the Security Documents to which the Collateral Agent or Trustee is a party or to prevent any impairment of Collateral by any acts that may be unlawful or in violation of the Security Documents to which the Collateral Agent or Trustee is a party or this Indenture, and such suits and proceedings as the Trustee or the Collateral Agent may deem expedient to preserve or protect its interests and the interests of the Holders of Notes in the Collateral, including power to institute and maintain suits or proceedings to restrain the enforcement of or compliance with any legislative or other governmental enactment, rule or order that may be unconstitutional or otherwise invalid if the enforcement of, or compliance with, such enactment, rule or order would impair the security interest hereunder or be prejudicial to the interests of Holders of Notes, the Trustee or the Collateral Agent.

Section 11.4. *Release of Second-Priority Liens*.

(a) The Second-Priority Liens shall be released, with respect to the Notes and the Guarantees:

(1) in whole, upon payment in full of the principal of, accrued and unpaid interest and premium, if any, on the Notes and payment in full of all other Second-Priority Lien Obligations in respect thereof that are due and payable at or prior to the time such principal, accrued and unpaid interest and premium, if any, on the Notes are paid;

(2) in whole, upon satisfaction and discharge of this Indenture pursuant to Section 8.8;

(3) in whole, upon a legal defeasance or covenant defeasance pursuant to Article VIII;

(4) in part, as to any property constituting Collateral that (a) is sold, transferred or otherwise disposed of by the Company, the Issuer or one of the Restricted Subsidiaries to any Person other than the Company, the Issuer or any of its Restricted Subsidiaries (but excluding any transaction subject to Section 4.14 where the recipient is required to become the obligor on the Notes or a Guarantor) in a transaction permitted by this Indenture and the Security Documents, at the time of such sale or disposition, to the extent of the interest sold or disposed of, (b) is owned or at any time acquired by a Restricted Subsidiary that has been released from its Guarantee under this Indenture, concurrently with the release of such Guarantee or (c) consists of securities of the Issuer or a Guarantor or of K. Hovnanian JV Holdings, L.L.C. to be released as contemplated by Section 4.18(d)(iii); or

(5) in accordance with and subject to the provisions of Article IX, with the consent of Holders (including consents obtained in connection with a tender offer or exchange offer).

(b) If an instrument confirming the release of the Second-Priority Liens pursuant to Section 11.4(a) is requested by the Issuer or a Guarantor, then upon delivery to the Trustee of an Officers' Certificate requesting execution of such an instrument, accompanied by:

(1) an Opinion of Counsel confirming that such release is permitted by Section 11.4(a);

(2) all instruments requested by the Issuer to effectuate or confirm such release; and

(3) such other certificates and documents as the Trustee or Collateral Agent may reasonably request to confirm the matters set forth in Section 11.4(a) that are required by this Indenture or the Security Documents,

the Trustee shall, if such instruments and documents are reasonably satisfactory to the Trustee and Collateral Agent, instruct the Collateral Agent to execute and deliver, and the Collateral Agent shall promptly execute and deliver, such instruments.

(c) All instruments effectuating or confirming any release of any Second-Priority Liens will have the effect solely of releasing such Second-Priority Liens as to the Collateral described therein, on customary terms and without any recourse, representation, warranty or liability whatsoever.

(d) The Issuer shall bear and pay all costs and expenses associated with any release of Second-Priority Liens pursuant to this Section 11.4, including all reasonable fees and disbursements of any attorneys or representatives acting for the Trustee or for the Collateral Agent.

Section 11.5. *Filing, Recording, Certificates and Opinions*. (a) Any release of Collateral permitted by Section 11.4 hereof or the Security Documents will be deemed not to impair the Liens under this Indenture and the Security Documents in contravention thereof and any person that is required to deliver a certificate or opinion under this Indenture or the Security Documents, shall be entitled to rely upon the foregoing as a basis for delivery of such certificate or opinion. The Trustee may, to the extent permitted by Section 7.1 and Section 7.2 hereof, accept as conclusive evidence of compliance with the foregoing provisions the appropriate statements contained in such documents and opinion.

(b) If any Collateral is released in accordance with this Indenture or any Security Document at a time when the Trustee is not itself also the Collateral Agent and if the Issuer has delivered the certificates and documents required by the Security Documents and permitted to be delivered by Section 11.4 (if any), the Trustee will determine whether it has received all documentation required in connection with such release and, based on such determination and the Opinion of Counsel delivered pursuant to Section 11.4, if any, will, upon request, deliver a certificate to the Collateral Agent setting forth such determination.

(c) The Company is required to deliver to the Collateral Agent, (i) on the Issue Date, a perfection certificate and (ii) within 5 days after October 31 of each year, beginning October 31, 2017, a certificate in substantially the form attached hereto as Exhibit L (a "**Collateral Perfection Officer's Certificate**").

(d) The Company shall make available (i) by January 31, 2017, a copy of the perfection certificate delivered on the Issue Date, (ii) promptly after the delivery to the Collateral Agent of a Collateral Perfection Officer's Certificate as required by clause (c) above, a copy of such Collateral Perfection Officer's Certificate and (iii) within 5 days after the end of each fiscal quarter of the Company, beginning with the fiscal quarter ending on January 31, 2017, (w) copies of any control agreements entered into by the Issuer or any Guarantor, (x) copies of any possessory collateral delivered to, and in the possession of, the Collateral Agent, (y) acknowledgment copies of UCC-1 financing statements and UCC-3 amendments and (z) copies of any other Security Documents (including copies of mortgages and mortgage amendments that have been recorded and returned to the Issuer or a Guarantor) that grant or evidence the perfection of Liens on the Collateral that have been entered into, delivered, filed and acknowledged or recorded and returned, as the case may be, during such fiscal quarter (or, in the case of the fiscal quarter ending January 31, 2017, prior to January 31, 2017) and which may be redacted to remove confidential or commercially-sensitive information (including but not limited to all but the last 4 digits of bank account numbers), to any Holder of the Notes or any bona fide prospective investor in the Notes who, in each case, agrees to treat such information as confidential on customary confidentiality terms or accesses such information through a password-protected online data system, by posting such information on a website (which may be a non-public, password-protected online data system that requires a customary confidentiality acknowledgment and may be maintained by the Company or a third party); *provided* that the Company shall make available any password or other log-in information required to access such website to any such Holder of the Notes or bona fide prospective investor reasonably promptly following request therefor. Such website shall be accessible to Holders of the Notes and any bona fide prospective investor in the Notes, subject to the customary confidentiality requirements described in the foregoing, from and after January 31, 2017 and for so long as any Notes are outstanding.

ARTICLE XII
RELEASE OF ISSUER AND GUARANTORS

Section 12.1. *Release of Issuer*. (a) The Issuer shall be released from its obligations under this Indenture and the Notes, without the consent of the Holders, if: (1) the Company or any successor to the Company has assumed the obligations of the Issuer under this Indenture and the Notes, by supplemental indenture executed and delivered to the Trustee and satisfactory in form to the Trustee, (2) the Company delivers an Opinion of Counsel to the Trustee to the effect that beneficial owners of Notes will not recognize income, gain or loss for United States federal income tax purposes as a result of such release and such beneficial owners of Notes will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such release had not occurred and (3) the Issuer shall (w) become a Guarantor at such time subject to the provisions of Article VI and Section 4.11 hereof, (x) execute a Guarantee, (y) execute a supplemental indenture evidencing its Guarantee and (z) deliver an Opinion of Counsel to the Trustee to the effect that the (i) the supplemental indenture is permitted by the terms of this Indenture, (ii) the supplemental indenture has been duly authorized, executed and delivered by the Issuer and constitutes a valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms (subject to customary exceptions), until such time, if any, as such Guarantee may be released as described above under Section 4.19 and Article VI and (iii) all conditions precedent to the execution of such supplemental indenture provided for in this Indenture have been complied with.

(b) A Guarantor may be released from its obligations under this Indenture, the Notes and its Guarantee in accordance with the provisions contained in Section 6.3 herein.

ARTICLE XIII
MISCELLANEOUS

Section 13.1. *Effectiveness*. This Indenture, including the covenants, agreements and other provisions contained herein, shall be deemed to have been effective as of and from July 29, 2016 (the "**Effective Date**") as though this Indenture were dated, executed and delivered as of the Effective Date, except that the obligations and duties of the Trustee and the Collateral Agent arising hereunder shall not be deemed to be effective at any time prior to the Issue Date, including the taking of any actions or enforcement of any remedies in connection with a Default or an Event of Default. For the avoidance of doubt, any Default or Event of Default arising under this Indenture during the period between (and including) the Effective Date and the Issue Date shall be deemed to be a Default or Event of Default from such date as such Default or Event or Default occurs, until cured or waived, notwithstanding the fact that such date may occur prior to the Issue Date. It is understood and agreed that, for purposes of calculating the availability under any basket or ratio, or determining the availability of an exception to any covenant, agreement or provision, under the Indenture, such calculation or determination, as the case may be, shall take into account the effectiveness of the Indenture as of and from the Effective Date; *provided*, that, no action taken or omitted to be taken by the Issuer, the Company or any of its Restricted Subsidiaries during the period between (and including) the Effective Date and the Issue Date shall give rise to a Default or Event of Default by virtue of this Section 13.01, so long as such action that is taken or omitted to be taken would not have given rise to a Default or Event of Default had the "Issue Date" instead been the Effective Date.

Section 13.2. *Holder Communications; Holder Actions*. (a) Any request, demand, authorization, direction, notice, consent to amendment, supplement or waiver or other action provided by this Indenture to be given or taken by a Holder (an "act") may be evidenced by an instrument signed by the Holder delivered to the Trustee. The fact and date of the execution of the instrument, or the authority of the person executing it, may be proved in any manner that the Trustee deems sufficient.

(b) Any act by the Holder of any Note binds that Holder and every subsequent Holder of a Note that evidences the same debt as the Note of the acting Holder, even if no notation thereof appears on the Note. Subject to paragraph (c), a Holder may revoke an act as to its Notes, but only if the Trustee receives the notice of revocation before the date the amendment or waiver or other consequence of the act becomes effective.

(c) The Issuer may, but is not obligated to, fix a record date (which need not be within the time limits otherwise prescribed by Trust Indenture Act § 316(c)) for the purpose of determining the Holders entitled to act with respect to any amendment or waiver or in any other regard, except that during the continuance of an Event of Default, only the Trustee may set a record date as to notices of Default, any declaration or acceleration or any other remedies or other consequences of the Event of Default. If a record date is fixed, those Persons that were Holders at such record date and only those Persons shall be entitled to act, or to revoke any previous act, whether or not those Persons continue to be Holders after the record date. No act shall be valid or effective for more than 90 days after the record date.

Section 13.3. *Notices*. (a) Any notice or communication to the Issuer or the Company shall be deemed given if in writing (i) when delivered in person or (ii) five days after mailing when mailed by first class mail or (iii) when sent by facsimile or electronic transmission, with transmission confirmed. Notices or communications to a Guarantor shall be deemed given if given to the Company. Any notice to the Trustee shall be deemed given if in writing and (i) delivered in person, (ii) mailed by first class mail or (iii) sent by facsimile or electronic transmission, and shall be effective only upon receipt. In each case the notice or communication should be addressed as follows:

if to the Issuer or the Company:

K. Hovnanian Enterprises, Inc.
c/o Hovnanian Enterprises, Inc.
110 West Front Street
P.O. Box 500
Red Bank, New Jersey 07701
Facsimile: (732) 383-2945
Attention: Corporate Counsel

if to the Trustee:

Wilmington Trust, National Association
Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1600
Facsimile: 302-636-4145
Attention: Global Capital Markets−K. Hovnanian Relationship Manager

The Issuer or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

(b) Except as otherwise expressly provided with respect to published notices, any notice or communication to a Holder shall be deemed given when mailed to the Holder at its address as it appears on the Register by first class mail or, as to any Global Note registered in the name of DTC or its nominee, delivered in accordance with applicable procedures of DTC. Copies of any notice or communication to a Holder, if given by the Issuer or the Company, shall be mailed to the Trustee at the same time. Defect in mailing a notice or communication to any particular Holder shall not affect its sufficiency with respect to other Holders.

(c) Where this Indenture provides for notice, the notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and the waiver will be the equivalent of the notice. Waivers of notice by Holders must be filed with the Trustee, but such filing is not a condition precedent to the validity of any action taken in reliance upon such waivers.

(d) The Trustee and the Collateral Agent agree to accept and act upon instructions or directions pursuant to this Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods. Neither the Trustee nor the Collateral Agent shall be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's or the Collateral Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The party providing electronic instructions agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee or the Collateral Agent, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk or interception and misuse by third parties.

Section 13.4. *Certificate and Opinion as to Conditions Precedent.* Upon any request or application by the Issuer or the Company to the Trustee to take any action under this Indenture, the Issuer or the Company shall furnish to the Trustee:

(a) an Officers' Certificate stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(b) an Opinion of Counsel stating that all such conditions precedent relating to the proposed action have been complied with.

Section 13.5. *Statements Required in Certificate or Opinion.* Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture must include:

(a) a statement that each person signing the certificate or opinion has read the covenant or condition and the related definitions;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statement or opinion contained in the certificate or opinion is based;

(c) a statement that, in the opinion of each such person, that person has made such examination or investigation as is necessary to enable the person to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether or not, in the opinion of each such person, such condition or covenant has been complied with, *provided*, that an Opinion of Counsel may rely on an Officers' Certificate or certificates of public officials with respect to matters of fact.

Any certificate, statement or opinion of an Officer of the Issuer or the Company, as applicable, may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel, unless such Officer knows that the certificate or opinion or representations with respect to the matters upon which such certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous. Any certificate, statement or Opinion of Counsel may be based, insofar as it relates to factual matters on information with respect to which is in the possession of the Issuer, or the Company, as applicable, upon the certificate, statement or opinion of or representations by an officer or officers of the Issuer, or the Company, as applicable, unless such counsel knows that the certificate, statement or opinion or representations with respect to the matters upon which such certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous.

Any certificate, statement or opinion of an Officer of the Issuer or the Company, as applicable, or of counsel may be based, insofar as it relates to accounting matters, upon a certificate or opinion of or representations by an accountant or firm of accountants in the employ of the Issuer or the Company, as applicable, unless such Officer or counsel, as the case may be, knows that the certificate or opinion or representations with respect to the accounting matters upon which such certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous.

Any certificate or opinion of any independent firm of public accountants filed with and directed to the Trustee shall contain a statement that such firm is independent.

Section 13.6. *Payment Date Other Than a Business Day.* If any payment with respect to a payment of any principal of, premium, if any, or interest on any Note (including any payment to be made on any date fixed for redemption or purchase of any Note) is due on a day which is not a Business Day, then the payment need not be made on such date, but may be made on the next Business Day with the same force and effect as if made on such date, and no interest shall accrue for the intervening period.

Section 13.7. *Governing Law; Waiver of Jury Trial.* This Indenture, the Guarantees and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York.

EACH OF THE ISSUER, THE COMPANY, THE GUARANTORS, THE TRUSTEE AND COLLATERAL AGENT HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS INDENTURE, THE NOTES OR THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY.

Section 13.8. *No Adverse Interpretation of Other Agreements.* The Indenture may not be used to interpret another indenture or loan or debt agreement of the Issuer, the Company or any Subsidiary of the Company, and no such indenture or loan or debt agreement may be used to interpret this Indenture.

Section 13.9. *Successors.* All agreements of the Issuer, the Company or any Guarantor in this Indenture and the Notes shall bind its successors. All agreements of the Trustee and the Collateral Agent in this Indenture shall bind its successor.

Section 13.10. *Duplicate Originals.* The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

Section 13.11. *Separability.* To the extent permitted by applicable law, in case any provision in this Indenture or in the Notes is invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 13.12. *Table of Contents and Headings.* The Table of Contents, Cross-Reference Table and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part of this Indenture and in no way modify or restrict any of the terms and provisions of this Indenture.

Section 13.13. *No Liability of Directors, Officers, Employees, Partners, Incorporators and Stockholders.* No recourse under or upon any obligation, covenant or agreement contained in this Indenture, or in the Notes, or because of any indebtedness evidenced thereby, shall be had against any incorporator, as such or against any past, present or future stockholder, officer, director or employee, as such, of the Issuer, the Company or the Guarantors or any partner of the Issuer, the Company or the Guarantors or of any successor, either directly or through the Issuer, the Company or the Guarantors or any successor, under any rule of law, statute or constitutional provision or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, all such liability being expressly waived and released by the acceptance of the Notes by the Holders thereof and as part of the consideration for the issue of the Notes.

Section 13.14. *Provisions of Indenture for the Sole Benefit of Parties and Holders of Notes.* Nothing in this Indenture or in the Notes, expressed or implied, shall give or be construed to give to any Person, other than the parties hereto and their successors and the Holders of Notes, any legal or equitable right, remedy or claim under this Indenture or under any covenant or provision herein contained, all such covenants and provisions being for the sole benefit of the parties hereto and their successors and of the Holders of Notes.

Section 13.15. *Trust Indenture Act*. This Indenture, the Notes, the Guarantees and the Security Documents are not subject to the Trust Indenture Act except as expressly and to the extent provided for in this Indenture, the Security Documents, the Notes and the Guarantees.

[Signature page follows]

SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused the Indenture to be duly executed as of the date first written above.

K. HOVNANIAN ENTERPRISES, INC.,
as Issuer

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice-President—Finance and Treasurer

HOVNANIAN ENTERPRISES, INC.,
as the Company and a Guarantor

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice-President—Finance and Treasurer

K. HOV IP, II, INC., as a Guarantor

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Authorized Officer

On behalf of each other entity named in
Schedule A hereto, as a Guarantor

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Authorized Officer

[Signature page to the 10.000% Second Lien Notes Indenture]

WILMINGTON TRUST, NATIONAL ASSOCIATION,
as Trustee and Collateral Agent

By: /s/ John T. Needham, Jr.
Name: John T. Needham, Jr.
Title:Vice President

[Signature page to the 10.000% Second Lien Notes Indenture]

GUARANTORS

ARBOR TRAILS, LLC
BUILDER SERVICES NJ, L.L.C.
BUILDER SERVICES PA, L.L.C.
EASTERN NATIONAL TITLE AGENCY, LLC
EASTERN TITLE AGENCY OF ILLINOIS, LLC
EASTERN TITLE AGENCY, INC.
F&W MECHANICAL SERVICES, L.L.C.
FOUNDERS TITLE AGENCY OF MARYLAND, L.L.C.
FOUNDERS TITLE AGENCY, INC.
GLENRISE GROVE, L.L.C.
GOVERNOR'S ABSTRACT CO., INC.
HOMEBUYERS FINANCIAL SERVICES, L.L.C.
HOVNANIAN DEVELOPMENTS OF FLORIDA, INC.
HOVNANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP, L.L.C.
K. HOV IP, II, INC.
K. HOVNANIAN ABERDEEN, LLC
K. HOVNANIAN ACQUISITIONS, INC.
K. HOVNANIAN AT 240 MISSOURI, LLC
K. HOVNANIAN AT 4S, LLC
K. HOVNANIAN AT AIRE ON MCDOWELL, LLC
K. HOVNANIAN AT ALISO, LLC
K. HOVNANIAN AT ALLENTOWN, L.L.C.
K. HOVNANIAN AT ANDALUSIA, LLC
K. HOVNANIAN AT ASBURY PARK URBAN RENEWAL, LLC
K. HOVNANIAN AT ASHBY PLACE, LLC
K. HOVNANIAN AT AVENUE ONE, L.L.C.
K. HOVNANIAN AT BAKERSFIELD 463, L.L.C.
K. HOVNANIAN AT BARNEGAT I, L.L.C.
K. HOVNANIAN AT BARNEGAT II, L.L.C.
K. HOVNANIAN AT BEACON PARK AREA 129, LLC
K. HOVNANIAN AT BEACON PARK AREA 137, LLC
K. HOVNANIAN AT BELLA LAGO, LLC
K. HOVNANIAN AT BLACKSTONE, LLC
K. HOVNANIAN AT BOCA DUNES, LLC
K. HOVNANIAN AT BRANCHBURG II, LLC
K. HOVNANIAN AT BRANCHBURG, L.L.C.
K. HOVNANIAN AT BRANCHBURG-VOLLERS, LLC
K. HOVNANIAN AT BRENFORD STATION, LLC

K. HOVNANIAN AT BRIDGEPORT, INC.
K. HOVNANIAN AT BRIDGEWATER I, L.L.C.
K. HOVNANIAN AT BRIDGEWATER II, LLC
K. HOVNANIAN AT BURCH KOVE, LLC
K. HOVNANIAN AT CAMP HILL, L.L.C.
K. HOVNANIAN AT CAMPTON PRAIRIE, LLC
K. HOVNANIAN AT CAPISTRANO, L.L.C.
K. HOVNANIAN AT CARLSBAD, LLC
K. HOVNANIAN AT CATANIA, LLC
K. HOVNANIAN AT CATON'S RESERVE, LLC
K. HOVNANIAN AT CEDAR GROVE III, L.L.C.
K. HOVNANIAN AT CEDAR GROVE URBAN RENEWAL, LLC
K. HOVNANIAN AT CEDAR LANE, LLC
K. HOVNANIAN AT CHARTER WAY, LLC
K. HOVNANIAN AT CHESTERFIELD, L.L.C.
K. HOVNANIAN AT CHRISTINA COURT, LLC
K. HOVNANIAN AT CIELO, L.L.C.
K. HOVNANIAN AT COASTLINE, L.L.C.
K. HOVNANIAN AT COOSAW POINT, LLC
K. HOVNANIAN AT CORAL LAGO, LLC
K. HOVNANIAN AT CORTEZ HILL, LLC
K. HOVNANIAN AT DENVILLE, L.L.C.
K. HOVNANIAN AT DEPTFORD TOWNSHIP, L.L.C.
K. HOVNANIAN AT DOMINGUEZ HILLS, INC.
K. HOVNANIAN AT DOYLESTOWN, LLC
K. HOVNANIAN AT EAST BRANDYWINE, L.L.C.
K. HOVNANIAN AT EAST BRUNSWICK III, LLC
K. HOVNANIAN AT EAST BRUNSWICK, LLC
K. HOVNANIAN AT EAST WINDSOR, LLC
K. HOVNANIAN AT EDEN TERRACE, L.L.C.
K. HOVNANIAN AT EDGEWATER II, L.L.C.
K. HOVNANIAN AT EDGEWATER, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH II, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH, L.L.C.
K. HOVNANIAN AT ESTATES AT WHEATLANDS, LLC
K. HOVNANIAN AT EVERGREEN, L.L.C.
K. HOVNANIAN AT EVESHAM, LLC
K. HOVNANIAN AT FAIRFIELD RIDGE, LLC
K. HOVNANIAN AT FIDDYMENT RANCH, LLC
K. HOVNANIAN AT FIFTH AVENUE, L.L.C.
K. HOVNANIAN AT FLORENCE I, L.L.C.
K. HOVNANIAN AT FLORENCE II, L.L.C.

K. HOVNANIAN AT FOREST MEADOWS, L.L.C.
K. HOVNANIAN AT FOX PATH AT HAMPTON LAKE, LLC
K. HOVNANIAN AT FRANKLIN II, L.L.C.
K. HOVNANIAN AT FRANKLIN, L.L.C.
K. HOVNANIAN AT FREEHOLD TOWNSHIP III, LLC
K. HOVNANIAN AT FRESNO, LLC
K. HOVNANIAN AT GALLERY, LLC
K. HOVNANIAN AT GASLAMP SQUARE, L.L.C.
K. HOVNANIAN AT GENEVA MEADOWS, LLC
K. HOVNANIAN AT GILROY 60, LLC
K. HOVNANIAN AT GILROY, LLC
K. HOVNANIAN AT GREAT NOTCH, L.L.C.
K. HOVNANIAN AT HACKETTSTOWN II, L.L.C.
K. HOVNANIAN AT HAMPTON COVE, LLC
K. HOVNANIAN AT HAMPTON LAKE, LLC
K. HOVNANIAN AT HANOVER ESTATES, LLC
K. HOVNANIAN AT HERSHEY'S MILL, INC.
K. HOVNANIAN AT HIDDEN BROOK, LLC
K. HOVNANIAN AT HILLSBOROUGH, LLC
K. HOVNANIAN AT HILLTOP RESERVE II, LLC
K. HOVNANIAN AT HILLTOP RESERVE, LLC
K. HOVNANIAN AT HOWELL II, LLC
K. HOVNANIAN AT HOWELL III, LLC
K. HOVNANIAN AT HOWELL, LLC
K. HOVNANIAN AT HUDSON POINTE, L.L.C.
K. HOVNANIAN AT HUNTFIELD, LLC
K. HOVNANIAN AT INDIAN WELLS, LLC
K. HOVNANIAN AT ISLAND LAKE, LLC
K. HOVNANIAN AT JACKSON I, L.L.C.
K. HOVNANIAN AT JACKSON, L.L.C.
K. HOVNANIAN AT JAEGER RANCH, LLC
K. HOVNANIAN AT JERSEY CITY IV, L.L.C.
K. HOVNANIAN AT KEYPORT, L.L.C.
K. HOVNANIAN AT LA COSTA GREENS, L.L.C.
K. HOVNANIAN AT LA LAGUNA, L.L.C.
K. HOVNANIAN AT LAKE BURDEN, LLC
K. HOVNANIAN AT LAKE LECLARE, LLC
K. HOVNANIAN AT LAKE RANCHO VIEJO, LLC
K. HOVNANIAN AT LAKE RIDGE ESTATES, LLC
K. HOVNANIAN AT LAKE TERRAPIN, L.L.C.
K. HOVNANIAN AT LEE SQUARE, L.L.C.
K. HOVNANIAN AT LENAH WOODS, LLC
K. HOVNANIAN AT LILY ORCHARD, LLC
K. HOVNANIAN AT LINK FARM, LLC

K. HOVNANIAN AT LITTLE EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR, L.L.C
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LOWER MAKEFIELD TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MORELAND II, L.L.C.
K. HOVNANIAN AT MAGNOLIA PLACE, LLC
K. HOVNANIAN AT MAHWAH VI, INC.
K. HOVNANIAN AT MAIN STREET SQUARE, LLC
K. HOVNANIAN AT MALAN PARK, L.L.C.
K. HOVNANIAN AT MANALAPAN II, L.L.C.
K. HOVNANIAN AT MANALAPAN III, L.L.C.
K. HOVNANIAN AT MANALAPAN V, LLC
K. HOVNANIAN AT MANALAPAN VI, LLC
K. HOVNANIAN AT MANSFIELD II, L.L.C.
K. HOVNANIAN AT MANTECA, LLC
K. HOVNANIAN AT MAPLE AVENUE, L.L.C.
K. HOVNANIAN AT MARLBORO IX, LLC
K. HOVNANIAN AT MARLBORO TOWNSHIP IX, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP V, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP VIII, L.L.C.
K. HOVNANIAN AT MARLBORO VI, L.L.C.
K. HOVNANIAN AT MARPLE, LLC
K. HOVNANIAN AT MEADOWRIDGE VILLAS, LLC
K. HOVNANIAN AT MELANIE MEADOWS, LLC
K. HOVNANIAN AT MENDHAM TOWNSHIP, L.L.C.
K. HOVNANIAN AT MIDDLE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT MIDDLE TOWNSHIP, L.L.C.
K. HOVNANIAN AT MIDDLETOWN II, L.L.C.
K. HOVNANIAN AT MIDDLETOWN III, LLC
K. HOVNANIAN AT MIDDLETOWN, LLC
K. HOVNANIAN AT MILLVILLE I, L.L.C.
K. HOVNANIAN AT MILLVILLE II, L.L.C.
K. HOVNANIAN AT MONROE IV, L.L.C.
K. HOVNANIAN AT MONROE NJ II, LLC
K. HOVNANIAN AT MONROE NJ III, LLC
K. HOVNANIAN AT MONROE NJ, L.L.C.
K. HOVNANIAN AT MONTGOMERY, LLC
K. HOVNANIAN AT MONTVALE II, LLC
K. HOVNANIAN AT MONTVALE, L.L.C.
K. HOVNANIAN AT MORRIS TWP, LLC
K. HOVNANIAN AT MT. LAUREL, LLC
K. HOVNANIAN AT MUIRFIELD, LLC
K. HOVNANIAN AT NORTH BERGEN. L.L.C.

K. HOVNANIAN AT NORTH BRUNSWICK VI, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL II, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL III, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL IV, L.L.C.
K. HOVNANIAN AT NORTH WILDWOOD, L.L.C.
K. HOVNANIAN AT NORTHAMPTON, L.L.C.
K. HOVNANIAN AT NORTHERN WESTCHESTER, INC.
K. HOVNANIAN AT NORTHFIELD, L.L.C.
K. HOVNANIAN AT NORTHRIDGE ESTATES, LLC
K. HOVNANIAN AT NORTON LAKE LLC
K. HOVNANIAN AT NOTTINGHAM MEADOWS, LLC
K. HOVNANIAN AT OAK POINTE, LLC
K. HOVNANIAN AT OCEAN TOWNSHIP, INC
K. HOVNANIAN AT OCEAN VIEW BEACH CLUB, LLC
K. HOVNANIAN AT OCEANPORT, L.L.C.
K. HOVNANIAN AT OLD BRIDGE, L.L.C.
K. HOVNANIAN AT PALM VALLEY, L.L.C.
K. HOVNANIAN AT PARKSIDE, LLC
K. HOVNANIAN AT PARSIPPANY, L.L.C.
K. HOVNANIAN AT PAVILION PARK, LLC
K. HOVNANIAN AT PIAZZA D'ORO, L.L.C.
K. HOVNANIAN AT PIAZZA SERENA, L.L.C
K. HOVNANIAN AT PICKETT RESERVE, LLC
K. HOVNANIAN AT PITTSGROVE, L.L.C.
K. HOVNANIAN AT PLANTATION LAKES, L.L.C.
K. HOVNANIAN AT POINTE 16, LLC
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL V, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VIII, L.L.C.
K. HOVNANIAN AT POSITANO, LLC
K. HOVNANIAN AT PRADO, L.L.C.
K. HOVNANIAN AT PRAIRIE POINTE, LLC
K. HOVNANIAN AT QUAIL CREEK, L.L.C.
K. HOVNANIAN AT RANCHO CABRILLO, LLC
K. HOVNANIAN AT RANDOLPH I, L.L.C.
K. HOVNANIAN AT RAPHO, L.L.C
K. HOVNANIAN AT REDTAIL, LLC
K. HOVNANIAN AT RESERVES AT WHEATLANDS, LLC
K. HOVNANIAN AT RESIDENCE AT DISCOVERY SQUARE, LLC
K. HOVNANIAN AT RIDGEMONT, L.L.C.
K. HOVNANIAN AT ROCK LEDGE, LLC
K. HOVNANIAN AT RODERUCK, L.L.C.
K. HOVNANIAN AT ROSEMARY LANTANA, L.L.C.
K. HOVNANIAN AT SAGE, L.L.C.
K. HOVNANIAN AT SAGEBROOK, LLC

K. HOVNANIAN AT SANTA NELLA, LLC
K. HOVNANIAN AT SAWMILL, INC.
K. HOVNANIAN AT SCOTCH PLAINS, L.L.C.
K. HOVNANIAN AT SEASONS LANDING, LLC
K. HOVNANIAN AT SHELDON GROVE, LLC
K. HOVNANIAN AT SHREWSBURY, LLC
K. HOVNANIAN AT SIGNAL HILL, LLC
K. HOVNANIAN AT SILVER SPRING, L.L.C.
K. HOVNANIAN AT SILVERSTONE, LLC
K. HOVNANIAN AT SKYE ISLE, LLC
K. HOVNANIAN AT SKYE ON MCDOWELL, LLC
K. HOVNANIAN AT SMITHVILLE, INC.
K. HOVNANIAN AT SOMERSET, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK II, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK III, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK, L.L.C.
K. HOVNANIAN AT STANTON, LLC
K. HOVNANIAN AT STATION SQUARE, L.L.C.
K. HOVNANIAN AT SUMMERLAKE, LLC
K. HOVNANIAN AT SUNRIDGE PARK, LLC
K. HOVNANIAN AT SUNRISE TRAIL II, LLC
K. HOVNANIAN AT SUNRISE TRAIL III, LLC
K. HOVNANIAN AT TERRA BELLA TWO, LLC
K. HOVNANIAN AT THE COMMONS AT RICHMOND HILL, LLC
K. HOVNANIAN AT THE CROSBY, LLC
K. HOVNANIAN AT THE MONARCH, L.L.C.
K. HOVNANIAN AT THE PROMENADE AT BEAVER CREEK, LLC
K. HOVNANIAN AT THOMPSON RANCH, LLC
K. HOVNANIAN AT TRAFFORD PLACE, LLC
K. HOVNANIAN AT TRAIL RIDGE, LLC
K. HOVNANIAN AT UPPER PROVIDENCE, LLC
K. HOVNANIAN AT UPPER UWCHLAN II, L.L.C.
K. HOVNANIAN AT UPPER UWCHLAN, L.L.C.
K. HOVNANIAN AT VALLE DEL SOL, LLC
K. HOVNANIAN AT VERONA ESTATES, LLC
K. HOVNANIAN AT VERONA URBAN RENEWAL, L.L.C.
K. HOVNANIAN AT VICTORVILLE, L.L.C.
K. HOVNANIAN AT VINEYARD HEIGHTS, LLC
K. HOVNANIAN AT VISTA DEL SOL, L.L.C.
K. HOVNANIAN AT WALDWICK, LLC
K. HOVNANIAN AT WALKERS GROVE, LLC
K. HOVNANIAN AT WARREN TOWNSHIP II, LLC
K. HOVNANIAN AT WARREN TOWNSHIP, L.L.C.
K. HOVNANIAN AT WATERSTONE, LLC

K. HOVNANIAN AT WAYNE IX, L.L.C.
K. HOVNANIAN AT WEST VIEW ESTATES, L.L.C.
K. HOVNANIAN AT WESTBROOK, LLC
K. HOVNANIAN AT WESTSHORE, LLC
K. HOVNANIAN AT WHEELER RANCH, LLC
K. HOVNANIAN AT WHEELER WOODS, LLC
K. HOVNANIAN AT WHITEMARSH, LLC
K. HOVNANIAN AT WILDWOOD BAYSIDE, L.L.C.
K. HOVNANIAN AT WOODCREEK WEST, LLC
K. HOVNANIAN AT WOOLWICH I, L.L.C.
K. HOVNANIAN BELDEN POINTE, LLC
K. HOVNANIAN BELMONT RESERVE, LLC
K. HOVNANIAN CAMBRIDGE HOMES, L.L.C.
K. HOVNANIAN CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN CLASSICS, L.L.C.
K. HOVNANIAN COMMUNITIES, INC.
K. HOVNANIAN COMPANIES OF CALIFORNIA, INC.
K. HOVNANIAN COMPANIES OF MARYLAND, INC.
K. HOVNANIAN COMPANIES OF NEW YORK, INC.
K. HOVNANIAN COMPANIES OF PENNSYLVANIA, INC.
K. HOVNANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.
K. HOVNANIAN COMPANIES, LLC
K. HOVNANIAN CONSTRUCTION II, INC
K. HOVNANIAN CONSTRUCTION III, INC
K. HOVNANIAN CONSTRUCTION MANAGEMENT, INC.
K. HOVNANIAN CONTRACTORS OF OHIO, LLC
K. HOVNANIAN CRAFTBUILT HOMES OF SOUTH CAROLINA, L.L.C.
K. HOVNANIAN CYPRESS KEY, LLC
K. HOVNANIAN DEVELOPMENTS OF ARIZONA, INC.
K. HOVNANIAN DEVELOPMENTS OF CALIFORNIA, INC.
K. HOVNANIAN DEVELOPMENTS OF D.C., INC.
K. HOVNANIAN DEVELOPMENTS OF DELAWARE, INC.
K. HOVNANIAN DEVELOPMENTS OF GEORGIA, INC.
K. HOVNANIAN DEVELOPMENTS OF ILLINOIS, INC.
K. HOVNANIAN DEVELOPMENTS OF KENTUCKY, INC.
K. HOVNANIAN DEVELOPMENTS OF MARYLAND, INC.
K. HOVNANIAN DEVELOPMENTS OF MINNESOTA, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY II, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW YORK, INC.
K. HOVNANIAN DEVELOPMENTS OF NORTH CAROLINA, INC.
K. HOVNANIAN DEVELOPMENTS OF OHIO, INC.
K. HOVNANIAN DEVELOPMENTS OF PENNSYLVANIA, INC.
K. HOVNANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.

K. HOVNANIAN DEVELOPMENTS OF TEXAS, INC.
K. HOVNANIAN DEVELOPMENTS OF VIRGINIA, INC.
K. HOVNANIAN DEVELOPMENTS OF WEST VIRGINIA, INC.
K. HOVNANIAN DFW AUBURN FARMS, LLC
K. HOVNANIAN DFW BELMONT, LLC
K. HOVNANIAN DFW HARMON FARMS, LLC
K. HOVNANIAN DFW HERITAGE CROSSING, LLC
K. HOVNANIAN DFW HOMESTEAD, LLC
K. HOVNANIAN DFW INSPIRATION, LLC
K. HOVNANIAN DFW LEXINGTON, LLC
K. HOVNANIAN DFW LIBERTY CROSSING, LLC
K. HOVNANIAN DFW LIGHT FARMS II, LLC
K. HOVNANIAN DFW LIGHT FARMS, LLC
K. HOVNANIAN DFW MIDTOWN PARK, LLC
K. HOVNANIAN DFW PALISADES, LLC
K. HOVNANIAN DFW PARKSIDE, LLC
K. HOVNANIAN DFW RIDGEVIEW, LLC
K. HOVNANIAN DFW SEVENTEEN LAKES, LLC
K. HOVNANIAN DFW TRAILWOOD, LLC
K. HOVNANIAN DFW VILLAS AT MUSTANG PARK, LLC
K. HOVNANIAN DFW WELLINGTON, LLC
K. HOVNANIAN DFW WILDRIDGE, LLC
K. HOVNANIAN EASTERN PENNSYLVANIA, L.L.C.
K. HOVNANIAN EDGEBROOK, LLC
K. HOVNANIAN ESTATES AT REGENCY, L.L.C.
K. HOVNANIAN ESTATES AT WEKIVA, LLC
K. HOVNANIAN FALLS POINTE, LLC
K. HOVNANIAN FIRST HOMES, L.L.C.
K. HOVNANIAN FLORIDA REALTY, L.L.C.
K. HOVNANIAN FOREST VALLEY, LLC
K. HOVNANIAN FOUR SEASONS @ HISTORIC VIRGINIA, LLC
K. HOVNANIAN FOUR SEASONS AT GOLD HILL, LLC
K. HOVNANIAN GRAND CYPRESS, LLC
K. HOVNANIAN GRANDEFIELD, LLC
K. HOVNANIAN GREAT WESTERN BUILDING COMPANY, LLC
K. HOVNANIAN GREAT WESTERN HOMES, LLC
K. HOVNANIAN HAMPTONS AT OAK CREEK II, L.L.C.
K. HOVNANIAN HIDDEN HOLLOW, LLC
K. HOVNANIAN HIGHLAND RIDGE, LLC
K. HOVNANIAN HOLDINGS NJ, L.L.C.
K. HOVNANIAN HOMES - DFW, L.L.C.
K. HOVNANIAN HOMES AT BROOK MANOR, LLC
K. HOVNANIAN HOMES AT BURKE JUNCTION, LLC
K. HOVNANIAN HOMES AT CAMP SPRINGS, L.L.C.

K. HOVNANIAN HOMES AT CREEKSIDE, LLC
K. HOVNANIAN HOMES AT FOREST RUN, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM PARK TOWNS, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM, L.L.C.
K. HOVNANIAN HOMES AT JONES STATION 1, L.L.C.
K. HOVNANIAN HOMES AT LEIGH MILL, LLC
K. HOVNANIAN HOMES AT MAXWELL PLACE, L.L.C.
K. HOVNANIAN HOMES AT REEDY CREEK, LLC
K. HOVNANIAN HOMES AT RUSSETT, L.L.C.
K. HOVNANIAN HOMES AT SALT CREEK LANDING, LLC
K. HOVNANIAN HOMES AT SHELL HALL, LLC
K. HOVNANIAN HOMES AT ST. JAMES PLACE, LLC
K. HOVNANIAN HOMES AT THE ABBY, LLC
K. HOVNANIAN HOMES AT THE HIGHLANDS, LLC
K. HOVNANIAN HOMES AT THE PADDOCKS, LLC
K. HOVNANIAN HOMES AT THOMPSON'S GRANT, LLC
K. HOVNANIAN HOMES AT WILLOWSFORD GRANT, LLC
K. HOVNANIAN HOMES AT WILLOWSFORD GREENS, LLC
K. HOVNANIAN HOMES NORTHERN CALIFORNIA, INC.
K. HOVNANIAN HOMES OF D.C., L.L.C.
K. HOVNANIAN HOMES OF DELAWARE, L.L.C.
K. HOVNANIAN HOMES OF GEORGIA, L.L.C.
K. HOVNANIAN HOMES OF HOUSTON, L.L.C.
K. HOVNANIAN HOMES OF LONGACRE VILLAGE, L.L.C.
K. HOVNANIAN HOMES OF MARYLAND, L.L.C.
K. HOVNANIAN HOMES OF MINNESOTA AT ARBOR CREEK, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT AUTUMN MEADOWS, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT BRYNWOOD, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT CEDAR HOLLOW, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT FOUNDER'S RIDGE, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT HARPERS STREET WOODS, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT OAKS OF OXBOW, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT REGENT'S POINT, LLC
K. HOVNANIAN HOMES OF MINNESOTA, L.L.C.
K. HOVNANIAN HOMES OF NORTH CAROLINA, INC.
K. HOVNANIAN HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN HOMES OF SOUTH CAROLINA, LLC
K. HOVNANIAN HOMES OF VIRGINIA, INC.
K. HOVNANIAN HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN HOUSTON CITY HEIGHTS, LLC
K. HOVNANIAN INDIAN TRAILS, LLC
K. HOVNANIAN LADUE RESERVE, LLC
K. HOVNANIAN LAKES OF GREEN, LLC
K. HOVNANIAN LEGACY AT VIA BELLA, LLC

K. HOVNANIAN LIBERTY ON BLUFF CREEK, LLC
K. HOVNANIAN MANALAPAN ACQUISITION, LLC
K. HOVNANIAN MONARCH GROVE, LLC
K. HOVNANIAN NORTH CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTHEAST SERVICES, L.L.C.
K. HOVNANIAN NORTHPOINTE 40S, LLC
K. HOVNANIAN OF HOUSTON II, L.L.C.
K. HOVNANIAN OF OHIO, LLC
K. HOVNANIAN OHIO REALTY, L.L.C.
K. HOVNANIAN PA REAL ESTATE, INC.
K. HOVNANIAN PENNSYLVANIA ACQUISITIONS, L.L.C.
K. HOVNANIAN PORT IMPERIAL URBAN RENEWAL, INC.
K. HOVNANIAN PROPERTIES OF RED BANK, INC.
K. HOVNANIAN REYNOLDS RANCH, LLC
K. HOVNANIAN RIVENDALE, LLC
K. HOVNANIAN RIVERSIDE, LLC
K. HOVNANIAN SCHADY RESERVE, LLC
K. HOVNANIAN SHERWOOD AT REGENCY, LLC
K. HOVNANIAN SHORE ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTH FORK, LLC
K. HOVNANIAN SOUTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTHERN NEW JERSEY, L.L.C.
K. HOVNANIAN STERLING RANCH, LLC
K. HOVNANIAN SUMMIT HOLDINGS, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF KENTUCKY, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES, L.L.C.
K. HOVNANIAN T&C HOMES AT FLORIDA, L.L.C.
K. HOVNANIAN T&C HOMES AT ILLINOIS, L.L.C.
K. HOVNANIAN TIMBRES AT ELM CREEK, LLC
K. HOVNANIAN UNION PARK, LLC
K. HOVNANIAN VENTURE I, L.L.C.
K. HOVNANIAN VILLAGE GLEN, LLC
K. HOVNANIAN WATERBURY, LLC
K. HOVNANIAN WHITE ROAD, LLC
K. HOVNANIAN WINDWARD HOMES, LLC
K. HOVNANIAN WOODLAND POINTE, LLC
K. HOVNANIAN WOODRIDGE PLACE, LLC
K. HOVNANIAN'S FOUR SEASONS AT BAKERSFIELD, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT BEAUMONT, LLC
K. HOVNANIAN'S FOUR SEASONS AT BRIARGATE, LLC
K. HOVNANIAN'S FOUR SEASONS AT CHARLOTTESVILLE, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT HEMET, LLC
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND CONDOMINIUMS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT LOS BANOS, LLC
K. HOVNANIAN'S FOUR SEASONS AT MORENO VALLEY, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT NEW KENT VINEYARDS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT PALM SPRINGS, LLC
K. HOVNANIAN'S FOUR SEASONS AT RENAISSANCE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK II, LLC
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT SILVER MAPLE FARM, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT ST. MARGARETS LANDING, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT THE MANOR II, LLC
K. HOVNANIAN'S FOUR SEASONS AT THE MANOR, LLC
K. HOVNANIAN'S PARKSIDE AT TOWNGATE, L.L.C.
K. HOVNANIAN'S VERANDA AT RIVERPARK II, LLC
K. HOVNANIAN'S VERANDA AT RIVERPARK, LLC
KHH SHELL HALL LOAN ACQUISITION, LLC
LANDARAMA, INC.
LAUREL HIGHLANDS, LLC
M & M AT MONROE WOODS, L.L.C.
M&M AT CHESTERFIELD, L.L.C.
M&M AT CRESCENT COURT, L.L.C.
M&M AT WEST ORANGE, L.L.C.
MATZEL & MUMFORD AT EGG HARBOR, L.L.C.
MCNJ, INC.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF PENNSYLVANIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF WEST VIRGINIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES, L.L.C.
MM-BEACHFRONT NORTH I, LLC
NEW HOME REALTY, LLC
NEW LAND TITLE AGENCY, L.L.C.
PADDOCKS, L.L.C.
PARK TITLE COMPANY, LLC
PINE AYR, LLC
RIDGEMORE UTILITY, L.L.C.
SEABROOK ACCUMULATION CORPORATION
SHELL HALL CLUB AMENITY ACQUISITION, LLC
SHELL HALL LAND ACQUISITION, LLC
STONEBROOK HOMES, INC.
TERRAPIN REALTY, L.L.C.
THE MATZEL & MUMFORD ORGANIZATION, INC

WASHINGTON HOMES, INC.
WESTMINSTER HOMES, INC.
WH PROPERTIES, INC.
WOODMORE RESIDENTIAL, L.L.C.
WTC VENTURES, L.L.C.

EXHIBIT A

[FACE OF NOTE]

THIS NOTE WAS ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OID") FOR UNITED STATES FEDERAL INCOME TAX PURPOSES. UPON REQUEST, THE ISSUER WILL PROMPTLY MAKE AVAILABLE TO A HOLDER OF THIS NOTE INFORMATION REGARDING THE ISSUE PRICE, THE AMOUNT OF OID, THE ISSUE DATE AND THE YIELD TO MATURITY OF THIS NOTE. HOLDERS SHOULD CONTACT [INSERT CONTACT INFORMATION INCLUDING THE TITLE OF PERSON, NAME OF COMPANY AND ADDRESS].

K. HOVNANIAN ENTERPRISES, INC.

10.000% Senior Secured Second Lien Notes Due 2018

CUSIP No.: _____

No. $_____[, or such other amount as is provided in the schedule of exchanges of interests in global notes attached hereto]

K. Hovnanian Enterprises, Inc., a California corporation (the "**Issuer**," which term includes any successor under the Indenture hereinafter referred to), for value received, promises to pay to _____, or its registered assigns, the principal sum of _____ DOLLARS ($_____), [or such other amount as is provided in the schedule of exchanges of interests in global notes attached hereto][1], on October 15, 2018.

Interest Rate: 10.000% per annum.

Interest Payment Dates: August 15 and February 15, commencing February 15, 2017.

Record Dates: August 1 and February 1.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which will for all purposes have the same effect as if set forth at this place.

[1] For Global Notes.

IN WITNESS WHEREOF, the Issuer has caused this Note to be signed manually or by facsimile by its duly authorized officer.

Dated:

K. HOVNANIAN ENTERPRISES, INC.

By: _____
Name:
Title:

[Form of] Trustee's Certificate of Authentication

This is one of the 10.000% Senior Secured Second Lien Notes Due 2018 described in the Indenture referred to in this Note.

WILMINGTON TRUST, NATIONAL
ASSOCIATION, as Trustee

By: _____
Authorized Signatory

[REVERSE SIDE OF NOTE]

K. HOVNANIAN ENTERPRISES, INC.

10.000% Senior Secured Second Lien Notes Due 2018

Capitalized terms used herein are used as defined in the Indenture referred to below unless otherwise indicated.

1. *Principal and Interest.*

K. Hovnanian Enterprises, Inc. (the "**Issuer**," which term includes any successor under the Indenture hereinafter referred to), a California corporation, promises to pay the principal of this Note on October 15, 2018.

The Issuer promises to pay interest on the principal amount of this Note on each interest payment date, as set forth on the face of this Note, at the rate of 10.000% per annum.

Interest will be payable semiannually (to the holders of record of the Notes at the close of business on the August 1 or February 1 immediately preceding the interest payment date) on each interest payment date, commencing February 15, 2017.

Interest on this Note will accrue from the most recent date to which interest has been paid on this Note or the Note surrendered in exchange for this Note (or, if there is no existing default in the payment of interest and if this Note is authenticated between a regular record date and the next interest payment date, from such interest payment date) or, if no interest has been paid, from the date of issuance. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

2. *Paying Agent and Registrar.*

Initially, Wilmington Trust, National Association (the "**Trustee**") will act as Paying Agent and Registrar. The Issuer may change or appoint any Paying Agent, Registrar or co-Registrar without notice to any Holder. The Issuer or any of its Subsidiaries may act as Paying Agent, Registrar or co-Registrar.

3. *Indenture; Liens; Guarantees.*

This is one of the Notes issued under an Indenture dated as of September 8, 2016 (as amended from time to time, the "**Indenture**"), among the Issuer, the Guarantors party thereto, the Trustee and the Collateral Agent. The terms of the Notes include those stated in the Indenture and those expressly made part of the Indenture by reference to the Trust Indenture Act. The Notes are subject to all such terms, and Holders are referred to the Indenture and the Trust Indenture Act for a statement of all such terms. To the extent permitted by applicable law, in the event of any inconsistency between the terms of this Note and the terms of the Indenture, the terms of the Indenture will control.

The Notes are general obligations of the Issuer, secured by second-priority Liens on the Collateral as described in the Indenture and the Security Documents. The Indenture limits the original aggregate principal amount of the Notes issued thereunder to $75,000,000 but Additional Notes may be issued pursuant to the Indenture (subject to the conditions stated therein), and the originally issued Notes and all such Additional Notes vote together for all purposes as a single class. This Note is guaranteed by the Guarantors as set forth in the Indenture and the Guarantee endorsed hereon.

Reference is hereby made to the Indenture for a statement of the respective rights, duties and obligations thereunder of the Issuer, the Guarantors, the Trustee, the Collateral Agent and the Holders.

4. *Optional Redemption; Redemption with Proceeds of Equity Offering.*

(a) The Issuer may, at its option, redeem the Notes, in whole, at any time, or in part, from time to time, prior to July 15, 2018 at a redemption price equal to the sum of:

(i) 100% of the principal amount thereof, plus accrued and unpaid interest thereon to, but excluding, the redemption date, if any; *plus*

(ii) the Make-Whole Amount.

The term "**Make-Whole Amount**" shall mean, in connection with any optional redemption of any Note, the excess, if any, of:

(i) the present value at such redemption date of (i) the redemption price of the Note at July 15, 2018 (such redemption price being 100% of the principal amount of the Notes to be redeemed) plus (ii) all required interest payments due on the Note through July 15, 2018 (excluding accrued but unpaid interest), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; *over*

(ii) the principal amount of the Note being redeemed.

In no case shall the Trustee be responsible for calculating or determining the Make-Whole Amount.

"**Treasury Rate**" means, in connection with the calculation of any Make-Whole Amount with respect to any Note, as calculated by the Company, the yield to maturity at the time of computation of United States Treasury securities with a constant maturity, as compiled by and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source or similar market data), most nearly equal to the period from the redemption date to July 15, 2018; *provided*, *however*, that if the period from the redemption date to July 15, 2018 is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from the redemption date to July 15, 2018 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

(b) At any time and from time to time on or after July 15, 2018, the Issuer may redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes being redeemed, plus accrued and unpaid interest thereon, if any, to, but excluding, the applicable redemption date (subject to the right of Holders of record on the relevant Record Date to receive interest on the relevant Interest Payment Date).

At any time and from time to time prior to July 15, 2018, the Issuer may redeem Notes with the net cash proceeds received by the Issuer from any Equity Offering at a redemption price equal to 110.000% of the principal amount plus accrued and unpaid interest to, but excluding, the redemption date, in an aggregate principal amount for all such redemptions not to exceed 35% of the original aggregate principal amount of the Notes (including Additional Notes), *provided* that:

(i) in each case the redemption takes place not later than 60 days after the closing of the related Equity Offering, and

(ii) not less than 65% of the original aggregate principal amount of the Notes (including Additional Notes) remains outstanding immediately thereafter.

If fewer than all of the Notes are being redeemed, the Notes to be redeemed shall be selected by the Trustee by lot, pro rata or such other method as the Trustee deems fair and appropriate in consultation with the Issuer, subject to applicable DTC procedures and compliance with the rules of any securities exchange on which the Notes may be listed.

Notes shall be redeemed in denominations of $2,000 principal amount or any multiple of $1,000 in excess thereof. Notices of any redemption may be given prior to the completion thereof, and may, at the Issuer's discretion, be subject to one or more conditions precedent, including, but not limited to, completion of a related Equity Offering. If a redemption is subject to one or more conditions precedent, such notice shall describe each condition precedent.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the Holder thereof upon cancellation of the original Note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions thereof called for redemption. Any notice of redemption will be given in accordance with Article III of the Indenture.

5. *Repurchase Provisions.*

If a Change of Control occurs, each Holder shall have the right, at such Holder's option, to require the Issuer to purchase all or any part (equal to $2,000 principal amount or any multiple of $1,000 in excess thereof) of such Holder's Notes on a date that is no later than 90 days after notice of the Change of Control, at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of repurchase as provided in, and subject to the terms of, the Indenture.

6. *Mandatory Redemption*.

There is no sinking fund for, or mandatory redemption of, the Notes. The Company and its Affiliates may at any time and from time to time purchase Notes in the open market or otherwise.

7. *Discharge and Defeasance.*

If the Issuer deposits with the Trustee money in U.S. dollars and/or U.S. Government Obligations sufficient to pay the then outstanding principal of, premium, interest and accrued interest on the Notes to redemption or maturity, as the case may be, the Issuer, the Company and the Guarantors may in certain circumstances be discharged from the Indenture, the Notes, the Guarantees and the Security Documents or may be discharged from certain of their obligations under certain provisions of the Indenture. In such circumstances, the Liens securing the Notes and the Guarantees will also be released.

8. *Registered Form; Denominations; Transfer; Exchange.*

The Notes are in registered form only without coupons in denominations of $2,000 principal amount and any multiple of $1,000 in excess thereof. A Holder may register the transfer or exchange of Notes in accordance with the Indenture. The Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. Pursuant to the Indenture, there are certain periods during which the Trustee will not be required to issue, register the transfer of, or exchange any Note or certain portions of a Note.

9. *Persons Deemed Owners.*

The registered Holder of this Note shall be treated as the owner of it for all purposes.

10. *Defaults and Remedies.*

If an Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the Notes may declare all the Notes to be due and payable immediately. If a bankruptcy or insolvency default with respect to the Issuer or the Company occurs and is continuing, the Notes automatically become immediately due and payable. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. The Trustee may require reasonable indemnity or security satisfactory to it before it enforces the Indenture or the Notes. Subject to certain limitations, Holders of a majority in principal amount of the Notes then outstanding may direct the Trustee in its exercise of remedies.

11. *Amendment, Supplement and Waiver.*

Subject to certain exceptions, the Indenture, the Notes, the Guarantees and the Security Documents may be amended or supplemented, or future compliance therewith may be waived, with the consent of the Holders of a majority in principal amount of the outstanding Notes. Without notice to or the consent of any Holder, the Company, the Issuer, the Guarantors, the Trustee and the Collateral Agent, as applicable, may amend or supplement the Indenture, the Notes, the Guarantees or the Security Documents to, among other things, cure any ambiguity, defect or inconsistency or if such amendment or supplement does not adversely affect the legal rights of any Holder. Without the consent of the Holders of at least 66⅔% in principal amount of the Notes, the Company, the Issuer, the Guarantors, the Trustee and the Collateral Agent may not effect a release of all or substantially all of the Collateral other than pursuant to the terms of the Security Documents or as otherwise permitted under the Indenture.

12. *Trustee Dealings With Issuer.*

The Trustee, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with the Issuer or its affiliates, with the same rights as if it were not Trustee; *however*, if it acquires any conflicting interest (as defined in the Trust Indenture Act), it must eliminate such conflict or resign.

13. *No Recourse Against Others.*

An incorporator, and any past, present or future director, officer, partner, employee or stockholder, as such, of the Issuer, the Company or the Guarantors shall not have any liability for any obligations of the Issuer, the Company or the Guarantors under the Notes, the Indenture or the Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Notes.

14. *Governing Law.*

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

15. *CUSIP Numbers.*

Pursuant to a recommendation promulgated by the Committee on Uniform Note Identification Procedures, the Issuer has caused CUSIP numbers to be printed on the Notes, and the Trustee may use CUSIP numbers in notices as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice and reliance may be placed only on the other identification numbers placed thereon.

16. *Authentication.*

This Note is not valid until the Trustee (or Authenticating Agent) manually signs the certificate of authentication on the other side of this Note.

17. *Abbreviations.*

Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian) and U/G/M/A/ (= Uniform Gifts to Minors Act).

The Issuer will furnish a copy of the Indenture to any Holder upon written request and without charge.

[FORM OF TRANSFER NOTICE]

FOR VALUE RECEIVED the undersigned registered holder hereby sell(s), assign(s) and transfer(s) unto

Insert Social Security or Taxpayer Identification No.

_____

_____

Please print or typewrite name and address, including zip code, of assignee

_____

_____

the within Note and all rights thereunder, hereby irrevocably constituting and appointing

_____

agent to transfer this Note on the books of the Issuer with full power of substitution in the premises.

Dated: _____ Signed: _____
(sign exactly as name appears on the other side of this Note)

Signature Guarantee[2]: _____

[2] Signatures must be guaranteed by an "**eligible guarantor institution**" meeting the requirements of the Registrar, which requirements include membership or participation in the Note Transfer Agent Medallion Program ("**STAMP"**) or such other "**signature guarantee program**" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

[THE FOLLOWING PROVISION TO BE INCLUDED ON ALL CERTIFICATES BEARING A RESTRICTED LEGEND]

In connection with any transfer of this Note occurring prior to the Resale Restriction Termination Date (as defined in this Note), the undersigned confirms that such transfer is made without utilizing any general solicitation or general advertising in connection with the transfer and further as follows:

Check One

□ (1) This Note is being transferred to a "qualified institutional buyer" in compliance with Rule 144A under the Securities Act of 1933, as amended, and certification in the form of Exhibit G to the Indenture is being furnished herewith.

□ (2) This Note is being transferred to a non-"U.S. Person," as defined in Rule 902 of Regulation S under the Securities Act in compliance with the exemption from registration under the Securities Act of 1933, as amended, provided by Regulation S thereunder, and certification in the form of Exhibit F to the Indenture is being furnished herewith.

or

□ (3) This Note is being transferred other than in accordance with (1) or (2) above and documents are being furnished herewith which comply with the conditions of transfer set forth in this Note and the Indenture.

If none of the foregoing boxes is checked, the Trustee is not obligated to register this Note in the name of any Person other than the Holder hereof unless and until the conditions to any such transfer of registration set forth herein and in the Indenture have been satisfied.

Dated:_____

_____
Transferor

Signed: _____

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within-mentioned instrument in every particular, without alteration or any change whatsoever.

Signature Guarantee:[3]_____

By:_____
(To be executed by an executive officer)

[3] Signatures must be guaranteed by an "**eligible guarantor institution"** meeting the requirements of the Trustee, which requirements include membership or participation in the Note Transfer Agent Medallion Program ("**STAMP**") or such other "**signature guarantee program**" as may be determined by the Trustee in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

OPTION OF HOLDER TO ELECT PURCHASE

If you wish to have all of this Note purchased by the Issuer pursuant to Section 4.10 or Section 4.12 of the Indenture, check the box: □

If you wish to have a portion of this Note purchased by the Issuer pursuant to Section 4.10 or Section 4.12 of the Indenture, state the amount (in original principal amount) below:

$_____.

Date:_____

Your Signature:_____

(Sign exactly as your name appears on the other side of this Note)

Signature Guarantee:[4] _____

[4] Signatures must be guaranteed by an "**eligible guarantor institution"** meeting the requirements of the Trustee, which requirements include membership or participation in the Note Transfer Agent Medallion Program ("**STAMP**") or such other "**signature guarantee program**" as may be determined by the Trustee in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

SCHEDULE OF EXCHANGES OF INTERESTS IN GLOBAL NOTES[5]

The following exchanges of a part of this Global Note for Certificated Notes or an interest in another Global Note, or exchanges of a part of another Global Note or Certificated Note for an interest in this Global Note, have been made:

Date of Exchange	Amount of decrease in principal amount of this Global Note	Amount of increase in principal amount of this Global Note	Principal amount of this Global Note following such decrease or increase	Signature of authorized officer of Trustee

[5] For Global Notes

[FORM OF NOTATION ON NOTE RELATING TO GUARANTEE]

GUARANTEE

The undersigned (the "**Guarantors**") have unconditionally guaranteed, jointly and severally (such guarantee by each Guarantor being referred to herein as the "**Guarantee**") (i) the due and punctual payment of the principal of and interest on the Issuer's 10.000% Senior Secured Second Lien Notes due 2018 (the "**Notes**"), whether at maturity or on an interest payment date, by acceleration or otherwise, on the Notes, to the extent lawful, and of all other obligations of the Issuer to the Holders or the Trustee all in accordance with the terms set forth in Article VI of the Indenture and (ii) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise. This Guarantee is secured by second-priority Liens on the Collateral as described in the Indenture and the Security Documents.

No past, present or future stockholder, officer, director, employee, partner or incorporator, as such, of any of the Guarantors shall have any liability under the Guarantee evidenced hereby by reason of such person's status as stockholder, officer, director, employee, partner or incorporator. Each Holder of a Note by accepting a Note waives and releases all such liability. This waiver and release are part of the consideration for the issuance of the Guarantee.

Each Holder of a Note by accepting a Note agrees that any Guarantor named below shall have no further liability with respect to its Guarantee if such Guarantor otherwise ceases to be liable in respect of its Guarantee in accordance with the terms of the Indenture.

The Guarantee evidenced hereby shall not be valid or obligatory for any purpose until the certificate of authentication on the Notes upon which the Guarantee is noted shall have been executed by the Trustee under the Indenture by the manual signature of one of its authorized officers.

This Guarantee shall be governed by, and construed in accordance with, the laws of the State of New York.

ARBOR TRAILS, LLC
BUILDER SERVICES NJ, L.L.C.
BUILDER SERVICES PA, L.L.C.
EASTERN NATIONAL TITLE AGENCY, LLC
EASTERN TITLE AGENCY OF ILLINOIS, LLC
EASTERN TITLE AGENCY, INC.
F&W MECHANICAL SERVICES, L.L.C.
FOUNDERS TITLE AGENCY OF MARYLAND, L.L.C.

FOUNDERS TITLE AGENCY, INC.
GLENRISE GROVE, L.L.C.
GOVERNOR'S ABSTRACT CO., INC.
HOMEBUYERS FINANCIAL SERVICES, L.L.C.
HOVNANIAN DEVELOPMENTS OF FLORIDA, INC.
HOVNANIAN ENTERPRISES, INC. (PARENT COMPANY)
HOVNANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP, L.L.C.
K. HOV IP, II, INC.
K. HOVNANIAN ABERDEEN, LLC
K. HOVNANIAN ACQUISITIONS, INC.
K. HOVNANIAN AT 240 MISSOURI, LLC
K. HOVNANIAN AT 4S, LLC
K. HOVNANIAN AT AIRE ON MCDOWELL, LLC
K. HOVNANIAN AT ALISO, LLC
K. HOVNANIAN AT ALLENTOWN, L.L.C.
K. HOVNANIAN AT ANDALUSIA, LLC
K. HOVNANIAN AT ASBURY PARK URBAN RENEWAL, LLC
K. HOVNANIAN AT ASHBY PLACE, LLC
K. HOVNANIAN AT AVENUE ONE, L.L.C.
K. HOVNANIAN AT BAKERSFIELD 463, L.L.C.
K. HOVNANIAN AT BARNEGAT I, L.L.C.
K. HOVNANIAN AT BARNEGAT II, L.L.C.
K. HOVNANIAN AT BEACON PARK AREA 129, LLC
K. HOVNANIAN AT BEACON PARK AREA 137, LLC
K. HOVNANIAN AT BELLA LAGO, LLC
K. HOVNANIAN AT BLACKSTONE, LLC
K. HOVNANIAN AT BOCA DUNES, LLC
K. HOVNANIAN AT BRANCHBURG II, LLC
K. HOVNANIAN AT BRANCHBURG, L.L.C.
K. HOVNANIAN AT BRANCHBURG-VOLLERS, LLC
K. HOVNANIAN AT BRENFORD STATION, LLC
K. HOVNANIAN AT BRIDGEPORT, INC.
K. HOVNANIAN AT BRIDGEWATER I, L.L.C.
K. HOVNANIAN AT BRIDGEWATER II, LLC
K. HOVNANIAN AT BURCH KOVE, LLC
K. HOVNANIAN AT CAMP HILL, L.L.C.
K. HOVNANIAN AT CAMPTON PRAIRIE, LLC
K. HOVNANIAN AT CAPISTRANO, L.L.C.
K. HOVNANIAN AT CARLSBAD, LLC
K. HOVNANIAN AT CATANIA, LLC
K. HOVNANIAN AT CATON'S RESERVE, LLC
K. HOVNANIAN AT CEDAR GROVE III, L.L.C.

K. HOVNANIAN AT CEDAR GROVE URBAN RENEWAL, LLC
K. HOVNANIAN AT CEDAR LANE, LLC
K. HOVNANIAN AT CHARTER WAY, LLC
K. HOVNANIAN AT CHESTERFIELD, L.L.C.
K. HOVNANIAN AT CHRISTINA COURT, LLC
K. HOVNANIAN AT CIELO, L.L.C.
K. HOVNANIAN AT COASTLINE, L.L.C.
K. HOVNANIAN AT COOSAW POINT, LLC
K. HOVNANIAN AT CORAL LAGO, LLC
K. HOVNANIAN AT CORTEZ HILL, LLC
K. HOVNANIAN AT DENVILLE, L.L.C.
K. HOVNANIAN AT DEPTFORD TOWNSHIP, L.L.C.
K. HOVNANIAN AT DOMINGUEZ HILLS, INC.
K. HOVNANIAN AT DOYLESTOWN, LLC
K. HOVNANIAN AT EAST BRANDYWINE, L.L.C.
K. HOVNANIAN AT EAST BRUNSWICK III, LLC
K. HOVNANIAN AT EAST BRUNSWICK, LLC
K. HOVNANIAN AT EAST WINDSOR, LLC
K. HOVNANIAN AT EDEN TERRACE, L.L.C.
K. HOVNANIAN AT EDGEWATER II, L.L.C.
K. HOVNANIAN AT EDGEWATER, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH II, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH, L.L.C.
K. HOVNANIAN AT ESTATES AT WHEATLANDS, LLC
K. HOVNANIAN AT EVERGREEN, L.L.C.
K. HOVNANIAN AT EVESHAM, LLC
K. HOVNANIAN AT FAIRFIELD RIDGE, LLC
K. HOVNANIAN AT FIDDYMENT RANCH, LLC
K. HOVNANIAN AT FIFTH AVENUE, L.L.C.
K. HOVNANIAN AT FLORENCE I, L.L.C.
K. HOVNANIAN AT FLORENCE II, L.L.C.
K. HOVNANIAN AT FOREST MEADOWS, L.L.C.
K. HOVNANIAN AT FOX PATH AT HAMPTON LAKE, LLC
K. HOVNANIAN AT FRANKLIN II, L.L.C.
K. HOVNANIAN AT FRANKLIN, L.L.C.
K. HOVNANIAN AT FREEHOLD TOWNSHIP III, LLC
K. HOVNANIAN AT FRESNO, LLC
K. HOVNANIAN AT GALLERY, LLC
K. HOVNANIAN AT GASLAMP SQUARE, L.L.C.
K. HOVNANIAN AT GENEVA MEADOWS, LLC
K. HOVNANIAN AT GILROY 60, LLC
K. HOVNANIAN AT GILROY, LLC

K. HOVNANIAN AT GREAT NOTCH, L.L.C.
K. HOVNANIAN AT HACKETTSTOWN II, L.L.C.
K. HOVNANIAN AT HAMPTON COVE, LLC
K. HOVNANIAN AT HAMPTON LAKE, LLC
K. HOVNANIAN AT HANOVER ESTATES, LLC
K. HOVNANIAN AT HERSHEY'S MILL, INC.
K. HOVNANIAN AT HIDDEN BROOK, LLC
K. HOVNANIAN AT HILLSBOROUGH, LLC
K. HOVNANIAN AT HILLTOP RESERVE II, LLC
K. HOVNANIAN AT HILLTOP RESERVE, LLC
K. HOVNANIAN AT HOWELL II, LLC
K. HOVNANIAN AT HOWELL III, LLC
K. HOVNANIAN AT HOWELL, LLC
K. HOVNANIAN AT HUDSON POINTE, L.L.C.
K. HOVNANIAN AT HUNTFIELD, LLC
K. HOVNANIAN AT INDIAN WELLS, LLC
K. HOVNANIAN AT ISLAND LAKE, LLC
K. HOVNANIAN AT JACKSON I, L.L.C.
K. HOVNANIAN AT JACKSON, L.L.C.
K. HOVNANIAN AT JAEGER RANCH, LLC
K. HOVNANIAN AT JERSEY CITY IV, L.L.C.
K. HOVNANIAN AT KEYPORT, L.L.C.
K. HOVNANIAN AT LA COSTA GREENS, L.L.C.
K. HOVNANIAN AT LA LAGUNA, L.L.C.
K. HOVNANIAN AT LAKE BURDEN, LLC
K. HOVNANIAN AT LAKE LECLARE, LLC
K. HOVNANIAN AT LAKE RANCHO VIEJO, LLC
K. HOVNANIAN AT LAKE RIDGE ESTATES, LLC
K. HOVNANIAN AT LAKE TERRAPIN, L.L.C.
K. HOVNANIAN AT LEE SQUARE, L.L.C.
K. HOVNANIAN AT LENAH WOODS, LLC
K. HOVNANIAN AT LILY ORCHARD, LLC
K. HOVNANIAN AT LINK FARM, LLC
K. HOVNANIAN AT LITTLE EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR, L.L.C
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LOWER MAKEFIELD TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MORELAND II, L.L.C.
K. HOVNANIAN AT MAGNOLIA PLACE, LLC
K. HOVNANIAN AT MAHWAH VI, INC.
K. HOVNANIAN AT MAIN STREET SQUARE, LLC
K. HOVNANIAN AT MALAN PARK, L.L.C.
K. HOVNANIAN AT MANALAPAN II, L.L.C.

K. HOVNANIAN AT MANALAPAN III, L.L.C.
K. HOVNANIAN AT MANALAPAN V, LLC
K. HOVNANIAN AT MANALAPAN VI, LLC
K. HOVNANIAN AT MANSFIELD II, L.L.C.
K. HOVNANIAN AT MANTECA, LLC
K. HOVNANIAN AT MAPLE AVENUE, L.L.C.
K. HOVNANIAN AT MARLBORO IX, LLC
K. HOVNANIAN AT MARLBORO TOWNSHIP IX, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP V, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP VIII, L.L.C.
K. HOVNANIAN AT MARLBORO VI, L.L.C.
K. HOVNANIAN AT MARPLE, LLC
K. HOVNANIAN AT MEADOWRIDGE VILLAS, LLC
K. HOVNANIAN AT MELANIE MEADOWS, LLC
K. HOVNANIAN AT MENDHAM TOWNSHIP, L.L.C.
K. HOVNANIAN AT MIDDLE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT MIDDLE TOWNSHIP, L.L.C.
K. HOVNANIAN AT MIDDLETOWN II, L.L.C.
K. HOVNANIAN AT MIDDLETOWN III, LLC
K. HOVNANIAN AT MIDDLETOWN, LLC
K. HOVNANIAN AT MILLVILLE I, L.L.C.
K. HOVNANIAN AT MILLVILLE II, L.L.C.
K. HOVNANIAN AT MONROE IV, L.L.C.
K. HOVNANIAN AT MONROE NJ II, LLC
K. HOVNANIAN AT MONROE NJ III, LLC
K. HOVNANIAN AT MONROE NJ, L.L.C.
K. HOVNANIAN AT MONTGOMERY, LLC
K. HOVNANIAN AT MONTVALE II, LLC
K. HOVNANIAN AT MONTVALE, L.L.C.
K. HOVNANIAN AT MORRIS TWP, LLC
K. HOVNANIAN AT MT. LAUREL, LLC
K. HOVNANIAN AT MUIRFIELD, LLC
K. HOVNANIAN AT NORTH BERGEN. L.L.C.
K. HOVNANIAN AT NORTH BRUNSWICK VI, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL II, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL III, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL IV, L.L.C.
K. HOVNANIAN AT NORTH WILDWOOD, L.L.C.
K. HOVNANIAN AT NORTHAMPTON, L.L.C.
K. HOVNANIAN AT NORTHERN WESTCHESTER, INC.
K. HOVNANIAN AT NORTHFIELD, L.L.C.
K. HOVNANIAN AT NORTHRIDGE ESTATES, LLC
K. HOVNANIAN AT NORTON LAKE LLC
K. HOVNANIAN AT NOTTINGHAM MEADOWS, LLC

K. HOVNANIAN AT OAK POINTE, LLC
K. HOVNANIAN AT OCEAN TOWNSHIP, INC
K. HOVNANIAN AT OCEAN VIEW BEACH CLUB, LLC
K. HOVNANIAN AT OCEANPORT, L.L.C.
K. HOVNANIAN AT OLD BRIDGE, L.L.C.
K. HOVNANIAN AT PALM VALLEY, L.L.C.
K. HOVNANIAN AT PARKSIDE, LLC
K. HOVNANIAN AT PARSIPPANY, L.L.C.
K. HOVNANIAN AT PAVILION PARK, LLC
K. HOVNANIAN AT PIAZZA D'ORO, L.L.C.
K. HOVNANIAN AT PIAZZA SERENA, L.L.C
K. HOVNANIAN AT PICKETT RESERVE, LLC
K. HOVNANIAN AT PITTSGROVE, L.L.C.
K. HOVNANIAN AT PLANTATION LAKES, L.L.C.
K. HOVNANIAN AT POINTE 16, LLC
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL V, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VIII, L.L.C.
K. HOVNANIAN AT POSITANO, LLC
K. HOVNANIAN AT PRADO, L.L.C.
K. HOVNANIAN AT PRAIRIE POINTE, LLC
K. HOVNANIAN AT QUAIL CREEK, L.L.C.
K. HOVNANIAN AT RANCHO CABRILLO, LLC
K. HOVNANIAN AT RANDOLPH I, L.L.C.
K. HOVNANIAN AT RAPHO, L.L.C
K. HOVNANIAN AT REDTAIL, LLC
K. HOVNANIAN AT RESERVES AT WHEATLANDS, LLC
K. HOVNANIAN AT RESIDENCE AT DISCOVERY SQUARE, LLC
K. HOVNANIAN AT RIDGEMONT, L.L.C.
K. HOVNANIAN AT ROCK LEDGE, LLC
K. HOVNANIAN AT RODERUCK, L.L.C.
K. HOVNANIAN AT ROSEMARY LANTANA, L.L.C.
K. HOVNANIAN AT SAGE, L.L.C.
K. HOVNANIAN AT SAGEBROOK, LLC
K. HOVNANIAN AT SANTA NELLA, LLC
K. HOVNANIAN AT SAWMILL, INC.
K. HOVNANIAN AT SCOTCH PLAINS, L.L.C.
K. HOVNANIAN AT SEASONS LANDING, LLC
K. HOVNANIAN AT SHELDON GROVE, LLC
K. HOVNANIAN AT SHREWSBURY, LLC
K. HOVNANIAN AT SIGNAL HILL, LLC
K. HOVNANIAN AT SILVER SPRING, L.L.C.
K. HOVNANIAN AT SILVERSTONE, LLC
K. HOVNANIAN AT SKYE ISLE, LLC
K. HOVNANIAN AT SKYE ON MCDOWELL, LLC

K. HOVNANIAN AT SMITHVILLE, INC.
K. HOVNANIAN AT SOMERSET, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK II, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK III, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK, L.L.C.
K. HOVNANIAN AT STANTON, LLC
K. HOVNANIAN AT STATION SQUARE, L.L.C.
K. HOVNANIAN AT SUMMERLAKE, LLC
K. HOVNANIAN AT SUNRIDGE PARK, LLC
K. HOVNANIAN AT SUNRISE TRAIL II, LLC
K. HOVNANIAN AT SUNRISE TRAIL III, LLC
K. HOVNANIAN AT TERRA BELLA TWO, LLC
K. HOVNANIAN AT THE COMMONS AT RICHMOND HILL, LLC
K. HOVNANIAN AT THE CROSBY, LLC
K. HOVNANIAN AT THE MONARCH, L.L.C.
K. HOVNANIAN AT THE PROMENADE AT BEAVER CREEK, LLC
K. HOVNANIAN AT THOMPSON RANCH, LLC
K. HOVNANIAN AT TRAFFORD PLACE, LLC
K. HOVNANIAN AT TRAIL RIDGE, LLC
K. HOVNANIAN AT UPPER PROVIDENCE, LLC
K. HOVNANIAN AT UPPER UWCHLAN II, L.L.C.
K. HOVNANIAN AT UPPER UWCHLAN, L.L.C.
K. HOVNANIAN AT VALLE DEL SOL, LLC
K. HOVNANIAN AT VERONA ESTATES, LLC
K. HOVNANIAN AT VERONA URBAN RENEWAL, L.L.C.
K. HOVNANIAN AT VICTORVILLE, L.L.C.
K. HOVNANIAN AT VINEYARD HEIGHTS, LLC
K. HOVNANIAN AT VISTA DEL SOL, L.L.C.
K. HOVNANIAN AT WALDWICK, LLC
K. HOVNANIAN AT WALKERS GROVE, LLC
K. HOVNANIAN AT WARREN TOWNSHIP II, LLC
K. HOVNANIAN AT WARREN TOWNSHIP, L.L.C.
K. HOVNANIAN AT WATERSTONE, LLC
K. HOVNANIAN AT WAYNE IX, L.L.C.
K. HOVNANIAN AT WEST VIEW ESTATES, L.L.C.
K. HOVNANIAN AT WESTBROOK, LLC
K. HOVNANIAN AT WESTSHORE, LLC
K. HOVNANIAN AT WHEELER RANCH, LLC
K. HOVNANIAN AT WHEELER WOODS, LLC
K. HOVNANIAN AT WHITEMARSH, LLC
K. HOVNANIAN AT WILDWOOD BAYSIDE, L.L.C.
K. HOVNANIAN AT WOODCREEK WEST, LLC
K. HOVNANIAN AT WOOLWICH I, L.L.C.
K. HOVNANIAN BELDEN POINTE, LLC

K. HOVNANIAN BELMONT RESERVE, LLC
K. HOVNANIAN CAMBRIDGE HOMES, L.L.C.
K. HOVNANIAN CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN CLASSICS, L.L.C.
K. HOVNANIAN COMMUNITIES, INC.
K. HOVNANIAN COMPANIES OF CALIFORNIA, INC.
K. HOVNANIAN COMPANIES OF MARYLAND, INC.
K. HOVNANIAN COMPANIES OF NEW YORK, INC.
K. HOVNANIAN COMPANIES OF PENNSYLVANIA, INC.
K. HOVNANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.
K. HOVNANIAN COMPANIES, LLC
K. HOVNANIAN CONSTRUCTION II, INC
K. HOVNANIAN CONSTRUCTION III, INC
K. HOVNANIAN CONSTRUCTION MANAGEMENT, INC.
K. HOVNANIAN CONTRACTORS OF OHIO, LLC
K. HOVNANIAN CRAFTBUILT HOMES OF SOUTH CAROLINA, L.L.C.
K. HOVNANIAN CYPRESS KEY, LLC
K. HOVNANIAN DEVELOPMENTS OF ARIZONA, INC.
K. HOVNANIAN DEVELOPMENTS OF CALIFORNIA, INC.
K. HOVNANIAN DEVELOPMENTS OF D.C., INC.
K. HOVNANIAN DEVELOPMENTS OF DELAWARE, INC.
K. HOVNANIAN DEVELOPMENTS OF GEORGIA, INC.
K. HOVNANIAN DEVELOPMENTS OF ILLINOIS, INC.
K. HOVNANIAN DEVELOPMENTS OF KENTUCKY, INC.
K. HOVNANIAN DEVELOPMENTS OF MARYLAND, INC.
K. HOVNANIAN DEVELOPMENTS OF MINNESOTA, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY II, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW YORK, INC.
K. HOVNANIAN DEVELOPMENTS OF NORTH CAROLINA, INC.
K. HOVNANIAN DEVELOPMENTS OF OHIO, INC.
K. HOVNANIAN DEVELOPMENTS OF PENNSYLVANIA, INC.
K. HOVNANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.
K. HOVNANIAN DEVELOPMENTS OF TEXAS, INC.
K. HOVNANIAN DEVELOPMENTS OF VIRGINIA, INC.
K. HOVNANIAN DEVELOPMENTS OF WEST VIRGINIA, INC.
K. HOVNANIAN DFW AUBURN FARMS, LLC
K. HOVNANIAN DFW BELMONT, LLC
K. HOVNANIAN DFW HARMON FARMS, LLC
K. HOVNANIAN DFW HERITAGE CROSSING, LLC
K. HOVNANIAN DFW HOMESTEAD, LLC
K. HOVNANIAN DFW INSPIRATION, LLC
K. HOVNANIAN DFW LEXINGTON, LLC
K. HOVNANIAN DFW LIBERTY CROSSING, LLC

K. HOVNANIAN DFW LIGHT FARMS II, LLC
K. HOVNANIAN DFW LIGHT FARMS, LLC
K. HOVNANIAN DFW MIDTOWN PARK, LLC
K. HOVNANIAN DFW PALISADES, LLC
K. HOVNANIAN DFW PARKSIDE, LLC
K. HOVNANIAN DFW RIDGEVIEW, LLC
K. HOVNANIAN DFW SEVENTEEN LAKES, LLC
K. HOVNANIAN DFW TRAILWOOD, LLC
K. HOVNANIAN DFW VILLAS AT MUSTANG PARK, LLC
K. HOVNANIAN DFW WELLINGTON, LLC
K. HOVNANIAN DFW WILDRIDGE, LLC
K. HOVNANIAN EASTERN PENNSYLVANIA, L.L.C.
K. HOVNANIAN EDGEBROOK, LLC
K. HOVNANIAN ESTATES AT REGENCY, L.L.C.
K. HOVNANIAN ESTATES AT WEKIVA, LLC
K. HOVNANIAN FALLS POINTE, LLC
K. HOVNANIAN FIRST HOMES, L.L.C.
K. HOVNANIAN FLORIDA REALTY, L.L.C.
K. HOVNANIAN FOREST VALLEY, LLC
K. HOVNANIAN FOUR SEASONS @ HISTORIC VIRGINIA, LLC
K. HOVNANIAN FOUR SEASONS AT GOLD HILL, LLC
K. HOVNANIAN GRAND CYPRESS, LLC
K. HOVNANIAN GRANDEFIELD, LLC
K. HOVNANIAN GREAT WESTERN BUILDING COMPANY, LLC
K. HOVNANIAN GREAT WESTERN HOMES, LLC
K. HOVNANIAN HAMPTONS AT OAK CREEK II, L.L.C.
K. HOVNANIAN HIDDEN HOLLOW, LLC
K. HOVNANIAN HIGHLAND RIDGE, LLC
K. HOVNANIAN HOLDINGS NJ, L.L.C.
K. HOVNANIAN HOMES - DFW, L.L.C.
K. HOVNANIAN HOMES AT BROOK MANOR, LLC
K. HOVNANIAN HOMES AT BURKE JUNCTION, LLC
K. HOVNANIAN HOMES AT CAMP SPRINGS, L.L.C.
K. HOVNANIAN HOMES AT CREEKSIDE, LLC
K. HOVNANIAN HOMES AT FOREST RUN, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM PARK TOWNS, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM, L.L.C.
K. HOVNANIAN HOMES AT JONES STATION 1, L.L.C.
K. HOVNANIAN HOMES AT LEIGH MILL, LLC
K. HOVNANIAN HOMES AT MAXWELL PLACE, L.L.C.
K. HOVNANIAN HOMES AT REEDY CREEK, LLC
K. HOVNANIAN HOMES AT RUSSETT, L.L.C.
K. HOVNANIAN HOMES AT SALT CREEK LANDING, LLC
K. HOVNANIAN HOMES AT SHELL HALL, LLC

K. HOVNANIAN HOMES AT ST. JAMES PLACE, LLC
K. HOVNANIAN HOMES AT THE ABBY, LLC
K. HOVNANIAN HOMES AT THE HIGHLANDS, LLC
K. HOVNANIAN HOMES AT THE PADDOCKS, LLC
K. HOVNANIAN HOMES AT THOMPSON'S GRANT, LLC
K. HOVNANIAN HOMES AT WILLOWSFORD GRANT, LLC
K. HOVNANIAN HOMES AT WILLOWSFORD GREENS, LLC
K. HOVNANIAN HOMES NORTHERN CALIFORNIA, INC.
K. HOVNANIAN HOMES OF D.C., L.L.C.
K. HOVNANIAN HOMES OF DELAWARE, L.L.C.
K. HOVNANIAN HOMES OF GEORGIA, L.L.C.
K. HOVNANIAN HOMES OF HOUSTON, L.L.C.
K. HOVNANIAN HOMES OF LONGACRE VILLAGE, L.L.C.
K. HOVNANIAN HOMES OF MARYLAND, L.L.C.
K. HOVNANIAN HOMES OF MINNESOTA AT ARBOR CREEK, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT AUTUMN MEADOWS, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT BRYNWOOD, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT CEDAR HOLLOW, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT FOUNDER'S RIDGE, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT HARPERS STREET WOODS, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT OAKS OF OXBOW, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT REGENT'S POINT, LLC
K. HOVNANIAN HOMES OF MINNESOTA, L.L.C.
K. HOVNANIAN HOMES OF NORTH CAROLINA, INC.
K. HOVNANIAN HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN HOMES OF SOUTH CAROLINA, LLC
K. HOVNANIAN HOMES OF VIRGINIA, INC.
K. HOVNANIAN HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN HOUSTON CITY HEIGHTS, LLC
K. HOVNANIAN INDIAN TRAILS, LLC
K. HOVNANIAN LADUE RESERVE, LLC
K. HOVNANIAN LAKES OF GREEN, LLC
K. HOVNANIAN LEGACY AT VIA BELLA, LLC
K. HOVNANIAN LIBERTY ON BLUFF CREEK, LLC
K. HOVNANIAN MANALAPAN ACQUISITION, LLC
K. HOVNANIAN MONARCH GROVE, LLC
K. HOVNANIAN NORTH CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTHEAST SERVICES, L.L.C.
K. HOVNANIAN NORTHPOINTE 40S, LLC
K. HOVNANIAN OF HOUSTON II, L.L.C.
K. HOVNANIAN OF OHIO, LLC
K. HOVNANIAN OHIO REALTY, L.L.C.
K. HOVNANIAN PA REAL ESTATE, INC.

K. HOVNANIAN PENNSYLVANIA ACQUISITIONS, L.L.C.
K. HOVNANIAN PORT IMPERIAL URBAN RENEWAL, INC.
K. HOVNANIAN PROPERTIES OF RED BANK, INC.
K. HOVNANIAN REYNOLDS RANCH, LLC
K. HOVNANIAN RIVENDALE, LLC
K. HOVNANIAN RIVERSIDE, LLC
K. HOVNANIAN SCHADY RESERVE, LLC
K. HOVNANIAN SHERWOOD AT REGENCY, LLC
K. HOVNANIAN SHORE ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTH FORK, LLC
K. HOVNANIAN SOUTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTHERN NEW JERSEY, L.L.C.
K. HOVNANIAN STERLING RANCH, LLC
K. HOVNANIAN SUMMIT HOLDINGS, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF KENTUCKY, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES, L.L.C.
K. HOVNANIAN T&C HOMES AT FLORIDA, L.L.C.
K. HOVNANIAN T&C HOMES AT ILLINOIS, L.L.C.
K. HOVNANIAN TIMBRES AT ELM CREEK, LLC
K. HOVNANIAN UNION PARK, LLC
K. HOVNANIAN VENTURE I, L.L.C.
K. HOVNANIAN VILLAGE GLEN, LLC
K. HOVNANIAN WATERBURY, LLC
K. HOVNANIAN WHITE ROAD, LLC
K. HOVNANIAN WINDWARD HOMES, LLC
K. HOVNANIAN WOODLAND POINTE, LLC
K. HOVNANIAN WOODRIDGE PLACE, LLC
K. HOVNANIAN'S FOUR SEASONS AT BAKERSFIELD, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT BEAUMONT, LLC
K. HOVNANIAN'S FOUR SEASONS AT BRIARGATE, LLC
K. HOVNANIAN'S FOUR SEASONS AT CHARLOTTESVILLE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT HEMET, LLC
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND CONDOMINIUMS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT LOS BANOS, LLC
K. HOVNANIAN'S FOUR SEASONS AT MORENO VALLEY, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT NEW KENT VINEYARDS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT PALM SPRINGS, LLC
K. HOVNANIAN'S FOUR SEASONS AT RENAISSANCE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK II, LLC
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT SILVER MAPLE FARM, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT ST. MARGARETS LANDING, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT THE MANOR II, LLC
K. HOVNANIAN'S FOUR SEASONS AT THE MANOR, LLC
K. HOVNANIAN'S PARKSIDE AT TOWNGATE, L.L.C.
K. HOVNANIAN'S VERANDA AT RIVERPARK II, LLC
K. HOVNANIAN'S VERANDA AT RIVERPARK, LLC
KHH SHELL HALL LOAN ACQUISITION, LLC
LANDARAMA, INC.
LAUREL HIGHLANDS, LLC
M & M AT MONROE WOODS, L.L.C.
M&M AT CHESTERFIELD, L.L.C.
M&M AT CRESCENT COURT, L.L.C.
M&M AT WEST ORANGE, L.L.C.
MATZEL & MUMFORD AT EGG HARBOR, L.L.C.
MCNJ, INC.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF PENNSYLVANIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF WEST VIRGINIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES, L.L.C.
MM-BEACHFRONT NORTH I, LLC
NEW HOME REALTY, LLC
NEW LAND TITLE AGENCY, L.L.C.
PADDOCKS, L.L.C.
PARK TITLE COMPANY, LLC
PINE AYR, LLC
RIDGEMORE UTILITY, L.L.C.
SEABROOK ACCUMULATION CORPORATION
SHELL HALL CLUB AMENITY ACQUISITION, LLC
SHELL HALL LAND ACQUISITION, LLC
STONEBROOK HOMES, INC.
TERRAPIN REALTY, L.L.C.
THE MATZEL & MUMFORD ORGANIZATION, INC
WASHINGTON HOMES, INC.
WESTMINSTER HOMES, INC.
WH PROPERTIES, INC.
WOODMORE RESIDENTIAL, L.L.C.
WTC VENTURES, L.L.C.

By: _____
Name:
Title:Authorized Officer

[This Guarantee relates to K. Hovnanian Enterprises, Inc.'s 10.000% Senior Secured Second Lien Notes due 2018 – CUSIP No.:]

EXHIBIT B

SUPPLEMENTAL INDENTURE

dated as of _____, ____

among

K. HOVNANIAN ENTERPRISES, INC.,

HOVNANIAN ENTERPRISES, INC.,

The Other Guarantors Party Hereto

and

WILMINGTON TRUST, NATIONAL ASSOCIATION

as Trustee and Collateral Agent

_____

10.000% Senior Secured Second Lien Notes due 2018

THIS [ ] SUPPLEMENTAL INDENTURE (this "[ ] **Supplemental Indenture**"), entered into as of _____, ____, among K. Hovnanian Enterprises, Inc., a California corporation (the "**Issuer**"), Hovnanian Enterprises, Inc., a Delaware corporation (the "**Company**"), [list each new guarantor and its jurisdiction of incorporation] (each an "**Undersigned**") and Wilmington Trust, National Association, a national banking association, as Trustee (the "**Trustee**") and as Collateral Agent (the "**Collateral Agent**").

RECITALS

WHEREAS, the Issuer, Company, the other Guarantors party thereto, the Trustee and the Collateral Agent entered into an indenture, dated as of September 8, 2016 (the "**Indenture**"), relating to the Issuer's 10.000% Senior Secured Second Lien Notes due 2018 (the "**Notes**");

WHEREAS, as a condition to the purchase of the Notes by the Holders, the Company agreed pursuant to the Indenture to cause any newly acquired or created Restricted Subsidiaries (other than any Excluded Subsidiary) to provide Guarantees.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained and intending to be legally bound, the parties hereto hereby agree as follows:

SECTION 1. Capitalized terms used herein and not otherwise defined herein are used as defined in the Indenture.

SECTION 2. Each Undersigned, by its execution of this [ ] Supplemental Indenture, agrees to be a Guarantor under the Indenture and to be bound by the terms of the Indenture applicable to Guarantors, including, but not limited to, Article VI thereof.

SECTION 3. This [ ] Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 4. This [ ] Supplemental Indenture may be signed in various counterparts which together shall constitute one and the same instrument.

SECTION 5. This [ ] Supplemental Indenture is an amendment supplemental to the Indenture and the Indenture and this [ ] Supplemental Indenture shall henceforth be read together.

SECTION 6. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the Recitals contained herein, all of which are made solely by the Issuer, the Company and each of the undersigned.

IN WITNESS WHEREOF, the parties hereto have caused this [ ] Supplemental Indenture to be duly executed as of the date first above written.

K. HOVNANIAN ENTERPRISES, INC.,
as Issuer

By: _____
Name:
Title:

HOVNANIAN ENTERPRISES, INC.

By: _____
Name:
Title:

[GUARANTOR]

By: _____
Name:
Title:

WILMINGTON TRUST, NATIONAL ASSOCIATION,
as Trustee and Collateral Agent

By: _____
Name:
Title:

EXHIBIT C

RESTRICTED LEGEND

THIS NOTE (OR ITS PREDECESSOR) HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT AS SET FORTH IN THE NEXT SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER:

(1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) (A "**QIB**"), (B) IT HAS ACQUIRED THIS NOTE IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT OR (C) IT IS AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(a)(1), (2), (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT) (AN "**IAI**"),

(2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED NOTES, NOT TO OFFER, SELL, OR OTHERWISE TRANSFER THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS [*IN THE CASE OF RULE 144A NOTES*: ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF, THE ORIGINAL ISSUE DATE OF THE ISSUANCE OF ANY ADDITIONAL NOTES AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF SUCH NOTE),] [*IN THE CASE OF REGULATION S NOTES*: 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF, THE ORIGINAL ISSUE DATE OF THE ISSUANCE OF ANY ADDITIONAL NOTES AND THE DATE ON WHICH THIS NOTE (OR ANY PREDECESSOR OF SUCH NOTE) WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF REGULATION S) IN RELIANCE ON REGULATION S], ONLY (A) TO THE ISSUER, THE COMPANY OR ANY OF ITS SUBSIDIARIES, (B) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (C) IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR 904 OF REGULATION S OF THE SECURITIES ACT, (D) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT, (E) TO AN IAI THAT, PRIOR TO SUCH TRANSFER, FURNISHES THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE TRANSFER OF THIS NOTE (THE FORM OF WHICH CAN BE OBTAINED FROM THE TRUSTEE) AND, IF SUCH TRANSFER IS IN RESPECT OF AN AGGREGATE PRINCIPAL AMOUNT OF NOTES LESS THAN $250,000, AN OPINION OF COUNSEL ACCEPTABLE TO THE ISSUER AND THE TRUSTEE THAT SUCH TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT, (F) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL ACCEPTABLE TO THE ISSUER AND THE TRUSTEE) OR (G) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH CASE, IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION (THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE); AND

(3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTIONS" AND "UNITED STATES" HAVE THE MEANINGS GIVEN TO THEM BY RULE 902 OF REGULATION S UNDER THE SECURITIES ACT. THE INDENTURE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE IN VIOLATION OF THE FOREGOING.

EXHIBIT D

DTC LEGEND

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("**DTC**"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS NOTE IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED. TRANSFERS OF THIS GLOBAL NOTE ARE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, BY DTC TO A NOMINEE OF DTC OR BY A NOMINEE OF DTC TO DTC OR ANOTHER NOMINEE OF DTC OR BY DTC OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY AND TRANSFERS OF PORTIONS OF THIS GLOBAL NOTE ARE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE TRANSFER PROVISIONS OF THE INDENTURE.

EXHIBIT E

AFFILIATE LEGEND

INTERESTS IN THIS NOTE MAY BE HELD BY AFFILIATES (AS DE-FINED IN RULE 405 UNDER THE SECURITIES ACT) OF THE ISSUER OR BY PERSONS WHO HAVE ACQUIRED SUCH INTERESTS FROM AN AFFILIATE IN A TRANSACTION OR CHAIN OF TRANSACTIONS NOT INVOLVING ANY PUBLIC OFFERING. ACCORDINGLY, EXCEPT AS PERMITTED BY THE INDENTURE, THIS NOTE MAY NOT BE TRANSFERRED OR EXCHANGED FOR INTERESTS IN AN UNRESTRICTED GLOBAL NOTE (AS DEFINED IN THE INDENTURE) UNTIL THE DATE THAT IS ONE YEAR (OR SUCH SHORTER PERIOD AS MAY BE PERMITTED BY THE INDENTURE AND RULE 144 UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION THEREOF)) AFTER THE LAST DATE ON WHICH EITHER THE ISSUER OR ANY AFFILIATE THEREOF WAS THE OWNER OF THIS NOTE.

EXHIBIT F

Regulation S Certificate

_____, ____

To: Wilmington Trust, National Association
Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1600
Facsimile: 302-636-4149
Attention: Global Capital Markets−K. Hovnanian Relationship Manager

Re: K. Hovnanian Enterprises, Inc.
10.000% Senior Secured Second Lien Notes due 2018 (the "**Notes**")
Issued under the Indenture (the "**Indenture**") dated as
as of September 8, 2016 relating to the Notes

Dear Sirs:

Terms are used in this Certificate as used in Regulation S ("**Regulation S**") under the Securities Act of 1933, as amended (the "**Securities Act**"), except as otherwise stated herein.

[CHECK A OR B AS APPLICABLE OR COMPLETE SECTIONS C AND D AS APPLICABLE.]

☐ A. This Certificate relates to our proposed transfer of $____ principal amount of Notes issued under the Indenture. We hereby certify as follows:

1. The offer and sale of the Notes was not and will not be made to a person in the United States (unless such person is excluded from the definition of "U.S. person" pursuant to Rule 902(k)(2)(vi) or the account held by it for which it is acting is excluded from the definition of "U.S. person" pursuant to Rule 902(k)(2)(i) under the circumstances described in Rule 902(g)(3)) and such offer and sale was not and will not be specifically targeted at an identifiable group of U.S. citizens abroad.

2. Unless the circumstances described in the parenthetical in paragraph 1 above are applicable, either (a) at the time the buy order was originated, the buyer was outside the United States or we and any person acting on our behalf reasonably believed that the buyer was outside the United States or (b) the transaction was executed in, on or through the facilities of a designated offshore securities market, and neither we nor any person acting on our behalf knows that the transaction was pre-arranged with a buyer in the United States.

3. Neither we, any of our affiliates, nor any person acting on our or their behalf has made any directed selling efforts in the United States with respect to the Notes.

4. The proposed transfer of Notes is not part of a plan or scheme to evade the registration requirements of the Securities Act.

5. If we are a dealer or a person receiving a selling concession, fee or other remuneration in respect of the Notes, and the proposed transfer takes place during the Restricted Period (as defined in the Indenture), or we are an officer or director of the Company or an Initial Purchaser (as defined in the Indenture), we certify that the proposed transfer is being made in accordance with the provisions of Rule 904(b) of Regulation S.

☐ B. This Certificate relates to our proposed exchange of $____ principal amount of Notes issued under the Indenture for an equal principal amount of Notes to be held by us. We hereby certify as follows:

1. At the time the offer and sale of the Notes was made to us, either (i) we were not in the United States or (ii) we were excluded from the definition of "U.S. person" pursuant to Rule 902(k)(2)(vi) or the account held by us for which we were acting was excluded from the definition of "U.S. person" pursuant to Rule 902(k)(2)(i) under the circumstances described in Rule 902(g)(3); and we were not a member of an identifiable group of U.S. citizens abroad.

2. Unless the circumstances described in paragraph 1(ii) above are applicable, either (a) at the time our buy order was originated, we were outside the United States or (b) the transaction was executed in, on or through the facilities of a designated offshore securities market and we did not pre-arrange the transaction in the United States.

3. The proposed exchange of Notes is not part of a plan or scheme to evade the registration requirements of the Securities Act.

☐ C. CHECK IF SELLER OR OWNER ACQUIRED ITS CERTIFICATED NOTE FROM AN AFFILIATE OF THE ISSUER. The Certificated Note being [transferred][exchanged] by us has not been held by an affiliate (as defined in Rule 144) of the Issuer for the period of [one year][6] prior to the date of the [transfer][exchange].

☐ D. CHECK IF THE PURCHASER IS AN AFFILIATE OF THE ISSUER AND WILL RECEIVE A CERTIFICATED NOTE.

You and the Issuer are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

[NAME OF SELLER (FOR TRANSFERS) OR OWNER (FOR EXCHANGES)]

By: _____
Name:
Title:
Address:

Date:_____

Upon transfer of certificated Notes, the Notes would be registered in the name of the new beneficial owner as follows:

By: _____

Date: _____

Taxpayer ID number: _____

6 The transferor may insert a different period under the circumstances set forth in the Section 2.12, subject to the delivery of any documentation requested pursuant to Section 2.12.

EXHIBIT G

Rule 144A Certificate

_____, ____

To: Wilmington Trust, National Association
Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1600
Facsimile: 302-636-4149
Attention: Global Capital Markets−K. Hovnanian Relationship Manager

Re: K. Hovnanian Enterprises, Inc.
10.000% Senior Secured Second Lien Notes due 2018 (the "**Notes**")
Issued under the Indenture (the "**Indenture**") dated as
as of September 8, 2016 relating to the Notes

Ladies and Gentlemen:

This Certificate relates to:

[CHECK A OR B AS APPLICABLE OR COMPLETE SECTIONS C AND D AS APPLICABLE.]

☐ A. Our proposed purchase of $____ principal amount of Notes issued under the Indenture.

☐ B. Our proposed transfer or exchange of $____ principal amount of Notes issued under the Indenture for an equal principal amount of Notes to be held by us.

We and, if applicable, each account for which we are acting, are a qualified institutional buyer within the meaning of Rule 144A ("**Rule 144A**") under the Securities Act of 1933, as amended (the "**Securities Act**"). If we are acting on behalf of an account, we exercise sole investment discretion with respect to such account. We are aware that the transfer of Notes to us, or such exchange, as applicable, is being made in reliance upon the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. Prior to the date of this Certificate we have received such information regarding the Company as we have requested pursuant to Rule 144A(d)(4) or have determined not to request such information.

☐ C. CHECK IF SELLER OR OWNER ACQUIRED ITS CERTIFICATED NOTE FROM AN AFFILIATE OF THE ISSUER. The Certificated Note being [transferred][exchanged] by us has not been held by an affiliate (as defined in Rule 144) of the Issuer for the period of [one year][7] prior to the date of the [transfer][exchange].

☐ D. CHECK IF THE PURCHASER IS AN AFFILIATE OF THE ISSUER AND WILL RECEIVE A CERTIFICATED NOTE.

You and the Issuer are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

[NAME OF PURCHASER (FOR TRANSFERS) OR OWNER (FOR EXCHANGES)]

By: _____
Name:
Title:
Address:

Date:_____

Upon transfer of certificated Notes, the Notes would be registered in the name of the new beneficial owner as follows:

By: _____

Date: _____

Taxpayer ID number: _____

[7] The transferor may insert a different period under the circumstances set forth in the Section 2.12, subject to the delivery of any documentation requested pursuant to Section 2.12.

EXHIBIT H

Institutional Accredited Investor Certificate

To: Wilmington Trust, National Association
Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1600
Facsimile: 302-636-4149
Attention: Global Capital Markets−K. Hovnanian Relationship Manager

Re: K. Hovnanian Enterprises, Inc.
10.000% Senior Secured Second Lien Notes due 2018 (the "**Notes**")
Issued under the Indenture (the "**Indenture**") dated
as of September 8, 2016 relating to the Notes

Ladies and Gentlemen:

This Certificate relates to:

[CHECK A, B OR C AS APPLICABLE OR COMPLETE SECTIONS D AND E AS APPLICABLE.]

☐ A. Our proposed purchase of $____ principal amount of Notes issued under the Indenture.

☐ B. Our proposed purchase of $____ principal amount of a beneficial interest in a Global Note

☐ C. Our proposed transfer or exchange of $____ principal amount of Notes issued under the Indenture for an equal principal amount of Notes to be held by us.

We hereby confirm that:

1. We are an institutional "accredited investor" as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act of 1933, as amended (the "**Securities Act**") (an "**Institutional Accredited Investor**").

2. Any acquisition of Notes by us will be for our own account or for the account of one or more other Institutional Accredited Investors as to which we exercise sole investment discretion.

3. We have such knowledge and experience in financial and business matters that we are capable of evaluating the merits and risks of an investment in the Notes and we and any accounts for which we are acting are able to bear the economic risks of and an entire loss of our or their investment in the Notes.

4. We are not acquiring the Notes or beneficial interest therein with a view to any distribution thereof in a transaction that would violate the Securities Act or the securities laws of any State of the United States or any other applicable jurisdiction; *provided*, that the disposition of our property and the property of any accounts for which we are acting as fiduciary will remain at all times within our and their control.

5. We acknowledge that the Notes have not been registered under the Securities Act and that the Notes may not be offered or sold within the United States or to or for the benefit of U.S. persons except as set forth below.

6. The principal amount of Notes to which this Certificate relates is at least equal to $250,000.

☐ D. CHECK IF SELLER OR OWNER ACQUIRED ITS CERTIFICATED NOTE FROM AN AFFILIATE OF THE ISSUER. The Certificated Note being [transferred][exchanged] by us has not been held by an affiliate (as defined in Rule 144) of the Issuer for the period of [one year][8] prior to the date of the [transfer][exchange].

☐ E. CHECK IF THE PURCHASER IS AN AFFILIATE OF THE ISSUER AND WILL RECEIVE A CERTIFICATED NOTE.

[8] The transferor may insert a different period under the circumstances set forth in the Section 2.12, subject to the delivery of any documentation requested pursuant to Section 2.12.

We agree for the benefit of the Issuer and the Guarantors, on our own behalf and on behalf of each account for which we are acting, that we will not resell or otherwise transfer this Note or any beneficial interest herein except (A) to the Issuer, the Company or any of its subsidiaries, (B) to a person whom we reasonably believe is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (C) in an offshore transaction meeting the requirements of Rule 903 or 904 of Regulation S of the Securities Act, (D) in a transaction meeting the requirements of Rule 144 under the Securities Act, (E) to an Institutional Accredited Investor that, prior to such transfer, furnishes the Trustee a signed letter containing certain representations and agreements relating to the transfer of the Notes (the form of which can be obtained from the Trustee) and, if such transfer is in respect of an aggregate principal amount of Notes less than $250,000, an opinion of counsel acceptable to the Issuer and the Trustee that such transfer is in compliance with the Securities Act, (F) in accordance with another exemption form the registration requirements of the Securities Act (and based upon an opinion of counsel acceptable to the Issuer and the Trustee) or (G) pursuant to an effective Registration Statement and, in each case, in accordance with the applicable securities laws of any state of the United States or any other applicable jurisdiction.

Prior to the registration of any transfer or exchange, we acknowledge that the Issuer reserves the right to require the delivery of such legal opinions, certifications or other evidence as may reasonably be required in order to determine that the proposed transfer or exchange is being made in compliance with the Securities Act and applicable state securities laws. We acknowledge that no representation is made as to the availability of any Rule 144 exemption from the registration requirements of the Securities Act.

We understand that the Trustee will not be required to accept for registration of transfer or exchange any Notes acquired by us, except upon presentation of evidence satisfactory to the Issuer and the Trustee that the foregoing restrictions on transfer have been complied with. We further agree to deliver to each person acquiring any of the Notes or any beneficial interest therein from us a notice advising such person that resales of the Notes are restricted as stated herein.

We agree to notify you promptly in writing if any of our acknowledgments, representations or agreements herein ceases to be accurate and complete.

We represent to you that we have full power to make the foregoing acknowledgments, representations and agreements on our own behalf and on behalf of any account for which we are acting.

You and the Issuer are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

[NAME OF PURCHASER (FOR TRANSFERS) OR OWNER (FOR EXCHANGES)]

By: _____
Name:
Title:
Address:

Date:_____

Upon transfer of certificated Notes, the Notes would be registered in the name of the new beneficial owner as follows:

By: _____

Date: _____

Taxpayer ID number: _____

EXHIBIT I

[COMPLETE FORM I OR FORM II AS APPLICABLE.]

[FORM I]

Certificate of Beneficial Ownership

To: Wilmington Trust, National Association
Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1600
Facsimile: 302-636-4149
Attention: Global Capital Markets−K. Hovnanian Relationship Manager

[Euroclear Bank S.A./N.V., as operator of the Euroclear System] *OR*

[Clearstream Banking, *société anonyme*]

Re: K. Hovnanian Enterprises, Inc.
10.000% Senior Secured Second Lien Notes due 2018 (the "**Notes**")
Issued under the Indenture (the "**Indenture**") dated
as of September 8, 2016 relating to the Notes

Ladies and Gentlemen:

We are the beneficial owner of $____ principal amount of Notes issued under the Indenture and represented by a Regulation S Temporary Global Note (as defined in the Indenture).

[CHECK A OR B AS APPLICABLE.]

☐ A. We are a non-U.S. person (within the meaning of Regulation S under the Securities Act of 1933, as amended).

☐ B. We are a U.S. person (within the meaning of Regulation S under the Securities Act of 1933, as amended) that purchased the Notes in a transaction that did not require registration under the Securities Act of 1933, as amended.

You and the Issuer are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

[NAME OF BENEFICIAL OWNER]

By: _____
Name:
Title:
Address:

Date:_____

[FORM II]

Certificate of Beneficial Ownership

To: Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1600
Facsimile: 302-636-4149
Attention: Global Capital Markets−K. Hovnanian Relationship Manager

Re: K. Hovnanian Enterprises, Inc.
10.000% Senior Secured Second Lien Notes due 2018 (the "**Notes**")
Issued under the Indenture (the "**Indenture**") dated as
as of September 8, 2016 relating to the Notes

Ladies and Gentlemen:

This is to certify that based solely on certifications we have received in writing, by tested telex or by electronic transmission from member organizations ("**Member Organizations**") appearing in our records as persons being entitled to a portion of the principal amount of Notes represented by a Regulation S Temporary Global Note issued under the above-referenced Indenture, that as of the date hereof, $____ principal amount of Notes represented by the Regulation S Temporary Global Note being submitted herewith for exchange is beneficially owned by persons that are either (i) non-U.S. persons (within the meaning of Regulation S under the Securities Act of 1933, as amended) or (ii) U.S. persons that purchased the Notes in a transaction that did not require registration under the Securities Act of 1933, as amended.

We further certify that (i) we are not submitting herewith for exchange any portion of such Regulation S Temporary Global Note excepted in such Member Organization certifications and (ii) as of the date hereof we have not received any notification from any Member Organization to the effect that the statements made by such Member Organization with respect to any portion of such Regulation S Temporary Global Note submitted herewith for exchange are no longer true and cannot be relied upon as of the date hereof.

You and the Issuer are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Yours faithfully,

[EUROCLEAR BANK S.A./N.V.,
as operator of the Euroclear System]

OR

[CLEARSTREAM BANKING, *société anonyme*]

By: _____
Name:
Title:
Address:

Date:_____

EXHIBIT J

THIS NOTE IS A TEMPORARY GLOBAL NOTE. PRIOR TO THE EXPIRATION OF THE RESTRICTED PERIOD APPLICABLE HERETO, BENEFICIAL INTERESTS HEREIN MAY NOT BE HELD BY ANY PERSON OTHER THAN (1) A NON-U.S. PERSON OR (2) A U.S. PERSON THAT PURCHASED SUCH INTEREST IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"). BENEFICIAL INTERESTS HEREIN ARE NOT EXCHANGEABLE FOR CERTIFICATED NOTES OTHER THAN A PERMANENT GLOBAL NOTE IN ACCORDANCE WITH THE TERMS OF THE INDENTURE. TERMS IN THIS LEGEND ARE USED AS USED IN REGULATION S UNDER THE SECURITIES ACT.

EXHIBIT K

UNRESTRICTED SUBSIDIARIES

77 HUDSON STREET JOINT DEVELOPMENT, L.L.C.
AG/HOV DELRAY HOLDINGS, L.L.C.
AG/HOV DELRAY, L.L.C.
AL TAHALUF AL AQARY LLC (AL TAHALUF REAL ESTATE LIMITED LIABILITY COMPANY)
AMBER RIDGE, LLC
COBBLESTONE SQUARE DEVELOPMENT, L.L.C.
FAIR LAND TITLE COMPANY, INC.
GTIS-HOV ARBORS AT MONROE LLC
GTIS-HOV ARBORS AT MONROE PARENT LLC
GTIS-HOV DULLES PARKWAY PARENT LLC
GTIS-HOV FESTIVAL LAKES LLC
GTIS-HOV FOUR PONDS PARENT LLC
GTIS-HOV GREENFIELD CROSSING PARENT LLC
GTIS-HOV HEATHERFIELD PARENT LLC
GTIS-HOV HOLDINGS LLC
GTIS-HOV HOLDINGS V LLC
GTIS-HOV LAKES OF CANE BAY PARENT LLC
GTIS-HOV LEELAND STATION LLC
GTIS-HOV PARKSIDE OF LIBERTYVILLE LLC
GTIS-HOV PARKSIDE OF LIBERTYVILLE PARENT LLC
GTIS-HOV PINNACLE PEAK PATIO PARENT LLC
GTIS-HOV POINTE 16 LLC
GTIS-HOV POSITANO LLC
GTIS-HOV RANCHO 79 LLC
GTIS-HOV RESIDENCES AT DULLES PARKWAY LLC
GTIS-HOV RESIDENCES AT GREENFIELD CROSSING LLC
GTIS-HOV SAUGANASH GLEN PARENT LLC
GTIS-HOV SAUGANSH GLEN LLC
GTIS-HOV VILLAGES AT PEPPER MILL LLC
GTIS-HOV WARMINSTER LLC
GTIS-HOV WILLOWSFORD WINDMILL, LLC
HOMEBUYERS FINANCIAL USA, LLC
HOVSITE CATALINA LLC
HOVSITE CHURCHILL CLUB LLC
HOVSITE CIDER GROVE LLC
HOVSITE FIRENZE LLC
HOVSITE FLORIDA HOLDINGS LLC
HOVSITE GREENWOOD MANOR LLC
HOVSITE HOLDINGS II LLC

HOVSITE HOLDINGS III LLC
HOVSITE HOLDINGS LLC
HOVSITE HUNT CLUB LLC
HOVSITE II CASA DEL MAR LLC
HOVSITE III AT PARKLAND LLC
HOVSITE ILLINOIS HOLDINGS LLC
HOVSITE IRISH PRAIRIE LLC
HOVSITE LIBERTY LAKES LLC
HOVSITE MONTEVERDE 1 & 2 LLC
HOVSITE MONTEVERDE 3 & 4 LLC
HOVSITE PROVIDENCE LLC
HOVSITE SOUTHAMPTON LLC
HOVWEST LAND ACQUISITION, LLC
K. HOVNANIAN 77 HUDSON STREET INVESTMENTS, L.L.C.
K. HOVNANIAN AMBER GLEN, LLC
K. HOVNANIAN AMERICAN MORTGAGE, L.L.C.
K. HOVNANIAN AT 77 HUDSON STREET URBAN RENEWAL COMPANY, L.L.C.
K. HOVNANIAN AT AMBERLEY WOODS, LLC
K. HOVNANIAN AT BRADWELL ESTATES, LLC
K. HOVNANIAN AT CANTER V, LLC
K. HOVNANIAN AT CEDAR LANE ESTATES, LLC
K. HOVNANIAN AT DELRAY BEACH, L.L.C.
K. HOVNANIAN AT DOMINION CROSSING, LLC
K. HOVNANIAN AT EAGLE HEIGHTS, LLC
K. HOVNANIAN AT EMBREY MILL, LLC
K. HOVNANIAN AT FREEHOLD TOWNSHIP II, LLC
K. HOVNANIAN AT HEATHERFIELD, LLC
K. HOVNANIAN AT HUNTER'S POND, LLC
K. HOVNANIAN AT LADD RANCH, LLC
K. HOVNANIAN AT MANALAPAN IV, LLC
K. HOVNANIAN AT MERIDIAN HILLS, LLC
K. HOVNANIAN AT MIDDLETOWN IV, LLC
K. HOVNANIAN AT MORRIS TWP II, LLC
K. HOVNANIAN AT MYSTIC DUNES, LLC
K. HOVNANIAN AT NICHOLSON, LLC
K. HOVNANIAN AT ORCHARD MEADOWS, LLC
K. HOVNANIAN AT PELHAM'S REACH, LLC
K. HOVNANIAN AT PHILADELPHIA I, L.L.C.
K. HOVNANIAN AT PINNACLE PEAK PATIO, LLC
K. HOVNANIAN AT PORT IMPERIAL INVESTMENT, LLC
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL II, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL III, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VI, L.L.C.

K. HOVNANIAN AT RANDALL HIGHLANDS, LLC
K. HOVNANIAN AT RAYMOND FARM, LLC
K. HOVNANIAN AT RIVER HILLS, LLC
K. HOVNANIAN AT SILVERWOOD GLEN, LLC
K. HOVNANIAN AT SOUTHPOINTE, LLC
K. HOVNANIAN AT SUNRISE TRAIL, LLC
K. HOVNANIAN AT TAMARACK SOUTH LLC
K. HOVNANIAN AT TANGLEWOOD OAKS, LLC
K. HOVNANIAN AT THE HIGHLANDS AT SUMMERLAKE GROVE, LLC
K. HOVNANIAN AT TRAVERSE, LLC
K. HOVNANIAN AT TRENTON II, L.L.C.
K. HOVNANIAN AT TRENTON URBAN RENEWAL, L.L.C.
K. HOVNANIAN AT VALLETTA, LLC
K. HOVNANIAN AT VILLAGE OF ROUND HILL, LLC
K. HOVNANIAN AT WATERFORD, LLC
K. HOVNANIAN AT WELLSPRINGS, LLC
K. HOVNANIAN BUILDING COMPANY, LLC
K. HOVNANIAN COMPANIES OF ARIZONA, LLC
K. HOVNANIAN CYPRESS CREEK, LLC
K. HOVNANIAN DFW BERKSHIRE, LLC
K. HOVNANIAN DFW CARILLON, LLC
K. HOVNANIAN DFW HEATHERWOOD, LLC
K. HOVNANIAN DFW HERON POND, LLC
K. HOVNANIAN DFW MAXWELL CREEK, LLC
K. HOVNANIAN DFW MUSTANG LAKES, LLC
K. HOVNANIAN DFW RICHWOODS, LLC
K. HOVNANIAN GT INVESTMENT, L.L.C.
K. HOVNANIAN GT V INVESTMENT, LLC
K. HOVNANIAN HOMES AT PARKSIDE, LLC
K. HOVNANIAN HOMES AT WILLOWSFORD GRANGE, LLC
K. HOVNANIAN HOMES AT WILLOWSFORD NEW, LLC
K. HOVNANIAN HOMES OF DELAWARE I, LLC
K. HOVNANIAN HOMES OF FLORIDA I, LLC
K. HOVNANIAN HOMES OF MARYLAND I, LLC
K. HOVNANIAN HOMES OF MARYLAND II, LLC
K. HOVNANIAN HOMES OF VIRGINIA I, LLC
K. HOVNANIAN HOVSITE II INVESTMENT, LLC
K. HOVNANIAN HOVSITE III INVESTMENT, LLC
K. HOVNANIAN HOVWEST HOLDINGS, L.L.C.
K. HOVNANIAN INVESTMENTS, L.L.C.
K. HOVNANIAN JV HOLDINGS, L.L.C.
K. HOVNANIAN JV SERVICES COMPANY, L.L.C.
K. HOVNANIAN LAKE PARKER, LLC
K. HOVNANIAN M.E. INVESTMENTS, LLC

K. HOVNANIAN MONTCLAIRE ESTATES, LLC
K. HOVNANIAN NASSAU GROVE HOLDINGS, L.L.C.
K. HOVNANIAN PARKSIDE HOLDINGS, LLC
K. HOVNANIAN SERENO, LLC
K. HOVNANIAN TBD, LLC
K. HOVNANIAN TERRA LAGO INVESTMENT, LLC
K. HOVNANIAN TERRALARGO, LLC
K. HOVNANIAN'S FOUR SEASONS AT LAKES OF CANE BAY LLC
K. HOVNANIAN'S FOUR SEASONS AT MALIND BLUFF, LLC
K. HOVNANIAN'S SONATA AT THE PRESERVE, LLC
MILLENNIUM TITLE AGENCY, LTD.
MM-BEACHFRONT NORTH II, L.L.C.
NASSAU GROVE ENTERPRISES, L.L.C.
PORT IMPERIAL PARTNERS, LLC
TERRA LAGO INDIO LLC
TRAVERSE PARTNERS, LLC
WHI-REPUBLIC, LLC

EXHIBIT L

COLLATERAL PERFECTION OFFICER'S CERTIFICATE

K. HOVNANIAN ENTERPRISES, INC.

DATED: [ ]

This Certificate is being furnished to you pursuant to Section 11.05(c) of the certain Indenture for the 10.000% Senior Secured Second Lien Notes due 2018 dated as of September 8, 2016, among K. Hovnanian Enterprises, Inc., as issuer, Hovnanian Enterprises, Inc., the other guarantors party thereto and Wilmington Trust, National Association as Trustee and Collateral Agent.

The undersigned, [ ], HEREBY CERTIFIES, in the undersigned's capacity as an Officer of the Company and not in his individual capacity, that:

1. There has been no change to the information set forth in the [Perfection Certificate dated [ ], 2016 and the schedules thereto remain true and correct][9] [Perfection Certificate dated [ ], 2016, as amended by the Collateral Perfection Officer's Certificate dated [_____],'[10] and the schedules to such Perfection Certificate, as amended by such Collateral Perfection Officer's Certificate[s], remain true and correct]'[11][, except as set forth on Schedule A hereto].

2. With respect to each jurisdiction listed on Schedule [A][B] hereto, I have been advised by counsel admitted to the bar in such jurisdiction that such counsel has reviewed the form of mortgage for such jurisdiction, and that no changes, modifications, revisions, amendments or supplements to such form of mortgage are necessary, as of the date hereof, to perfect the Liens on the underlying mortgaged property[, except that, with respect to [*list jurisdiction*], such form of mortgage should be replaced with the form of mortgage attached hereto as Annex A in order for such mortgage to perfect the Liens on the underlying mortgaged property upon filing and recording of such mortgage].

[Remainder of page intentionally left blank]

9 To be used for first annual Collateral Perfection Officers' Certificate.

10 This should include references to all previously delivered Collateral Perfection Officers' Certificates.

11 To be used for all Collateral Perfection Officers' Certificates after the first.

IN WITNESS WHEREOF, the undersigned has duly executed this certificate as of the date first above written.

K. HOVNANIAN ENTERPRISES, INC.

_____

Name:
Title:

SCHEDULE [A][B]

List of Mortgage States

Exhibit 4(g)

Execution Version

K. HOVNANIAN ENTERPRISES, INC.,
as Issuer

HOVNANIAN ENTERPRISES, INC.
and
the other Guarantors party hereto

and

WILMINGTON TRUST, NATIONAL ASSOCIATION,
as Trustee and Collateral Agent

Indenture

Dated as of September 8, 2016

9.50% Senior Secured Notes Due 2020

TABLE OF CONTENTS

INDENTURE, dated as of September 8, 2016, among K. HOVNANIAN ENTERPRISES, INC., a California corporation (the "**Issuer**"), HOVNANIAN ENTERPRISES, INC., a Delaware corporation (the "**Company**"), each of the other Guarantors (as defined hereafter) and WILMINGTON TRUST, NATIONAL ASSOCIATION, a national banking association, as Trustee (the "**Trustee**") and as Collateral Agent (the "**Collateral Agent**").

RECITALS

The Issuer has duly authorized the execution and delivery of this Indenture to provide for the issuance of the Issuer's 9.50% Senior Secured Notes Due 2020 (the "**Notes**"). All things necessary to make this Indenture a valid agreement of the Issuer, in accordance with its terms, have been done, and the Issuer has done all things necessary to make the Notes (in the case of any Additional Notes, when duly authorized), when duly issued and executed by the Issuer and authenticated and delivered by the Trustee, the valid obligations of the Issuer as hereinafter provided. The Issuer now wishes to issue Initial Notes for original issue in the aggregate principal amount of $75,000,000.

In addition, the Guarantors party hereto have duly authorized the execution and delivery of this Indenture as guarantors of the Notes. All things necessary to make this Indenture a valid agreement of each Guarantor, in accordance with its terms, have been done, and each Guarantor has done all things necessary to make the Guarantees (in the case of the Guarantee of any Additional Notes, when duly authorized), when duly issued and executed by each Guarantor and when the Notes have been authenticated and delivered by the Trustee, the valid obligation of such Guarantor as hereinafter provided.

THIS INDENTURE WITNESSETH

For and in consideration of the premises and the purchase of the Notes by the Holders thereof, the parties hereto covenant and agree, for the equal and proportionate benefit of all Holders, as follows:

ARTICLE I

DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.01 *Definitions*.

"**7.000% Notes**" means the Issuer's 7.000% Senior Notes due 2019.

"**8.000% Notes**" means the Issuer's 8.000% Senior Notes due 2019.

"**Acquired Indebtedness**" means (a) with respect to any Person that becomes a Restricted Subsidiary (or is merged into the Company, the Issuer or any Restricted Subsidiary) after the Issue Date, Indebtedness of such Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary (or is merged into the Company, the Issuer or any Restricted Subsidiary) that was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary (or being merged into the Company, the Issuer or any Restricted Subsidiary) and (b) with respect to the Company, the Issuer or any Restricted Subsidiary, any Indebtedness expressly assumed by the Company, the Issuer or any Restricted Subsidiary in connection with the acquisition of any assets from another Person (other than the Company, the Issuer or any Restricted Subsidiary), which Indebtedness was not incurred by such other Person in connection with or in contemplation of such acquisition. Indebtedness incurred in connection with or in contemplation of any transaction described in clause (a) or (b) of the preceding sentence shall be deemed to have been incurred by the Company or a Restricted Subsidiary, as the case may be, at the time such Person becomes a Restricted Subsidiary (or is merged into the Company, the Issuer or any Restricted Subsidiary) in the case of clause (a) or at the time of the acquisition of such assets in the case of clause (b), but shall not be deemed Acquired Indebtedness.

"**Additional Notes**" means any Notes of the Issuer issued under this Indenture in addition to the Initial Notes having the same terms in all respects as the Initial Notes, except for the issue date, the issue price and, in some cases, the initial interest payment date.

"**Affiliate**" means, when used with reference to a specified Person, any Person directly or indirectly controlling, or controlled by or under direct or indirect common control with, the Person specified.

"**Affiliate Legend**" means the legend set forth in Exhibit E.

"**Affiliate Transaction**" has the meaning ascribed to it in Section 4.13 hereof.

"**Agent**" means any Registrar, Paying Agent or Authenticating Agent.

"**Agent Member**" means a member of, or a participant in, the Depositary.

"**Applicable Debt**" means all Indebtedness of the Company or any of its Restricted Subsidiaries (i) under Credit Facilities or (ii) that is publicly traded (including in the Rule 144A market), including, without limitation, the Issuer's senior notes outstanding on the Issue Date.

"**Asset Acquisition**" means (a) an Investment by the Company, the Issuer or any Restricted Subsidiary in any other Person if, as a result of such Investment, such Person shall become a Restricted Subsidiary or shall be consolidated or merged with or into the Company, the Issuer or any Restricted Subsidiary or (b) the acquisition by the Company, the Issuer or any Restricted Subsidiary of the assets of any Person, which constitute all or substantially all of the assets or of an operating unit or line of business of such Person or which is otherwise outside the ordinary course of business.

"**Asset Disposition**" means any sale, transfer, conveyance, lease or other disposition (including, without limitation, by way of merger, consolidation or sale and leaseback or sale of shares of Capital Stock in any Subsidiary) (each, a "**transaction**") by the Company, the Issuer or any Restricted Subsidiary to any Person of any Property having a Fair Market Value in any transaction or series of related transactions of at least $5.0 million. The term "**Asset Disposition**" shall not include:

(a) a transaction between the Company, the Issuer and any Restricted Subsidiary or a transaction between Restricted Subsidiaries (other than a transaction involving a disposition of Collateral or any Capital Stock of a Permitted Joint Venture or JV Holding Company from a member of the Secured Group to a Person that is not a member of the Secured Group),

(b) a transaction in the ordinary course of business, including, without limitation, sales (directly or indirectly), dedications and other donations to governmental authorities, leases and sales and leasebacks of (i) homes, improved land and unimproved land and (ii) real estate (including related amenities and improvements),

(c) a transaction involving the sale of Capital Stock of, or the disposition of assets in, an Unrestricted Subsidiary (other than a JV Holding Company),

(d) any exchange or swap of assets of the Company, the Issuer or any Restricted Subsidiary for assets (including Capital Stock of any Person that is or will be a Restricted Subsidiary following receipt thereof) that (i) are to be used by the Company, the Issuer or any Restricted Subsidiary in the ordinary course of its Real Estate Business and (ii) have a Fair Market Value not less than the Fair Market Value of the assets exchanged or swapped (*provided* that (except as permitted by clause (c) under the definition of "Permitted Investment") to the extent that the assets exchanged or swapped were Collateral, the assets (i) are received by a member of the Secured Group and (ii) are pledged as Collateral under the Security Documents substantially simultaneously with such exchange or swap, with the Lien on such assets received being of the same priority with respect to the Notes as the Lien on the assets disposed of),

(e) any sale, transfer, conveyance, lease or other disposition of assets and properties that is governed by Section 4.14 hereof,

(f) dispositions of mortgage loans and related assets and mortgage- backed securities in the ordinary course of a mortgage lending business,

(g) the creation of a Permitted Collateral Lien or Permitted Lien and dispositions in connection with Permitted Collateral Liens or Permitted Liens, or

(h) any sale, transfer, conveyance, lease or other disposition that constitutes a Restricted Payment or Permitted Investment.

"**Attributable Debt**" means, with respect to any Capitalized Lease Obligations, the capitalized amount thereof determined in accordance with GAAP.

"**Authenticating Agent**" refers to a Person engaged to authenticate the Notes in the stead of the Trustee.

"**Automatic Exchange**" has the meaning ascribed to it in Section 2.13 hereof.

"**Automatic Exchange Notice**" has the meaning ascribed to it in Section 2.13 hereof.

"**Bankruptcy Law**" means title 11 of the United States Code, as amended, or any similar federal or state law for the relief of debtors.

"**Board of Directors**" means, when used with reference to the Issuer or the Company, as the case may be, the board of directors or any duly authorized committee of that board or any director or directors and/or officer or officers to whom that board or committee shall have duly delegated its authority.

"**Business Day**" means any day except a Saturday, Sunday or other day on which commercial banks in New York City or in the city where the Corporate Trust Office of the Trustee is located are authorized or required by law or regulation to close.

"**Capital Stock**" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated) of or in such Person's capital stock or other equity interests, and options, rights or warrants to purchase such capital stock or other equity interests, whether now outstanding or issued after the Issue Date, including, without limitation, all Disqualified Stock and Preferred Stock, but excluding any debt security that is convertible into, or exchangeable for, Capital Stock.

"**Capitalized Lease Obligations**" of any Person means the obligations of such Person to pay rent or other amounts under a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP, and the amount of such obligations will be the capitalized amount thereof determined in accordance with GAAP.

"**Cash Equivalents**" means

(a) U.S. dollars;

(b) securities issued or directly and fully guaranteed or insured by the U.S. government or any agency or instrumentality thereof having maturities of one year or less from the date of acquisition;

(c) certificates of deposit and eurodollar time deposits with maturities of one year or less from the date of acquisition, bankers' acceptances with maturities not exceeding six months and overnight bank deposits, in each case with any domestic commercial bank having capital and surplus in excess of $500.0 million;

(d) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (b) and (c) of this definition entered into with any financial institution meeting the qualifications specified in clause (c) of this definition;

(e) commercial paper rated P-1, A-1 or the equivalent thereof by Moody's or S&P, respectively, and in each case maturing within six months after the date of acquisition; and

(f) investments in money market funds substantially all of the assets of which consist of securities described in the foregoing clauses (a) through (e) of this definition.

"**cash transaction**" has the meaning ascribed to it in Section 7.03 hereof.

"**Certificate of Beneficial Ownership**" means a certificate substantially in the form of Exhibit I.

"**Certificated Note**" means a Note in registered individual form without interest coupons.

"**Change of Control**" means

(a) any sale, lease or other transfer (in one transaction or a series of transactions) of all or substantially all of the consolidated assets of the Company and its Restricted Subsidiaries to any Person (other than a Restricted Subsidiary); *provided*, *however*, that a transaction where the holders of all classes of Common Equity of the Company immediately prior to such transaction own, directly or indirectly, more than 50% of all classes of Common Equity of such Person immediately after such transaction shall not be a Change of Control;

(b) a "**person**" or "**group**" (within the meaning of Section 13(d) of the Exchange Act (other than (x) the Company or (y) the Permitted Hovnanian Holders)) becomes the "**beneficial owner**" (as defined in Rule 13d-3 under the Exchange Act) of Common Equity of the Company representing more than 50% of the voting power of the Common Equity of the Company;

(c) Continuing Directors cease to constitute at least a majority of the Board of Directors of the Company;

(d) the stockholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company; *provided*, *however*, that a liquidation or dissolution of the Company which is part of a transaction that does not constitute a Change of Control under the proviso contained in clause (a) of this definition shall not constitute a Change of Control; or

(e) a change of control shall occur as defined in the instrument governing any publicly traded debt securities of the Company or the Issuer which requires the Company or the Issuer to repay or repurchase such debt securities.

"**Clearstream**" means Clearstream Banking, *société anonyme*, Luxembourg.

"**Collateral**" means all property and assets of the members of the Secured Group (whether now owned or hereafter arising or acquired) other than Excluded Property, that secures First-Priority Lien Obligations under the Security Documents.

"**Collateral Agency Agreement**" means the Collateral Agency Agreement, dated as of September 8, 2016, among the Issuer, the members of the Secured Group, the Existing Senior Secured Notes Collateral Agent, the Collateral Agent and the Joint First Lien Collateral Agent.

"**Collateral Agent**" means the party named as such in the preamble of this Indenture, including any agent appointed by the Collateral Agent to act in such capacity (which, for avoidance of doubt, includes the Joint First Lien Collateral Agent) or any successor acting in such capacity.

"**Collateralized Debt**" means the aggregate principal amount of all Indebtedness and letters of credit secured by Liens on the Collateral, but excluding Indebtedness and letters of credit secured by Liens on the Collateral that rank junior to the Liens on the Collateral securing the Notes.

"**Collateral Ratio**" means the ratio, calculated as a percentage, of (i) the aggregate fair market value, (as determined in good faith by the chief financial officer of the Company), as of the date of determination, of the Collateral (excluding any Capital Stock of any Person that is not a member of the Secured Group but including the book value of any Permitted Joint Ventures or JV Holding Companies owned by members of the Secured Group) to (ii) the aggregate principal amount of Collateralized Debt as of the date of determination; *provided* that, to the extent that at the date of determination such Collateral includes any real property, the aggregate fair market value of such real property Collateral shall be determined based on an appraisal by an independent appraiser within the preceding 18 months, as adjusted by the chief financial officer in good faith to reflect changes since the date of such appraisal.

"**Commission**" means the Securities and Exchange Commission.

"**Common Equity**" of any Person means Capital Stock of such Person that is generally entitled to (a) vote in the election of directors of such Person or (b) if such Person is not a corporation, vote or otherwise participate in the selection of the governing body, partners, managers or others that will control the management or policies of such Person.

"**Company**" has the meaning ascribed to it in the preamble hereof and shall also refer to any successor obligor under this Indenture and its Guarantee(s).

"**Consolidated Cash Flow Available for Fixed Charges**" means, for any period, Consolidated Net Income for such period plus (each to the extent deducted in calculating such Consolidated Net Income and determined in accordance with GAAP) the sum for such period, without duplication, of:

(a) income taxes,

(b) Consolidated Interest Expense,

(c) depreciation and amortization expenses and other non-cash charges to earnings,

(d) interest and financing fees and expenses which were previously capitalized and which are amortized to cost of sales, and

(e) any fees, expenses, charges or losses (other than depreciation or amortization expense) related to any Equity Offering, Permitted Investment, acquisition, disposition, recapitalization or the incurrence of Indebtedness permitted to be incurred by the Indenture (including a refinancing thereof) (whether or not successful), including (i) such fees, expenses or charges related to the issuance of the Notes and the New Second Lien Old Group Notes and the making of the Senior Secured Super Priority Term Loan and (ii) any amendment or other modification of the Notes, the New Second Lien Old Group Notes and the Senior Secured Super Priority Term Loans or other Indebtedness, *minus*

all other non-cash items (other than the receipt of notes receivable) increasing such Consolidated Net Income.

"**Consolidated Fixed Charge Coverage Ratio**" means, with respect to any determination date, the ratio of (x) Consolidated Cash Flow Available for Fixed Charges for the prior four full fiscal quarters (the "**Four Quarter Period**") for which financial results have been reported immediately preceding the determination date (the "**Transaction Date**"), to (y) the aggregate Consolidated Interest Incurred for the Four Quarter Period. For purposes of this definition, "**Consolidated Cash Flow Available for Fixed Charges**" and "**Consolidated Interest Incurred**" shall be calculated after giving effect on a *pro forma* basis for the period of such calculation to:

(a) the incurrence or the repayment, repurchase, defeasance or other discharge or the assumption by another Person that is not an Affiliate (collectively, "**repayment**") of any Indebtedness of the Company, the Issuer or any Restricted Subsidiary (and the application of the proceeds thereof) giving rise to the need to make such calculation, and any incurrence or repayment of other Indebtedness (and the application of the proceeds thereof), at any time on or after the first day of the Four Quarter Period and on or prior to the Transaction Date, as if such incurrence or repayment, as the case may be (and the application of the proceeds thereof), occurred on the first day of the Four Quarter Period, except that Indebtedness under revolving credit facilities shall be deemed to be the average daily balance of such Indebtedness during the Four Quarter Period (as reduced on such *pro forma* basis by the application of any proceeds of the incurrence of Indebtedness giving rise to the need to make such calculation);

(b) any Asset Disposition or Asset Acquisition (including, without limitation, any Asset Acquisition giving rise to the need to make such calculation as a result of the Company, the Issuer or any Restricted Subsidiary (including any Person that becomes a Restricted Subsidiary as a result of any such Asset Acquisition) incurring Acquired Indebtedness at any time on or after the first day of the Four Quarter Period and on or prior to the Transaction Date), as if such Asset Disposition or Asset Acquisition (including the incurrence or repayment of any such Indebtedness) and the inclusion, notwithstanding clause (b) of the definition of "Consolidated Net Income," of any Consolidated Cash Flow Available for Fixed Charges associated with such Asset Acquisition as if it occurred on the first day of the Four Quarter Period; *provided, however*, that the Consolidated Cash Flow Available for Fixed Charges associated with any Asset Acquisition shall not be included to the extent the net income so associated would be excluded pursuant to the definition of "Consolidated Net Income," other than clause (b) thereof, as if it applied to the Person or assets involved before they were acquired; and

(c) the Consolidated Cash Flow Available for Fixed Charges and the Consolidated Interest Incurred attributable to discontinued operations, as determined in accordance with GAAP, shall be excluded.

Furthermore, in calculating "Consolidated Cash Flow Available for Fixed Charges" for purposes of determining the denominator (but not the numerator) of this "Consolidated Fixed Charge Coverage Ratio,"

(a) interest on Indebtedness in respect of which a *pro forma* calculation is required that is determined on a fluctuating basis as of the Transaction Date (including Indebtedness actually incurred on the Transaction Date) and which will continue to be so determined thereafter shall be deemed to have accrued at a fixed rate per annum equal to the rate of interest on such Indebtedness in effect on the Transaction Date, and

(b) notwithstanding the immediately preceding clause (a), interest on such Indebtedness determined on a fluctuating basis, to the extent such interest is covered by agreements relating to Interest Protection Agreements, shall be deemed to accrue at the rate per annum resulting after giving effect to the operation of such agreements.

"**Consolidated Interest Expense**" of the Company for any period means the Interest Expense of the Company, the Issuer and the Restricted Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP.

"**Consolidated Interest Incurred**" for any period means the Interest Incurred of the Company, the Issuer and the Restricted Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP.

"**Consolidated Net Income**" for any period means the aggregate net income (or loss) of the Company and its Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP; *provided*, that there will be excluded from such net income (loss) (to the extent otherwise included therein), without duplication:

(a) the net income (or loss) of (x) any Unrestricted Subsidiary (other than a Mortgage Subsidiary) or (y) any Person (other than a Restricted Subsidiary or a Mortgage Subsidiary) in which any Person other than the Company, the Issuer or any Restricted Subsidiary has an ownership interest, except, in each case, to the extent that any such income has actually been received by the Company, the Issuer or any Restricted Subsidiary in the form of cash dividends or similar cash distributions during such period, which dividends or distributions are not in excess of the Company's, the Issuer's or such Restricted Subsidiary's (as applicable) *pro rata* share of such Unrestricted Subsidiary's or such other Person's net income earned during such period,

(b) except to the extent includable in Consolidated Net Income pursuant to clause (a) of this definition, the net income (or loss) of any Person that accrued prior to the date that (i) such Person becomes a Restricted Subsidiary or is merged with or into or consolidated with the Company, the Issuer or any of its Restricted Subsidiaries (except, in the case of an Unrestricted Subsidiary that is redesignated a Restricted Subsidiary during such period, to the extent of its retained earnings from the beginning of such period to the date of such redesignation) or (ii) the assets of such Person are acquired by the Company or any Restricted Subsidiary,

(c) the net income of any Restricted Subsidiary to the extent that (but only so long as) the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of that income is not permitted by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary during such period,

(d) the gains or losses, together with any related provision for taxes, realized during such period by the Company, the Issuer or any Restricted Subsidiary resulting from the acquisition of securities, or extinguishment of Indebtedness, of the Company or any Restricted Subsidiary or any Asset Disposition by the Company or any Restricted Subsidiary, and

(e) any extraordinary gain or loss together with any related provision for taxes, realized by the Company, the Issuer or any Restricted Subsidiary;

provided, further, that for purposes of calculating Consolidated Net Income solely as it relates to clause (iii) of Section 4.07(a) hereof, clause (d)(ii) of this definition shall not be applicable.

"**Continuing Director**" means a director who either was a member of the Board of Directors of the Company on the Effective Date or who became a director of the Company subsequent to such date and whose election or nomination for election by the Company's stockholders was duly approved by a majority of the Continuing Directors on the Board of Directors of the Company at the time of such approval, either by a specific vote or by approval of the proxy statement issued by the Company on behalf of the entire Board of Directors of the Company in which such individual is named as nominee for director.

"**control**" when used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "**controlling**" and "**controlled**" have meanings correlative to the foregoing.

"**Corporate Trust Office**" means the office of the Trustee at which the corporate trust business of the Trustee is principally administered, which at the date of this Indenture is located at Rodney Square North, 1100 North Market Street, Wilmington, DE 19890-1600.

"**Covenant Defeasance**" has the meaning ascribed to it in Section 8.02 hereof.

"**Credit Facilities**" means, with respect to the Issuer or any of its Restricted Subsidiaries, one or more debt facilities or other financing arrangements (including, without limitation, commercial paper facilities or indentures) providing for revolving credit loans, term loans, letters of credit or other long-term indebtedness, including any notes, mortgages, guarantees, collateral documents, instruments and agreement executed in connection therewith, and any amendments, supplements, modifications, extensions, renewals, restatements or refunding thereof and any indentures or credit facilities or commercial paper facilities that exchange, replace, refund, refinance, extend, renew, restate, amend, supplement or modify any part of the loans, notes, other credit facilities or commitments thereunder, including any such exchanged, replacement, refunding, refinancing, extended, renewed, restated, amended, supplemented or modified facility or indenture that increases the amount permitted to be borrowed thereunder or alters the maturity thereof (*provided* that such increase in borrowings is permitted under Section 4.06) or adds Restricted Subsidiaries as additional borrowers or guarantors thereunder and whether by the same or any other agent, lender or group of lenders.

"**Currency Agreement**" of any Person means any foreign exchange contract, currency swap agreement or other similar agreement or arrangement designed to protect such Person or any of its Subsidiaries against fluctuations in currency values.

"**Custodian**" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

"**Default**" means any event, act or condition that is, or after notice or the passage of time or both would be, an Event of Default.

"**December 2017 Notes**" means the 6.00% Exchangeable Note Units of the Issuer and the Company issued on October 2, 2012 composed of a senior unsecured exchangeable note of the Issuer and guaranteed by the applicable Guarantors and a senior unsecured amortizing note of the Issuer and guaranteed by the applicable Guarantors.

"**Depositary**" means the depositary of each Global Note, which shall initially be DTC.

"**Designation Amount**" has the meaning ascribed to it in the definition of "Unrestricted Subsidiary."

"**Disqualified Stock**" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, (a) matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, in whole or in part, on or prior to the final maturity date of the Notes or (b) is convertible into or exchangeable or exercisable for (whether at the option of the issuer or the holder thereof) (i) debt securities or (ii) any Capital Stock referred to in (a) above, in each case, at any time prior to the final maturity date of the Notes; *provided*, *however*, that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof (or the holders of any security into or for which such Capital Stock is convertible, exchangeable or exercisable) the right to require the Company to repurchase or redeem such Capital Stock upon the occurrence of a change in control or asset disposition occurring prior to the final maturity date of the Notes shall not constitute Disqualified Stock if the change in control or asset disposition provision applicable to such Capital Stock are no more favorable to such holders than the provisions of Section 4.10 or Section 4.12 hereof (as applicable) and such Capital Stock specifically provides that the Company will not repurchase or redeem any such Capital Stock pursuant to such provisions prior to the Company's repurchase of the Notes as are required pursuant to the provisions of Section 4.10 or Section 4.12 hereof (as applicable).

"**DTC**" means The Depository Trust Company, a New York corporation.

"**DTC Legend**" means the legend set forth in Exhibit D.

"**Equity Offering**" means any public or private sale, after the Issue Date, of Qualified Stock of the Company, other than (i) an Excluded Contribution, (ii) public offerings registered on Form S-4 or S-8 or any successor form thereto or (iii) any issuance pursuant to employee benefit plans or otherwise in compensation to officers, directors or employees.

"**Euroclear**" means Euroclear Bank S.A./N.V. and its successors or assigns, as operator of the Euroclear System.

"**Event of Default**" has the meaning ascribed to it in Section 5.01 hereof.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

"**Excluded Contribution**" means cash or Cash Equivalents received by the Company as capital contributions to its equity (other than through the issuance of Disqualified Stock) or from the issuance or sale (other than to a Subsidiary) of Qualified Stock of the Company, in each case, after January 31, 2008 (*provided* that, on the Effective Date, the amount of Excluded Contributions under this Indenture shall be the amount of Excluded Contributions calculated pursuant to the definition of "Excluded Contributions" in the Existing Senior Secured Notes Indenture; *provided*, *further*, that subsequent reductions in such usage (or deemed usage) pursuant to the terms of such indenture shall be given effect as well) and to the extent designated as an Excluded Contribution pursuant to an Officers' Certificate of the Company.

"**Excluded Fee Payments**" means cash or Cash Equivalents received as payment of management fees received by any member of the Secured Group on or after November 1, 2011 pursuant to management agreements existing on November 1, 2011 with respect to joint ventures.

"**Excluded Property**" means (a) any pledges of stock of a Guarantor to the extent that Rule 3-16 of Regulation S-X under the Securities Act requires or would require (or is replaced with another rule or regulation, or any other law, rule or regulation is adopted, that would require) the filing with the Commission of separate financial statements of such Guarantor that are not otherwise required to be filed, but only to the extent necessary to not be subject to such requirement, (b) up to $10.0 million of assets received in connection with Asset Dispositions and asset swaps or exchanges as permitted by clause (c) of the definition of "Permitted Investment," (c) real property subject to a Lien securing Indebtedness incurred for the purpose of financing the acquisition thereof, (d) real property located outside the United States, (e) Unentitled Land, (f) real property that is leased or held for the purpose of leasing to unaffiliated third parties, (g) equity interests in Unrestricted Subsidiaries, including JV Holding Companies and (h) assets, with respect to which any applicable law or contract prohibits the creation or perfection of security interests therein.

"**Existing First Lien Old Group Notes**" means the Issuer's 7.25% Senior Secured First Lien Notes due 2020.

"**Existing First Lien Old Group Notes Collateral Agent**" means the Existing First Lien Old Group Notes Trustee acting as the collateral agent for the holders of the Existing First Lien Old Group Notes under the Existing First Lien Old Group Notes Indenture and the security documents related thereto and any successor acting in such capacity.

"**Existing First Lien Old Group Notes Guarantees**" means the guarantee of the Existing First Lien Old Group Notes by each guarantor under the Existing First Lien Old Group Notes Indenture.

"**Existing First Lien Old Group Notes Indenture**" means the indenture, dated as of October 2, 2012, by and among the Issuer, the Company, each of the guarantors party thereto, the Existing First Lien Old Group Notes Trustee and the Existing First Lien Old Group Notes Collateral Agent, as amended or supplemented as of the date hereof and as further amended or supplemented from time to time hereafter, under which the Existing First Lien Old Group Notes were issued.

"**Existing First Lien Old Group Notes Trustee**" means Wilmington Trust, National Association acting as the trustee for the holders of the Existing First Lien Old Group Notes under the Existing First Lien Old Group Notes Indenture and any successor acting in such capacity.

"**Existing Second Lien Old Group Notes**" means the Issuer's 9.125% Senior Secured Second Lien Notes due 2020.

"**Existing Second Lien Old Group Notes Collateral Agent**" means the Existing Second Lien Old Group Notes Trustee acting as the collateral agent for the holders of the Existing Second Lien Old Group Notes under the Existing Second Lien Old Group Notes Indenture and the security documents related thereto and any successor acting in such capacity.

"**Existing Second Lien Old Group Notes Guarantees**" means the guarantee of the Existing Second Lien Old Group Notes by each guarantor under the Existing Second Lien Old Group Notes Indenture.

"**Existing Second Lien Old Group Notes Indenture**" means the indenture, dated as of October 2, 2012, by and among the Issuer, the Company, each of the guarantors party thereto, the Existing Second Lien Old Group Notes Trustee and the Existing Second Lien Old Group Notes Collateral Agent, as amended or supplemented as of the date hereof and as further amended or supplemented from time to time hereafter, under which the Existing Second Lien Old Group Notes were issued.

"**Existing Second Lien Old Group Notes Trustee**" means Wilmington Trust, National Association acting as the trustee for the holders of the Existing Second Lien Old Group Notes under the Existing Second Lien Old Group Notes Indenture and any successor acting in such capacity.

"**Existing Senior Secured Notes**" means the Issuer's 2.00% Senior Secured Notes due 2021 and 5.00% Senior Secured Notes due 2021.

"**Existing Senior Secured Notes Collateral Agent**" means the Existing Senior Secured Notes Trustee acting as the collateral agent for the holders of the Existing Senior Secured Notes under the Existing Senior Secured Notes Indenture and the security documents related thereto and any successor acting in such capacity.

"**Existing Senior Secured Notes Indenture**" means the indenture dated as of November 1, 2011 among the Issuer, the Company, the other guarantors party thereto and the Existing Senior Secured Notes Trustee and the Existing Senior Secured Notes Collateral Agent, as amended or supplemented as of the date hereof and as further amended or supplemented from time to time hereafter, under which the Existing Senior Secured Notes were issued.

"**Existing Senior Secured Notes Trustee**" means Wilmington Trust, National Association acting as the trustee for the holders of the Existing Senior Secured Notes under the Existing Senior Secured Notes Indenture and any successor acting in such capacity.

"**Existing Unsecured Notes**" means the 7.000% Notes and the 8.000% Notes.

"**expiration date**" has the meaning ascribed to it in Section 3.05(b) hereof.

"**Fair Market Value**" means, with respect to any asset, the price (after taking into account any liabilities relating to such assets) that would be negotiated in an arm's-length transaction for cash between a willing seller and a willing and able buyer, neither of which is under any compulsion to complete the transaction, as such price is determined in good faith by the Board of Directors of the Company or a duly authorized committee thereof, as evidenced by a resolution of such Board or committee.

"**First-Priority Lien Obligations**" means all Indebtedness secured pursuant to clause (a) of the definition of "Permitted Collateral Liens", and all Obligations in respect thereof.

"**First-Priority Liens**" means all Liens that secure the First-Priority Lien Obligations.

"**GAAP**" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession of the United States, as in effect on the November 1, 2011.

"**Global Note**" means a Note in registered, global form without interest coupons.

"**Guarantee**" means the guarantee of the Notes by each Guarantor under this Indenture.

"**guarantee**" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person: (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (b) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof, in whole or in part; *provided*, that the term "**guarantee**" does not include endorsements for collection or deposit in the ordinary course of business. The term "**guarantee**" used as a verb has a corresponding meaning.

"**Guarantors**" means (a) initially, the Company and each of the other Guarantors signatory hereto as set forth on Schedule A hereto, which includes each of the Company's Restricted Subsidiaries in existence on the Issue Date, other than the Issuer and (b) each of the Company's Subsidiaries that becomes a Guarantor of the Notes pursuant to the provisions of this Indenture, and their successors, in each case until released from its respective Guarantee pursuant to this Indenture.

"**Holder**" or "**Holder of Notes**" means the Person in whose name a Note is registered in the books of the Registrar for the Notes.

"**incurrence**" has the meaning ascribed to it in Section 4.06(a) hereof.

"**Indebtedness**" of any Person means, without duplication,

(a) any liability of such Person for borrowed money or under any reimbursement obligation relating to a letter of credit or other similar instruments (other than standby letters of credit or similar instruments issued for the benefit of, or surety, performance, completion or payment bonds, earnest money notes or similar purpose undertakings or indemnifications issued by, such Person in the ordinary course of business), evidenced by a bond, note, debenture or similar instrument (including a purchase money obligation) given in connection with the acquisition of any businesses, properties or assets of any kind or with services incurred in connection with capital expenditures (other than any obligation to pay a contingent purchase price which, as of the date of incurrence thereof, is not required to be recorded as a liability in accordance with GAAP), or in respect of Capitalized Lease Obligations (to the extent of the Attributable Debt in respect thereof),

(b) any Indebtedness of others that such Person has guaranteed to the extent of the guarantee; *provided*, *however*, that Indebtedness of the Company and its Restricted Subsidiaries will not include the obligations of the Company or a Restricted Subsidiary under warehouse lines of credit of Mortgage Subsidiaries to repurchase mortgages at prices no greater than 98% of the principal amount thereof, and upon any such purchase the excess, if any, of the purchase price thereof over the Fair Market Value of the mortgages acquired, will constitute Restricted Payments subject to Section 4.07 hereof,

(c) to the extent not otherwise included, the obligations of such Person under Currency Agreements or Interest Protection Agreements to the extent recorded as liabilities not constituting Interest Incurred, net of amounts recorded as assets in respect of such agreements, in accordance with GAAP, and

(d) all Indebtedness of others secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person;

provided, that Indebtedness shall not include accounts payable, liabilities to trade creditors of such Person or other accrued expenses arising in the ordinary course of business. The amount of Indebtedness of any Person at any date shall be (i) the outstanding balance at such date of all unconditional obligations as described above, net of any unamortized discount to be accounted for as Interest Expense, in accordance with GAAP, (ii) the maximum liability of such Person for any contingent obligations under clause (a) of this definition at such date, net of an unamortized discount to be accounted for as Interest Expense in accordance with GAAP, and (iii) in the case of clause (d) of this definition, the lesser of (x) the fair market value of any asset subject to a Lien securing the Indebtedness of others on the date that the Lien attaches and (y) the amount of the Indebtedness secured.

"**Indenture**" means this indenture, as amended or supplemented from time to time.

"**Initial Notes**" means the Notes of the Issuer issued under this Indenture on the Issue Date and any Notes issued in replacement thereof.

"**Institutional Accredited Investor Certificate**" means a certificate substantially in the form of Exhibit H hereto.

"**Interest Expense**" of any Person for any period means, without duplication, the aggregate amount of (a) interest which, in conformity with GAAP, would be set opposite the caption "interest expense" or any like caption on an income statement for such Person (including, without limitation, imputed interest included in Capitalized Lease Obligations, all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing, the net costs (but reduced by net gains) associated with Currency Agreements and Interest Protection Agreements, amortization of other financing fees and expenses, the interest portion of any deferred payment obligation, amortization of discount or premium, if any, and all other noncash interest expense (other than interest and other charges amortized to cost of sales)), and (b) all interest actually paid by the Company or a Restricted Subsidiary under any guarantee of Indebtedness (including, without limitation, a guarantee of principal, interest or any combination thereof) of any Person other than the Company, the Issuer or any Restricted Subsidiary during such period; *provided*, that Interest Expense shall exclude any expense associated with the complete write-off of financing fees and expenses in connection with the repayment of any Indebtedness.

"**Interest Incurred**" of any Person for any period means, without duplication, the aggregate amount of (a) Interest Expense and (b) all capitalized interest and amortized debt issuance costs.

"**Interest Payment Date**" means each August 15 and February 15 of each year, commencing February 15, 2017.

"**Interest Protection Agreement**" of any Person means any interest rate swap agreement, interest rate collar agreement, option or futures contract or other similar agreement or arrangement designed to protect such Person or any of its Subsidiaries against fluctuations in interest rates with respect to Indebtedness permitted to be incurred under this Indenture.

"**Investment Grade**" means, with respect to a debt rating of the Notes, a rating of Baa3 (or the equivalent) or higher by Moody's together with a rating of BBB- (or the equivalent) or higher by S&P or, in the event S&P or Moody's or both shall cease rating the Notes (for reasons outside the control of the Company or the Issuer) and the Company shall select any other Rating Agency, the equivalent of such ratings by such other Rating Agency.

"**Investments**" of any Person means (a) all investments by such Person in any other Person in the form of loans, advances or capital contributions, (b) all guarantees of Indebtedness or other obligations of any other Person by such Person, (c) all purchases (or other acquisitions for consideration) by such Person of Indebtedness, Capital Stock or other securities of any other Person and (d) all other items that would be classified as investments in any other Person (including, without limitation, purchases of assets outside the ordinary course of business) on a balance sheet of such Person prepared in accordance with GAAP.

"**Issue Date**" means September 8, 2016.

"**Issuer**" has the meaning ascribed to it in the preamble hereof and shall also refer to any successor obligor under this Indenture.

"**January 2017 Notes**" means the Issuer's 8.625% Senior Notes due 2017.

"**Joint First Lien Collateral Agent**" means the Existing Senior Secured Notes Collateral Agent, in its capacity as collateral agent for the Existing Senior Secured Notes and the Notes pursuant to the appointment under the Collateral Agency Agreement or any successor acting in such capacity.

"**JV Holding Company**" means a Subsidiary of JV Holdings, the only material asset of which constitutes Capital Stock of one or more joint ventures owned on the Effective Date or Permitted Joint Ventures in existence on the Effective Date or acquired or formed after the Effective Date; *provided* that none of JV Holdings, K. Hovnanian JV Services Company, L.L.C., K. Hovnanian HovWest Holdings L.L.C. and HovWest Land Acquisition LLC shall be deemed JV Holding Companies.

"**JV Holdings**" means K. Hovnanian JV Holdings, L.L.C.

"**Legal Defeasance**" has the meaning ascribed to it in Section 8.01 hereof.

"**Lien**" means, with respect to any Property, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such Property. For purposes of this definition, a Person shall be deemed to own, subject to a Lien, any Property which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such Property.

"**Make-Whole Amount**" has the meaning ascribed to it in Section 3.01 hereof.

"**Marketable Securities**" means (a) equity securities that are listed on the New York Stock Exchange, the NYSE MKT or The Nasdaq Stock Market and (b) debt securities that are rated by a nationally recognized rating agency, listed on the New York Stock Exchange or the NYSE MKT or covered by at least two reputable market makers.

"**Moody's**" means Moody's Investors Service, Inc. or any successor to its debt rating business.

"**Mortgage Subsidiary**" means any Subsidiary of the Company substantially all of whose operations consist of the mortgage lending business.

"**Net Cash Proceeds**" means with respect to an Asset Disposition, payments received in cash (including any such payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise (including any cash received upon sale or disposition of such note or receivable), but only as and when received), excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to the Property disposed of in such Asset Disposition or received in any other non-cash form unless and until such non-cash consideration is converted into cash therefrom, in each case, net of all legal, title and recording tax expenses, commissions and other fees and expenses incurred, and all federal, state and local taxes required to be accrued as a liability under GAAP as a consequence of such Asset Disposition, and in each case net of a reasonable reserve for the after-tax cost of any indemnification or other payments (fixed and contingent) attributable to the seller's indemnities or other obligations to the purchaser undertaken by the Company, the Issuer or any of its Restricted Subsidiaries in connection with such Asset Disposition, and net of all payments made on any Indebtedness which is secured by or relates to such Property (other than Indebtedness secured by Liens on the Collateral) in accordance with the terms of any Lien or agreement upon or with respect to such Property or which such Indebtedness must by its terms or by applicable law be repaid out of the proceeds from such Asset Disposition, and net of all contractually required distributions and payments made to minority interest holders in Restricted Subsidiaries or joint ventures as a result of such Asset Disposition.

"**New Second Lien Old Group Notes**" means the Issuer's 10.000% Senior Secured Second Lien Notes due October 15, 2018.

"**New Second Lien Old Group Notes Collateral Agent**" means the New Second Lien Old Group Notes Trustee acting as the collateral agent for the holders of the New Second Lien Old Group Notes under the New Second Lien Old Group Notes Indenture and the security documents related thereto and any successor acting in such capacity.

"**New Second Lien Old Group Notes Guarantees**" means the guarantee of the New Second Lien Old Group Notes by each guarantor under the New Second Lien Old Group Notes Indenture.

"**New Second Lien Old Group Notes Indenture**" means the indenture, dated as of September 8, 2016, by and among the Issuer, the Company, each of the guarantors party thereto, the New Second Lien Old Group Notes Trustee and the New Second Lien Old Group Notes Collateral Agent, as amended or supplemented as of the date hereof and as further amended or supplemented from time to time hereafter, under which the New Second Lien Old Group Notes are issued.

"**New Second Lien Old Group Notes Trustee**" means Wilmington Trust, National Association acting as the trustee for the holders of the New Second Lien Old Group Notes under the New Second Lien Old Group Notes Indenture and any successor acting in such capacity.

"**Non-Recourse Indebtedness**" with respect to any Person means Indebtedness of such Person for which (a) the sole legal recourse for collection of principal and interest on such Indebtedness is against the specific property identified in the instruments evidencing or securing such Indebtedness and such property was acquired with the proceeds of such Indebtedness or such Indebtedness was incurred within 90 days after the acquisition of such property and (b) no other assets of such Person may be realized upon in collection of principal or interest on such Indebtedness. Indebtedness which is otherwise Non-Recourse Indebtedness will not lose its character as Non-Recourse Indebtedness because there is recourse to the borrower, any guarantor or any other Person for (i) environmental warranties and indemnities, or (ii) indemnities for and liabilities arising from fraud, misrepresentation, misapplication or non-payment of rents, profits, insurance and condemnation proceeds and other sums actually received by the borrower from secured assets to be paid to the lender, waste and mechanics' liens.

"**Non-U.S. Person**" means a Person that is not a "U.S. person," as such term is defined in Regulation S.

"**Notes**" has the meaning ascribed to it in the Recitals hereof.

"**Obligations**" means with respect to any Indebtedness, all obligations (whether in existence on the Effective Date or arising afterwards, absolute or contingent, direct or indirect) for or in respect of principal (when due, upon acceleration, upon redemption, upon mandatory repayment or repurchase pursuant to a mandatory offer to purchase, or otherwise), premium, interest, penalties, fees, indemnification, reimbursement and other amounts payable and liabilities with respect to such Indebtedness, including all interest accrued or accruing after the commencement of any bankruptcy, insolvency or reorganization or similar case or proceeding at the contract rate (including, without limitation, any contract rate applicable upon default) specified in the relevant documentation, whether or not the claim for such interest is allowed as a claim in such case or proceeding.

"**offer**" has the meaning ascribed to it in Section 3.05(a) hereof.

"**Offer to Purchase**" has the meaning ascribed to it in Section 3.05(a) hereof.

"**Officer**," when used with respect to the Issuer or the Company, means the chairman of the Board of Directors, the president or chief executive officer, any vice president, the chief financial officer, the treasurer, any assistant treasurer, the controller, any assistant controller, the secretary or any assistant secretary of the Issuer or the Company, as the case may be.

"**Officers' Certificate**," when used with respect to the Issuer or the Company, means a certificate signed by the chairman of the Board of Directors, the president or chief executive officer, or any vice president and by the chief financial officer, the treasurer, any assistant treasurer, the controller, any assistant controller, the secretary or any assistant secretary of the Issuer or the Company, as the case may be.

"**Opinion of Counsel**" means a written opinion signed by legal counsel of the Issuer or the Company, who may be an employee of, or counsel to, the Issuer or the Company, and who shall be reasonably satisfactory to the Trustee.

"**Paying Agent**" refers to a Person engaged to perform the obligations of the Trustee in respect of payments made or funds held hereunder in respect of the Notes.

"**Permanent Regulation S Global Note**" means a Regulation S Global Note that does not bear the Regulation S Temporary Global Note Legend.

"**Permitted Collateral Liens**" means Liens on the Collateral

(a) securing (i) the Notes (other than Additional Notes), the Guarantees thereof and other Obligations under this Indenture and the Security Documents and in respect thereof and any obligations owing to the Trustee or the Collateral Agent under this Indenture or the Security Documents, (ii) the Existing Senior Secured Notes issued on November 1, 2011, the guarantees thereof and other Obligations under the Existing Senior Secured Notes Indenture and the Security Documents (as defined in the Existing Senior Secured Notes Indenture) and in respect thereof and any obligation owing to the Existing Senior Secured Notes Trustee or the Existing Senior Secured Notes Collateral Agent and (iii) any Refinancing Indebtedness in respect of clauses (i) and (ii) hereof, and Obligations in respect of clauses (i) and (ii) hereof;

(b) of a type described in clauses (a), (b), (c), (e), (f), (g), (j), (k), (m), (n), (o), (p), (r), (u), (v), (w) or (x) of the definition of "Permitted Liens"; and

(c) of a type described in clauses (d), (q) or (t) of the definition of "Permitted Liens", *provided* that such Liens and the related obligations are for the benefit of the Secured Group.

"**Permitted Hovnanian Holders**" means, collectively, Ara K. Hovnanian, the members of his immediate family and the members of the immediate family of the late Kevork S. Hovnanian, the respective estates, spouses, heirs, ancestors, lineal descendants, legatees and legal representatives of any of the foregoing and the trustee of any *bona fide* trust of which one or more of the foregoing are the sole beneficiaries or the grantors thereof, or any entity of which any of the foregoing, individually or collectively, beneficially own more than 50% of the Common Equity.

"**Permitted Indebtedness**" means

(a) Indebtedness under Credit Facilities in an aggregate amount incurred under this clause (a) that, together with the principal amount then outstanding of Existing First Lien Old Group Notes, Existing Second Lien Old Group Notes, New Second Lien Old Group Notes, the Senior Secured Super Priority Term Loan, the December 2017 Notes, the Existing Unsecured Notes and the Revolving Credit Facility (and any Refinancing Indebtedness in respect thereof), does not exceed $1,500.0 million principal amount outstanding at any one time; *provided* that no member of the Secured Group incurs, or guarantees, such Indebtedness; *provided, further,* that all Indebtedness incurred under this clause (a) (other than (i) intercompany debt obligations of the Company, the Issuer or a Restricted Subsidiary, together with any amounts outstanding under subclause (2) of clause (k) of this definition of "Permitted Indebtedness," not to exceed $20.0 million in aggregate principal amount outstanding at any one time and (ii) Indebtedness outstanding on the Effective Date and incurred under this clause (a)) shall be scheduled to mature no earlier than January 15, 2021;

(b) Indebtedness under the Notes and Guarantees thereof, other than Additional Notes;

(c) Indebtedness under the Existing Senior Secured Notes and guarantees thereof, other than Additional Notes (as defined in the Existing Senior Secured Notes Indenture);

(d) Indebtedness in respect of obligations of the Company and its Subsidiaries to the trustees under indentures for debt securities;

(e) intercompany debt obligations of (i) the Company to the Issuer, (ii) the Issuer to the Company, (iii) the Company or the Issuer to any Restricted Subsidiary other than a member of the Secured Group and (iv) any Restricted Subsidiary to the Company or the Issuer or any other Restricted Subsidiary (other than intercompany debt obligations owed by a Restricted Subsidiary that is not a member of the Secured Group to any member of the Secured Group); *provided*, *however*, that any Indebtedness of any Restricted Subsidiary or the Issuer or the Company owed to any Restricted Subsidiary or the Issuer that ceases to be a Restricted Subsidiary shall be deemed to be incurred and shall be treated as an incurrence for purposes of Section 4.06 hereof at the time the Restricted Subsidiary in question ceases to be a Restricted Subsidiary;

(f) Indebtedness of the Company or the Issuer or any Restricted Subsidiary under any Currency Agreements or Interest Protection Agreements in a notional amount no greater than the payments due (at the time the related Currency Agreement or Interest Protection Agreement is entered into) with respect to the Indebtedness or currency being hedged;

(g) Purchase Money Indebtedness and Capitalized Lease Obligations entered into in the ordinary course of business in an aggregate principal amount at any one time outstanding not to exceed $25.0 million;

(h) obligations for, pledge of assets in respect of, and guaranties of, bond financings of political subdivisions or enterprises thereof in the ordinary course of business;

(i) Indebtedness entered into in the ordinary course of business secured only by office buildings owned or occupied by the Company or any Restricted Subsidiary, which Indebtedness does not exceed $10.0 million aggregate principal amount outstanding at any one time;

(j) Indebtedness under warehouse lines of credit, repurchase agreements and Indebtedness secured by mortgage loans and related assets of mortgage lending Subsidiaries in the ordinary course of a mortgage lending business;

(k) Indebtedness, which, together with all other Indebtedness under this clause (k), does not exceed an aggregate principal amount of $75.0 million at any one time outstanding, *provided* that to the extent such Indebtedness is incurred or guaranteed by one or more members of the Secured Group, (i) such Indebtedness incurred or guaranteed is unsecured and (ii) on a *pro forma* basis, after giving effect to the incurrence of such Indebtedness, the Secured Group Collateral Ratio is not less than 100%, *provided*, *further*, that any Indebtedness incurred under this clause (k) (other than (1) Indebtedness outstanding on the Effective Date and incurred under this clause (k), (2) Indebtedness not to exceed, together with any amounts outstanding under subclause (i) of clause (a) of this definition of "Permitted Indebtedness," $20.0 million in aggregate principal amount outstanding at any one time and (3) Purchase Money Indebtedness not to exceed, together with any amounts outstanding under clause (2) above, $25.0 million in aggregate principal amount outstanding at any one time) shall be scheduled to mature no earlier than (x) January 15, 2021, to the extent that no member of the Secured Group incurs or guarantees such Indebtedness or (y) February 15, 2021, if otherwise; and

(l) Indebtedness under the January 2017 Notes outstanding on the Effective Date.

"**Permitted Investment**" means

(a) Cash Equivalents;

(b) any Investment in the Company, the Issuer or any Restricted Subsidiary or any Person that becomes a Restricted Subsidiary as a result of such Investment or that is consolidated or merged with or into, or transfers all or substantially all of the assets of it or an operating unit or line of business to, the Company or a Restricted Subsidiary, other than any Investment by any member of the Secured Group in the Company, the Issuer or any Restricted Subsidiary that is not a member of the Secured Group;

(c) any receivables, loans or other consideration taken by the Company, the Issuer or any Restricted Subsidiary in connection with any asset sale otherwise permitted by this Indenture; *provided* that, to the extent the assets subject to an Asset Disposition or exchange or swap of assets constituted Collateral, any non-cash consideration received in such Asset Disposition or such exchange or swap of assets shall be (a) Replacement Assets owned by a member of the Secured Group and (b) pledged as Collateral under the Security Documents, with the Lien on such Collateral securing the Guarantees being of the same priority with respect to the Guarantees as the Lien on the assets disposed of; *provided further* that notwithstanding the foregoing clause, up to an aggregate of $10.0 million of (x) non-cash consideration and consideration received as referred to in Section 4.10(b)(ii), (y) assets invested in pursuant to Section 4.10(c) and (z) assets received pursuant to clause (d) under the definition of "Asset Disposition" may be designated by the Company or the Issuer as Excluded Property not required to be pledged as Collateral, so long as the Collateral Ratio is at least 100% after giving effect thereto to the extent the documentation, instruments or agreements governing such non-cash consideration or assets, as applicable, prohibit such a pledge as Collateral;

(d) Investments received in connection with any bankruptcy or reorganization proceeding, or as a result of foreclosure, perfection or enforcement of any Lien or any judgment or settlement of any Person in exchange for or satisfaction of Indebtedness or other obligations or other property received from such Person, or for other liabilities or obligations of such Person created, in accordance with the terms of this Indenture;

(e) Investments in Currency Agreements or Interest Protection Agreements described in the definition of "Permitted Indebtedness";

(f) any loan or advance to an executive officer, director or employee of the Company or any Restricted Subsidiary made in the ordinary course of business or in accordance with past practice; *provided*, *however*, that any such loan or advance exceeding $1.0 million shall have been approved by the Board of Directors of the Company or a committee thereof consisting of disinterested members;

(g) Investments in interests in issuances of collateralized mortgage obligations, mortgages, mortgage loan servicing, or other mortgage related assets;

(h) obligations of the Company or a Restricted Subsidiary under warehouse lines of credit of Mortgage Subsidiaries to repurchase mortgages;

(i) Investments in an aggregate amount outstanding not to exceed $10.0 million; and

(j) any Investment arising from the incurrence of Indebtedness by any member of the Secured Group (i) in respect of the Notes and the Existing Senior Secured Notes and (ii) that constitutes Indebtedness permitted to be incurred under Section 4.06 (including a Guarantee by any such member of such Indebtedness), which Indebtedness may be Refinancing Indebtedness of the Company, the Issuer or any other Restricted Subsidiary, and, in each case, the related repayment of the Indebtedness of the Company, the Issuer or such other Restricted Subsidiary, *provided* that (x) any such Indebtedness incurred by members of the Secured Group is unsecured and permitted under Section 4.06 and (y) this clause (j) shall not permit any Guarantee of any other Indebtedness of the Company or any Restricted Subsidiary by any member of the Secured Group.

"**Permitted Joint Venture**" means any joint venture between any member of the Secured Group and any other person that is not an affiliate of the Company; *provided* that (i) such joint venture is solely engaged in the business of the development, construction and sale of homes and has no assets, liabilities or operations other than those reasonably related to such business, (ii) such Person owns no Capital Stock or other equity interests in, or Indebtedness of, the Company or any of its Restricted Subsidiaries and makes no Investments in the Company or any of its Restricted Subsidiaries and (iii) any management services agreement with such Permitted Joint Venture is entered into by a member of the Secured Group and not with the Company or any of its other Restricted Subsidiaries; *provided* that HovWest Land Acquisition LLC shall not be deemed a Permitted Joint Venture.

"**Permitted Liens**" means

(a) Liens for taxes, assessments or governmental or quasi- governmental charges or claims that (i) are not yet delinquent, (ii) are being contested in good faith by appropriate proceedings and as to which appropriate reserves have been established or other provisions have been made in accordance with GAAP, if required, or (iii) encumber solely property abandoned or in the process of being abandoned,

(b) statutory Liens of landlords and carriers', warehousemen's, mechanics', suppliers', materialmen's, repairmen's or other Liens imposed by law and arising in the ordinary course of business and with respect to amounts that, to the extent applicable, either (i) are not yet delinquent or (ii) are being contested in good faith by appropriate proceedings and as to which appropriate reserves have been established or other provisions have been made in accordance with GAAP, if required,

(c) Liens (other than any Lien imposed by the Employer Retirement Income Security Act of 1974, as amended) incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security,

(d) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory obligations, surety and appeal bonds, development obligations, progress payments, government contacts, utility services, developer's or other obligations to make on-site or off-site improvements and other obligations of like nature (exclusive of obligations for the payment of borrowed money but including the items referred to in the parenthetical in clause (a)(i) of the definition of "Indebtedness"), in each case incurred in the ordinary course of business of the Company, the Issuer and the Restricted Subsidiaries,

(e) attachment or judgment Liens not giving rise to a Default or an Event of Default,

(f) easements, dedications, assessment district or similar Liens in connection with municipal or special district financing, rights-of-way, restrictions, reservations and other similar charges, burdens, and other similar charges or encumbrances not materially interfering with the ordinary course of business of the Company, the Issuer and the Restricted Subsidiaries,

(g) zoning restrictions, licenses, restrictions on the use of real property or minor irregularities in title thereto, which do not materially impair the use of such real property in the ordinary course of business of the Company, the Issuer and the Restricted Subsidiaries,

(h) Liens securing Indebtedness incurred pursuant to clause (i) or (j) of the definition of "Permitted Indebtedness",

(i) Liens securing Indebtedness and other Obligations incurred pursuant to clauses (a) or (k) of the definition of "Permitted Indebtedness" (including Refinancing Indebtedness in respect thereof incurred pursuant to such clauses),

(j) Liens securing Non-Recourse Indebtedness of the Company, the Issuer or any Restricted Subsidiary; *provided* that such Liens apply only to (i) the property financed out of the net proceeds of such Non-Recourse Indebtedness within 90 days after the incurrence of such Non-Recourse Indebtedness, or (ii) licenses, permits, authorizations, consent forms or contracts related to the acquisition, development, use or improvement of such property,

(k) Liens securing Purchase Money Indebtedness; *provided* that such Liens apply only to (i) the property acquired, constructed or improved with the proceeds of such Purchase Money Indebtedness within 90 days after the incurrence of such Purchase Money Indebtedness, or (ii) licenses, permits, authorizations, consent forms or contracts related to the acquisition, development, use or improvement of such property,

(l) Liens on property or assets of the Company, the Issuer or any Restricted Subsidiary securing Indebtedness of the Company, the Issuer or any Restricted Subsidiary owing to the Company, the Issuer or one or more Restricted Subsidiaries,

(m) leases or subleases granted to others not materially interfering with the ordinary course of business of the Company and the Restricted Subsidiaries,

(n) purchase money security interests (including, without limitation, Capitalized Lease Obligations); *provided* that such Liens apply only to the Property acquired and the related Indebtedness is incurred within 90 days after the acquisition of such Property,

(o) any right of first refusal, right of first offer, option, contract or other agreement to sell an asset; *provided* that such sale is not otherwise prohibited under this Indenture,

(p) any right of a lender or lenders to which the Company, the Issuer or a Restricted Subsidiary may be indebted to offset against, or appropriate and apply to the payment of such, Indebtedness any and all balances, credits, deposits, accounts or money of the Company, the Issuer or a Restricted Subsidiary with or held by such lender or lenders or its Affiliates,

(q) any pledge or deposit of cash or property in conjunction with obtaining surety, performance, completion or payment bonds and letters of credit or other similar instruments or providing earnest money obligations, escrows or similar purpose undertakings or indemnifications in the ordinary course of business of the Company, the Issuer and the Restricted Subsidiaries,

(r) Liens for homeowner and property owner association developments and assessments,

(s) Liens securing Refinancing Indebtedness; *provided*, that such Liens extend only to the assets securing the Indebtedness being refinanced and have the same or junior priority as the initial Liens; *provided further* that no Liens may be incurred under this clause (s) in respect of Refinancing Indebtedness incurred to refinance Indebtedness that is secured by Liens incurred under clause (i) of this definition,

(t) Liens incurred in the ordinary course of business as security for the obligations of the Company, the Issuer and the Restricted Subsidiaries with respect to indemnification in respect of title insurance providers,

(u) Liens on property of a Person existing at the time such Person is merged with or into or consolidated with the Company or any Subsidiary of the Company or becomes a Subsidiary of the Company; *provided* that such Liens were in existence prior to the contemplation of such merger or consolidation or acquisition and do not extend to any assets other than those of the Person merged into or consolidated with the Company or the Subsidiary or acquired by the Company or its Subsidiaries,

(v) Liens on property existing at the time of acquisition thereof by the Company or any Subsidiary of the Company, *provided* that such Liens were in existence prior to the contemplation of such acquisition,

(w) Liens existing on the issue date of the Existing Senior Secured Notes (other than Liens securing Applicable Debt) and any extensions, renewals or replacements thereof, and

(x) Liens on specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods.

"**Person**" means any individual, corporation, partnership, limited liability company, joint venture, incorporated or unincorporated association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"**Pledge Agreement**" means the Amended and Restated First Lien Pledge Agreement dated as of September 8, 2016 among the Issuer, the members of the Secured Group and the Joint First Lien Collateral Agent as amended, amended and restated, supplemented (including by a joinder thereto) or otherwise modified from time to time.

"**Preferred Stock**" of any Person means all Capital Stock of such Person which has a preference in liquidation or with respect to the payment of dividends.

"**Property**" of any Person means all types of real, personal, tangible, intangible or mixed property owned by such Person, whether or not included in the most recent consolidated balance sheet of such Person and its Subsidiaries under GAAP.

"**purchase amount**" has the meaning ascribed to it in Section 3.05(b) hereof.

"**purchase date**" has the meaning ascribed to it in Section 3.05(b) hereof.

"**Purchase Money Indebtedness**" means Indebtedness of the Company, the Issuer or any Restricted Subsidiary incurred for the purpose of financing all or any part of the purchase price, or the cost of construction or improvement, of any property to be used in the ordinary course of business by the Company, the Issuer and the Restricted Subsidiaries; *provided*, *however*, that (a) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost and (b) such Indebtedness shall be incurred no later than 90 days after the acquisition of such property or completion of such construction or improvement.

"**Qualified Stock**" means Capital Stock of the Company other than Disqualified Stock.

"**Rating Agency**" means a statistical rating agency or agencies, as the case may be, nationally recognized in the United States and selected by the Company (as certified by a resolution of the Board of Directors of the Company) which shall be substituted for S&P or Moody's, or both, as the case may be.

"**Real Estate Business**" means homebuilding, housing construction, real estate development or construction and the sale of homes and related real estate activities, including the provision of mortgage financing or title insurance.

"**Record Date**" for the interest payable on any Interest Payment Date means the August 1 or February 1 (whether or not a Business Day) immediately preceding such Interest Payment Date.

"**Refinancing Indebtedness**" means Indebtedness (to the extent not Permitted Indebtedness) that refunds, redeems, defeases, repurchases, exchanges, refinances or extends any Indebtedness of the Company, the Issuer or any Restricted Subsidiary (to the extent not Permitted Indebtedness described under clauses (a) and (d) through (l) of the definition thereof) outstanding on the Effective Date or other Indebtedness (to the extent not Permitted Indebtedness) permitted to be incurred by the Company, the Issuer or any Restricted Subsidiary pursuant to the terms of this Indenture after the Effective Date, but only to the extent that:

(a) the Refinancing Indebtedness is subordinated, if at all, to the Notes or the Guarantees, as the case may be, to the same extent as the Indebtedness being refunded, refinanced or extended,

(b) the Refinancing Indebtedness is scheduled to mature no earlier than (i) January 15, 2021 to the extent no member of the Secured Group incurs or guarantees such Refinancing Indebtedness or (ii) February 15, 2021, if otherwise,

(c) [Reserved],

(d) such Refinancing Indebtedness is in an aggregate principal amount (or accreted value, if applicable) that is equal to or less than the aggregate principal amount then outstanding under the Indebtedness being refunded, refinanced or extended, plus any accrued and unpaid interest on such Indebtedness (plus (i) fees and expenses and (ii) the amount of any defeasance costs and any premiums (including tender premiums), in each case incurred in connection with the refinancing thereof), and

(e) the Refinancing Indebtedness is not incurred or guaranteed by any member of the Secured Group unless the Indebtedness being refinanced was incurred or guaranteed by a member of the Secured Group;

provided, that for purposes of determining the principal amount outstanding under clause (a) of the definition of "Permitted Indebtedness" and clause (i) under the definition of "Permitted Liens", the principal amount of any Refinancing Indebtedness referred to in such clause shall be calculated excluding any principal amount that was incurred in respect of amounts set forth in the parenthetical in clause (d) of this definition and such principal amount shall nonetheless be permitted under such clause.

"**Register**" has the meaning ascribed to it in Section 2.09 hereof.

"**Registrar**" means a Person engaged to maintain the Register.

"**Regulation S**" means Regulation S under the Securities Act.

"**Regulation S Certificate**" means a certificate substantially in the form of Exhibit F hereto.

"**Regulation S Global Note**" means a Global Note representing Notes issued and sold pursuant to Regulation S.

"**Regulation S Temporary Global Note**" means a Regulation S Global Note that bears the Regulation S Temporary Global Note Legend.

"**Regulation S Temporary Global Note Legend**" means the legend set forth in Exhibit J.

"**Repurchase Date**" has the meaning ascribed to it in Section 4.12(a) hereof.

"**Resale Restriction Termination Date**" has the meaning ascribed to it in Section 2.13 hereof.

"**Responsible Officer**," when used with respect to the Trustee, means any officer in the corporate trust department of the Trustee with direct responsibility for the administration of the trust created by this Indenture.

"**Restricted Global Note**" has the meaning ascribed to it in Section 2.13 hereof.

"**Restricted Investment**" means any Investment other than a Permitted Investment.

"**Restricted Legend**" means the legend set forth in Exhibit C.

"**Restricted Payment**" means any of the following:

(a) the declaration or payment of any dividend or any other distribution on Capital Stock of the Company, the Issuer or any Restricted Subsidiary or any payment made to the direct or indirect holders (in their capacities as such) of Capital Stock of the Company, the Issuer or any Restricted Subsidiary (other than (i) dividends or distributions payable solely in Qualified Stock, (ii) in the case of the Issuer or Restricted Subsidiaries other than members of the Secured Group, dividends or distributions payable to the Company, the Issuer or a Restricted Subsidiary and (iii) in the case of members of the Secured Group, (A) dividends or distributions payable to any member of the Secured Group and (B) dividends or distributions to the Company, the Issuer or any other Restricted Subsidiary, which dividends or distributions are in an amount not in excess of, and are used to pay, interest on the Notes or the Existing Senior Secured Notes and are made as and when such interest payments are due);

(b) the purchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company, the Issuer or any Restricted Subsidiary (other than a payment made by (i) any person that is not a member of the Secured Group to the Company, the Issuer or any Restricted Subsidiary or (ii) any member of the Secured Group to any member of the Secured Group); and

(c) any Investment (other than any Permitted Investment), including any Investment in an Unrestricted Subsidiary (including by the designation of a Subsidiary of the Company as an Unrestricted Subsidiary) and any amounts paid in accordance with clause (b) of the definition of "Indebtedness".

"**Restricted Period**" means the relevant 40-day "distribution compliance period" as such term is defined in Regulation S, which, for each relevant Note, commences on the date such Note is issued.

"**Restricted Subsidiary**" means any Subsidiary of the Company which is not an Unrestricted Subsidiary.

"**Revolving Credit Facility**" means the revolving credit facility under the Credit Agreement, dated as of June 7, 2013, among the Issuer, the Company, the other guarantors party thereto, and the lender party thereto, as amended by the Credit Agreement First Amendment, dated as of June 11, 2013, the Credit Agreement Second Amendment, dated as of June 18, 2013, the Credit Agreement Third Amendment, dated as of June 27, 2013 and the Credit Agreement Fourth Amendment, dated as of July 10, 2013 and as further amended, restated, supplemented or otherwise modified from time to time hereafter, including any such amendment, restatement or other modification that increases the amount permitted to be borrowed thereunder or alters the maturity thereof (to the extent such increase in borrowings is permitted under Section 4.06 hereof) or adds the Company, the Issuer or Restricted Subsidiaries as additional borrowers or guarantors thereunder and whether by the same or any other agent, lender or group of lenders.

"**Rule 144A**" means Rule 144A under the Securities Act.

"**Rule 144A Certificate**" means a certificate substantially in the form of Exhibit G hereto.

"**Rule 144A Global Note**" means a Global Note that bears the Restricted Legend representing Notes issued, transferred or exchanged pursuant to Rule 144A.

"**S&P**" means Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc., a New York corporation, or any successor to its debt rating business.

"**Secured Group**" means JV Holdings and its Subsidiaries that are not Permitted Joint Ventures or JV Holding Companies. On the Effective Date, JV Holdings, K. Hovnanian at Eagle Heights, LLC, K. Hovnanian at Sunrise Trail, LLC, K. Hovnanian Building Company, LLC, K. Hovnanian Companies of Arizona, LLC, K. Hovnanian at Meridian Hills, LLC, K. Hovnanian JV Services Company, L.L.C., K. Hovnanian's Sonata at The Preserve, LLC, K. Hovnanian Homes at Parkside, LLC, K. Hovnanian Parkside Holdings, LLC, Homebuyers Financial USA, LLC, HovWest Land Acquisition, LLC, K. Hovnanian at Cedar Lane Estates, LLC, K. Hovnanian Homes of Delaware I, LLC, K. Hovnanian HovWest Holdings, L.L.C., K. Hovnanian Amber Glen, LLC, K. Hovnanian at Mystic Dunes, LLC, K. Hovnanian at The Highlands at Summerlake Grove, LLC, K. Hovnanian at Valletta, LLC, K. Hovnanian Cypress Creek, LLC, K. Hovnanian Homes of Florida I, LLC, K. Hovnanian Lake Parker, LLC, K. Hovnanian Montclaire Estates, LLC, K. Hovnanian Sereno, LLC, K. Hovnanian TerraLargo, LLC, Amber Ridge, LLC, K. Hovnanian at Amberley Woods, LLC, K. Hovnanian at Bradwell Estates, LLC, K. Hovnanian at Orchard Meadows, LLC, K. Hovnanian at Randall Highlands, LLC, K. Hovnanian at River Hills, LLC, K. Hovnanian at Silverwood Glen, LLC, K. HOVNANIAN AT TAMARACK SOUTH LLC, K. Hovnanian at Tanglewood Oaks, LLC, K. Hovnanian Homes of Maryland I, LLC, K. Hovnanian Homes of Maryland II, LLC, K. Hovnanian at Freehold Township II, L.L.C., K. Hovnanian at Manalapan IV, LLC, K. Hovnanian at Morris Twp II, LLC, K. Hovnanian TBD, LLC, K. Hovnanian's Four Seasons at Malind Bluff, LLC, K. Hovnanian DFW Berkshire, LLC, K. Hovnanian DFW Carillon, LLC, K. Hovnanian DFW Heron Pond, LLC, K. Hovnanian DFW Mustang Lakes, LLC, K. Hovnanian at Canter V, LLC, K. Hovnanian at Dominion Crossing, LLC, K. Hovnanian at Embrey Mill, LLC, K. Hovnanian at Hunter's Pond, LLC, K. Hovnanian at Nicholson, LLC, K. Hovnanian at Pelham's Reach, LLC, K. Hovnanian at Raymond Farm, LLC, K. Hovnanian at Village of Round Hill, LLC, K. Hovnanian at Waterford, LLC, K. Hovnanian at Wellsprings, LLC, K. Hovnanian Homes at Willowsford Grange, LLC, K. Hovnanian Homes at Willowsford New, LLC, K. Hovnanian Homes of Virginia I, LLC, K. Hovnanian at Ladd Ranch, LLC, K. Hovnanian DFW Heatherwood, LLC, K. Hovnanian DFW Maxwell Creek, LLC and K. Hovnanian DFW Richwoods, LLC shall be the members of the Secured Group.

"**Secured Group Collateral Ratio**" means the ratio, calculated as a percentage, of (i) the aggregate fair market value, (as determined in good faith by the chief financial officer of the Company), as of the date of determination, of the Collateral (excluding any Capital Stock of any Person that is not a member of the Secured Group but including the book value of any Permitted Joint Ventures or JV Holding Companies owned by members of the Secured Group) to (ii) the aggregate principal amount of Indebtedness incurred or guaranteed by any member of the Secured Group as of the date of determination; *provided* that, to the extent that at the date of determination such Collateral includes any real property, the aggregate fair market value of such real property Collateral shall be determined based on an appraisal by an independent appraiser within the preceding 18 months, as adjusted by the chief financial officer in good faith to reflect changes since the date of such appraisal.

"**Securities Act**" means the Securities Act of 1933, as amended.

"**Security Agreement**" means the Amended and Restated First Lien Security Agreement dated as of September 8, 2016 among the Issuer, the members of the Secured Group and the Joint First Lien Collateral Agent, as amended, amended and restated, supplemented (including by a joinder thereto) or otherwise modified from time to time.

"**Security Documents**" means the Security Agreement, the Pledge Agreement, the Collateral Agency Agreement and any other security documents or any other agreement, document or instrument (including control agreements) granting a security interest in any assets of any Person to secure the Indebtedness and related Obligations under the Notes and the Guarantees or under which rights or remedies with respect to any such liens are governed, as each may be amended, restated, supplemented or otherwise modified from time to time.

"**Senior Secured Super Priority Credit Agreement**" means that certain Credit Agreement, dated as of July 29, 2016, among the Issuer, the Guarantors, the Initial Term Lenders (as defined therein), each lender from time to time party thereto and Wilmington Trust, National Association, as Administrative Agent (as defined therein).

"**Senior Secured Super Priority Guarantee**" means a Guarantee (as defined in the Senior Secured Super Priority Credit Agreement).

"**Senior Secured Super Priority Term Loan**" means a Loan (as defined in the Senior Secured Super Priority Credit Agreement).

"**Significant Subsidiary**" means any Subsidiary of the Company which would constitute a "**significant subsidiary**" as defined in Rule 1-02(w)(1) or (2) of Regulation S-X under the Securities Act and the Exchange Act as in effect on the Effective Date.

"**Subordinated Indebtedness**" means Indebtedness subordinated in right of payment to the Notes pursuant to a written agreement.

"**Subsidiary**" of any Person means any corporation or other entity of which a majority of the Capital Stock having ordinary voting power to elect a majority of the Board of Directors or other persons performing similar functions is at the time directly or indirectly owned or controlled by such Person.

"**Successor**" has the meaning ascribed to it in Section 4.14 hereof.

"**Treasury Rate**" has the meaning ascribed to it in Section 3.01 hereof.

"**Trustee**" means the party named as such in the preamble of this Indenture until such time, if any, a successor replaces such party in accordance with the applicable provisions of this Indenture and thereafter means the successor serving hereunder.

"**Trust Indenture Act**" or "**TIA**" means the Trust Indenture Act of 1939, as amended.

"U.S. Government Obligations" means non-callable, non-payable bonds, notes, bills or other similar obligations issued or guaranteed by the United States government or any agency thereof the full and timely payment of which are backed by the full faith and credit of the United States and denominated and payable in U.S. dollars only.

"**Unentitled Land**" means land owned by the Issuer or a Guarantor which has not been granted preliminary approvals ((i) in New Jersey, as defined in the Municipal Land Use Law (N.J.S.A. 40:55D-1 et seq.) and (ii) for states other than New Jersey, a point in time equivalent thereto) for residential development.

"**Unrestricted Global Note**" has the meaning ascribed to it in Section 2.13 hereof.

"**Unrestricted Subsidiary**" means any Subsidiary of the Company so designated by a resolution adopted by the Board of Directors of the Company or a duly authorized committee thereof as provided below; *provided* that (a) the holders of Indebtedness thereof do not have direct or indirect recourse against the Company, the Issuer or any Restricted Subsidiary, and neither the Company, the Issuer nor any Restricted Subsidiary otherwise has liability for, any payment obligations in respect of such Indebtedness (including any undertaking, agreement or instrument evidencing such Indebtedness), except, in each case, to the extent that the amount thereof constitutes a Restricted Payment permitted by this Indenture, in the case of Non-Recourse Indebtedness, to the extent such recourse or liability is for the matters discussed in the last sentence of the definition of "Non-Recourse Indebtedness," or to the extent such Indebtedness is a guarantee by such Subsidiary of Indebtedness of the Company, the Issuer or a Restricted Subsidiary and (b) no holder of any Indebtedness of such Subsidiary shall have a right to declare a default on such Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity as a result of a default on any Indebtedness of the Company, the Issuer or any Restricted Subsidiary. As of the Effective Date, the Unrestricted Subsidiaries were the subsidiaries of the Company named in Exhibit K hereto.

Subject to the foregoing, the Board of Directors of the Company or a duly authorized committee thereof may designate any Subsidiary in addition to those named above to be an Unrestricted Subsidiary other than any member of the Secured Group that is not a Permitted Joint Venture or JV Holding Company; *provided*, *however*, that the net amount (the "**Designation Amount**") then outstanding of all previous Investments by the Company and the Restricted Subsidiaries in such Subsidiary will be deemed to be a Restricted Payment at the time of such designation and will reduce the amount available for Restricted Payments under Section 4.07 hereof to the extent provided therein, the Company must be permitted under Section 4.07 hereof to make the Restricted Payment deemed to have been made pursuant to clause (a) of this paragraph, and after giving effect to such designation, no Default or Event of Default shall have occurred or be continuing. In accordance with the foregoing, and not in limitation thereof, Investments made by any Person in any Subsidiary of such Person prior to such Person's merger with the Company or any Restricted Subsidiary (but not in contemplation or anticipation of such merger) shall not be counted as an Investment by the Company or such Restricted Subsidiary if such Subsidiary of such Person is designated as an Unrestricted Subsidiary.

The Board of Directors of the Company or a duly authorized committee thereof may also redesignate an Unrestricted Subsidiary to be a Restricted Subsidiary; *provided, however*, that (a) the Indebtedness of such Unrestricted Subsidiary as of the date of such redesignation could then be incurred under Section 4.06 hereof and (b) immediately after giving effect to such redesignation and the incurrence of any such additional Indebtedness, the Company and the Restricted Subsidiaries could incur $1.00 of additional Indebtedness under Section 4.06(a) hereof. Any such designation or redesignation by the Board of Directors of the Company or a committee thereof will be evidenced to the Trustee by the filing with the Trustee of a certified copy of the resolution of the Board of Directors of the Company or a committee thereof giving effect to such designation or redesignation and an Officers' Certificate certifying that such designation or redesignation complied with the foregoing conditions and setting forth the underlying calculations of such Officers' Certificate. The designation of any Person as an Unrestricted Subsidiary shall be deemed to include a designation of all Subsidiaries of such Person (other than any member of the Secured Group) as Unrestricted Subsidiaries; *provided*, *however*, that the ownership of the general partnership interest (or a similar member's interest in a limited liability company) by an Unrestricted Subsidiary shall not cause a Subsidiary of the Company of which more than 95% of the equity interest is held by the Company or one or more Restricted Subsidiaries to be deemed an Unrestricted Subsidiary.

"**Weighted Average Life to Maturity**" means, when applied to any Indebtedness or portion thereof at any date, the number of years obtained by dividing the sum of the products obtained by multiplying the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal, including, without limitation, payment at final maturity, in respect thereof, by the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment by (b) the sum of all such payments described in clause (a)(i) of this definition.

"**$**" means U.S. dollars.

Section 1.02 *Rules of Construction.* Unless the context otherwise requires or except as otherwise expressly provided,

(a) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(b) "herein," "hereof" and other words of similar import refer to this Indenture as a whole and not to any particular Section, Article other subdivision;

(c) all references to Sections or Articles or Exhibits refer to Sections or Articles or Exhibits of or to this Indenture unless otherwise indicated;

(d) references to agreements or instruments, or to statutes or regulations, are to such agreements or instruments, or statutes or regulations, as amended from time to time (or to successor statutes and regulations); and

(e) in the event that a transaction meets the criteria of more than one category of permitted transactions or listed exceptions, the Issuer may classify such transaction as it, in its sole discretion, determines.

ARTICLE II
THE NOTES

Section 2.01 Form, Dating and Denominations; Legends. (a) The Notes shall be issued in one series, designated as the "**9.50% Senior Secured Notes Due 2020**." The Notes and the Trustee's certificate of authentication shall be substantially in the form attached as Exhibit A. The terms and provisions contained in the form of the Note annexed as Exhibit A constitute and are hereby expressly made a part of this Indenture. The Notes may have notations, legends or endorsements required by this Indenture, law, rules of or agreements with national securities exchanges to which the Issuer is subject, or usage. Each Note shall be dated the date of its authentication. The Notes shall be issuable in denominations of $2,000 in principal amount and any multiple of $1,000 in excess thereof.

(b) (i) Except as otherwise provided in clause (c) of this Section 2.01, Section 2.09(b)(iv), Section 2.10(b)(iii), Section 2.10(b)(v), or Section 2.10(c), each Initial Note or Additional Note shall bear the Restricted Legend.

(ii) Each Global Note, whether or not an Initial Note or Additional Note, shall bear the DTC Legend.

(iii) Each Regulation S Temporary Global Note shall bear the Regulation S Temporary Global Note Legend.

(iv) Initial Notes and Additional Notes offered and sold in reliance on Regulation S shall be issued as provided in Section 2.11(a).

(v) Initial Notes and Additional Notes offered and sold in reliance on any exception under the Securities Act other than Regulation S and Rule 144A shall be issued, and upon the request of the Issuer to the Trustee, Initial Notes and Additional Notes offered and sold in reliance on Rule 144A may be issued, in the form of Certificated Notes.

(c) If the Issuer determines (upon the advice of counsel and after consideration of other certifications and evidence as the Issuer may reasonably require) that a Note is eligible for resale pursuant to Rule 144 under the Securities Act (or a successor provision) without being subject to any conditions as provided in such Rule and that the Restricted Legend is no longer necessary or appropriate in order to ensure that subsequent transfers of the Note (or a beneficial interest therein) are effected in compliance with the Securities Act, then, the Issuer may instruct the Trustee to cancel the Note and issue to the Holder thereof (or to its transferee) a new Note of like tenor and amount, registered in the name of the Holder thereof (or its transferee), that does not bear the Restricted Legend, and the Trustee shall comply with such instruction.

(d) By its acceptance of any Note bearing the Restricted Legend (or any beneficial interest in such a Note), each Holder thereof and each owner of a beneficial interest therein acknowledges the restrictions on transfer of such Note (and any such beneficial interest) set forth in this Indenture and in the Restricted Legend and agrees that it shall transfer such Note (and any such beneficial interest) only in accordance with this Indenture and such legend.

Section 2.02 *Execution and Authentication; Additional Notes.* (a) An Officer shall execute the Notes for the Issuer by facsimile or manual signature in the name and on behalf of the Issuer. If an Officer whose signature is on a Note no longer holds that office at the time the Note is authenticated, the Note shall still be valid.

(b) A Note shall not be valid until the Trustee manually signs the certificate of authentication on the Note, with the signature conclusive evidence that the Note has been authenticated under this Indenture.

(c) At any time and from time to time after the execution and delivery of this Indenture, the Issuer may deliver Notes executed by the Issuer to the Trustee for authentication. The Trustee shall authenticate and deliver:

(i) Initial Notes for original issue in the aggregate principal amount of $75,000,000, and

(ii) Additional Notes from time to time for original issue in the aggregate principal amounts specified by the Issuer after the following conditions have been met:

(A) Receipt by the Trustee of a certificate, executed by an Officer specifying

(1) the amount of Notes to be authenticated and the date on which the Notes are to be authenticated,

(2) whether the Notes are to be Initial Notes or Additional Notes,

(3) in the case of Additional Notes, that the issuance of such Notes does not contravene any provision of ARTICLE IV,

(4) whether the Notes are to be issued as one or more Global Notes or Certificated Notes, and

(5) other information the Issuer may determine to include or the Trustee may reasonably request.

(B) Receipt by the Trustee of an Officers' Certificate and an Opinion of Counsel specifying:

(1) that the issuance of the Notes is authorized and permitted by the terms of this Indenture,

(2) that the Notes constitute a legal, valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with their terms (subject to customary exceptions), and

(3) all conditions precedent provided for in this Indenture to the issuance of the Notes have been complied with.

(C) In the case of Additional Notes, receipt by the Trustee of an Opinion of Counsel confirming that the beneficial owners of the outstanding Notes shall be subject to United States federal income tax in the same amounts, in the same manner and at the same times as would have been the case if such Additional Notes were not issued.

Section 2.03 *Registrar, Paying Agent and Authenticating Agent; Paying Agent to Hold Money in Trust.* (a) The Issuer may appoint one or more Registrars and one or more Paying Agents, and the Trustee may appoint an Authenticating Agent, in which case each reference in this Indenture to the Trustee in respect of the obligations of the Trustee to be performed by that Agent shall be deemed to be references to the Agent. The Issuer may act as Registrar or (except for purposes of ARTICLE VIII) Paying Agent. In each case, the Issuer and the Trustee shall enter into an appropriate agreement with the Agent implementing the provisions of this Indenture relating to the obligations of the Trustee to be performed by the Agent and the related rights.

(b) The Issuer shall require each Paying Agent other than the Trustee to agree in writing that the Paying Agent shall hold in trust for the benefit of the Holders or the Trustee all money held by the Paying Agent for the payment of principal of, premium, if any, and interest, if any, on, the Notes and shall promptly notify the Trustee of any default by the Issuer in making any such payment. The Issuer at any time may require a Paying Agent to pay all money held by it to the Trustee and account for any funds disbursed, and the Trustee may at any time during the continuance of any payment default, upon written request to a Paying Agent, require the Paying Agent to pay all money held by it to the Trustee and to account for any funds disbursed. Upon doing so, the Paying Agent shall have no further liability for the money so paid over to the Trustee.

(c) The Company initially appoints the Trustee as Registrar and Paying Agent with respect to the Notes.

Section 2.04 *Replacement Notes*. If a mutilated Note is surrendered to the Trustee or if a Holder claims that its Note has been lost, destroyed or wrongfully taken, the Issuer shall issue and the Trustee shall authenticate a replacement Note of like tenor and principal amount and bearing a number not contemporaneously outstanding. Every replacement Note is an additional obligation of the Issuer and entitled to the benefits of this Indenture. If required by the Trustee or the Issuer, an indemnity must be furnished that is sufficient in the judgment of both the Trustee and the Issuer to protect the Issuer and the Trustee from any loss they may suffer if a Note is replaced. The Issuer and the Trustee may charge the Holder for the expenses of the Issuer and the Trustee in replacing a Note. In case the mutilated, lost, destroyed or wrongfully taken Note has become or is about to become due and payable, the Issuer in its discretion may pay the Note instead of issuing a replacement Note.

Section 2.05 *Outstanding Notes*. (a) Notes outstanding at any time are all Notes that have been authenticated by the Trustee except for:

(i) Notes cancelled by the Trustee or delivered to it for cancellation;

(ii) any Note which has been replaced pursuant to Section 2.04 unless and until the Trustee and the Issuer receive proof satisfactory to them that the replaced Note is held by a protected purchaser; and

(iii) on or after the maturity date or any redemption date or date for purchase of the Notes pursuant to an Offer to Purchase, those Notes payable or to be redeemed or purchased on that date for which the Trustee (or Paying Agent, other than the Issuer or an Affiliate of the Issuer) holds money sufficient to pay all amounts then due.

(b) A Note does not cease to be outstanding because the Issuer or one of its Affiliates holds the Note; *provided*, that in determining whether the Holders of the requisite principal amount of the outstanding Notes have given or taken any request, demand, authorization, direction, notice, consent, waiver or other action hereunder, Notes owned by the Issuer or any Affiliate of the Issuer shall be disregarded and deemed not to be outstanding (it being understood that in determining whether the Trustee is protected in relying upon any such request, demand, authorization, direction, notice, consent, waiver or other action, only Notes which a Responsible Officer of the Trustee has been notified in writing to be so owned shall be so disregarded). Notes so owned which have been pledged in good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Notes and that the pledgee is not the Issuer or any Affiliate of the Issuer.

Section 2.06 *Temporary Notes*. Until definitive Notes are ready for delivery, the Issuer may prepare and the Trustee shall authenticate temporary Notes. Temporary Notes shall be substantially in the form of definitive Notes but may have insertions, substitutions, omissions and other variations determined to be appropriate by the Officer executing the temporary Notes, as evidenced by the execution of the temporary Notes. If temporary Notes are issued, the Issuer shall cause definitive Notes to be prepared without unreasonable delay. After the preparation of definitive Notes, the temporary Notes shall be exchangeable for definitive Notes upon surrender of the temporary Notes at the office or agency of the Issuer designated for the purpose pursuant to Section 4.02 without charge to the Holder. Upon surrender for cancellation of any temporary Notes, the Issuer shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Notes in authorized denominations. Until so exchanged, the temporary Notes shall be entitled to the same benefits under this Indenture as definitive Notes.

Section 2.07 *Cancellation.* The Issuer at any time may deliver to the Trustee for cancellation any Notes previously authenticated and delivered hereunder which the Issuer may have acquired in any manner whatsoever, and may deliver to the Trustee for cancellation any Notes previously authenticated hereunder which the Issuer has not issued and sold. Any Registrar or the Paying Agent shall forward to the Trustee any Notes surrendered to it for transfer, exchange or payment. The Trustee shall cancel all Notes surrendered for transfer, exchange, payment or cancellation and dispose of them in accordance with its normal procedures or the written instructions of the Issuer. The Issuer may not issue new Notes to replace Notes that it has paid in full or delivered to the Trustee for cancellation.

Section 2.08 *CUSIP and ISIN Numbers.* The Issuer in issuing the Notes may use "CUSIP" and "ISIN" numbers and the Trustee shall use CUSIP numbers or ISIN numbers in notices of redemption or exchange or in Offers to Purchase as a convenience to Holders, the notice to state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice of redemption or exchange or Offer to Purchase. The Issuer shall promptly notify the Trustee in writing of any change in the CUSIP or ISIN numbers. Any Additional Notes that are not fungible with the Initial Notes for United States federal income tax purposes shall be issued with CUSIP and ISIN numbers different from the CUSIP and ISIN numbers assigned to the Initial Notes.

Section 2.09 *Registration, Transfer and Exchange.* (a) The Notes shall be issued in registered form only, without coupons, and the Issuer shall cause the Trustee to maintain a register (the "**Register**") of the Notes, for registering the record ownership of the Notes by the Holders and transfers and exchanges of the Notes.

(b) (i) Each Global Note shall be registered in the name of the Depositary or its nominee and, so long as DTC is serving as the Depositary thereof, shall bear the DTC Legend.

(ii) Each Global Note shall be delivered to the Trustee as custodian for the Depositary. Transfers of a Global Note (but not a beneficial interest therein) shall be limited to transfers thereof in whole, but not in part, to the Depositary, its successors or their respective nominees, except (A) as set forth in Section 2.09(b)(iv) and (B) transfers of portions thereof in the form of Certificated Notes may be made upon request of an Agent Member (for itself or on behalf of a beneficial owner) by 20 days' prior written notice given to the Trustee by or on behalf of the Depositary in accordance with customary procedures of the Depositary and in compliance with this Section and Section 2.10.

(iii) Agent Members shall have no rights under this Indenture with respect to any Global Note held on their behalf by the Depositary, and the Depositary may be treated by the Issuer, the Trustee and any agent of the Issuer or the Trustee as the absolute owner and Holder of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, the Depositary or its nominee may grant proxies and otherwise authorize any Person (including any Agent Member and any Person that holds a beneficial interest in a Global Note through an Agent Member) to take any action which a Holder is entitled to take under this Indenture or the Notes, and nothing herein shall impair, as between the Depositary and its Agent Members, the operation of customary practices governing the exercise of the rights of a holder of any security. None of the Issuer, the Trustee, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests of a Note in global form or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. The Trustee may rely and shall be fully protected in relying upon information furnished by the Depositary with respect to its members, participants and any beneficial owners.

(iv) If (x) the Depositary (i) notifies the Issuer that it is unwilling or unable to continue as Depositary for a Global Note and a successor depositary is not appointed by the Issuer within 90 days of the notice or (ii) has ceased to be a clearing agency registered under the Exchange Act, (y) the Issuer, at its option, notifies the Trustee in writing that it elects to cause the issuance of Certificated Notes or (z) the Depositary directs the Trustee in writing to do so following the occurrence and during the continuation of an Event of Default with respect to the Notes, the Trustee shall promptly exchange each beneficial interest in the Global Note for one or more Certificated Notes in authorized denominations having an equal aggregate principal amount registered in the name of the owner of such beneficial interest, as identified to the Trustee by the Depositary, and thereupon the Global Note shall be deemed canceled. If such Note does not bear the Restricted Legend, then the Certificated Notes issued in exchange therefor shall not bear the Restricted Legend. If such Note bears the Restricted Legend, then the Certificated Notes issued in exchange therefor shall bear the Restricted Legend; *provided*, that any Holder of any such Certificated Note issued in exchange for a beneficial interest in a Regulation S Temporary Global Note shall have the right upon presentation to the Trustee of a duly completed Certificate of Beneficial Ownership after the Restricted Period to exchange such Certificated Note for a Certificated Note of like tenor and amount that does not bear the Restricted Legend, registered in the name of such Holder.

(c) Each Certificated Note shall be registered in the name of the holder thereof or its nominee.

(d) A Holder may transfer a Note (or a beneficial interest therein) to another Person or exchange a Note (or a beneficial interest therein) for another Note or Notes of any authorized denomination by presenting to the Trustee a written request therefor stating the name of the proposed transferee or requesting such an exchange, accompanied by any certification, opinion or other document required by Section 2.10. The Trustee shall promptly register any transfer or exchange that meets the requirements of this Section and Section 2.10 noting the same in the register maintained by the Trustee for the purpose; *provided*, that

(i) no transfer or exchange shall be effective until it is registered in such register, and

(ii) the Trustee shall not be required (x) to issue or register the transfer of or exchange any Note for a period of 15 days before a selection of Notes to be redeemed or purchased pursuant to an Offer to Purchase, (y) to register the transfer of or exchange any Note so selected for redemption or purchase in whole or in part, except, in the case of a partial redemption or purchase, that portion of any Note not being redeemed or purchased, or (z) to register the transfer of or exchange any Note on or after a Record Date and before the date of redemption or purchase. Prior to the registration of any transfer, the Issuer, the Trustee and their agents shall treat the Person in whose name the Note is registered as the owner and Holder thereof for all purposes (whether or not the Note is overdue), and shall not be affected by notice to the contrary.

From time to time the Issuer shall execute and the Trustee shall authenticate additional Notes as necessary in order to permit the registration of a transfer or exchange in accordance with this Section.

No service charge shall be imposed in connection with any transfer or exchange of any Note, but the Issuer or the Trustee may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than a transfer tax or other similar governmental charge payable upon exchange pursuant to subsection (b)(iv)).

(e) (i) *Global Note to Global Note*. If a beneficial interest in a Global Note is transferred or exchanged for a beneficial interest in another Global Note, the Trustee shall (x) record a decrease in the principal amount of the Global Note being transferred or exchanged equal to the principal amount of such transfer or exchange and (y) record a like increase in the principal amount of the other Global Note. Any beneficial interest in one Global Note that is transferred to a Person who takes delivery in the form of an interest in another Global Note, or exchanged for an interest in another Global Note, shall, upon transfer or exchange, cease to be an interest in such Global Note and become an interest in the other Global Note and, accordingly, shall thereafter be subject to all transfer and exchange restrictions, if any, and other procedures applicable to beneficial interests in such other Global Note for as long as it remains such an interest.

(ii) Global Note to Certificated Note. If a beneficial interest in a Global Note is transferred or exchanged for a Certificated Note, the Trustee shall (x) record a decrease in the principal amount of such Global Note equal to the principal amount of such transfer or exchange and (y) deliver one or more new Certificated Notes in authorized denominations having an equal aggregate principal amount to the transferee (in the case of a transfer) or the owner of such beneficial interest (in the case of an exchange), registered in the name of such transferee or owner, as applicable.

(iii) Certificated Note to Global Note. If a Certificated Note is transferred or exchanged for a beneficial interest in a Global Note, the Trustee shall (x) cancel such Certificated Note, (y) record an increase in the principal amount of such Global Note equal to the principal amount of such transfer or exchange and (z) in the event that such transfer or exchange involves less than the entire principal amount of the canceled Certificated Note, deliver to the Holder thereof one or more new Certificated Notes in authorized denominations having an aggregate principal amount equal to the untransferred or unexchanged portion of the canceled Certificated Note, registered in the name of the Holder thereof.

(iv) Certificated Note to Certificated Note. If a Certificated Note is transferred or exchanged for another Certificated Note, the Trustee shall (x) cancel the Certificated Note being transferred or exchanged, (y) deliver one or more new Certificated Notes in authorized denominations having an aggregate principal amount equal to the principal amount of such transfer or exchange to the transferee (in the case of a transfer) or the Holder of the canceled Certificated Note (in the case of an exchange), registered in the name of such transferee or Holder, as applicable, and (z) if such transfer or exchange involves less than the entire principal amount of the canceled Certificated Note, deliver to the Holder thereof one or more Certificated Notes in authorized denominations having an aggregate principal amount equal to the untransferred or unexchanged portion of the canceled Certificated Note, registered in the name of the Holder thereof.

Section 2.10 *Restrictions on Transfer and Exchange.* (a) The transfer or exchange of any Note (or a beneficial interest therein) may only be made in accordance with this Section and Section 2.09 and, in the case of a Global Note (or a beneficial interest therein), the applicable rules and procedures of the Depositary. The Trustee shall refuse to register any requested transfer or exchange that does not comply with the preceding sentence.

(b) Subject to paragraph (c) of this Section, the transfer or exchange of any Note (or a beneficial interest therein) of the type set forth in column A below for a Note (or a beneficial interest therein) of the type set forth opposite in column B below may only be made in compliance with the certification requirements (if any) described in the clause of this paragraph set forth opposite in column C below.

A	*B*	*C*
Rule 144A Global Note	Rule 144A Global Note	(i)
Rule 144A Global Note	Regulation S Global Note	(ii)
Rule 144A Global Note	Certificated Note	(iii)
Regulation S Global Note	Rule 144A Global Note	(iv)
Regulation S Global Note	Regulation S Global Note	(i)
Regulation S Global Note	Certificated Note	(v)
Certificated Note	Rule 144A Global Note	(iv)
Certificated Note	Regulation S Global Note	(ii)
Certificated Note	Certificated Note	(iii)

(i) No certification is required.

(ii) The Person requesting the transfer or exchange must deliver or cause to be delivered to the Trustee a duly completed Regulation S Certificate; *provided*, that if the requested transfer or exchange is made by the Holder of a Certificated Note that does not bear the Restricted Legend, then no certification is required.

(iii) The Person requesting the transfer or exchange must deliver or cause to be delivered to the Trustee (x) a duly completed Rule 144A Certificate, (y) a duly completed Regulation S Certificate or (z) a duly completed Institutional Accredited Investor Certificate, and/or an opinion of counsel and such other certifications and evidence as the Issuer or the Trustee may reasonably require in order to determine that the proposed transfer or exchange is being made in compliance with the Securities Act and any applicable securities laws of any state of the United States; *provided*, that if the requested transfer or exchange is made by the Holder of a Certificated Note that does not bear the Restricted Legend, then no certification is required. In the event that a Rule 144A Global Note or a Certificated Note that does not bear the Restricted Legend is surrendered for transfer or exchange, upon transfer or exchange the Trustee shall deliver a Certificated Note that does not bear the Restricted Legend.

(iv) The Person requesting the transfer or exchange must deliver or cause to be delivered to the Trustee a duly completed Rule 144A Certificate and must comply with all applicable securities laws of any state of the United States or any other jurisdiction.

(v) If the requested transfer involves a beneficial interest in a Regulation S Temporary Global Note, the Person requesting the registration of transfer must deliver or cause to be delivered to the Trustee (x) a duly completed Rule 144A Certificate or (y) a duly completed Institutional Accredited Investor Certificate and/or an opinion of counsel and such other certifications and evidence as the Issuer or the Trustee may reasonably require in order to determine that the proposed transfer is being made in compliance with the Securities Act and any applicable securities laws of any state of the United States. If the requested transfer or exchange involves a beneficial interest in a Permanent Regulation S Global Note, no certification is required and the Trustee shall deliver a Certificated Note that does not bear the Restricted Legend. Notwithstanding anything to the contrary contained herein, no such exchange is permitted if the requested exchange involves a beneficial interest in a Regulation S Temporary Global Note.

(c) No certification is required in connection with any transfer or exchange of any Note (or a beneficial interest therein) after such Note is eligible for resale pursuant to Rule 144 under the Securities Act (or a successor provision) without being subject to any conditions as provided in such Rule; *provided*, that the Issuer has provided the Trustee with a certificate to that effect, and the Issuer or the Trustee may require from any Person requesting a transfer or exchange in reliance upon this clause an opinion of counsel and any other reasonable certifications and evidence in order to support such certificate. Any Certificated Note delivered in reliance upon this paragraph shall not bear the Restricted Legend.

(d) The Trustee shall retain copies of all certificates, opinions and other documents received in connection with the registration of transfer or exchange of a Note (or a beneficial interest therein), and the Issuer shall have the right to inspect and make copies thereof at any reasonable time upon written notice to the Trustee. Neither the Company nor the Trustee shall have an obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Indenture or under applicable law with respect to any transfer of any interest in any Note (including any transfers between or among Depositary participants, members or beneficial owners in any Global Note) other than to require delivery of such certificates and other documentation or evidence as are expressly required by the terms of this Indenture and to examine the same to determine compliance as to form with the express requirements hereof.

Section 2.11 *Regulation S Temporary Global Notes.* (a) Each Initial Note and Additional Note originally sold in reliance upon Regulation S shall be evidenced by one or more Regulation S Global Notes that bear the Regulation S Temporary Global Note Legend.

(b) An owner of a beneficial interest in a Regulation S Temporary Global Note (or a Person acting on behalf of such an owner) may provide to the Trustee (and the Trustee shall accept) a duly completed Certificate of Beneficial Ownership at any time after the Restricted Period (it being understood that the Trustee shall not accept any such certificate during the Restricted Period). Promptly after acceptance of a Certificate of Beneficial Ownership with respect to such a beneficial interest, the Trustee shall cause such beneficial interest to be exchanged for an equivalent beneficial interest in a Permanent Regulation S Global Note, and shall (x) permanently reduce the principal amount of such Regulation S Temporary Global Note by the amount of such beneficial interest and (y) increase the principal amount of such Permanent Regulation S Global Note by the amount of such beneficial interest.

(c) Notwithstanding anything to the contrary contained herein, beneficial interests in a Regulation S Temporary Global Note may be held through the Depositary only through Euroclear or Clearstream and their respective direct and indirect participants.

(d) Notwithstanding paragraph (b), if after the Restricted Period any Initial Purchaser owns a beneficial interest in a Regulation S Temporary Global Note, such Initial Purchaser may, upon written request to the Trustee accompanied by a certification as to its status as an Initial Purchaser, exchange such beneficial interest for an equivalent beneficial interest in a Permanent Regulation S Global Note, and the Trustee shall comply with such request and shall (x) permanently reduce the principal amount of such Regulation S Temporary Global Note by the amount of such beneficial interest and (y) increase the principal amount of such Permanent Regulation S Global Note by the amount of such beneficial interest.

Section 2.12 *Transfers of Securities Held by Affiliates*.

(a) Notwithstanding anything to the contrary in this ARTICLE II, unless otherwise permitted by the Issuer, any Note or interest therein (i) that has been transferred to an affiliate (as defined in Rule 405 of the Securities Act) of the Issuer, as evidenced by a notation on the certificate of transfer or certificate of exchange for such transfer or in the representation letter delivered in respect thereof, or (ii) that has been acquired from an affiliate (other than by an affiliate) in a transaction or a chain of transactions not involving any public offering, as evidenced by a notation on the certificate of transfer or certificate of exchange for such transfer or in the representation letter delivered in respect thereof, shall, until one year after the last date on which either the Issuer or any affiliate of the Issuer was an owner of such Note, in each case, be in the form of a Certificated Note bearing the Restricted Legend and the Affiliate Legend and shall be subject to the restrictions in Section 2.09 and Section 2.10 hereof; *provided* that, with respect to any Certificated Note held by a Person who is not an affiliate of the Issuer but who acquired such Certificated Note from an affiliate of the Issuer, such Person may exchange such Certificated Note for a beneficial interest in a Global Note or a Certificated Note not bearing the Affiliate Legend, as the case may be, or may transfer such Certificated Note to a Person who takes delivery in the form of a Global Note or a Certificated Note not bearing the Affiliate Legend, as the case may be, prior to the end of such one-year period if (x) such Certificated Note would be freely tradable following such exchange or transfer pursuant to Rule 144 under the Securities Act or another applicable provision of the Securities Act or the rules and regulations thereunder and (y) such exchange or transfer is otherwise in accordance with Section 2.10 hereof and Section 2.12(b) below.

(b) Any Person who is not an affiliate of the Issuer but who acquired such Certificated Note from an affiliate of the Issuer and who wishes to (1) exchange such Certificated Note for a beneficial interest in a Global Note or a Certificated Note not bearing the Affiliate Legend, as the case may be, or (2) transfer such Certificated Note to a Person who takes delivery in the form of a Global Note or Certificated Note not bearing the Affiliate Legend shall, in addition to complying with any other applicable requirements of Section 2.10, deliver to the Issuer and the Trustee certificates substantially in the form of Exhibit F or Exhibit G, as applicable, including, in each case, the certifications under Section C thereof, or Exhibit H, as applicable, including the certifications under Section D thereof. In addition, if the Trustee or the Issuer so requests, the transferring Person shall deliver such other documentation as the Trustee or Issuer may request to the effect that such exchange or transfer is in compliance with the Securities Act, that the transferee shall receive freely tradable securities pursuant to Rule 144 or other applicable provisions of the Securities Act or the rules and regulations thereunder or as to such other matters as the Trustee or the Issuer may reasonably request.

(c) If the Trustee or the Issuer so requests, any affiliate of the Issuer that wishes to transfer or exchange a Note or a beneficial interest therein shall deliver such additional documentation as the Trustee or Issuer may request to the effect that such transfer or exchange is in compliance with the Securities Act or as to such other matters as the Trustee or the Issuer may reasonably request.

Section 2.13 *Automatic Exchange from Restricted Global Notes to Unrestricted Global Notes.* Beneficial interests in a Rule 144A Global Note that is subject to restrictions set out in Section 2.01, as applicable (including the legend set forth in Exhibit C but that does not bear the Affiliate Legend) (the "**Restricted Global Note**"), shall be automatically exchanged into beneficial interests in an unrestricted Global Note that is no longer subject to the restrictions set out in Section 2.01 (including removal of the legend set forth in Exhibit C) (the "**Unrestricted Global Note**"), without any action required by or on behalf of Holders, who are not "affiliates" (as defined in Rule 144 under the Securities Act) of the Issuer (the "**Automatic Exchange**"). In order to effect such exchange, the Issuer shall at least 15 days but not more than 30 days prior to the date which is at least one year after the last date of the original issuance of the Notes (the "**Resale Restriction Termination Date**"), deliver a notice of Automatic Exchange (an "**Automatic Exchange Notice**") to each Holder at such Holder's address appearing in the Register with a copy to the Trustee. The Automatic Exchange Notice shall identify the Notes subject to the Automatic Exchange, shall assume that each such Holder is not an affiliate and has not purchased its Notes from an affiliate, shall result in each such Holder being deemed to have made a representation to the Issuer that it is not an affiliate and that it has not purchased its Notes from an affiliate and shall state: (1) the date of the Automatic Exchange; (2) the "CUSIP" number of the Restricted Global Note from which such Holders' beneficial interests shall be transferred and (3) the "CUSIP" number of the Unrestricted Global Note into which such Holders' beneficial interests shall be transferred. At the Issuer's request on no less than five Business Days' prior notice, the Trustee shall deliver in the Issuer's name and at its expense, the Automatic Exchange Notice to each Holder at such Holder's address appearing in the Register; provided, however, that the Issuer shall have delivered to the Trustee a written order of the Issuer and an Officers' Certificate requesting that the Trustee give the Automatic Exchange Notice (in the name and at the expense of the Issuer) and setting forth the information to be stated in the Automatic Exchange Notice as provided in the preceding sentence. As a condition to any such exchange pursuant to this Section 2.13, the Trustee shall be entitled to receive from the Issuer, and rely conclusively without any liability, upon an Officers' Certificate and an Opinion of Counsel to the Issuer, in form and in substance reasonably satisfactory to the Trustee to the effect that no registration under the Securities Act is required in connection with any re-sales by a holder of beneficial interests in the Unrestricted Global Note. Any such Opinion of Counsel may include an assumption and/or a reliance provision as to the non-affiliate status of the Holders of Notes subject to such Automatic Exchange. Upon such exchange of beneficial interests pursuant to this Section 2.13, the Registrar shall reflect on its books and records the date of such transfer and a decrease and increase, respectively, in the principal amount of the applicable Restricted Global Note(s) and the Unrestricted Global Note, respectively, equal to the principal amount of beneficial interests transferred. If an Unrestricted Global Note is not then outstanding at the time of the Automatic Exchange, the Issuer shall execute and the Trustee shall authenticate and deliver an Unrestricted Global Note to the Depositary. Following any such transfer pursuant to this Section 2.13, provided that no Holder is an affiliate, the relevant Restricted Global Note shall be cancelled.

(b) If as of the 380th day after the Resale Restriction Termination Date, the Automatic Exchange has not occurred (such event referred to herein as a "**Restricted Transfer Default**"), and the Issuer has not cured any such Restricted Transfer Default by the date that is ten (10) Business Days following the occurrence of the Restricted Transfer Default (the "**Restricted Transfer Triggering Date**"), then the Issuer shall pay additional interest on the Notes (other than any Notes bearing the Affiliate Legend which such Notes shall continue to bear interest at a rate of 9.50% per annum), at the rate of 0.25% per annum for the first 90 days for which the Restricted Transfer Default has occurred and is continuing after the Restricted Transfer Triggering Date and thereafter at a rate of 0.50% per annum until the Issuer shall have cured the Restricted Transfer Default, *provided* that the rate at which such additional interest under this Section 2.13(b) accrues may in no event exceed 0.50% per annum. The Issuer shall calculate any additional interest due as a result of any Restricted Transfer Default, and shall notify the Trustee in writing of the same.

All accrued additional interest shall be paid to the Holders entitled thereto in the manner provided for the payment of interest in this Indenture on each Interest Payment Date as more fully set forth in this Indenture and the Notes.

ARTICLE III
REDEMPTION; OFFER TO PURCHASE

Section 3.01 *Optional Redemption.* (a) The Issuer may, at its option, redeem the Notes, in whole, at any time, or in part, from time to time, prior to November 15, 2018 at a redemption price equal to the sum of:

(i) 100% of the principal amount thereof, plus accrued and unpaid interest thereon to, but excluding, the redemption date, if any (subject to the right of Holders of record on the relevant Record Date to receive interest on the relevant Interest Payment Date); *plus*

(ii) the Make-Whole Amount.

The term "**Make-Whole Amount**" shall mean, in connection with any optional redemption of any Note and as determined by the Issuer in its sole discretion, the excess, if any, of:

(i) the present value at such redemption date of (i) the redemption price of the Note at November 15, 2018 (such redemption price being 100% of the principal amount of the Note to be redeemed) plus (ii) all required interest payments due on the Note through November 15, 2018 (excluding accrued but unpaid interest), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over

(ii) the principal amount of the Note being redeemed.

In no case shall the Trustee be responsible for calculating or determining the Make-Whole Amount.

"**Treasury Rate**" means, in connection with the calculation of any Make-Whole Amount with respect to any Note, as calculated by the Company, the yield to maturity at the time of computation of United States Treasury securities with a constant maturity, as compiled by and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source or similar market data), most nearly equal to the period from the redemption date to November 15, 2018; *provided, however*, that if the period from the redemption date to November 15, 2018 is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from the redemption date to November 15, 2018 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

(b) The Issuer may, at its option, redeem the Notes, in whole, at any time, or in part, from time to time, on or after November 15, 2018 at a redemption price equal to 100% of the principal amount of the Notes being redeemed, plus accrued and unpaid interest thereon, if any, to, but excluding, the applicable redemption date (subject to the right of Holders of record on the relevant Record Date to receive interest on the relevant Interest Payment Date).

Section 3.02 *Redemption with Proceeds of Equity Offering.* At any time and from time to time prior to November 15, 2018, the Issuer may redeem the Notes with the net cash proceeds received by the Issuer from any Equity Offering at a redemption price equal to 109.50% of the principal amount plus accrued and unpaid interest, if any, to, but excluding, the applicable redemption date (subject to the right of Holders of record on the relevant Record Date to receive interest on the relevant Interest Payment Date), in an aggregate principal amount for all such redemptions not to exceed 35% of the original aggregate principal amount of the Notes (including Additional Notes), *provided* that:

(i) in each case the redemption takes place not later than 60 days after the closing of the related Equity Offering, and

(ii) not less than 65% of the original aggregate principal amount of the Notes (including Additional Notes) remains outstanding immediately thereafter.

Section 3.03 *Sinking Fund; Mandatory Redemption.* There is no sinking fund for, or mandatory redemption of, the Notes. The Company and its Affiliates may at any time, and from time to time, purchase Notes in the open market or otherwise.

Section 3.04 *Method and Effect of Redemption.* (a) If the Issuer elects to redeem Notes, it must notify the Trustee of the redemption date and the principal amount of Notes to be redeemed by delivering an Officers' Certificate at least 15 days before the redemption date (unless a shorter period is satisfactory to the Trustee). If fewer than all of the Notes are being redeemed, the Notes to be redeemed shall be selected by the Trustee by lot, pro rata or such other method as the Trustee deems fair and appropriate in consultation with the Issuer, subject to applicable DTC procedures and compliance with the rules of any securities exchange on which the Notes may be listed. Notes shall be redeemed in denominations of $2,000 principal amount or any multiple of $1,000 in excess thereof. The Trustee will notify the Issuer promptly of the Notes or portions of Notes to be called for redemption. Notice of redemption must be delivered electronically or mailed by first-class mail, postage prepaid, by the Issuer or, at the Issuer's request, by the Trustee in the name and at the expense of the Issuer to Holders whose Notes are to be redeemed at least 10 days but not more than 60 days before the redemption date at such Holder's registered address or otherwise in accordance with the procedures of DTC, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture. Notices of any redemption may be given prior to the completion thereof, and may, at the Issuer's discretion, be subject to one or more conditions precedent, including, but not limited to, completion of an Equity Offering, another offering or another transaction or event.

(b) The notice of redemption shall identify the Notes to be redeemed and shall include or state the following:

(i) the redemption date;

(ii) the redemption price, including the portion thereof representing any accrued interest, if any;

(iii) the place or places where Notes are to be surrendered for redemption (Notes called for redemption must be so surrendered in order to collect the redemption price);

(iv) that on the redemption date, the redemption price shall become due and payable on Notes called for redemption, and interest on Notes called for redemption shall cease to accrue on and after the redemption date;

(v) that if any Note is redeemed in part, the portion of the principal amount thereof to be redeemed, and that on and after the redemption date, upon surrender of such Note, new Notes equal in principal amount to the unredeemed portion shall be issued;

(vi) if any Note contains a CUSIP or ISIN number, no representation is being made as to the correctness of the CUSIP or ISIN number either as printed on the Notes or as contained in the notice of redemption and that the Holder should rely only on the other identification numbers printed on the Notes; and

(vii) if such redemption is subject to satisfaction of one or more conditions precedent, such notice shall describe each such condition, and if applicable, shall state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date as so delayed.

(c) Once notice of redemption is sent to the Holders, Notes called for redemption become due and payable at the redemption price on the redemption date (subject to any conditions specified in such notice), and upon surrender of the Notes called for redemption, the Issuer shall redeem such Notes at the redemption price. Commencing on the redemption date, Notes redeemed shall cease to accrue interest. Upon surrender of any Note redeemed in part, the Holder shall receive a new Note equal in principal amount to the unredeemed portion of the surrendered Note.

(d) The Company and its Affiliates may acquire Notes by means other than a redemption, whether by tender offer, open market purchases, negotiated transactions or otherwise, in accordance with applicable securities laws, so long as such acquisition does not otherwise violate the terms of this Indenture.

Section 3.05 *Offer to Purchase.* (a) An "**Offer to Purchase**" means an offer by the Issuer to purchase Notes as required by this Indenture. An Offer to Purchase must be made by written offer (the "**offer**") sent to the Holders. The Issuer shall notify the Trustee at least 15 days (or such shorter period as is acceptable to the Trustee) prior to sending the offer to Holders of its obligation to make an Offer to Purchase, and the offer shall be sent by the Issuer or, at the Issuer's request, by the Trustee in the name and at the expense of the Issuer.

(b) The offer must include or state the following as to the terms of the Offer to Purchase:

(i) the provision of this Indenture pursuant to which the Offer to Purchase is being made;

(ii) the aggregate principal amount of the outstanding Notes offered to be purchased by the Issuer pursuant to the Offer to Purchase (including, if less than 100%, the manner by which such amount has been determined pursuant to this Indenture) (the "**purchase amount**");

(iii) the purchase price, including the portion thereof representing accrued interest, if any;

(iv) an expiration date (the "**expiration date**") not less than 30 days or more than 60 days after the date of the offer, and a settlement date for purchase (the "**purchase date**") not more than five Business Days after the expiration date;

(v) information concerning the business of the Company, the Issuer and its Subsidiaries which the Issuer in good faith believes shall enable the Holders to make an informed decision with respect to the Offer to Purchase, at an minimum to include:

(A) the most recent annual and quarterly financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" for the Company,

(B) a description of material developments in the Company's business subsequent to the date of the latest of the financial statements (including a description of the events requiring the Issuer to make the Offer to Purchase), and

(C) if applicable, appropriate *pro forma* financial information concerning the Offer to Purchase and the events requiring the Issuer to make the Offer to Purchase;

(vi) a Holder may tender all or any portion of its Notes, subject to the requirement that any portion of a Note tendered must be in denominations of $2,000 principal amount and any multiple of $1,000 in excess thereof;

(vii) the place or places where Notes are to be surrendered for tender pursuant to the Offer to Purchase;

(viii) each Holder electing to tender a Note pursuant to the offer shall be required to surrender such Note at the place or places specified in the offer prior to the close of business on the expiration date (such Note being, if the Issuer or the Trustee so requires, duly endorsed or accompanied by a duly executed written instrument of transfer);

(ix) interest on any Note not tendered, or tendered but not purchased by the Issuer pursuant to the Offer to Purchase, shall continue to accrue;

(x) on the purchase date the purchase price shall become due and payable on each Note accepted for purchase, and interest on Notes purchased shall cease to accrue on and after the purchase date;

(xi) Holders are entitled to withdraw Notes tendered by giving notice, which must be received by the Issuer or the Trustee not later than the close of business on the expiration date, setting forth the name of the Holder, the principal amount of the tendered Notes, the certificate number of the tendered Notes and a statement that the Holder is withdrawing all or a portion of the tender;

(xii) (A) if Notes in an aggregate principal amount less than or equal to the purchase amount are duly tendered and not withdrawn pursuant to the Offer to Purchase, the Issuer shall purchase all such Notes, and (B) if the Offer to Purchase is for less than all of the outstanding Notes and Notes in an aggregate principal amount in excess of the purchase amount are tendered and not withdrawn pursuant to the offer, the Issuer shall purchase Notes having an aggregate principal amount equal to the purchase amount on a *pro rata* basis, with adjustments so that only Notes in denominations of $2,000 principal amount and any multiples of $1,000 in excess thereof;

(xiii) if any Note is purchased in part, new Notes equal in principal amount to the unpurchased portion of the Note shall be issued; and

(xiv) if any Note contains a CUSIP or ISIN number, no representation is being made as to the correctness of the CUSIP or ISIN number either as printed on the Notes or as contained in the offer and that the Holder should rely only on the other identification numbers printed on the Notes.

(c) Prior to the purchase date, the Issuer shall accept tendered Notes for purchase as required by the Offer to Purchase and deliver to the Trustee all Notes so accepted together with an Officers' Certificate specifying which Notes have been accepted for purchase. On the purchase date, the purchase price shall become due and payable on each Note accepted for purchase, and interest on Notes purchased shall cease to accrue on and after the purchase date. The Trustee shall promptly return to Holders any Notes not accepted for purchase and send to Holders new Notes equal in principal amount to any unpurchased portion of any Notes accepted for purchase in part.

(d) The Issuer shall comply with Rule 14e-1 under the Exchange Act and all other applicable laws in making any Offer to Purchase, and the above procedures shall be deemed modified as necessary to permit such compliance.

ARTICLE IV
COVENANTS

Section 4.01 *Payment of Notes.* (a) The Issuer agrees to pay the principal of, premium, if any, and interest on the Notes on the dates and in the manner provided in the Notes and this Indenture. Not later than 9:00 A.M. (New York City time) on the due date of any principal of, premium, if any, or interest on, any Notes, or any redemption or purchase price of the Notes, the Issuer shall deposit with the Trustee (or Paying Agent) money in immediately available funds in U.S. dollars sufficient to pay such amounts; *provided*, that if the Issuer or any Affiliate of the Issuer is acting as Paying Agent, it shall, on or before each due date, segregate and hold in a separate trust fund for the benefit of the Holders a sum of money sufficient to pay such amounts until paid to such Holders or otherwise disposed of as provided in this Indenture. In each case, the Issuer shall promptly notify the Trustee of its compliance with this paragraph.

(b) An installment of principal, premium, if any, or interest shall be considered paid on the date due if the Trustee (or Paying Agent, other than the Issuer or any Affiliate of the Issuer) holds on that date money designated for and sufficient to pay the installment. If the Issuer or any Affiliate of the Issuer acts as Paying Agent, an installment of principal, premium, if any, or interest shall be considered paid on the due date only if paid to the Holders.

(c) The Issuer agrees to pay interest on overdue principal, and, to the extent lawful, overdue installments of interest, if any, at the rate per annum specified in the Notes.

(d) Payments in respect of the Notes represented by the Global Notes are to be made by wire transfer of immediately available funds to the accounts specified to the Trustee in writing (at least 5 Business Days prior to the Payment Date) by the Holders of the Global Notes. With respect to Certificated Notes, the Issuer shall make all payments by wire transfer of immediately available funds to the accounts specified to the Trustee in writing (at least 5 Business Days prior to the Payment Date) by the Holders thereof or, if no such account is specified, by mailing a check to each Holder's registered address.

Section 4.02 *Maintenance of Office or Agency.* The Company and the Issuer shall maintain an office or agency where Notes may be surrendered for registration of transfer or exchange or for presentation for payment and where notices and demands to or upon the Company and the Issuer in respect of the Notes and this Indenture may be served. The Issuer and the Company hereby initially designate the Corporate Trust Office of the Trustee as such office of the Issuer and the Company. The Issuer shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Issuer and the Company fail to maintain any such required office or agency or fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served to the Trustee.

The Issuer may also from time to time designate one or more other offices or agencies where the Notes may be surrendered or presented for any of such purposes and may from time to time rescind such designations. The Issuer shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

Section 4.03 *Existence.* The Company and the Issuer shall each do or cause to be done all things necessary to preserve and keep in full force and effect their existence and the existence of each of the Restricted Subsidiaries in accordance with their respective organizational documents, and the material rights, licenses and franchises of the Company, the Issuer and each Restricted Subsidiary; *provided*, that the Company and the Issuer are not required to preserve any such right, license or franchise, or the existence of any Restricted Subsidiary, if the maintenance or preservation thereof is no longer desirable in the conduct of the business of the Company and its Restricted Subsidiaries taken as a whole; and *provided*, *further*, that this Section not prohibit any transaction otherwise permitted by Section 4.10 or Section 4.14.

Section 4.04 *Payment of Taxes and Other Claims.* The Company shall pay or discharge, and cause each of its Subsidiaries to pay or discharge before the same become delinquent (a) all material taxes, assessments and governmental charges levied or imposed upon the Company or any Subsidiary or its income or profits or property, and (b) all material lawful claims for labor, materials and supplies that, if unpaid, might by law become a Lien upon the property of the Company or any Subsidiary, other than any such tax, assessment charge or claim the amount, applicability or validity of which is being contested in good faith by appropriate proceedings and for which adequate reserves have been established.

Section 4.05 *Maintenance of Properties and Insurance.* (a) The Company shall cause all properties used or useful in the conduct of its business or the business of any of its Restricted Subsidiaries to be maintained and kept in good condition, repair and working order as in the judgment of the Company may be necessary so that the business of the Company and its Restricted Subsidiaries may be properly and advantageously conducted at all times; *provided*, that nothing in this Section prevents the Company or any Restricted Subsidiary from discontinuing the use, operation or maintenance of any of such properties or disposing of any of them, if such discontinuance or disposal is, in the judgment of the Company, desirable in the conduct of the business of the Company and its Restricted Subsidiaries taken as a whole.

(b) The Company shall provide or cause to be provided, for itself and its Restricted Subsidiaries, insurance (including appropriate self-insurance) against loss or damage of the kinds customarily insured against by corporations similarly situated and owning like properties, including, but not limited to, products liability insurance and public liability insurance, with reputable insurers, in such amounts, with such deductibles and by such methods as are customary for corporations similarly situated in the industry in which the Company and its Restricted Subsidiaries are then conducting business.

Section 4.06 *Limitations on Indebtedness*. (a) The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary, directly or indirectly, to create, incur, assume, become liable for or guarantee the payment of (collectively, an "**incurrence**") any Indebtedness (including Acquired Indebtedness) unless, after giving effect thereto and the application of the proceeds therefrom, the Consolidated Fixed Charge Coverage Ratio on the date thereof would be at least 2.0 to 1.0.

(b) Notwithstanding the foregoing, the provisions of this Indenture will not prevent the incurrence of:

(i) Permitted Indebtedness;

(ii) Refinancing Indebtedness;

(iii) Non-Recourse Indebtedness;

(iv) any Guarantee of Indebtedness represented by the Notes;

(v) any guarantee of Indebtedness incurred under Credit Facilities in compliance with this Indenture; and

(vi) any guarantee by the Issuer, the Company or any Guarantor of Indebtedness that is permitted to be incurred in compliance with this Indenture; *provided* that in the event such Indebtedness that is being guaranteed is subordinated to the Notes or a Guarantee, as the case may be, then the related guarantee shall be subordinated in right of payment to the Notes or such Guarantee, as the case may be.

(c) No member of the Secured Group may guarantee any Indebtedness of the Company, the Issuer or any Restricted Subsidiary that is not a member of the Secured Group pursuant to clauses (v) and (vi) of Section 4.06(b), unless such guarantee is unsecured and in respect of Permitted Indebtedness otherwise permitted to be incurred by a member of the Secured Group in compliance with the provisions of the definition of "Permitted Indebtedness".

(d) For purposes of determining compliance with this covenant, in the event that an item of Indebtedness may be incurred through Section 4.06(a) or by meeting the criteria of one or more of the types of Indebtedness described in Section 4.06(b) (or the definitions of the terms used therein), the Company, in its sole discretion,

(i) may classify such item of Indebtedness under and comply with either of such paragraphs (or any of such definitions), as applicable,

(ii) may classify and divide such item of Indebtedness into more than one of such paragraphs (or definitions), as applicable, and

(iii) may elect to comply with such paragraphs (or definitions), as applicable, in any order.

(e) The Company and the Issuer will not, and will not cause or permit any Guarantor to, directly or indirectly, in any event incur any Indebtedness that purports to be by its terms (or by the terms of any agreement governing such Indebtedness) subordinated to any other Indebtedness of the Company or of such Guarantor, as the case may be, unless such Indebtedness is also by its terms (or by the terms of any agreement governing such Indebtedness) made expressly subordinated to the Notes or the Guarantee of such Guarantor, as the case may be, to the same extent and in the same manner as such Indebtedness is subordinated to such other Indebtedness of the Company or such Guarantor, as the case may be.

(f) In addition to the foregoing, the Company and the Issuer will not cause or permit any member of the Secured Group to, and no member of the Secured Group will, incur any Indebtedness to finance an acquisition of Property if, at the time of incurrence, the acquisition of such Property was more than 50% financed with Indebtedness.

(g) Accrual of interest or dividends, the accretion of accreted value, the accretion or amortization of original issue discount and the payment of interest or dividends in the form of additional Indebtedness will not be deemed to be an incurrence of Indebtedness for purposes of this Section.

(h) For purposes of determining compliance with any U.S. dollar-denominated restriction on the incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, in the case of term debt, or first committed, in the case of revolving credit debt; *provided* that if such Indebtedness is incurred to refinance other Indebtedness denominated in another currency, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed (i) the principal amount of such Indebtedness being refinanced plus all accrued interest thereon plus (ii) the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing. Notwithstanding any other provision of this Section 4.06, the maximum amount of Indebtedness the Company, the Issuer or a Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies.

(i) The principal amount of any Indebtedness incurred to refinance other Indebtedness, if incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such respective Indebtedness is denominated that is in effect on the date of such refinancing.

(j) For purposes of this Section 4.06 and the other provisions of this Indenture, (i) unsecured Indebtedness shall not be treated as subordinated or junior to secured Indebtedness merely because it is unsecured, and (ii) senior Indebtedness shall not be treated as subordinated or junior to any other senior Indebtedness merely because it has a junior priority with respect to the same collateral.

(k) The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary, directly or indirectly, to incur Indebtedness under Section 4.06(a) (other than Purchase Money Indebtedness) unless it is scheduled to mature no earlier than (x) January 15, 2021, to the extent that no member of the Secured Group incurs or guarantees such Indebtedness or (y) February 15, 2021, if otherwise.

Section 4.07 *Limitations on Restricted Payments.* (a) The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, make any Restricted Payment unless:

(i) no Default or Event of Default shall have occurred and be continuing at the time of or immediately after giving effect to such Restricted Payment;

(ii) immediately after giving effect to such Restricted Payment, the Company could incur at least $1.00 of Indebtedness pursuant to Section 4.06(a) hereof; and

(iii) immediately after giving effect to such Restricted Payment, the aggregate amount of all Restricted Payments (including the Fair Market Value of any non-cash Restricted Payment) declared or made on or after the November 1, 2011 does not exceed the sum of:

(A) 50% of the Consolidated Net Income of the Company on a cumulative basis during the period (taken as one accounting period) from and including February 1, 2011 and ending on the last day of the Company's fiscal quarter immediately preceding the date of such Restricted Payment (or in the event such Consolidated Net Income shall be a deficit, minus 100% of such deficit), *plus*

(B) 100% of the aggregate net cash proceeds of and the Fair Market Value of Property received by the Company from (1) any capital contribution to the Company after February 1, 2011 or any issue or sale after February 1, 2011 of Qualified Stock (other than (x) to any Subsidiary of the Company or (y) any Excluded Contribution) and (2) the issue or sale after February 1, 2011 of any Indebtedness or other securities of the Company convertible into or exercisable for Qualified Stock of the Company that have been so converted or exercised, as the case may be, *plus*

(C) in the case of the disposition or repayment of any Investment constituting a Restricted Payment (or if the Investment was made prior to February 1, 2011, that would have constituted a Restricted Payment if made after February 1, 2011, if such disposition or repayment results in cash received by the Company, the Issuer or any Restricted Subsidiary), an amount (to the extent not included in the calculation of Consolidated Net Income referred to in (A)) equal to the lesser of (x) the return of capital with respect to such Investment (including by dividend, distribution or sale of Capital Stock) and (y) the amount of such Investment that was treated (or would have been treated when made) as a Restricted Payment, in either case, less the cost of the disposition or repayment of such Investment (to the extent not included in the calculation of Consolidated Net Income referred to in (A)), *plus*

(D) with respect to any Unrestricted Subsidiary that is redesignated as a Restricted Subsidiary after February 1, 2011, in accordance with the definition of "Unrestricted Subsidiary" (so long as the designation of such Subsidiary as an Unrestricted Subsidiary was treated as a Restricted Payment made after February 1, 2011, and only to the extent not included in the calculation of Consolidated Net Income referred to in (A)), an amount equal to the lesser of (x) the proportionate interest of the Company or a Restricted Subsidiary in an amount equal to the excess of (1) the total assets of such Subsidiary, valued on an aggregate basis at the lesser of book value and Fair Market Value thereof, over (2) the total liabilities of such Subsidiary, determined in accordance with GAAP, and (y) the Designation Amount at the time of such Subsidiary's designation as an Unrestricted Subsidiary, *plus*

(E) $10.0 million.

(b) clauses (ii) and (iii) of Section 4.07(a) will not prohibit:

(i) the payment of any dividend within 60 days of its declaration if such dividend could have been made on the date of its declaration without violation of the provisions of this Indenture;

(ii) the purchase, redemption, or other acquisition, cancellation or retirement for value of any shares of Capital Stock of the Company in exchange for, or out of the net proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company or constituting an Excluded Contribution) of, shares of Qualified Stock;

(iii) the making of Restricted Investments by the Company, the Issuer or any Restricted Subsidiary that is not a member of the Secured Group in joint ventures entered into with one or more Persons that is not an Affiliate of the Company used or useful in a Real Estate Business (other than any Investment made in an Unrestricted Subsidiary), in an aggregate amount made under this clause (iii) not to exceed Excluded Contributions (after giving effect to all subsequent reductions in the amount of any Restricted Investment in a joint venture made pursuant to this clause (iii) as a result of the repayment or disposition thereof for cash, not to exceed the amount of such Restricted Investment previously made pursuant to this clause (iii));

(iv) the payment of dividends on Preferred Stock and Disqualified Stock up to an aggregate amount of $10.0 million in any fiscal year; *provided* that immediately after giving effect to any declaration of such dividend, the Company could incur at least $1.00 of Indebtedness pursuant to Section 4.06(a);

(v) the purchase, redemption or other acquisition, cancellation or retirement for value of Capital Stock, or options, warrants, equity appreciation rights or other rights to purchase or acquire Capital Stock, of the Company or any Subsidiary held by officers or employees or former officers or employees of the Company or any Subsidiary (or their estates or beneficiaries under their estates) not to exceed $10.0 million in the aggregate since November 1, 2011; and

(vi) the making, by members of the Secured Group, of (A) Investments in any Permitted Joint Venture (which Investment may be made via an Investment in the JV Holding Company, if any, owning such Permitted Joint Venture) or (B) dividends in cash or Cash Equivalents to the Company or any of its other Restricted Subsidiaries, in an aggregate amount under this clause (vi) not to exceed the amount of cash and Cash Equivalents received by the Secured Group after November 1, 2011 constituting Excluded Fee Payments (net of any dividends to the Company or any of its other Restricted Subsidiaries made pursuant this clause (B) since November 1, 2011 and prior to the Effective Date);

provided, *however*, that each Restricted Payment described in clauses (i), (ii) and (vi)(A) of this Section 4.07(b) shall be taken into account for purposes of computing the aggregate amount of all Restricted Payments pursuant to clause (iii) of Section 4.07(a).

(c) For purposes of determining the aggregate and permitted amounts of Restricted Payments made, the amount of any guarantee of any Investment in any Person that was initially treated as a Restricted Payment and which was subsequently terminated or expired, net of any amounts paid by the Company or any Restricted Subsidiary in respect of such guarantee, shall be deducted.

(d) In determining the "Fair Market Value of Property" for purposes of clause (iii) of Section 4.07(a), Property other than cash, Cash Equivalents and Marketable Securities shall be deemed to be equal in value to the "equity value" of the Capital Stock or other securities issued in exchange therefor. The equity value of such Capital Stock or other securities shall be equal to (i) the number of shares of Common Equity issued in the transaction (or issuable upon conversion or exercise of the Capital Stock or other securities issued in the transaction) multiplied by the closing sale price of the Common Equity on its principal market on the date of the transaction (less, in the case of Capital Stock or other securities which require the payment of consideration at the time of conversion or exercise, the aggregate consideration payable thereupon) or (ii) if the Common Equity is not then traded on the New York Stock Exchange, NYSE MKT or Nasdaq Stock Market, or if the Capital Stock or other securities issued in the transaction do not consist of Common Equity (or Capital Stock or other securities convertible into or exercisable for Common Equity), the value (if more than $10.0 million) of such Capital Stock or other securities as determined by a nationally recognized investment banking firm retained by the Board of Directors of the Company.

Section 4.08 *Limitations on Liens.* (a) The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, create, incur, assume or suffer to exist any Liens on the Collateral, other than Permitted Collateral Liens.

(b) The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, create, incur, assume or suffer to exist any Liens securing any obligation or liability, other than Permitted Liens, on any of its Property, or on any shares of Capital Stock or Indebtedness of any Restricted Subsidiary (in each case, other than such Property, shares of Capital Stock or Indebtedness constituting Collateral) unless contemporaneously therewith or prior thereto all payments due under this Indenture and the Notes are secured on an equal and ratable basis with the obligation or liability so secured until such time as such obligation or liability is no longer secured by a Lien.

(c) No member of the Secured Group will create, incur, assume or suffer to exist any Liens on the Capital Stock of any Permitted Joint Venture or JV Holding Company owned by such member, other than Liens securing Indebtedness or other obligations of such Permitted Joint Venture or JV Holding Company, unless contemporaneously therewith or prior thereto all payments due under this Indenture and the Notes are secured on an equal and ratable basis with the obligation or liability so secured until such time as such obligation or liability is no longer secured by a Lien.

Section 4.09 *Limitations on Restrictions Affecting Restricted Subsidiaries.* The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, create, assume or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction (other than encumbrances or restrictions imposed by law or by judicial or regulatory action or by provisions of agreements that restrict the assignability thereof) on the ability of any Restricted Subsidiary to:

(a) pay dividends or make any other distributions on its Capital Stock or any other interest or participation in, or measured by, its profits, owned by the Company or any other Restricted Subsidiary, or pay interest on or principal of any Indebtedness owed to the Company or any other Restricted Subsidiary,

(b) make loans or advances to the Company or any other Restricted Subsidiary, or

(c) transfer any of its property or assets to the Company or any other Restricted Subsidiary,

except for:

(i) encumbrances or restrictions existing under or by reason of applicable law,

(ii) contractual encumbrances or restrictions in effect at or entered into on the Effective Date or the Issue Date and any amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings thereof; *provided*, that such amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings are no more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in such contractual encumbrances or restrictions, as in effect at or entered into on the Effective Date or the Issue Date,

(iii) any restrictions or encumbrances arising under Acquired Indebtedness; *provided* that such encumbrance or restriction applies only to either the assets that were subject to the restriction or encumbrance at the time of the acquisition or the obligor on such Indebtedness and its Subsidiaries prior to such acquisition,

(iv) any restrictions or encumbrances arising in connection with Refinancing Indebtedness; *provided*, *however*, that any restrictions and encumbrances of the type described in this clause (iv) that arise under such Refinancing Indebtedness shall not be materially more restrictive or apply to additional assets than those under the agreement creating or evidencing the Indebtedness being refunded, refinanced, replaced or extended,

(v) any Permitted Collateral Lien, Permitted Lien or any other agreement restricting the sale or other disposition of property, securing Indebtedness permitted by this Indenture if such Permitted Collateral Lien, Permitted Lien, or agreement does not expressly restrict the ability of a Subsidiary of the Company to pay dividends or make or repay loans or advances prior to default thereunder,

(vi) reasonable and customary borrowing base covenants set forth in agreements evidencing Indebtedness otherwise permitted by this Indenture,

(vii) customary non-assignment provisions in leases, licenses, encumbrances, contracts or similar assets entered into or acquired in the ordinary course of business,

(viii) any restriction with respect to a Restricted Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Restricted Subsidiary pending the closing of such sale or disposition,

(ix) encumbrances or restrictions existing under or by reason of (A) this Indenture, the Notes or the Guarantees, (B) the Senior Secured Super Priority Credit Agreement, the Senior Secured Super Priority Term Loan and the Senior Secured Super Priority Guarantees, (C) the New Second Lien Old Group Notes Indenture, the New Second Lien Old Group Notes and the New Second Lien Old Group Guarantees, (D) the Existing Senior Secured Notes Indenture, the Existing Senior Secured Notes and the Existing Senior Secured Notes Guarantees, (E) the Existing First Lien Old Group Notes Indenture, the Existing First Lien Old Group Notes and the Existing First Lien Old Group Notes Guarantees, and (F) the Existing Second Lien Old Group Notes Indenture, the Existing Second Lien Old Group Notes and the Existing Second Lien Old Group Notes Guarantees,

(x) purchase money obligations that impose restrictions on the property so acquired of the nature described in clause (c) of this Section 4.09,

(xi) Liens permitted under this Indenture securing Indebtedness that limit the right of the debtor to dispose of the assets subject to such Lien,

(xii) provisions with respect to the disposition or distribution of assets or property in joint venture agreements, assets sale agreements, stock sale agreements and other similar agreements,

(xiii) customary provisions of any franchise, distribution or similar agreements,

(xiv) restrictions on cash or other deposits or net worth imposed by contracts entered into in the ordinary course of business, and

(xv) any encumbrance or restrictions of the type referred to in clauses (a), (b) or (c) of this Section 4.09 imposed by any amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings of the contracts, instruments or obligations referred to in clauses (i) through (xiv) of this Section 4.09, *provided*, that such amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings are, in the good faith judgment of the Company's Board of Directors or its chief executive officer or chief financial officer, no more restrictive with respect to such encumbrances or restrictions than those contained in the encumbrances or restrictions prior to such amendment, modification, restatement, renewal, supplement, refunding, replacement or refinancing.

Section 4.10 *Limitations on Dispositions of Assets.* (a) The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, make any Asset Disposition unless: the Company (or such Restricted Subsidiary, as the case may be) receives consideration at the time of such Asset Disposition at least equal to the Fair Market Value thereof, and not less than 70% of the consideration received by the Company (or such Restricted Subsidiary, as the case may be) is in the form of cash, Cash Equivalents and Marketable Securities (which must be pledged as Collateral if the assets disposed of constituted Collateral).

(b) The amount of any Indebtedness (other than any Subordinated Indebtedness) of the Company or any Restricted Subsidiary that is actually assumed by the transferee in such Asset Disposition (other than a disposition of Collateral (unless the Indebtedness so assumed consists of Indebtedness under the Notes or other Indebtedness secured by parity Liens on the Collateral)) and the fair market value (as determined in good faith by the Board of Directors of the Company) of any property or assets (including Capital Stock of any Person that will be a Restricted Subsidiary following receipt thereof) received that are used or useful in a Real Estate Business (*provided* that (except as permitted by clause (c) under the definition of "Permitted Investment") to the extent that the assets disposed of in such Asset Disposition were Collateral, such property or assets (i) are received by a member of the Secured Group and (ii) are pledged as Collateral under the Security Documents substantially simultaneously with such sale, with the Lien on such Collateral securing the Guarantees being of the same priority with respect to the Guarantees as the Lien on the assets disposed of), shall be deemed to be consideration required by clause (y) of Section 4.10(a) for purposes of determining the percentage of such consideration received by the Company or the Restricted Subsidiaries.

(c) The Net Cash Proceeds of an Asset Disposition shall, within one year, at the Company's election,

(1) be used by the Company or a Restricted Subsidiary to invest in assets (including Capital Stock of any Person that is or will be a Restricted Subsidiary following investment therein) used or useful in the business of the construction and sale of homes conducted by the Company and the Restricted Subsidiaries (*provided* that (except as permitted by clause (c) under the definition of "Permitted Investment" to the extent that the assets disposed of in such Asset Disposition were Collateral, such assets are pledged as Collateral under the Security Documents with the Lien on such Collateral securing the Guarantees being of the same priority with respect to the Guarantees as the Lien on the assets disposed of),

(2) be used to permanently prepay or permanently repay any (i) Indebtedness which had been secured by the assets sold in the relevant Asset Disposition, to the extent the assets sold were not Collateral, or (ii) Indebtedness of a Restricted Subsidiary that is not a Guarantor, to the extent the assets sold were not Collateral, or

(3) be applied to make an Offer to Purchase Notes and, if the Company or a Restricted Subsidiary elects or is required to do so, to repay, repurchase or redeem the Existing Senior Secured Notes and, if the Company or a Restricted Subsidiary elects or is required to do so and the assets disposed of were not Collateral, to repay, purchase or redeem any unsubordinated Indebtedness (on a *pro rata* basis if the amount available for such repayment, purchase, redemption or cash collateralization is less than the aggregate amount of (x) the principal amount of the Notes tendered in such Offer to Purchase, (y) the lesser of the principal amount, or accreted value, of the Existing Senior Secured Notes tendered or to be repaid, redeemed, repurchased or cash collateralized and (z) the lesser of the principal amount, or accreted value, of such unsubordinated Indebtedness tendered or to be repaid, repurchased or redeemed, plus, in each case accrued interest to the date of repayment, purchase or redemption) at 100% of the principal amount or accreted value thereof, as the case may be, plus accrued and unpaid interest, if any, to the date of repurchase, repayment or redemption. Pending any such application under this Section 4.10(c), Net Cash Proceeds may be used to temporarily reduce Indebtedness or otherwise be invested in any manner not prohibited by this Indenture.

(d) Notwithstanding the foregoing, (A) the Company will not be required to apply such Net Cash Proceeds in accordance with clauses (2) or (3) of Section 4.10(c) except to the extent that such Net Cash Proceeds, together with the aggregate Net Cash Proceeds of prior Asset Dispositions (other than those so used) which have not been applied in accordance with this provision and as to which no prior prepayments or repayments shall have been made and no Offer to Purchase shall have been made, exceed $25 million and (B) in connection with an Asset Disposition, the Company and the Restricted Subsidiaries will not be required to comply with the requirements of clause (y) of Section 4.10(a) to the extent that the non-cash consideration received in connection with such Asset Disposition, together with the sum of all non-cash consideration received in connection with all prior Asset Dispositions that has not yet been converted into cash, Cash Equivalents or Marketable Securities, does not exceed $25 million; *provided, however*, that when any non-cash consideration is converted into cash, Cash Equivalents or Marketable Securities, such cash shall constitute Net Cash Proceeds and be subject to Section 4.10(c). Notwithstanding anything to the contrary in this Indenture, in connection with the making of an Offer to Purchase pursuant to Section 4.10(c)(3), Net Cash Proceeds of an Asset Disposition in which the assets disposed of constituted Collateral may be received by or transferred to the Issuer, solely for purposes of funding such Offer to Purchase.

Section 4.11 *Guarantees by Restricted Subsidiaries.* Each existing Restricted Subsidiary (other than the Issuer (for so long as it remains the Issuer)) will be a Guarantor. The Company is permitted to cause any Unrestricted Subsidiary to be a Guarantor. If the Issuer, the Company or any of its Restricted Subsidiaries acquires or creates a Restricted Subsidiary after the Issue Date, such Restricted Subsidiary shall execute a guarantee substantially in the form included in Exhibit A, execute a supplemental indenture in the form of Exhibit B, and deliver an Opinion of Counsel to the Trustee to the effect that the supplemental indenture has been duly authorized, executed and delivered by the new Restricted Subsidiary and constitutes a valid and binding obligation of the new Restricted Subsidiary, enforceable against the new Restricted Subsidiary in accordance with its terms (subject to customary exceptions).

Section 4.12 *Repurchase of Notes upon a Change of Control.* (a) In the event that there shall occur a Change of Control, each Holder of Notes shall have the right, at such Holder's option, to require the Issuer to purchase all or any part of such Holder's Notes on a date (the "**Repurchase Date**") that is no later than 90 days after notice of the Change of Control, at 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the Repurchase Date.

(b) On or before the thirtieth day after any Change of Control, the Issuer is obligated to mail, or cause to be mailed, to all Holders of record of Notes and the Trustee a notice regarding the Change of Control and the repurchase right. The notice shall state the Repurchase Date, the date by which the repurchase right must be exercised, the price of the Notes and the procedure which the Holder must follow to exercise such right. Substantially simultaneously with mailing of the notice, the Issuer shall cause a copy of such notice to be published in a newspaper of general circulation in the Borough of Manhattan, The City of New York. To exercise such right, the Holder of such Note must deliver, at least ten days prior to the Repurchase Date, written notice to the Issuer (or an agent designated by the Issuer for such purpose) of the Holder's exercise of such right, together with the Note with respect to which the right is being exercised, duly endorsed for transfer; *provided*, *however*, that if mandated by applicable law, a Holder may be permitted to deliver such written notice nearer to the Repurchase Date than may be specified by the Issuer.

(c) Notices may be delivered prior to the occurrence of a Change of Control stating that the Change of Control offer is conditional on the occurrence of such Change of Control, and, if applicable, shall state that, in the Issuer's discretion, the Repurchase Date may be delayed until such time as the Change of Control shall occur, or that such repurchase may not occur and such notice may be rescinded in the event that the Issuer shall determine that such condition will not be satisfied by the Repurchase Date, or by the Repurchase Date as so delayed.

(d) The Issuer will comply with applicable law, including Section 14(e) of the Exchange Act and Rule 14e-1 thereunder, if applicable, if the Issuer is required to give a notice of a right of repurchase as a result of a Change of Control.

(e) The Issuer will not be required to make a Change of Control offer following a Change of Control if a third party makes the Change of Control offer in the manner, at the times and otherwise in compliance with the requirements set forth in this Section 4.12 and purchases all such Notes validly tendered and not withdrawn under such Change of Control offer.

(f) If Holders of not less than 90% in aggregate principal amount of the outstanding Notes validly tender and do not validly withdraw such Notes in an Offer to Purchase in connection with a Change of Control and the Issuer, or any third party making an Offer to Purchase in lieu of the Issuer as permitted by this Section 4.12, purchases of all of the Notes validly tendered and not withdrawn by such Holders, the Issuer or such third party shall have the right, upon not less than 10 nor more than 60 days' prior notice (with a copy to the Trustee), given not more than 30 days following such purchase pursuant to the Change of Control offer described in this Section 4.12, to redeem all Notes that remain outstanding following such purchase at a redemption price in cash equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to, but not including, the date of redemption.

Section 4.13 *Limitations on Transactions with Affiliates.* (a) The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, make any loan, advance, guarantee or capital contribution to, or for the benefit of, or sell, lease, transfer or otherwise dispose of any property or assets to or for the benefit of, or purchase or lease any property or assets from, or enter into or amend any contract, agreement or understanding with, or for the benefit of, any Affiliate of the Company or any Affiliate of any of the Company's Subsidiaries or any holder of 10% or more of the Common Equity of the Company (including any Affiliates of such holders), in a single transaction or series of related transactions (each, an "**Affiliate Transaction**"), except for any Affiliate Transaction the terms of which are at least as favorable as the terms which could be obtained by the Company, the Issuer or such Restricted Subsidiary, as the case may be, in a comparable transaction made on an arm's- length basis with Persons who are not such a holder, an Affiliate of such a holder or an Affiliate of the Company or any of the Company's Subsidiaries.

(b) In addition, the Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, enter into an Affiliate Transaction unless:

(i) with respect to any such Affiliate Transaction involving or having a value of more than $1.0 million, the Company shall have (x) obtained the approval of a majority of the Board of Directors of the Company and (y) either obtained the approval of a majority of the Company's disinterested directors or obtained an opinion of a qualified independent financial advisor to the effect that such Affiliate Transaction is fair to the Company, the Issuer or such Restricted Subsidiary, as the case may be, from a financial point of view, and

(ii) with respect to any such Affiliate Transaction involving or having a value of more than $10.0 million, the Company shall have (x) obtained the approval of a majority of the Board of Directors of the Company and (y) delivered to the Trustee an opinion of a qualified independent financial advisor to the effect that such Affiliate Transaction is fair to the Company, the Issuer or such Restricted Subsidiary, as the case may be, from a financial point of view.

(c) Notwithstanding the foregoing, an Affiliate Transaction will not include:

(i) any contract, agreement or understanding with, or for the benefit of, or plan for the benefit of, employees of the Company or its Subsidiaries generally (in their capacities as such) that has been approved by the Board of Directors of the Company,

(ii) Capital Stock issuances to directors, officers and employees of the Company or its Subsidiaries pursuant to plans approved by the stockholders of the Company,

(iii) any Restricted Payment otherwise permitted under Section 4.07 hereof or any Permitted Investment (other than a Permitted Investment referred to in clause (b) of the definition thereof, except as permitted by clause (iv) below),

(iv) any transaction between or among (A) the Company and one or more Restricted Subsidiaries or between or among Restricted Subsidiaries, so long as no such Restricted Subsidiaries are members of the Secured Group or (B) any members of the Secured Group (*provided*, *however*, that in each case no such transaction shall involve any other Affiliate of the Company (other than an Unrestricted Subsidiary to the extent the applicable amount constitutes a Restricted Payment permitted by this Indenture)),

(v) any transaction between one or more Restricted Subsidiaries and one or more Unrestricted Subsidiaries where all of the payments to, or other benefits conferred upon, such Unrestricted Subsidiaries are substantially contemporaneously dividended, or otherwise distributed or transferred without charge, to the Company or a Restricted Subsidiary,

(vi) issuances, sales or other transfers or dispositions of mortgages and collateralized mortgage obligations in the ordinary course of business between Restricted Subsidiaries and Unrestricted Subsidiaries of the Company, and

(vii) the payment of reasonable and customary fees to, and indemnity provided on behalf of, officers, directors, employees or consultants of the Company, the Issuer or any Restricted Subsidiary.

Section 4.14 *Limitations on Mergers, Consolidations and Sales of Assets.* Neither the Issuer nor any Guarantor will consolidate or merge with or into, or sell, lease, convey or otherwise dispose of all or substantially all of its assets (including, without limitation, by way of liquidation or dissolution), or assign any of its obligations under the Notes, the Guarantees or this Indenture (as an entirety or substantially as an entirety in one transaction or in a series of related transactions), to any Person (in each case other than in a transaction in which the Company, the Issuer or a Restricted Subsidiary is the survivor of a consolidation or merger, or the transferee in a sale, lease, conveyance or other disposition) unless:

(i) the Person formed by or surviving such consolidation or merger (if other than the Company, the Issuer or the Guarantor, as the case may be), or to which such sale, lease, conveyance or other disposition or assignment will be made (collectively, the "**Successor**"), is a corporation or other legal entity organized and existing under the laws of the United States or any state thereof or the District of Columbia, and the Successor assumes by supplemental indenture in a form reasonably satisfactory to the Trustee all of the obligations of the Company, the Issuer or the Guarantor, as the case may be, under the Notes or a Guarantee, as the case may be, and this Indenture and the Security Documents,

(ii) immediately after giving effect to such transaction, no Default or Event of Default has occurred and is continuing, and

(iii) immediately after giving effect to such transaction, the Company (or its Successor) could incur at least $1.00 of Indebtedness pursuant to Section 4.06(a) hereof.

The foregoing provisions shall not apply to: (i) a transaction involving the sale or disposition of Capital Stock of a Guarantor, or the consolidation or merger of a Guarantor, or the sale, lease, conveyance or other disposition of all or substantially all of the assets of a Guarantor, that in any such case results in such Guarantor being released from its Guarantee pursuant to Section 6.03, or (ii) a transaction the purpose of which is to change the state of incorporation of the Company, the Issuer or any Guarantor.

Notwithstanding the foregoing:

(i) no member of the Secured Group may merge with or into the Company or any of its other Subsidiaries or sell, lease, convey or otherwise dispose of all or substantially all of its assets to any of them, and

(ii) the Company may not sell, lease, convey or otherwise dispose of all or substantially all of assets of the Secured Group (including, without limitation, by way of liquidation or dissolution), or assign any of their obligations under the Notes, the Guarantees or this Indenture (as an entirety or substantially as an entirety in one transaction or in a series of related transactions), to any Person or Persons (in each case other than in a transaction in which a member of the Secured Group is the survivor of a consolidation or merger, or the transferee in a sale, lease, conveyance or other disposition and the Liens on the Collateral securing the applicable Guarantees remain with the same priority as prior to such transactions).

Section 4.15 *Reports to Holders of Notes.* (a) The Company shall file with the Commission the annual reports and the information, documents and other reports required to be filed pursuant to Section 13 or 15(d) of the Exchange Act. The Company shall file with the Trustee and deliver to each Holder of record of Notes such reports, information and documents within 15 days after it files them with the Commission. In the event that the Company is no longer subject to these periodic reporting requirements of the Exchange Act, it will nonetheless continue to file reports with the Commission and the Trustee and deliver such reports to each Holder of Notes as if it were subject to such reporting requirements. Regardless of whether the Company is required to furnish such reports to its stockholders pursuant to the Exchange Act, the Company will cause its consolidated financial statements and a "Management's Discussion and Analysis of Results of Operations and Financial Condition" written report, similar to those that would have been required to appear in annual or quarterly reports, to be delivered to Holders of Notes. In each quarterly and annual report filed or provided pursuant to this Section 4.15, the Company shall include quantitative disclosure about the assets and liabilities of the Secured Group that is consistent with the disclosure about such assets and liabilities included in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2015.

(b) The posting of the reports, information and documents referred to above on the Company's website or one maintained on its behalf for such purpose shall be deemed to satisfy the Company's delivery obligations to the Trustee and the Holders. In addition, availability of the foregoing materials on the Commission's EDGAR service shall be deemed to satisfy the Company's delivery obligations to the Trustee and the Holders. The Trustee shall have no obligation to monitor whether the Company posts such reports, information and documents on its website or the Commission's EDGAR service, or collect any such information from the Company's website or the Commission's EDGAR service.

(c) For so long as any of the Notes remain outstanding and constitute "restricted securities" under Rule 144, the Company will furnish to the Holders of Notes and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

(d) Delivery of these reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of them will not constitute actual or constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's and/or the Company's compliance with any of its covenants in this Indenture (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

Section 4.16 [Reserved].

Section 4.17 *Notice of Other Defaults*. In the event that any Indebtedness of the Issuer or any Guarantor is declared due and payable before its maturity because of the occurrence of any default under such Indebtedness, the Issuer or the relevant Guarantor, as the case may be, shall promptly deliver to the Trustee an Officers' Certificate stating such declaration; *provided*, that the term "Indebtedness" as used in this Section 4.17 shall not include Non-Recourse Indebtedness.

Section 4.18 *Further Assurances; Costs*.

(a) On the Issue Date, the Secured Group Guarantors will grant Liens on all their property (other than Excluded Property) and take all appropriate steps to cause such Liens to be perfected first priority liens (subject to Permitted Collateral Liens), including through filing of UCC-1 financing statements or otherwise, pursuant to, and to the extent required by, the Security Documents to be entered into on the Issue Date and this Indenture. For the avoidance of doubt, the requirements of this Section 4.18(a) are subject to Section 4.18(c) below.

(b) If any member of the Secured Group at any time after the Issue Date acquires any new property (other than Excluded Property) that is not automatically subject to a perfected Lien under the Security Documents or any member of the Secured Group acquires or creates a Subsidiary, then such member of the Secured Group will, subject to the requirements of the Security Documents, as soon as practical after such property's acquisition or it no longer being Excluded Property or after such Subsidiary is acquired or created (subject to Section 4.18(c) below):

(i) grant a Lien on such property (or, in the case of such a newly acquired or created Subsidiary, all of its assets other than Excluded Property) in favor of the Collateral Agent for the benefit of the Holders (and, to the extent such grant would require the execution and delivery of a Security Document, such member of the Secured Group shall execute and deliver a Security Document (including a joinder thereto) on substantially the same terms as the Security Documents executed and delivered on the Issue Date);

(ii) cause the Lien granted in such Security Document to be duly perfected in any manner permitted by law to the same extent as the Liens granted on the Issue Date are perfected; and

(iii) cause any such newly acquired or created Subsidiary other than a Restricted Subsidiary to become a Guarantor.

Such member of the Secured Group shall deliver an Opinion of Counsel to the Trustee in respect of the validity, perfection or priority of any Lien grant referred to in this clause (b) by a new Guarantor addressing customary matters (and containing customary exceptions) consistent with the Opinion of Counsel delivered on the Issue Date in respect of such matters, *provided*, that, an Opinion of Counsel shall not be required with respect to any mortgage or similar instrument for real property located in a jurisdiction for which an Opinion of Counsel has been previously delivered to the Trustee pursuant to this Indenture.

(c) Notwithstanding anything to the contrary set forth in this Section 4.18 or elsewhere in this Indenture or any Security Document:

(i) any mortgages, deeds of trust or similar instruments (and any related Security Documents) required to be granted pursuant to this Indenture or the Security Documents with respect to real property owned by the Issuer or a member of the Secured Group on the Issue Date shall be granted, together with Opinions of Counsel delivered to the Trustee in respect of the enforceability and validity of such mortgages, deeds of trust and similar instruments, addressing customary matters (and containing customary exceptions) (*provided*, that, an Opinion of Counsel shall not be required with respect to any mortgage or similar instrument for real property located in a jurisdiction for which an Opinion of Counsel has been previously delivered to the Trustee pursuant to this Indenture), using reasonable best efforts following the Issue Date, but in no event later than (A) 90 days following the Issue Date with respect to real property to be pledged as Collateral with an aggregate book value of at least 40% of the aggregate book value of such real property owned on the Issue Date, (B) 120 days following the Issue Date with respect to real property to be pledged as Collateral with an aggregate book value of at least 50% of the aggregate book value of such real property owned on the Issue Date, (C) 150 days following the Issue Date with respect to real property to be pledged as Collateral with an aggregate book value of at least 60% of the aggregate book value of such real property owned on the Issue Date, (D) 180 days following the Issue Date with respect to real property to be pledged as Collateral with an aggregate book value of at least 75% of the aggregate book value of such real property owned on the Issue Date and (E) in any event, 210 days after the Issue Date with respect to all real property owned on the Issue Date to be pledged as Collateral;

(ii) the members of the Secured Group shall enter into control agreements with respect to the Collateral constituting deposit, checking and securities accounts (other than Excluded Accounts (as defined in the Security Agreement)) as soon as commercially reasonable following the Issue Date, but in no event later than 90 days following the Issue Date;

(iii) no control agreements shall be required for Excluded Accounts (as defined in the Security Agreement) and Excluded Fee Payments may be deposited therein; and

(iv) in the event that Rule 3-16 of Regulation S-X under the Securities Act requires or would require (or is replaced with another rule or regulation, or any other law, rule or regulation is adopted, which would require) the filing with the Commission of separate financial statements of a Guarantor that are not otherwise required to be filed, then the capital stock or other securities of such Guarantor need not be pledged pursuant to this Section 4.18 and shall automatically be deemed released and to not be and to not have been part of the Collateral, but only to the extent necessary to not be subject to such requirement. In such event, the Security Documents may be amended or modified, without the consent of any Holder of Notes, to the extent necessary to evidence the release of Liens securing the First-Priority Lien Obligations on the shares of capital stock or other securities that are so deemed to no longer constitute part of the Collateral.

(d) The Issuer will bear and pay all legal expenses, collateral audit and valuation costs, filing fees, insurance premiums and other costs associated with the performance of the obligations of the members of the Secured Group set forth in this Section 4.18 and will also pay or reimburse the Trustee and the Collateral Agent for all reasonable out-of-pocket expenses, disbursements and advances incurred or made by the Trustee and Collateral Agent in connection therewith, including the reasonable compensation and expenses of the Trustee and Collateral Agent's agents and counsel.

(e) Neither the Issuer nor any of the Guarantors will be permitted to take any action, or knowingly or negligently omit to take any action, which action or omission might or would have the result of materially impairing the security interest with respect to the Collateral for the benefit of the Trustee and the Holders of the Notes.

Section 4.19 *Limitation of Applicability of Certain Covenants if Notes Rated Investment Grade*.

(a) Notwithstanding this ARTICLE IV, the Issuer's, the Company's and its Restricted Subsidiaries' obligations to comply with the provisions of this Indenture described above under Sections 4.06, 4.07, 4.09, 4.10, 4.13 and clause (iii) of the first paragraph of Section 4.14 will be suspended (such suspended covenants, the "**Suspended Covenants**") and cease to have any further effect from and after the first date when the Notes issued under this Indenture are rated Investment Grade (the "**Suspension Date**"); *provided*, that if the Notes subsequently cease to be rated Investment Grade, then, from and after the time the Notes cease to be rated Investment Grade, the Issuer's, the Company's and its Restricted Subsidiaries' obligation to comply with the Suspended Covenants shall be reinstated.

(b) With respect to Restricted Payments made after any such reinstatement, the amount of Restricted Payments made after November 1, 2011 will be calculated as though Section 4.07 had been in effect during the entire period after such date. Accordingly, Restricted Payments made after the Suspension Date will reduce the amount available to be made as Restricted Payments under Section 4.07(a).

(c) Notwithstanding clauses (a) and (b) of this Section 4.19, in the event of any such reinstatement of the Obligation to comply with the Suspended Covenants, no action taken or omitted to be taken by the Company or any of its Subsidiaries prior to such reinstatement, or action taken by the Company or any of its Subsidiaries at any time pursuant to a contractual obligation arising prior to such reinstatement (not entered into in contemplation of such reinstatement) shall give rise to a Default or Event of Default under this Indenture upon reinstatement.

(d) The Issuer shall promptly notify the Trustee in writing of any suspension or reinstatement of the Suspended Covenants. In no event shall the Trustee be responsible for monitoring the status of any Suspended Covenants.

ARTICLE V
REMEDIES

Section 5.01 *Events of Default.* "**Event of Default**" means any one or more of the following events:

(i) the failure by the Company, the Issuer and the Guarantors to pay interest on, any Note when the same becomes due and payable and the continuance of any such failure for a period of 30 days;

(ii) the failure by the Company, the Issuer and the Guarantors to pay the principal or premium of any Note when the same becomes due and payable at maturity, upon acceleration or otherwise;

(iii) the failure by the Company, the Issuer or any Restricted Subsidiary to comply with any of its agreements or covenants in, or provisions of, the Notes, the Guarantees, the Security Documents or this Indenture and such failure continues for the period and after the notice specified below (except in the case of a default under Section 4.12 and 4.14, which will constitute an Event of Default with notice but without passage of time);

(iv) the acceleration of any Indebtedness (other than Non-Recourse Indebtedness) of the Company, the Issuer or any Restricted Subsidiary that has an outstanding principal amount of $10.0 million or more, individually or in the aggregate, and such acceleration does not cease to exist, or such Indebtedness is not satisfied, in either case within 30 days after such acceleration;

(v) the failure by the Company, the Issuer or any Restricted Subsidiary to make any principal or interest payment in an amount of $10.0 million or more, individually or in the aggregate, in respect of Indebtedness (other than Non-Recourse Indebtedness) of the Company or any Restricted Subsidiary within 30 days of such principal or interest becoming due and payable (after giving effect to any applicable grace period set forth in the documents governing such Indebtedness);

(vi) a final judgment or judgments that exceed $10.0 million or more, individually or in the aggregate, for the payment of money having been entered by a court or courts of competent jurisdiction against the Company, the Issuer or any of its Restricted Subsidiaries and such judgment or judgments is not satisfied, stayed, annulled or rescinded within 60 days of being entered;

(vii) the Company, the Issuer or any Restricted Subsidiary that is a Significant Subsidiary pursuant to or within the meaning of any Bankruptcy Law:

(A) commences a voluntary case,

(B) consents to the entry of an order for relief against it in an involuntary case,

(C) consents to the appointment of a Custodian of it or for all or substantially all of its property, or

(D) makes a general assignment for the benefit of its creditors;

(viii) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief against the Company, the Issuer or any Restricted Subsidiary that is a Significant Subsidiary as debtor in an involuntary case,

(B) appoints a Custodian of the Company, the Issuer or any Restricted Subsidiary that is a Significant Subsidiary or a Custodian for all or substantially all of the property of the Company or any Restricted Subsidiary that is a Significant Subsidiary, or

(C) orders the liquidation of the Company, the Issuer or any Restricted Subsidiary that is a Significant Subsidiary,

and the order or decree remains unstayed and in effect for 60 days;

(ix) any Guarantee of a Guarantor which is a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Guarantee and this Indenture) or is declared null and void and unenforceable or found to be invalid or any Guarantor denies its liability under its Guarantee (other than by reason of release of a Guarantor from its Guarantee in accordance with the terms of this Indenture and the Guarantee); or

(x) the Liens created by the Security Documents shall at any time not constitute valid and perfected Liens on any material portion of the Collateral intended to be covered thereby (to the extent perfection by filing, registration, recordation or possession is required by this Indenture or the Security Documents) other than in accordance with the terms of the relevant Security Document and this Indenture and other than the satisfaction in full of all Obligations under this Indenture or the release or amendment of any such Lien in accordance with the terms of this Indenture or the Security Documents, or, except for expiration in accordance with its terms or amendment, modification, waiver, termination or release in accordance with the terms of this Indenture and the relevant Security Document, any of the Security Documents shall for whatever reason be terminated or cease to be in full force and effect, if in either case, such default continues for 30 days after notice, or the enforceability thereof shall be contested by the Issuer or any Guarantor.

A Default as described in subclause (iii) of this Section 5.01 will not be deemed an Event of Default until the Trustee notifies the Company, or the Holders of at least 25 percent in principal amount of the then outstanding Notes notify the Company and the Trustee, of the Default and (except in the case of a Default with respect to Section 4.12 and 4.14 hereof) the Company does not cure the Default within 60 days after receipt of the notice. The notice must specify the Default, demand that it be remedied and state that the notice is a “Notice of Default.” If such a Default is cured within such time period, it ceases.

If an Event of Default (other than an Event of Default with respect to the Company or the Issuer resulting from subclauses (vii) or (viii) of this Section 5.01), shall have occurred and be continuing under this Indenture, the Trustee by notice to the Company, or the Holders of at least 25 percent in principal amount of the Notes then outstanding by notice to the Company and the Trustee, may declare all Notes to be due and payable immediately. Upon such declaration of acceleration, the amounts due and payable on the Notes will be due and payable immediately. If an Event of Default with respect to the Company or the Issuer specified in subclauses (vii) or (viii) of this Section 5.01 occurs, such an amount will *ipso facto* become and be immediately due and payable without any declaration, notice or other act on the part of the Trustee and the Company or any Holder. This provision, however, is subject to the condition that, if at any time after the unpaid principal amount (or such specified amount) of the Notes shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, the Issuer shall pay or shall deposit with the Trustee a sum sufficient to pay all matured installments of interest, if any, upon all of the Notes and the principal of all the Notes which shall have become due otherwise than by acceleration (with interest on overdue installments of interest, if any, to the extent that payment of such interest is enforceable under applicable law and on such principal at the rate borne by the Notes to the date of such payment or deposit) and the reasonable compensation, disbursements, expenses and advances of the Trustee and all other amounts due to the Trustee under Section 7.06, and any and all defaults under this Indenture, other than the nonpayment of such portion of the principal amount of and accrued interest, if any, on Notes which shall have become due by acceleration, shall have been cured or shall have been waived in accordance with Section 5.03 or provision deemed by the Trustee to be adequate shall have been made therefor, then and in every such case the Holders of a majority in aggregate principal amount of the Notes then outstanding, by written notice to the Issuer and to the Trustee, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair any right consequent thereon. Notwithstanding the previous sentence, no waiver shall be effective against any Holder for any Event of Default or event which with notice or lapse of time or both would be an Event of Default with respect to any covenant or provision which cannot be modified or amended without the consent of the Holder of each outstanding Note affected thereby, unless all such affected Holders agree, in writing, to waive such Event of Default or other event.

If the Trustee shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned because of such rescission or annulment or for any reason or shall have been determined to be adverse to the Trustee, then and in every such case the Issuer, the Trustee and the Holders of Notes shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Issuer, the Trustee and the Holders of Notes shall continue as though no such proceeding had been taken.

Except with respect to an Event of Default pursuant to clauses (i) or (ii) of this Section 5.01, the Trustee shall not be charged with knowledge of any Event of Default unless written notice thereof shall have been given to a Responsible Officer of the Trustee by the Issuer, a Paying Agent or any Holder and such notice references the Notes and this Indenture.

Section 5.02 *Other Remedies.* If an Event of Default occurs and is continuing, the Trustee may pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of, premium, if any, and interest, if any, on the Notes or to enforce the performance of any provision of the Notes, this Indenture or the Security Documents. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding.

Section 5.03 *Waiver of Defaults by Majority of Holders.* By written notice to the Trustee and the Company, the Holders of a majority in aggregate principal amount of the Notes then outstanding may on behalf of the Holders of all of the Notes waive any past Default or Event of Default hereunder and its consequences, except a Default in the payment of interest, if any, on, or the principal of, the Notes. Upon any such waiver, the Issuer, the Trustee and the Holders of Notes shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon. Whenever any Default or Event of Default hereunder shall have been waived as permitted by this Section 5.03, said Default or Event of Default shall for all purposes of the Notes and this Indenture be deemed to have been cured and to be not continuing.

Section 5.04 *Direction of Proceedings.* The Holders of a majority in aggregate principal amount of the Notes then outstanding shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee with respect to the Notes; *provided*, *however*, that (subject to the provisions of Section 7.01) the Trustee shall have the right to decline to follow any such direction if the Trustee shall determine upon advice of counsel that the action or proceeding so directed may not lawfully be taken or if the Trustee in good faith by its board of directors, its executive committee, or a trust committee of directors or Responsible Officers or both shall determine that the action or proceeding so directed would involve the Trustee in personal liability.

Section 5.05 *Application of Moneys Collected by Trustee.* Any moneys collected by the Trustee pursuant to this Article (including any proceeds from Collateral received pursuant to the terms of the Security Documents) with respect to outstanding Notes shall be applied in the order following, at the date or dates fixed by the Trustee for the distribution of such moneys, upon presentation of the Notes and stamping thereon the payment, if only partially paid, and upon surrender thereof, if fully paid:

FIRST: To the payment of costs and expenses of collection and reasonable compensation to the Trustee (including in its role as Collateral Agent under the Security Documents), its agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Trustee pursuant to Section 7.06 except as a result of its negligence or willful misconduct;

SECOND: If the principal of the Notes shall not have become due and be unpaid, to the payment of interest, if any, on the Notes, in the order of the maturity of the installments of such interest, if any, with interest (to the extent that such interest has been collected by the Trustee) upon the overdue installments of interest, if any, at the rate borne by the Notes, such payment to be made ratably to the Persons entitled thereto;

THIRD: If the principal of the Notes shall have become due, by declaration or otherwise, to the payment of the whole amount then owing and unpaid upon the Notes for principal or interest, if any, with interest on the overdue principal and (to the extent that such interest has been collected by the Trustee) upon overdue installments of interest, if any, at the rate borne by the Notes, and in case such moneys shall be insufficient to pay in full the whole amounts so due and unpaid upon the Notes, then to the payment of such principal and interest, if any, without preference or priority of principal over interest, if any, or of interest, if any, over principal, or of any installment of interest, if any, over any other installment of interest, if any, ratably to the aggregate of such principal and accrued and unpaid interest, if any; and

FOURTH: To the payment of any surplus then remaining to the Issuer, its successors or assigns, or to whomsoever may be lawfully entitled to receive the same.

No claim for interest which in any manner at or after maturity shall have been transferred or pledged separate or apart from the Notes to which it relates, or which in any manner shall have been kept alive after maturity by an extension (otherwise than pursuant to an extension made pursuant to a plan proposed by the Issuer to the Holders of all Notes), purchase, funding or otherwise by or on behalf or with the consent or approval of the Issuer shall be entitled, in case of a default hereunder, to any benefit of this Indenture, except after prior payment in full of the principal of all Notes and of all claims for interest not so transferred, pledged, kept alive, extended, purchased or funded.

Section 5.06 *Proceedings by Holders.* No holder of any Notes shall have any right by virtue of or by availing of any provision of this Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to this Indenture for the appointment of a receiver or trustee or similar official, or for any other remedy hereunder, unless such Holder previously shall have given to the Trustee written notice of default and of the continuance thereof, as hereinbefore provided, and unless the Holders of not less than 25% in aggregate principal amount of the Notes then outstanding shall have made written request to the Trustee to institute such action, suit or proceeding in its own name as Trustee hereunder and shall have offered to the Trustee such reasonable indemnity or security as it may require against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee for 60 days after its receipt of such notice, request and offer of reasonable indemnity or security shall have neglected or refused to institute any such action, suit or proceeding, it being understood and intended, and being expressly covenanted by the Holder of every Note with every other Holder and the Trustee, that no one or more Holders of Notes shall have any right in any manner whatever by virtue of or by availing of any provision of this Indenture or of the Notes to affect, disturb or prejudice the rights of any other Holder of Notes, or to obtain or seek to obtain priority over or preference as to any other such Holder, or to enforce any right under this Indenture or the Notes, except in the manner herein provided and for the equal, ratable and common benefit of all Holders of Notes.

Notwithstanding any other provisions in this Indenture, however, the contractual right of any Holder of any Note to bring suit for the payment of principal, premium, if any, and interest on its Note, on or after the respective due dates expressed or provided for in such Note, shall not be amended without the consent of such Holder.

Section 5.07 *Proceedings by Trustee.* In case of an Event of Default hereunder, the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any of such rights, either by suit in equity or by action at law or by proceedings in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted in this Indenture, or to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law.

Section 5.08 *Remedies Cumulative and Continuing.* All powers and remedies given by this Article V to the Trustee or to the Holders shall, to the extent permitted by law, be deemed cumulative and not exclusive of any thereof or of any other powers and remedies available to the Trustee or the Holders, by judicial proceedings or otherwise, to enforce the performance or observance of the covenants and agreements contained in this Indenture, and no delay or omission of the Trustee or of any Holder to exercise any right or power accruing upon any default occurring and continuing as aforesaid shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence therein; and, subject to the provisions of Section 5.06, every power and remedy given by this Article V or by law to the Trustee or to the Holders may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by the Holders.

Section 5.09 *Undertaking to Pay Costs.* All parties to this Indenture agree, and each Holder of any Note by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, or in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the cost of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 5.09 shall not apply to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in principal amount of the then outstanding Notes, or to any suit instituted by any Holders for the enforcement of the payment of the principal of, premium, if any, or interest, if any, on any Note against the Issuer on or after the due date of such Note.

Section 5.10 *Notice of Defaults*. (a) The Company is required to deliver to the Trustee an annual statement regarding compliance with this Indenture, and include in such statement, if any officer of the Company is aware of any Default or Event of Default, a statement specifying such Default or Event of Default and what action the Company is taking or proposes to take with respect thereto. In addition, the Company shall deliver to the Trustee prompt written notice of the occurrence of any Default or Event of Default.

(b) The Trustee shall, within 90 days after the occurrence of a Default actually known to a Responsible Officer of the Trustee, with respect to the Notes, deliver to all Holders of Notes, as the names and the addresses of such Holders appear upon the Register, subject to the applicable procedures of DTC, notice of all Defaults, unless such Defaults shall have been cured before the giving of such notice; *provided*, *however*, that, except in the case of Default in the payment of the principal of, premium, if any, or interest, if any, on any of the Notes, or in the payment or satisfaction of a purchase obligation, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, a trust committee of directors or a Responsible Officer of the Trustee in good faith determines that the withholding of such notice is in the best interests of the Holders.

Section 5.11 *Waiver of Stay, Extension or Usury Laws.* The Company, the Issuer and each Guarantor covenants, to the extent permitted by applicable law, that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law or any usury law or other law that would prohibit or forgive the Company, the Issuer or the Guarantor from paying all or any portion of the principal of, premium, if any, or interest, if any, on the Notes as contemplated herein, wherever enacted, now or at any time hereafter in force, or that may affect the covenants or the performance of this Indenture. The Company, the Issuer and each Guarantor hereby expressly waives, to the extent that it may lawfully do so, all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 5.12 *Trustee May File Proof of Claim.* The Trustee may file proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due to the Trustee hereunder) and the Holders allowed in any judicial proceedings relating to the Company, the Issuer or any Guarantor or their respective creditors or property, and is entitled and empowered to collect, receive and distribute any money, securities or other property payable or deliverable upon conversion or exchange of the Notes or upon any such claims. Any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, if the Trustee consents to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agent and counsel, and any other amounts due to the Trustee hereunder. Nothing in this Indenture will be deemed to empower the Trustee to authorize or consent to, or accept or adopt on behalf of any Holder, any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 5.13 *Payment of Notes on Default; Suit Therefor.* The Issuer covenants that (a) if default shall be made in the payment of any installment of interest upon the Notes as and when the same shall become due and payable, and such default shall have continued for a period of 30 days, or (b) if default shall be made in the payment of the principal of, and premium, if any, on the Notes as and when the same shall have become due and payable, whether at maturity of the Notes or upon redemption or by declaration or otherwise, then, upon demand of the Trustee, the Issuer will pay to the Trustee, for the benefit of the Holders of the Notes, the whole amount that then shall have become due and payable on all such Notes for principal, and premium, if any, or interest, if any, or both, as the case may be, with interest upon the overdue principal and (to the extent that payment of such interest is enforceable under applicable law) upon the overdue installments of interest, if any, at the rate borne by the Notes; and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including reasonable compensation to the Trustee, its agents, attorneys and counsel, and any expenses or liabilities incurred by the Trustee hereunder other than through its negligence or willful misconduct.

If the Issuer shall fail forthwith to pay such amounts upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any actions or proceedings at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceeding to judgment or final decree, and may enforce any such judgment or final decree against the Issuer or any other obligor on the Notes and collect in the manner provided by law out of the property of the Issuer or any other obligor on the Notes, wherever situated, the moneys adjudged or decreed to be payable.

If there shall be pending proceedings for the bankruptcy or for the reorganization of the Issuer or any other obligor on the Notes under any bankruptcy, insolvency or other similar law now or hereafter in effect, or if a receiver or trustee or similar official shall have been appointed for the property of the Issuer or such other obligor, or in the case of any other similar judicial proceedings relative to the Issuer or other obligor on the Notes, or to the creditors or property of the Issuer or such other obligor, the Trustee, irrespective of whether the principal of the Notes shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the provisions of this Section 5.13, shall be entitled and empowered by intervention in such proceedings or otherwise to file and prove a claim or claims for the whole amount of principal, premium, if any, interest, if any, owing and unpaid in respect of the Notes, and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and of the Holders allowed in such judicial proceedings relative to the Issuer or any other obligor on the Notes, its or their creditors, or its or their property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same after the deduction of its charges and expenses, and any receiver, assignee or trustee or similar official in bankruptcy or reorganization is hereby authorized by each of the Holders to make such payments to the Trustee, and, if the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for compensation and expenses or otherwise pursuant to Section 7.06, including counsel fees and expenses incurred by it up to the date of such distribution. To the extent that such payment of reasonable compensation, expenses and counsel fees and expenses out of the estate in any such proceedings shall be denied for any reason, payment of the same shall be secured by a lien on, and shall be paid out of, any and all distributions, dividends, moneys, securities and other property which the Holders of Notes may be entitled to receive in such proceedings, whether in liquidation or under any plan of reorganization or arrangement or otherwise.

All rights of action and of asserting claims under this Indenture, or under any of the Notes, may be enforced by the Trustee without the possession of any of the Notes, or the production thereof at any trial or other proceeding relative thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall be for the ratable benefit of the Holders of Notes in respect of which such judgment has been recovered.

ARTICLE VI

GUARANTEES; RELEASE OF GUARANTOR

Section 6.01 *Guarantee.* Each of the Guarantors hereby unconditionally guarantees, jointly and severally with each other Guarantor, to each Holder and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of this Indenture, the Notes or the obligations of the Issuer hereunder or thereunder, that: (i) the due and punctual payment of the principal of, premium, if any, and interest on the Notes, whether at maturity or on an interest payment date, by acceleration, pursuant to an Offer to Purchase or otherwise, to the extent lawful, and all other obligations of the Issuer to the Holders or the Trustee hereunder or thereunder shall be promptly paid in full when due, all in accordance with the terms hereof and thereof, including all amounts payable to the Trustee under Section 7.06 hereof, and (ii) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, the same shall be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise.

If the Issuer fails to make any payment when due of any amount so guaranteed for whatever reason, each Guarantor shall be obligated, jointly and severally with each other Guarantor, to pay the same immediately. Each Guarantor hereby agrees that its obligations hereunder shall be continuing, absolute and unconditional, irrespective of, and shall be unaffected by, the validity, regularity or enforceability of the Notes, this Indenture, the Security Documents, the absence of any action to enforce the same, any waiver or consent by any Holder or the Trustee with respect to any provisions hereof or thereof, the recovery of any judgment against the Issuer, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of such Guarantor. If any Holder or the Trustee is required by any court or otherwise to return to the Issuer or any Guarantor, or any custodian, trustee, liquidator or other similar official acting in relation to the Issuer or such Guarantor, any amount paid by the Issuer or any Guarantor to the Trustee or such Holder, this Article VI, to the extent theretofore discharged with respect to any Guarantee, shall be reinstated in full force and effect. Each Guarantor agrees that it shall not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby by such Guarantor until payment in full of all such obligations. Each Guarantor further agrees that, as between such Guarantor, on the one hand, and the Holders of Notes and the Trustee on the other hand, (i) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article V hereof for the purposes of such Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby and (ii) in the event of any acceleration of such obligations as provided in Article V hereof such obligations (whether or not due and payable) shall forthwith become due and payable by such Guarantor, jointly and severally with each other Guarantor, for the purpose of this Article VI. In addition, without limiting the foregoing, upon the effectiveness of an acceleration under Article V, the Trustee may make a demand for payment on the Notes under any Guarantee provided hereunder and not discharged.

The Guarantee set forth in this Section 6.01 and as annexed to any Note shall not be valid or become obligatory for any purpose with respect to a Note until the certificate of authentication on such Note shall have been signed by the Trustee or any duly appointed authentication agent.

Section 6.02 *Obligations of each Guarantor Unconditional.* Nothing contained in this ARTICLE VI or elsewhere in this Indenture or in any Note is intended to or shall impair, as between each Guarantor and the Holders, the obligations of such Guarantor which are absolute and unconditional, to pay to the Holders the principal of, premium, if any, and interest on the Notes as and when the same shall become due and payable in accordance with the provisions of their Guarantee or is intended to or shall affect the relative rights of the Holders and creditors of such Guarantor, nor shall anything herein or therein prevent the Trustee or any Holder from exercising all remedies otherwise permitted by applicable law upon any Default under this Indenture in respect of cash, property or securities of such Guarantor received upon the exercise of any such remedy.

Upon any distribution of assets of a Guarantor referred to in this Article VI, the Trustee, subject to the provisions of Article VII, and the Holders shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which such dissolution, winding up, liquidation or reorganization proceedings are pending, or a certificate of the liquidating trustee or agent or other person making any distribution to the Trustee or to such Holders for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of other indebtedness of such Guarantor, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article VI.

Section 6.03 *Release of a Guarantor*. (a) If (i) all or substantially all of the assets of any Guarantor (other than (A) the Company or (B) any member of the Secured Group) or (ii) all of the Capital Stock of any Guarantor (other than (A) the Company or (B) any member of the Secured Group) is sold (including by consolidation, merger, issuance or otherwise) or disposed of (including by liquidation, dissolution or otherwise) by the Company or any of its Subsidiaries, or, unless the Company elects otherwise, if any Guarantor (other than (A) the Company or (B) any member of the Secured Group that is not a Permitted Joint Venture or JV Holding Company) is designated an Unrestricted Subsidiary in accordance with the terms of this Indenture, then such Guarantor (in the event of a sale or other disposition of all of the Capital Stock of such Guarantor or a designation as an Unrestricted Subsidiary) or the Person acquiring such assets (in the event of a sale or other disposition of all or substantially all of the assets of such Guarantor) shall be deemed automatically and unconditionally released and discharged from any of its obligations under this Indenture without any further action on the part of the Trustee or any Holder of Notes.

(b) Upon the release of a guarantee by a Guarantor other than the Company under all then outstanding Applicable Debt, at any time after the suspension of the Suspended Covenants as provided in Section 4.19, (i) the Guarantee of such Guarantor under this Indenture will be released and discharged at such time; *provided* that the foregoing shall not apply to any release of any Guarantor done in contemplation of, or in connection with, any cessation of the Notes being rated Investment Grade, and (ii) no Restricted Subsidiary thereafter acquired or created will be required to be a Guarantor. In the event that (i) any such released Guarantor thereafter guarantees any Applicable Debt (or if any released guarantee under any Applicable Debt is reinstated or renewed) then any such released Guarantor will Guarantee the Notes on the terms and subject to the conditions set forth in this Indenture or (ii) the Suspended Covenants cease to be suspended as described in Section 4.19 then all Restricted Subsidiaries of the Company then existing (other than the Issuer (for so long as it remains the Issuer)) will Guarantee the Notes on the terms and conditions set forth in this Indenture. For purposes of this Section 6.03(b), Applicable Debt secured by a Lien on a Restricted Subsidiary's Property or issued by a Restricted Subsidiary shall be deemed guaranteed by such Restricted Subsidiary.

(c) An Unrestricted Subsidiary that is a Guarantor shall be deemed automatically and unconditionally released and discharged from all obligations under its Guarantee upon written notice from the Company to the Trustee to such effect, without any further action required on the part of the Trustee or any Holder.

Section 6.04 *Execution and Delivery of Guarantee.* The execution by each Guarantor of this Indenture (or a supplemental indenture in the form of Exhibit B) together with an executed guarantee substantially in the form included in Exhibit A evidences the Guarantee of such Guarantor, whether or not the person signing as an officer of the Guarantor still holds that office at the time of authentication of any Note. The delivery of any Note by the Trustee after authentication constitutes due delivery of the Guarantee on behalf of each Guarantor.

Section 6.05 *Limitation on Guarantor Liability.* Notwithstanding anything to the contrary in this Article VI, each Guarantor, and by its acceptance of a Note, each Holder, hereby confirms that it is the intention of all such parties that the Guarantee of such Guarantor not constitute a fraudulent conveyance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of state law. To effectuate that intention, the Trustee, the Holders and the Guarantors hereby irrevocably agree that the obligations of each Guarantor under its Guarantee are limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of state law.

Section 6.06 *ARTICLE VI not to Prevent Events of Default.* The failure to make a payment on account of principal, premium, if any, or interest, if any, on the Notes by reason of any provision in this ARTICLE VI shall not be construed as preventing the occurrence of any Event of Default under Section 5.01.

Section 6.07 *Waiver by the Guarantors.* To the extent permitted by applicable law, each Guarantor hereby irrevocably waives diligence, presentment, demand of payment, demand of performance, filing of claims with a court in the event of insolvency of bankruptcy of the Issuer, any right to require a proceeding first against the Issuer, the benefit of discussion, protest, notice and all demand whatsoever and covenants that this Guarantee shall not be discharged except by complete performance of the obligations contained in the Notes, in this Indenture and in this ARTICLE VI.

Section 6.08 *Subrogation and Contribution.* Upon making any payment with respect to any obligation of the Issuer under this Article, the Guarantor making such payment shall be subrogated to the rights of the payee against the Issuer with respect to such obligation; *provided*, that the Guarantor may not enforce either any right of subrogation, or any right to receive payment in the nature of contribution, or otherwise, from any other Guarantor, with respect to such payment so long as any amount payable by the Issuer hereunder or under the Notes remains unpaid.

Each Guarantor that makes a payment under its Guarantee shall be entitled, upon payment in full of all guaranteed obligations under this Indenture, to seek and receive contribution from and against each other Guarantor in an amount equal to such other Guarantor's *pro rata* portion of such payment based on the respective net assets of all the Guarantors at the time of such payment determined in accordance with GAAP.

Section 6.09 *Stay of Acceleration.* If acceleration of the time for payment of any amount payable by the Issuer under this Indenture or the Notes is stayed upon the insolvency, bankruptcy or reorganization of the Issuer, all such amounts otherwise subject to acceleration under the terms of this Indenture are nonetheless payable by the Guarantors hereunder forthwith on demand by the Trustee or the Holders.

ARTICLE VII
THE TRUSTEE

Section 7.01 *General.* (a) The duties, rights and responsibilities of the Trustee are solely as set forth herein. Whether or not expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of, or affording protection to, the Trustee is subject to this Article.

(b) Except during the continuance of an Event of Default, the Trustee need perform only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee and the permissive rights of the Trustee set forth herein shall not be construed as duties. In case an Event of Default has occurred and is continuing of which a Responsible Officer of the Trustee has knowledge thereof pursuant to Section 5.01, the Trustee shall exercise those rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

Section 7.02 *Certain Rights of the Trustee.*

(a) The Trustee may rely, and shall be protected in acting or refraining from acting, upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document, but the Trustee, in its discretion, may make further inquiry or investigation into such facts or matters as it sees fit.

(b) Subject to Section 7.01(b), the Trustee may conclusively rely, as to the truth of the statements and the correctness of the statements and opinions expressed therein, upon certificates or opinions furnished to the Trustee conforming to the requirements of this Indenture, and the Trustee shall not be responsible for the accuracy or content of any such statements or opinions; however, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(c) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel conforming to Section 13.05 and the Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such a certificate or opinion. Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Issuer or the Company, as applicable, shall be sufficient if signed by an Officer of the Issuer or the Company, as applicable.

(d) The Trustee may act through its attorneys and agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(e) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders, unless such Holders have offered to the Trustee reasonable security or indemnity satisfactory to it against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction.

(f) The Trustee shall not be liable for any action it takes or omits to take in good faith that it believes to be authorized or within its rights or powers or for any action it takes or omits to take in accordance with the direction of the Holders in accordance with Section 5.04 relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture.

(g) The Trustee shall not be liable for any error of judgment made in good faith by any of its officers or employees unless it is proved that the Trustee was negligent in ascertaining the pertinent facts.

(h) The Trustee may consult with counsel, and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(i) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder, or in the exercise of its rights or powers, unless it receives reasonable indemnity or security satisfactory to it against any loss, liability or expense.

(j) The Trustee may request that the Company (on behalf of itself and the Issuer) deliver an Officers' Certificate setting forth the name of the individuals and/or titles of Officers authorized at such time to take specific actions pursuant to this Indenture, which Officers' Certificate may be signed by any person authorized to sign an Officers' Certificate, including any person specified as so authorized in any such Officers' Certificate previously delivered and not superseded.

(k) In no event shall the Trustee be liable, directly or indirectly, for any special, indirect, punitive or consequential damages, even if the Trustee has been advised of the possibility of such damages and regardless of the form of action.

(l) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and to each agent, custodian and other Person employed to act hereunder.

(m) In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and, except in the case of failures or delays due to the Trustee's negligence or bad faith, interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services, it being understood that the Trustee shall use reasonable best efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

(n) The Trustee shall have no duty to ensure any recording, filing or depositing of this Indenture or any agreement referred to herein or any financing statement or continuation statement evidencing a security interest, or to ensure the maintenance of any such recording or filing or depositing or to any re-recording, re-filing or re-depositing of any thereof.

Section 7.03 *Individual Rights of the Trustee.* The Trustee, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not the Trustee. Any Agent may do the same with like rights. However, the Trustee is subject to Trust Indenture Act Sections 310(b) and 311. For purposes of Trust Indenture Act Section 311(b)(4) and (6):

(a) "**cash transaction**" means any transaction in which full payment for goods or securities sold is made within seven days after delivery of the goods or securities in currency or in checks or other orders drawn upon banks or bankers and payable upon demand; and

(b) "**self-liquidating paper**" means any draft, bill of exchange, acceptance or obligation which is made, drawn, negotiated or incurred for the purpose of financing the purchase, processing, manufacturing, shipment, storage or sale of goods, wares or merchandise and which is secured by documents evidencing title to, possession of, or a lien upon, the goods, wares or merchandise or the receivables or proceeds arising from the sale of the goods, wares or merchandise previously constituting the security, provided the security is received by the Trustee simultaneously with the creation of the creditor relationship arising from the making, drawing, negotiating or incurring of the draft, bill of exchange, acceptance or obligation.

Section 7.04 *Trustee's Disclaimer.* The Trustee (a) makes no representation as to the validity or adequacy of this Indenture, the Notes, the Guarantees or the Collateral, (b) is not accountable for the Company's use or application of the proceeds from the Notes and (c) is not responsible for any statement in the Notes other than its certificate of authentication.

Section 7.05 [Reserved].

Section 7.06 *Compensation and Indemnity.* (a) The Company shall pay the Trustee compensation as agreed upon in writing for its services. The compensation of the Trustee is not limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee promptly upon request for all reasonable out-of-pocket expenses, disbursements and advances incurred or made by the Trustee, including the reasonable compensation, disbursement and expenses of the Trustee's agents and counsel.

(b) In addition to any other indemnity provided to the Trustee hereunder, the Company shall indemnify the Trustee for, and hold it harmless against, any loss or liability or expense incurred by it without negligence or willful misconduct on its part arising out of or in connection with the acceptance or administration of this Indenture and its duties under this Indenture and the Notes, including the reasonable costs and expenses of counsel (and including the costs and expenses of defending itself against any claim or liability and of complying with any process served upon it or any of its officers) in connection with the exercise or performance of any of its powers or duties under this Indenture and the Notes (regardless of whether brought or initiated by a third party or a party hereto).

(c) To secure the Company's payment obligations in this Section or as otherwise provided in this Indenture, the Trustee shall have a lien prior to the Notes on all money or property held or collected by the Trustee, in its capacity as Trustee, except money or property held in trust to pay principal of, premium, if any, and interest, if any, on particular Notes.

(d) When the Trustee incurs expenses or renders services after an Event of Default specified in Section 5.01(vii) or Section 5.01(viii) hereof occurs, the expenses and the compensation for the services (including the fees, disbursements and expenses of its agents and counsel) are intended, to the extent permitted by law, to constitute expenses of administration under any Bankruptcy Law.

(e) The Company's obligations and the Trustee's rights under this Section 7.06 shall survive the resignation or removal of the Trustee, the payment of the Notes in full and the termination of this Indenture.

Section 7.07 *Replacement of Trustee.* (a) (i) The Trustee may resign at any time by written notice to the Issuer.

(ii) The Holders of a majority in principal amount of the outstanding Notes may remove the Trustee by written notice to the Trustee.

(iii) If the Trustee is no longer eligible under Section 7.09 or in the circumstances described in the Trust Indenture Act Section 310(b), any Holder that satisfies the requirements of Trust Indenture Act Section 310(b) may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(iv) The Issuer may remove the Trustee if: (A) the Trustee is no longer eligible under Section 7.09; (B) the Trustee is adjudged bankrupt or an insolvent; (C) a receiver or other public officer takes charge of the Trustee or its property; or (D) the Trustee becomes incapable of acting.

A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section.

(b) If the Trustee has been removed by the Holders, Holders of a majority in principal amount of the Notes may appoint a successor Trustee with the consent of the Issuer. Otherwise, if the Trustee resigns or is removed, or if a vacancy exists in the office of Trustee for any reason, the Issuer shall promptly appoint a successor Trustee. If the successor Trustee does not deliver its written acceptance within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Issuer or the Holders of a majority in principal amount of the outstanding Notes may petition, at the expense of the Issuer, any court of competent jurisdiction for the appointment of a successor Trustee.

(c) Upon delivery by the successor Trustee of a written acceptance of its appointment to the retiring Trustee and to the Issuer, (i) the retiring Trustee shall transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 7.06, (ii) the resignation or removal of the retiring Trustee shall become effective, and (iii) the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. Upon request of any successor Trustee, the Issuer shall execute any and all instruments for fully and vesting in and confirming to the successor Trustee all such rights, powers and trusts. The Issuer shall give notice of any resignation and any removal of the Trustee and each appointment of a successor Trustee to all Holders, and include in the notice the name of the successor Trustee and the address of its Corporate Trust Office.

(d) Notwithstanding replacement of the Trustee pursuant to this Section, Issuer's obligations under Section 7.06 shall continue for the benefit of the retiring Trustee.

(e) The Trustee agrees to give the notices provided for in, and otherwise comply with, Trust Indenture Act Section 310(b).

Section 7.08 *Successor Trustee by Merger*. If the Trustee consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation or national banking association, the resulting, surviving or transferee corporation or national banking association without any further act shall be the successor Trustee with the same effect as if the successor Trustee had been named as the Trustee in this Indenture.

Section 7.09 *Eligibility*. This Indenture must always have a Trustee that satisfies the requirements of Trust Indenture Act Section 310(a) and has a combined capital and surplus of at least $25,000,000 as set forth in its most recent published annual report of condition.

Section 7.10 *Money Held in Trust.* The Trustee shall not be liable for interest or investment income on any money received by it except as it may agree with the Issuer. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law and except for money held in trust under ARTICLE VIII.

ARTICLE VIII

DEFEASANCE AND DISCHARGE

Section 8.01 *Legal Defeasance and Discharge.* The Issuer, the Company and the Guarantors shall, subject to the satisfaction of the conditions set forth in Section 8.03 hereof, be deemed to have been discharged from their respective obligations with respect to the Notes, the Guarantees, this Indenture (other than the right of Holders to receive interest on and principal of the Notes when due solely out of the trust referred to below and certain obligations and subject to Section 7.06) and under the Security Documents and cause the release of all Liens on the Collateral granted under the Security Documents, on the date the conditions set forth below are satisfied (hereinafter, "**Legal Defeasance**"). For this purpose, Legal Defeasance means that the Issuer shall be deemed to have paid and discharged the entire Indebtedness represented by the Notes, which shall thereafter be deemed to be outstanding only for the purposes of Section 8.04 hereof and the other Sections of this Indenture referred to in clauses (a) through (f) of this Section 8.01, and the Issuer, the Company and the Guarantors shall be deemed to have satisfied all of their respective obligations under the Notes, the Guarantees, this Indenture and the Security Documents (and the Trustee, on demand of and at the expense of the Issuer, shall execute proper instruments delivered to it by the Issuer acknowledging the same), except for the following provisions which shall survive until otherwise terminated or discharged hereunder: (a) the rights of Holders of Notes to receive payments in respect of the principal, premium, if any, and interest, if any, on the Notes when such payments are due from the trust referred to below; (b) the Issuer's obligations with respect to the Notes concerning mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust; (c) the rights, powers, trusts, duties and immunities of the Trustee, and the Issuer's and the Guarantors' obligations in connection therewith; (d) the Legal Defeasance provisions of this Indenture; (e) the rights of registration of transfer and exchange of the Notes; and (f) the rights of Holders of Notes that are beneficiaries with respect to property so deposited with the Trustee payable to all or any of them.

Section 8.02 *Covenant Defeasance.* The Issuer, the Company and the Guarantors shall, subject to the satisfaction of the conditions set forth in Section 8.03 hereof, be released from their obligations with respect to the Notes and the Guarantees under the covenants contained in Sections 4.06, 4.07, 4.08, 4.09, 4.10, 4.11, Section 4.12 and 4.13, clause (iii) of Section 4.14, Section 4.15, Section 4.18 and ARTICLE VI (except for Section 6.03) and each Guarantor's obligation under its Guarantee, on and after the date that the conditions set forth in Section 8.03 are satisfied and the Liens on the Collateral granted under the Security Documents shall be released (hereinafter, "**Covenant Defeasance**"), and the Notes shall thereafter be deemed not outstanding for the purposes of any direction, waiver, consent or declaration or act of Holders of Notes (and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed outstanding for all other purposes hereunder (it being understood that the Notes shall not be deemed outstanding for accounting purposes). For this purpose, Covenant Defeasance means that, with respect to the Notes and the Guarantees, the Issuer, the Company and the Guarantors may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 5.01 hereof, but, except as specified above, the remainder of this Indenture and the Notes shall be unaffected thereby. Subject to the satisfaction of the conditions set forth in Section 8.03 hereof, Section 5.01(iii) (with respect to the covenants so defeased), 5.01(iv), 5.01(v), 5.01(vi), 5.01(ix) and 5.01(x) shall not constitute Events of Default or Defaults hereunder.

Section 8.03 *Conditions to Legal or Covenant Defeasance.* The following shall be the conditions to the application of either Section 8.01 or Section 8.02 hereof to the Notes:

In order to exercise either Legal Defeasance or Covenant Defeasance:

(a) the Issuer must irrevocably deposit, or cause to be deposited, with the Trustee, in trust, for the benefit of the Holders of Notes, cash in U.S. dollars, U.S. Government Obligations, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay, without reinvestment, the principal of, premium, if any, and interest, if any, on the Notes on the stated maturity thereof or on the applicable redemption date, as the case may be, and the Issuer must specify whether the Notes are being defeased to maturity or to a particular redemption date;

(b) in the case of Legal Defeasance, the Issuer must deliver to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that the Issuer has received from, or there has been published by, the Internal Revenue Service a ruling, or there has been a change in the applicable United States federal income tax law after the date of this Indenture, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the beneficial owners of the Notes will not recognize income, gain or loss for United States federal income tax purposes as a result of such Legal Defeasance, and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(c) in the case of Covenant Defeasance, the Issuer must deliver to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that the beneficial owners of the Notes will not recognize income, gain or loss for United States federal income tax purposes as a result of such Covenant Defeasance, and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(d) no Default or Event of Default shall have occurred and be continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) or insofar as Events of Default from bankruptcy or insolvency events are concerned, at any time in the period ending on the 91st day after the date of deposit;

(e) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than this Indenture) to which the Issuer or any of its Restricted Subsidiaries is a party or by which the Issuer or any of its Restricted Subsidiaries is bound;

(f) the Issuer must deliver to the Trustee an Officers' Certificate stating that the deposit was not made by the Issuer with the intent of preferring the Holders of Notes over other creditors of the Issuer, or with the intent of defeating, hindering, delaying or defrauding creditors of the Issuer or others; and

(g) the Issuer must deliver to the Trustee an Officers' Certificate and an Opinion of Counsel in the United States reasonably acceptable to the Trustee, each stating that the conditions precedent provided for or relating to Legal Defeasance or Covenant Defeasance, as applicable, in the case of the Officers' Certificate, in clauses (a) through (f) and, in the case of the Opinion of Counsel, in clauses (b) and (c) of this Section 8.03, have been complied with.

Section 8.04 *Deposited Money and Government Securities to be Held in Trust; Other Miscellaneous Provisions.* Subject to Section 8.05 hereof, all money and U.S. Government Obligations (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee, collectively, and solely for purposes of this Section 8.04, the "Trustee") pursuant to Section 8.03 or Section 8.08 hereof in respect of the Notes shall be held in trust and applied by the Trustee, in accordance with the provisions of the Notes and this Indenture, to the payment, either directly or indirectly or through any paying agent (including the Issuer acting as paying agent) as the Trustee may determine, to the Holders of such Notes of all sums due and to become due thereon in respect of principal, premium, if any, and interest, if any, but such money need not be segregated from other funds except to the extent required by law.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the cash or non-callable U.S. Government Obligations deposited pursuant to Section 8.03 or Section 8.08 hereof or the principal, premium, if any, and interest, if any, received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of Notes.

Subject to the preceding paragraph and Section 7.06 herein, anything in this ARTICLE VIII to the contrary notwithstanding, the Trustee shall deliver or pay, solely to the extent available in such trust, to the Issuer from time to time upon the request of the Issuer any money or non-callable U.S. Government Obligations held by it as provided in Section 8.03 or Section 8.08 hereof which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee (which may be the opinion delivered under Section 8.03(a) hereof), are in excess of the amount thereof that would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance.

Section 8.05 *Repayment to Issuer.* Any money deposited with the Trustee or any paying agent, or then held by the Issuer, in trust for the payment of the principal, premium, if any, and interest on the Notes and remaining unclaimed for two years after such principal, premium, if any, and interest, if any, has become due and payable shall be paid to the Issuer on its request or (if then held by the Issuer) shall, subject to any relevant unclaimed property laws, upon written request therefor, be discharged from such trust and returned to the Issuer; and the Holder of such Note shall thereafter, as an unsecured creditor, look only to the Issuer for payment thereof, and all liability of the Trustee or such paying agent with respect to such trust money, and all liability of the Issuer as trustee thereof, shall thereupon cease.

Section 8.06 *Reinstatement.* If the Trustee or paying agent is unable to apply any money or non-callable U.S. Government Obligations in accordance with Section 8.01, or Section 8.08 hereof, as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Issuer's obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 8.01, Section 8.02 or Section 8.08 hereof until such time as the Trustee or paying agent is permitted to apply all such money in accordance with Section 8.01, Section 8.02 or Section 8.08 hereof, as the case may be; *provided*, *however*, that, if the Issuer makes any payment of principal of, premium, if any, or interest, if any, on any Note following the reinstatement of its obligations, the Issuer shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money held by the Trustee or paying agent.

Section 8.07 *Survival.* The Trustee's rights under ARTICLE VII (including, but not limited to, its right to indemnification) and this ARTICLE VIII shall survive termination of this Indenture, the payment of the Notes in full, and the resignation or removal of the Trustee.

Section 8.08 *Satisfaction and Discharge of Indenture.* If at any time (a) (i) the Issuer shall have paid or caused to be paid the principal of, premium, if any, and interest, if any, on all the outstanding Notes (other than Notes which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.04) as and when the same shall have become due and payable, or (ii) the Issuer shall have delivered to the Trustee for cancellation all Notes theretofore authenticated (other than Notes which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.04), or (b) (i) the Notes mature within one year, or all of them are to be called for redemption within one year under arrangements satisfactory to the Trustee for giving the notice of redemption, (ii) the Issuer irrevocably deposits in trust with the Trustee, as trust funds solely for the benefit of the Holders, money in U.S. dollars or U.S. Government Obligations or a combination thereof sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certificate delivered to the Trustee, without consideration of any reinvestment, to pay principal of and premium and interest, if any, on the Notes to maturity or redemption, as the case may be, and to pay all other sums payable by it hereunder, (iii) no Default has occurred and is continuing on the date of the deposit, (iv) the deposit will not result in a breach or violation of, or constitute a default under, this Indenture or any other agreement or instrument to which the Issuer is a party or by which it is bound, and (v) the Issuer delivers to the Trustee an Officers' Certificate and an Opinion of Counsel, in each case stating that all conditions precedent provided for herein relating to the satisfaction and discharge of this Indenture have been complied with; and if, in any such case, the Issuer shall also pay or cause to be paid all other sums payable hereunder by the Issuer (including all amounts, payable to the Trustee pursuant to Section 7.06), then, (x) after satisfying the conditions in clause (a), only the Company's obligations under Sections 7.06 and 8.04 will survive or (y) after satisfying the conditions in clause (b), only the Issuer's or the Company's, as applicable, obligations in ARTICLE II and Sections 4.01, 4.02, 7.06, 7.07, 8.04, 8.05 and 8.06 will survive, and, in either case, the Trustee, on demand of the Issuer accompanied by an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent relating to the satisfaction and discharge contemplated by this provision have been complied with, and at the cost and expense of the Issuer, shall execute proper instruments acknowledging such satisfaction and discharging of this Indenture and the Security Documents and cause the release of all Liens on the Collateral granted under the Security Documents. The Issuer agrees to reimburse the Trustee for any costs or expenses thereafter reasonably and properly incurred, and to compensate the Trustee for any services thereafter reasonably and properly rendered, by the Trustee in connection with this Indenture or the Notes.

ARTICLE IX

AMENDMENTS, SUPPLEMENTS AND WAIVERS

Section 9.01 *Amendments Without Consent of Holders.* The Company, the Issuer, the Guarantors and the Trustee and with respect to the Security Documents, the Collateral Agent (if applicable), may amend, supplement or waive this Indenture, the Notes, the Guarantees or the Security Documents without notice to or the consent of any Holder:

(a) to evidence the succession of another Person to the Issuer or the Company or successive successions, and the assumption by the successor Person of the covenants, agreements and obligations of the Issuer or the Company herein and in the Notes or the Guarantees;

(b) to add to the covenants of the Issuer or the Company such further covenants, restrictions, conditions or provisions for the protection of the Holders of Notes, or to surrender any right or power herein conferred upon the Issuer or the Company, and to make the occurrence, or the occurrence and continuance, of a default in any such additional covenants, restrictions, conditions or provisions an Event of Default permitting the enforcement of all or any of the several remedies provided in this Indenture as herein set forth; *provided*, *however*, that in respect of any such additional covenants, restrictions, conditions or provisions such amendment, supplemented indenture or waiver may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such an Event of Default or may limit the remedies available to the Trustee upon such an Event of Default or may limit the right of the Holders of a majority in aggregate principal amount of the Notes to waive such an Event of Default;

(c) to modify the existing covenants and events of default solely in respect of, or add new covenants and events of default that apply solely to, debt securities not yet issued and outstanding as of the Issue Date;

(d) to cure any ambiguity, defect or inconsistency in this Indenture, the Notes, the Guarantees or the Security Documents;

(e) [Reserved];

(f) to evidence and provide for the acceptance of appointment hereunder by a successor or replacement Trustee or under the Security Documents of a successor or replacement Collateral Agent (including for the avoidance of doubt, the Joint First Lien Collateral Agent), as applicable;

(g) to provide for uncertificated Notes in addition to, or in place of, Certificated Notes;

(h) to provide for any Guarantee of the Notes;

(i) to add security to or for the benefit of the Notes and, in the case of the Security Documents, to or for the benefit of the other secured parties named therein, or to confirm and evidence the release, termination or discharge of any Guarantee of or Lien securing the Notes when such release, termination or discharge is permitted by this Indenture and the Security Documents;

(j) to evidence compliance with Section 4.14; or

(k) to make any other change that does not adversely affect the legal rights of any Holder.

Section 9.02 *Amendments with Consent of Holders.* (a) Except as otherwise provided in Sections , 5.03 and 5.06 or Section 9.02(b) of this Section, the Company, the Issuer, the Guarantors and the Trustee and (with respect to the Security Documents) the Collateral Agent (if applicable) may amend or supplement this Indenture, the Notes, the Guarantees and the Security Documents with the consent of the Holders of a majority in principal amount of the outstanding Notes (which may include written consents obtained in connection with a tender offer or exchange offer for Notes), and the Holders of a majority in principal amount of the outstanding Notes by written notice to the Trustee may waive future compliance by the Company, the Issuer and the Guarantors with any provision of this Indenture, the Notes, the Guarantees or the Security Documents (which may include waivers obtained in connection with a tender offer or exchange offer for Notes).

(b) Notwithstanding the provisions of paragraph (a) of this Section 9.02, without the consent of each Holder affected, an amendment or waiver may not:

(i) reduce the amount of Notes whose Holders must consent to an amendment, supplement or waiver,

(ii) reduce the rate of, or extend the time for payment of, any interest, including default interest, on any Note,

(iii) reduce principal of, or change the fixed maturity of, any Note or alter the provisions (including related definitions) with respect to redemptions described under ARTICLE III or with respect to mandatory offers to repurchase Notes described under Section 4.10 and Section 4.12,

(iv) make any Note payable in money other than that stated in the Note,

(v) modify the ranking or priority of the Notes or any Guarantee,

(vi) make any change in Sections 5.03 or 5.04,

(vii) release any Guarantor from any of its obligations under its Guarantee or this Indenture otherwise than in accordance with this Indenture,

(viii) waive a continuing Default or Event of Default in the payment of principal of, premium, if any, or interest, if any, on the Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of the then outstanding Notes with respect to a nonpayment default and a waiver of the payment default that resulted from such acceleration), or

(ix) effect a release of all or substantially all of the Collateral other than pursuant to the terms of the Security Documents or as otherwise permitted under this Indenture.

(c) It is not necessary for Holders to approve the particular form of any proposed amendment, supplement or waiver, but is sufficient if their consent approves the substance thereof.

(d) An amendment, supplement or waiver under this Section 9.02 shall become effective on receipt by the Trustee of written consents from the Holders of the requisite percentage in principal amount of the outstanding Notes. After an amendment, supplement or waiver under this Section 9.02 becomes effective, the Issuer (or the Trustee at the request and expense of the Issuer) will send to the Holders affected thereby a notice briefly describing the amendment, supplement or waiver. The Issuer will send supplemental indentures to Holders upon request. Any failure of the Issuer to send such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such supplemental indenture, amendment or waiver.

Section 9.03 *Effect of Consent.* (a) After an amendment, supplement or waiver becomes effective, it will bind every Holder unless it is of the type requiring the consent of each Holder affected. If the amendment, supplement or waiver is of the type requiring the consent of each Holder affected, the amendment, supplement or waiver will bind each Holder that has consented to it and every subsequent Holder of a Note that evidences the same debt as the Note of the consenting Holder.

(b) If an amendment, supplement or waiver changes the terms of a Note, the Trustee may require the Holder to deliver it to the Trustee so that the Trustee may place an appropriate notation of the changed terms on the Note and return it to the Holder, or exchange it for a new Note that reflects the changed terms. The Trustee may also place an appropriate notation on any Note thereafter authenticated. However, the effectiveness of the amendment, supplement or waiver shall not be affected or impaired by any failure to annotate or exchange Notes in this fashion.

Section 9.04 *Trustee's Rights and Obligations.* The Trustee is entitled to receive, in addition to the documents required by Section 13.04, and will be fully protected in relying upon, an Opinion of Counsel stating (i) that the execution of any amendment, supplement or waiver authorized pursuant to this Article is authorized or permitted by this Indenture or the applicable Security Document and (ii) in the case of an amendment, supplement or waiver in connection with Section 9.01(k) that such amendment, supplement or waiver does not adversely affect the legal rights of any Holder of Notes affected by such change. If the Trustee has received such Opinion of Counsel, it shall sign the amendment, supplement or waiver so long as the same does not adversely affect the rights of the Trustee. The Trustee may, but is not obligated to, execute any amendment, supplement or waiver that affects the Trustee's own rights, duties or immunities under this Indenture.

ARTICLE X

[Reserved]

ARTICLE XI

Collateral and Security

Section 11.01 *Security Documents*. The payment of the principal of and interest and premium, if any, on the Notes when due, whether on an interest payment date, at maturity, by acceleration, repurchase, redemption or otherwise and whether by the Issuer pursuant to the Notes or by any Guarantor pursuant to its Guarantees, the payment of all other First-Priority Lien Obligations and the performance of all other obligations of the Issuer and the Guarantors under this Indenture, the Notes, the Guarantees and the Security Documents are secured by First-Priority Liens on the Collateral, subject to Permitted Collateral Liens, as provided in the Security Documents which the Issuer and the Guarantors have entered into simultaneously with the execution of this Indenture, or in certain circumstances, prior to or subsequent to the Issue Date, and shall be secured as provided in the Security Documents hereafter delivered as required or permitted by this Indenture.

Section 11.02 *Collateral Agent*.

(a) The Issuer hereby appoints Wilmington Trust, National Association (including in its capacity as Joint First Lien Collateral Agent) to act as Collateral Agent, and the Collateral Agent shall have the duties, rights, indemnities, privileges, powers and immunities of the Collateral Agent as set forth herein and in the Security Documents. The Issuer and the Guarantors hereby agree that the Collateral Agent shall hold the Collateral in trust for the benefit of all of the Holders and the Trustee, in each case, pursuant to the terms of the Security Documents and the Collateral Agent is hereby authorized to execute and deliver the Security Documents. The Collateral Agent is authorized and empowered to appoint one or more collateral agents to act on its behalf, co-Collateral Agents or co-Joint First Lien Collateral Agents as it deems necessary or appropriate, including the Joint First Lien Collateral Agent.

(b) Neither the Trustee (subject to Section 7.01), nor the Collateral Agent nor any of their respective officers, directors, employees, attorneys or agents shall be responsible or liable for the legality, enforceability, effectiveness or sufficiency of the Security Documents, for the creation, perfection, priority, sufficiency, maintenance, renewal or protection of any First-Priority Lien, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the First-Priority Liens or Security Documents or any delay in doing so; *provided*, *however*, that nothing in this Section 11.02(b) shall alter the Collateral Agent's obligations under Section 7.02 of the Security Agreement.

(c) The Collateral Agent shall be subject to such directions as may be given it by the Trustee from time to time (as required or permitted by this Indenture). Except as directed by the Trustee as required or permitted by this Indenture or as required or permitted by the Security Documents, the Collateral Agent shall not be obligated:

(1) to act upon directions purported to be delivered to it by any other Person;

(2) to foreclose upon or otherwise enforce any First-Priority Lien; or

(3) to take any other action whatsoever with regard to any or all of the First-Priority Liens, Security Documents or Collateral.

(d) The Collateral Agent shall be accountable only for amounts that it actually receives as a result of the enforcement of the First-Priority Liens or the Security Documents.

(e) In acting as Collateral Agent or co-Collateral Agent, the Collateral Agent and each co-Collateral Agent may rely upon and enforce for its own benefit each and all of the rights, powers, immunities, indemnities and benefits of the Trustee under ARTICLE VII hereof, each of which shall also be deemed to be for the benefit of the Collateral Agent.

(f) At all times when the Trustee is not itself the Collateral Agent, the Issuer shall deliver to the Trustee copies of all Security Documents delivered to the Collateral Agent and copies of all documents delivered to the Collateral Agent pursuant to the Security Documents.

(g) Neither the Trustee nor the Collateral Agent, in their capacities as such hereunder, shall be deemed to owe any fiduciary duty to the Holders of the Notes.

Section 11.03 *Authorization of Actions to be Taken*.

(a) Each Holder of Notes, by its acceptance thereof, consents and agrees to the terms of each Security Document, as originally in effect on the Issue Date and as amended, supplemented or replaced from time to time (including in connection with the issuance of the Notes) in accordance with its terms or the terms of this Indenture, authorizes and directs the Trustee and the Collateral Agent to execute and deliver the Security Documents to which it is a party and authorizes and empowers the Trustee and the Collateral Agent to bind the Holders of Notes and other holders of First-Priority Lien Obligations as set forth in the Security Documents to which it is a party and to perform its obligations and exercise its rights and powers thereunder.

(b) The Collateral Agent and the Trustee are authorized and empowered to receive for the benefit of the Holders of Notes any funds collected or distributed under the Security Documents to which the Collateral Agent or Trustee is a party and to make further distributions of such funds to the Holders of Notes according to the provisions of this Indenture.

(c) Subject to the provisions of Section 7.01 and , the Trustee may (but shall not be obligated), in its sole discretion and without the consent of the Holders of Notes, direct, on behalf of the Holders of Notes, the Collateral Agent to take all actions it deems necessary or appropriate in order to:

(1) foreclose upon or otherwise enforce any or all of the First-Priority Liens;

(2) enforce any of the terms of the Security Documents to which the Collateral Agent or Trustee is a party; or

(3) collect and receive payment of any and all First-Priority Lien Obligations.

Subject to Section 7.01 and Section 7.02, the Trustee is authorized and empowered (but shall not be obligated) to institute and maintain, or direct the Collateral Agent to institute and maintain, such suits and proceedings as it may deem expedient to protect or enforce the First-Priority Liens or the Security Documents to which the Collateral Agent or Trustee is a party or to prevent any impairment of Collateral by any acts that may be unlawful or in violation of the Security Documents to which the Collateral Agent or Trustee is a party or this Indenture, and such suits and proceedings as the Trustee or the Collateral Agent may deem expedient to preserve or protect its interests and the interests of the Holders of Notes in the Collateral, including power to institute and maintain suits or proceedings to restrain the enforcement of or compliance with any legislative or other governmental enactment, rule or order that may be unconstitutional or otherwise invalid if the enforcement of, or compliance with, such enactment, rule or order would impair the security interest hereunder or be prejudicial to the interests of Holders of Notes, the Trustee or the Collateral Agent.

Section 11.04 *Release of First-Priority Liens*.

(a) The First-Priority Liens shall be released, with respect to the Guarantees by the members of the Secured Group:

(1) in whole, upon payment in full of the principal of, accrued and unpaid interest and premium, if any, on the Notes and payment in full of all other First-Priority Lien Obligations in respect thereof that are due and payable at or prior to the time such principal, accrued and unpaid interest and premium, if any, on the Notes are paid;

(2) in whole, upon satisfaction and discharge of this Indenture pursuant to Section 8.08;

(3) in whole, upon a legal defeasance or covenant defeasance of the Notes pursuant to ARTICLE VIII;

(4) in part, as to any property constituting Collateral that (a) is sold or otherwise disposed of by a member of the Secured Group to any Person other than a member of the Secured Group (but excluding any transaction subject to Section 4.14 where the recipient is required to become the obligor on the Notes or a Guarantor) in a transaction permitted by this Indenture, at the time of such sale or disposition, to the extent of the interest sold or disposed of, (b) is owned or at any time acquired by a member of the Secured Group that has been released from its Guarantee under this Indenture, concurrently with the release of such Guarantee, or (c) consists of securities of a Guarantor of the Issuer to be released as contemplated by Section 4.18(c); or

(5) In accordance with and subject to the provisions of ARTICLE IX, with the consent of Holders of a majority in principal amount of the outstanding Notes or each Holder affected if required by Section 9.02(b)(ix) (including consents obtained in connection with a tender offer or exchange offer).

(b) If an instrument confirming the release of the First-Priority Liens pursuant to Section 11.04(a) is requested by the Issuer or a Guarantor, then upon delivery to the Trustee of an Officers' Certificate requesting execution of such an instrument, accompanied by:

(1) an Opinion of Counsel confirming that such release is permitted by Section 11.04(a);

(2) all instruments requested by the Issuer to effectuate or confirm such release; and

(3) such other certificates and documents as the Trustee or Collateral Agent may reasonably request to confirm the matters set forth in Section 11.04(a) that are required by this Indenture or the Security Documents,

the Trustee shall, if such instruments and documents are reasonably satisfactory to the Trustee and Collateral Agent, instruct the Collateral Agent to execute and deliver, and the Collateral Agent shall promptly execute and deliver, such instruments.

(c) All instruments effectuating or confirming any release of any First-Priority Liens will have the effect solely of releasing such First-Priority Liens as to the Collateral described therein, on customary terms and without any recourse, representation, warranty or liability whatsoever.

(d) The Issuer shall bear and pay all costs and expenses associated with any release of First-Priority Liens pursuant to this Section 11.04, including all reasonable fees and disbursements of any attorneys or representatives acting for the Trustee or for the Collateral Agent.

Section 11.05 *Filing, Recording, Certificates and Opinions*.

(a) Any release of Collateral permitted by Section 11.04 hereof or the Security Documents will be deemed not to impair the Liens under this Indenture and the Security Documents in contravention thereof and any person that is required to deliver a certificate or opinion under this Indenture or the Security Documents, shall be entitled to rely upon the foregoing as a basis for delivery of such certificate or opinion. The Trustee may, to the extent permitted by Section 7.01 and 7.02 hereof, accept as conclusive evidence of compliance with the foregoing provisions the appropriate statements contained in such documents and opinion.

(b) If any Collateral is released in accordance with this Indenture or any Security Document at a time when the Trustee is not itself also the Collateral Agent and if the Issuer has delivered the certificates and documents required by the Security Documents and permitted to be delivered by Section 11.04 (if any), the Trustee shall determine whether it has received all documentation required in connection with such release and, based on such determination and the Opinion of Counsel delivered pursuant to Section 11.04, if any, shall, upon request, deliver a certificate to the Collateral Agent setting forth such determination.

(c) The Company is required to deliver to the Collateral Agent, (i) on the Issue Date, a perfection certificate and (ii) within 5 days after October 31 of each year, beginning October 31, 2017, a certificate in substantially the form attached hereto as Exhibit L (a "**Collateral Perfection Officer's Certificate**").

(d) The Company shall make available (i) by January 31, 2017, a copy of the perfection certificate delivered on the Issue Date, (ii) promptly after the delivery to the Collateral Agent of a Collateral Perfection Officer's Certificate as required by clause (c) above, a copy of such Collateral Perfection Officer's Certificate and (iii) within 5 days after the end of each fiscal quarter of the Company, beginning with the fiscal quarter ending on January 31, 2017, (w) copies of any control agreements entered into by the Issuer or any Guarantor, (x) copies of any possessory collateral delivered to, and in the possession of, the Collateral Agent, (y) acknowledgment copies of UCC-1 financing statements and UCC-3 amendments and (z) copies of any other Security Documents (including copies of mortgages and mortgage amendments that have been recorded and returned to the Issuer or a Guarantor) that grant or evidence the perfection of Liens on the Collateral that have been entered into, delivered, filed and acknowledged or recorded and returned, as the case may be, during such fiscal quarter (or, in the case of the fiscal quarter ending January 31, 2017, prior to January 31, 2017) and which may be redacted to remove confidential or commercially-sensitive information (including but not limited to all but the last 4 digits of bank account numbers), to any Holder of the Notes or any bona fide prospective investor in the Notes who, in each case, agrees to treat such information as confidential on customary confidentiality terms or accesses such information through a password-protected online data system, by posting such information on a website (which may be a non-public, password-protected online data system that requires a customary confidentiality acknowledgment and may be maintained by the Company or a third party); *provided* that the Company shall make available any password or other log-in information required to access such website to any such Holder of the Notes or bona fide prospective investor reasonably promptly following request therefor. Such website shall be accessible to Holders of the Notes and any bona fide prospective investor in the Notes, subject to the customary confidentiality requirements described in the foregoing, from and after January 31, 2017 and for so long as any Notes are outstanding.

ARTICLE XII
RELEASE OF ISSUER

Section 12.01 *Release of Issuer.* (a) The Issuer shall be released from its obligations under this Indenture and the Notes, without the consent of the Holders, if: (1) the Company or any successor to the Company has assumed the obligations of the Issuer under this Indenture and the Notes, by supplemental indenture executed and delivered to the Trustee and satisfactory in form to the Trustee, (2) the Company delivers an Opinion of Counsel to the Trustee to the effect that beneficial owners of Notes will not recognize income, gain or loss for United States federal income tax purposes as a result of such release and such beneficial owners of Notes will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such release had not occurred and (3) the Issuer shall (w) become a Guarantor at such time, subject to the provisions of ARTICLE VI and Section 4.11 hereof, (x) execute a Guarantee, (y) execute a supplemental indenture evidencing its Guarantee and (z) deliver an Opinion of Counsel to the Trustee to the effect that (i) the supplemental indenture is authorized and permitted by the terms of this Indenture, (ii) the supplemental indenture has been duly authorized, executed and delivered by the Issuer and constitutes a valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms (subject to customary exceptions), until such time, if any, as such Guarantee may be released as described above under Section 4.19 and ARTICLE VI and (iii) all conditions precedent to the execution of such supplemental indenture provided for in this Indenture have been complied with.

ARTICLE XIII
MISCELLANEOUS

Section 13.01 *Effectiveness*. This Indenture, including the covenants, agreements and other provisions contained herein, shall be deemed to have been effective as of and from July 29, 2016 (the "**Effective Date**") as though this Indenture were dated, executed and delivered as of the Effective Date, except that the obligations and duties of the Trustee and the Collateral Agent arising hereunder shall not be deemed to be effective at any time prior to the Issue Date, including the taking of any actions or enforcement of any remedies in connection with a Default or an Event of Default. For the avoidance of doubt, any Default or Event of Default arising under this Indenture during the period between (and including) the Effective Date and the Issue Date shall be deemed to be a Default or Event of Default from such date as such Default or Event or Default occurs, until cured or waived, notwithstanding the fact that such date may occur prior to the Issue Date. It is understood and agreed that, for purposes of calculating the availability under any basket or ratio, or determining the availability of an exception to any covenant, agreement or provision, under the Indenture, such calculation or determination, as the case may be, shall take into account the effectiveness of the Indenture as of and from the Effective Date; *provided*, that, no action taken or omitted to be taken by the Issuer, the Company or any of its Restricted Subsidiaries during the period between (and including) the Effective Date and the Issue Date shall give rise to a Default or Event of Default by virtue of this Section 13.01, so long as such action that is taken or omitted to be taken would not have given rise to a Default or Event of Default had the "Issue Date" instead been the Effective Date.

Section 13.02 *Holder Communications; Holder Actions.* (a) Any request, demand, authorization, direction, notice, consent to amendment, supplement or waiver or other action provided by this Indenture to be given or taken by a Holder (an "**act**") may be evidenced by an instrument signed by the Holder delivered to a Responsible Officer of the Trustee. The fact and date of the execution of the instrument, or the authority of the person executing it, may be proved in any manner that the Trustee deems sufficient.

(b) Any act by the Holder of any Note binds that Holder and every subsequent Holder of a Note that evidences the same debt as the Note of the acting Holder, even if no notation thereof appears on the Note. Subject to paragraph (c), a Holder may revoke an act as to its Notes, but only if the Trustee receives the notice of revocation before the date the amendment or waiver or other consequence of the act becomes effective.

(c) The Issuer may, but is not obligated to, fix a record date (which need not be within the time limits otherwise prescribed by Trust Indenture Act § 316(c)) for the purpose of determining the Holders entitled to act with respect to any amendment or waiver or in any other regard, except that during the continuance of an Event of Default, only the Trustee may set a record date as to notices of Default, any declaration or acceleration or any other remedies or other consequences of the Event of Default. If a record date is fixed, those Persons that were Holders at such record date and only those Persons shall be entitled to act, or to revoke any previous act, whether or not those Persons continue to be Holders after the record date. No act shall be valid or effective for more than 90 days after the record date.

Section 13.03 *Notices.* (a) Any notice or communication to the Issuer or the Company shall be deemed given if in writing (i) when delivered in person or (ii) five days after mailing when mailed by first class mail or (iii) when sent by facsimile or electronic transmission, with transmission confirmed. Notices or communications to a Guarantor shall be deemed given if given to the Company. Any notice to the Trustee shall be deemed given if in writing and (i) delivered in person, (ii) mailed by first class mail or (iii) sent by facsimile or electronic transmission, and shall be effective only upon receipt. In each case the notice or communication should be addressed as follows:

if to the Issuer or the Company:

K. Hovnanian Enterprises, Inc.
c/o Hovnanian Enterprises, Inc.
110 West Front Street
P.O. Box 500
Red Bank, New Jersey 07701
Attention: Corporate Counsel
Fax.: 732-383-2945
Email: mdiscafani@khov.com

if to the Trustee and/or Collateral Agent:

Wilmington Trust, National Association
Rodney Square North
1100 North Market Street
Wilmington, DE 19890
Facsimile: 302-636-4149
Attention: Global Capital Markets – K. Hovnanian Relationship Manager

The Issuer or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

(b) Except as otherwise expressly provided with respect to published notices, any notice or communication to a Holder shall be deemed given when mailed to the Holder at its address as it appears on the Register by first class mail or, as to any Global Note registered in the name of DTC or its nominee, delivered in accordance with applicable procedures of DTC. Copies of any notice or communication to a Holder, if given by the Issuer or the Company, shall be mailed to the Trustee at the same time. Defect in mailing a notice or communication to any particular Holder shall not affect its sufficiency with respect to other Holders.

(c) Where this Indenture provides for notice, the notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and the waiver will be the equivalent of the notice. Waivers of notice by Holders must be filed with the Trustee, but such filing is not a condition precedent to the validity of any action taken in reliance upon such waivers.

(d) The Trustee and the Collateral Agent agree to accept and act upon instructions or directions pursuant to this Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods. Neither the Trustee nor the Collateral Agent shall be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's or the Collateral Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The party providing electronic instructions agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee or the Collateral Agent, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk or interception and misuse by third parties.

Section 13.04 *Certificate and Opinion as to Conditions Precedent.* Upon any request or application by the Issuer or the Company to the Trustee to take any action under this Indenture, the Issuer or the Company shall furnish to the Trustee:

(a) an Officers' Certificate stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(b) an Opinion of Counsel stating that all such conditions precedent relating to the proposed action have been complied with.

Section 13.05 *Statements Required in Certificate or Opinion.* Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture must include:

(a) a statement that each person signing the certificate or opinion has read the covenant or condition and the related definitions;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statement or opinion contained in the certificate or opinion is based;

(c) a statement that, in the opinion of each such person, that person has made such examination or investigation as is necessary to enable the person to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether or not, in the opinion of each such person, such condition or covenant has been complied with, *provided*, that an Opinion of Counsel may rely on an Officers' Certificate or certificates of public officials with respect to matters of fact.

Any certificate, statement or opinion of an Officer of the Issuer or the Company, as applicable, may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel, unless such Officer knows that the certificate or opinion or representations with respect to the matters upon which such certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous. Any certificate, statement or Opinion of Counsel may be based, insofar as it relates to factual matters on information with respect to which is in the possession of the Issuer, or the Company, as applicable, upon the certificate, statement or opinion of or representations by an officer or officers of the Issuer, or the Company, as applicable, unless such counsel knows that the certificate, statement or opinion or representations with respect to the matters upon which such certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous.

Any certificate, statement or opinion of an Officer of the Issuer or the Company, as applicable, or of counsel may be based, insofar as it relates to accounting matters, upon a certificate or opinion of or representations by an accountant or firm of accountants in the employ of the Issuer or the Company, as applicable, unless such Officer or counsel, as the case may be, knows that the certificate or opinion or representations with respect to the accounting matters upon which such certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous.

Any certificate or opinion of any independent firm of public accountants filed with and directed to the Trustee shall contain a statement that such firm is independent.

Section 13.06 *Payment Date Other Than a Business Day.* If any payment with respect to a payment of any principal of, premium, if any, or interest, if any, on any Note (including any payment to be made on any date fixed for redemption or purchase of any Note) is due on a day which is not a Business Day, then the payment need not be made on such date, but may be made on the next Business Day with the same force and effect as if made on such date, and no interest shall accrue for the intervening period.

Section 13.07 *Governing Law; Waiver of Jury Trial.* This Indenture, the Guarantees and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York.

EACH OF THE ISSUER, THE COMPANY, THE GUARANTORS, THE TRUSTEE AND THE COLLATERAL AGENT HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS INDENTURE, THE NOTES OR THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY.

Section 13.08 *No Adverse Interpretation of Other Agreements.* This Indenture may not be used to interpret another indenture or loan or debt agreement of the Issuer, the Company or any Subsidiary of the Company, and no such indenture or loan or debt agreement may be used to interpret this Indenture.

Section 13.09 *Successors.* All agreements of the Issuer, the Company or any Guarantor in this Indenture and the Notes shall bind its successors. All agreements of the Trustee and the Collateral Agent in this Indenture shall bind its successor.

Section 13.10 *Duplicate Originals*. The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

Section 13.11 *Separability*. To the extent permitted by applicable law, in case any provision in this Indenture or in the Notes is invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 13.12 *Table of Contents and Headings*. The Table of Contents, Cross-Reference Table and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part of this Indenture and in no way modify or restrict any of the terms and provisions of this Indenture.

Section 13.13 *No Liability of Directors, Officers, Employees, Partners, Incorporators and Stockholders*. No recourse under or upon any obligation, covenant or agreement contained in this Indenture, or in the Notes, or because of any indebtedness evidenced thereby, shall be had against any incorporator, as such or against any past, present or future stockholder, officer, director or employee, as such, of the Issuer, the Company or the Guarantors or any partner of the Issuer, the Company or the Guarantors or of any successor, either directly or through the Issuer, the Company or the Guarantors or any successor, under any rule of law, statute or constitutional provision or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, all such liability being expressly waived and released by the acceptance of the Notes by the Holders thereof and as part of the consideration for the issue of the Notes.

Section 13.14 *Provisions of Indenture for the Sole Benefit of Parties and Holders of Notes*. Nothing in this Indenture or in the Notes, expressed or implied, shall give or be construed to give to any Person, other than the parties hereto and their successors and the Holders of Notes, any legal or equitable right, remedy or claim under this Indenture or under any covenant or provision herein contained, all such covenants and provisions being for the sole benefit of the parties hereto and their successors and of the Holders of Notes.

Section 13.15 *Trust Indenture Act*. This Indenture, the Notes, the Guarantees and the Security Documents are not subject to the Trust Indenture Act except as expressly and to the extent provided for in this Indenture, the Notes, the Security Documents and the Guarantees.

[Signature page follows]

SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused the Indenture to be duly executed as of the date first written above.

K. HOVNANIAN ENTERPRISES, INC.,
as Issuer

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice-President—Finance and Treasurer

HOVNANIAN ENTERPRISES, INC.,
as the Company and a Guarantor

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice-President—Finance and Treasurer

K. HOV IP, II, INC., as a Guarantor

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Authorized Officer

On behalf of each other entity named in
Schedule A hereto, as a Guarantor

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Authorized Officer

[Signature page to the 9.50% Senior Secured First Lien Notes Indenture]

WILMINGTON TRUST, NATIONAL
ASSOCIATION, as Trustee and
Collateral Agent

By: /s/ John T. Needham, Jr.
Name: John T. Needham, Jr.
Title:Vice President

[Signature page to the 9.50% Senior Secured First Lien Notes Indenture]

GUARANTORS

AMBER RIDGE, LLC*
ARBOR TRAILS, LLC
BUILDER SERVICES NJ, L.L.C.
BUILDER SERVICES PA, L.L.C.
EASTERN NATIONAL TITLE AGENCY, LLC
EASTERN TITLE AGENCY OF ILLINOIS, LLC
EASTERN TITLE AGENCY, INC.
F&W MECHANICAL SERVICES, L.L.C.
FOUNDERS TITLE AGENCY OF MARYLAND, L.L.C.
FOUNDERS TITLE AGENCY, INC.
GLENRISE GROVE, L.L.C.
GOVERNOR'S ABSTRACT CO., INC.
HOMEBUYERS FINANCIAL SERVICES, L.L.C.
HOMEBUYERS FINANCIAL USA, LLC*
HOVNANIAN DEVELOPMENTS OF FLORIDA, INC.
HOVNANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP, L.L.C.
HOVWEST LAND ACQUISITION, LLC*
K. HOV IP, II, INC.
K. HOVNANIAN ABERDEEN, LLC
K. HOVNANIAN ACQUISITIONS, INC.
K. HOVNANIAN AMBER GLEN, LLC*
K. HOVNANIAN AT 240 MISSOURI, LLC
K. HOVNANIAN AT 4S, LLC
K. HOVNANIAN AT AIRE ON MCDOWELL, LLC
K. HOVNANIAN AT ALISO, LLC
K. HOVNANIAN AT ALLENTOWN, L.L.C.
K. HOVNANIAN AT AMBERLEY WOODS, LLC*
K. HOVNANIAN AT ANDALUSIA, LLC
K. HOVNANIAN AT ASBURY PARK URBAN RENEWAL, LLC
K. HOVNANIAN AT ASHBY PLACE, LLC
K. HOVNANIAN AT AVENUE ONE, L.L.C.
K. HOVNANIAN AT BAKERSFIELD 463, L.L.C.
K. HOVNANIAN AT BARNEGAT I, L.L.C.
K. HOVNANIAN AT BARNEGAT II, L.L.C.
K. HOVNANIAN AT BEACON PARK AREA 129, LLC
K. HOVNANIAN AT BEACON PARK AREA 137, LLC
K. HOVNANIAN AT BELLA LAGO, LLC
K. HOVNANIAN AT BLACKSTONE, LLC
K. HOVNANIAN AT BOCA DUNES, LLC
K. HOVNANIAN AT BRADWELL ESTATES, LLC*
K. HOVNANIAN AT BRANCHBURG II, LLC

K. HOVNANIAN AT BRANCHBURG, L.L.C.
K. HOVNANIAN AT BRANCHBURG-VOLLERS, LLC
K. HOVNANIAN AT BRENFORD STATION, LLC
K. HOVNANIAN AT BRIDGEPORT, INC.
K. HOVNANIAN AT BRIDGEWATER I, L.L.C.
K. HOVNANIAN AT BRIDGEWATER II, LLC
K. HOVNANIAN AT BURCH KOVE, LLC
K. HOVNANIAN AT CAMP HILL, L.L.C.
K. HOVNANIAN AT CAMPTON PRAIRIE, LLC
K. HOVNANIAN AT CANTER V, LLC*
K. HOVNANIAN AT CAPISTRANO, L.L.C.
K. HOVNANIAN AT CARLSBAD, LLC
K. HOVNANIAN AT CATANIA, LLC
K. HOVNANIAN AT CATON'S RESERVE, LLC
K. HOVNANIAN AT CEDAR GROVE III, L.L.C.
K. HOVNANIAN AT CEDAR GROVE URBAN RENEWAL, LLC
K. HOVNANIAN AT CEDAR LANE ESTATES, LLC*
K. HOVNANIAN AT CEDAR LANE, LLC
K. HOVNANIAN AT CHARTER WAY, LLC
K. HOVNANIAN AT CHESTERFIELD, L.L.C.
K. HOVNANIAN AT CHRISTINA COURT, LLC
K. HOVNANIAN AT CIELO, L.L.C.
K. HOVNANIAN AT COASTLINE, L.L.C.
K. HOVNANIAN AT COOSAW POINT, LLC
K. HOVNANIAN AT CORAL LAGO, LLC
K. HOVNANIAN AT CORTEZ HILL, LLC
K. HOVNANIAN AT DENVILLE, L.L.C.
K. HOVNANIAN AT DEPTFORD TOWNSHIP, L.L.C.
K. HOVNANIAN AT DOMINGUEZ HILLS, INC.
K. HOVNANIAN AT DOMINION CROSSING, LLC*
K. HOVNANIAN AT DOYLESTOWN, LLC
K. HOVNANIAN AT EAGLE HEIGHTS, LLC*
K. HOVNANIAN AT EAST BRANDYWINE, L.L.C.
K. HOVNANIAN AT EAST BRUNSWICK III, LLC
K. HOVNANIAN AT EAST BRUNSWICK, LLC
K. HOVNANIAN AT EAST WINDSOR, LLC
K. HOVNANIAN AT EDEN TERRACE, L.L.C.
K. HOVNANIAN AT EDGEWATER II, L.L.C.
K. HOVNANIAN AT EDGEWATER, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH II, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH, L.L.C.
K. HOVNANIAN AT EMBREY MILL, LLC*
K. HOVNANIAN AT ESTATES AT WHEATLANDS, LLC
K. HOVNANIAN AT EVERGREEN, L.L.C.

K. HOVNANIAN AT EVESHAM, LLC
K. HOVNANIAN AT FAIRFIELD RIDGE, LLC
K. HOVNANIAN AT FIDDYMENT RANCH, LLC
K. HOVNANIAN AT FIFTH AVENUE, L.L.C.
K. HOVNANIAN AT FLORENCE I, L.L.C.
K. HOVNANIAN AT FLORENCE II, L.L.C.
K. HOVNANIAN AT FOREST MEADOWS, L.L.C.
K. HOVNANIAN AT FOX PATH AT HAMPTON LAKE, LLC
K. HOVNANIAN AT FRANKLIN II, L.L.C.
K. HOVNANIAN AT FRANKLIN, L.L.C.
K. HOVNANIAN AT FREEHOLD TOWNSHIP II, LLC*
K. HOVNANIAN AT FREEHOLD TOWNSHIP III, LLC
K. HOVNANIAN AT FRESNO, LLC
K. HOVNANIAN AT GALLERY, LLC
K. HOVNANIAN AT GASLAMP SQUARE, L.L.C.
K. HOVNANIAN AT GENEVA MEADOWS, LLC
K. HOVNANIAN AT GILROY 60, LLC
K. HOVNANIAN AT GILROY, LLC
K. HOVNANIAN AT GREAT NOTCH, L.L.C.
K. HOVNANIAN AT HACKETTSTOWN II, L.L.C.
K. HOVNANIAN AT HAMPTON COVE, LLC
K. HOVNANIAN AT HAMPTON LAKE, LLC
K. HOVNANIAN AT HANOVER ESTATES, LLC
K. HOVNANIAN AT HERSHEY'S MILL, INC.
K. HOVNANIAN AT HIDDEN BROOK, LLC
K. HOVNANIAN AT HILLSBOROUGH, LLC
K. HOVNANIAN AT HILLTOP RESERVE II, LLC
K. HOVNANIAN AT HILLTOP RESERVE, LLC
K. HOVNANIAN AT HOWELL II, LLC
K. HOVNANIAN AT HOWELL III, LLC
K. HOVNANIAN AT HOWELL, LLC
K. HOVNANIAN AT HUDSON POINTE, L.L.C.
K. HOVNANIAN AT HUNTER'S POND, LLC*
K. HOVNANIAN AT HUNTFIELD, LLC
K. HOVNANIAN AT INDIAN WELLS, LLC
K. HOVNANIAN AT ISLAND LAKE, LLC
K. HOVNANIAN AT JACKSON I, L.L.C.
K. HOVNANIAN AT JACKSON, L.L.C.
K. HOVNANIAN AT JAEGER RANCH, LLC
K. HOVNANIAN AT JERSEY CITY IV, L.L.C.
K. HOVNANIAN AT KEYPORT, L.L.C.
K. HOVNANIAN AT LA COSTA GREENS, L.L.C.
K. HOVNANIAN AT LA LAGUNA, L.L.C.
K. HOVNANIAN AT LADD RANCH, LLC*
K. HOVNANIAN AT LAKE BURDEN, LLC
K. HOVNANIAN AT LAKE LECLARE, LLC

K. HOVNANIAN AT LAKE RANCHO VIEJO, LLC
K. HOVNANIAN AT LAKE RIDGE ESTATES, LLC
K. HOVNANIAN AT LAKE TERRAPIN, L.L.C.
K. HOVNANIAN AT LEE SQUARE, L.L.C.
K. HOVNANIAN AT LENAH WOODS, LLC
K. HOVNANIAN AT LILY ORCHARD, LLC
K. HOVNANIAN AT LINK FARM, LLC
K. HOVNANIAN AT LITTLE EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR, L.L.C
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LOWER MAKEFIELD TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MORELAND II, L.L.C.
K. HOVNANIAN AT MAGNOLIA PLACE, LLC
K. HOVNANIAN AT MAHWAH VI, INC.
K. HOVNANIAN AT MAIN STREET SQUARE, LLC
K. HOVNANIAN AT MALAN PARK, L.L.C.
K. HOVNANIAN AT MANALAPAN II, L.L.C.
K. HOVNANIAN AT MANALAPAN III, L.L.C.
K. HOVNANIAN AT MANALAPAN IV, LLC*
K. HOVNANIAN AT MANALAPAN V, LLC
K. HOVNANIAN AT MANALAPAN VI, LLC
K. HOVNANIAN AT MANSFIELD II, L.L.C.
K. HOVNANIAN AT MANTECA, LLC
K. HOVNANIAN AT MAPLE AVENUE, L.L.C.
K. HOVNANIAN AT MARLBORO IX, LLC
K. HOVNANIAN AT MARLBORO TOWNSHIP IX, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP V, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP VIII, L.L.C.
K. HOVNANIAN AT MARLBORO VI, L.L.C.
K. HOVNANIAN AT MARPLE, LLC
K. HOVNANIAN AT MEADOWRIDGE VILLAS, LLC
K. HOVNANIAN AT MELANIE MEADOWS, LLC
K. HOVNANIAN AT MENDHAM TOWNSHIP, L.L.C.
K. HOVNANIAN AT MERIDIAN HILLS, LLC*
K. HOVNANIAN AT MIDDLE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT MIDDLE TOWNSHIP, L.L.C.
K. HOVNANIAN AT MIDDLETOWN II, L.L.C.
K. HOVNANIAN AT MIDDLETOWN III, LLC
K. HOVNANIAN AT MIDDLETOWN, LLC
K. HOVNANIAN AT MILLVILLE I, L.L.C.
K. HOVNANIAN AT MILLVILLE II, L.L.C.
K. HOVNANIAN AT MONROE IV, L.L.C.
K. HOVNANIAN AT MONROE NJ II, LLC
K. HOVNANIAN AT MONROE NJ III, LLC
K. HOVNANIAN AT MONROE NJ, L.L.C.

K. HOVNANIAN AT MONTGOMERY, LLC
K. HOVNANIAN AT MONTVALE II, LLC
K. HOVNANIAN AT MONTVALE, L.L.C.
K. HOVNANIAN AT MORRIS TWP II, LLC*
K. HOVNANIAN AT MORRIS TWP, LLC
K. HOVNANIAN AT MT. LAUREL, LLC
K. HOVNANIAN AT MUIRFIELD, LLC
K. HOVNANIAN AT MYSTIC DUNES, LLC*
K. HOVNANIAN AT NICHOLSON, LLC*
K. HOVNANIAN AT NORTH BERGEN. L.L.C.
K. HOVNANIAN AT NORTH BRUNSWICK VI, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL II, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL III, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL IV, L.L.C.
K. HOVNANIAN AT NORTH WILDWOOD, L.L.C.
K. HOVNANIAN AT NORTHAMPTON, L.L.C.
K. HOVNANIAN AT NORTHERN WESTCHESTER, INC.
K. HOVNANIAN AT NORTHFIELD, L.L.C.
K. HOVNANIAN AT NORTHRIDGE ESTATES, LLC
K. HOVNANIAN AT NORTON LAKE, LLC
K. HOVNANIAN AT NOTTINGHAM MEADOWS, LLC
K. HOVNANIAN AT OAK POINTE, LLC
K. HOVNANIAN AT OCEAN TOWNSHIP, INC
K. HOVNANIAN AT OCEAN VIEW BEACH CLUB, LLC
K. HOVNANIAN AT OCEANPORT, L.L.C.
K. HOVNANIAN AT OLD BRIDGE, L.L.C.
K. HOVNANIAN AT ORCHARD MEADOWS, LLC*
K. HOVNANIAN AT PALM VALLEY, L.L.C.
K. HOVNANIAN AT PARKSIDE, LLC
K. HOVNANIAN AT PARSIPPANY, L.L.C.
K. HOVNANIAN AT PAVILION PARK, LLC
K. HOVNANIAN AT PELHAM'S REACH, LLC*
K. HOVNANIAN AT PIAZZA D'ORO, L.L.C.
K. HOVNANIAN AT PIAZZA SERENA, L.L.C
K. HOVNANIAN AT PICKETT RESERVE, LLC
K. HOVNANIAN AT PITTSGROVE, L.L.C.
K. HOVNANIAN AT PLANTATION LAKES, L.L.C.
K. HOVNANIAN AT POINTE 16, LLC
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL V, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VIII, L.L.C.
K. HOVNANIAN AT POSITANO, LLC
K. HOVNANIAN AT PRADO, L.L.C.
K. HOVNANIAN AT PRAIRIE POINTE, LLC
K. HOVNANIAN AT QUAIL CREEK, L.L.C.
K. HOVNANIAN AT RANCHO CABRILLO, LLC
K. HOVNANIAN AT RANDALL HIGHLANDS, LLC*

K. HOVNANIAN AT RANDOLPH I, L.L.C.
K. HOVNANIAN AT RAPHO, L.L.C
K. HOVNANIAN AT RAYMOND FARM, LLC*
K. HOVNANIAN AT REDTAIL, LLC
K. HOVNANIAN AT RESERVES AT WHEATLANDS, LLC
K. HOVNANIAN AT RESIDENCE AT DISCOVERY SQUARE, LLC
K. HOVNANIAN AT RIDGEMONT, L.L.C.
K. HOVNANIAN AT RIVER HILLS, LLC*
K. HOVNANIAN AT ROCK LEDGE, LLC
K. HOVNANIAN AT RODERUCK, L.L.C.
K. HOVNANIAN AT ROSEMARY LANTANA, L.L.C.
K. HOVNANIAN AT SAGE, L.L.C.
K. HOVNANIAN AT SAGEBROOK, LLC
K. HOVNANIAN AT SANTA NELLA, LLC
K. HOVNANIAN AT SAWMILL, INC.
K. HOVNANIAN AT SCOTCH PLAINS, L.L.C.
K. HOVNANIAN AT SEASONS LANDING, LLC
K. HOVNANIAN AT SHELDON GROVE, LLC
K. HOVNANIAN AT SHREWSBURY, LLC
K. HOVNANIAN AT SIGNAL HILL, LLC
K. HOVNANIAN AT SILVER SPRING, L.L.C.
K. HOVNANIAN AT SILVERSTONE, LLC
K. HOVNANIAN AT SILVERWOOD GLEN, LLC*
K. HOVNANIAN AT SKYE ISLE, LLC
K. HOVNANIAN AT SKYE ON MCDOWELL, LLC
K. HOVNANIAN AT SMITHVILLE, INC.
K. HOVNANIAN AT SOMERSET, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK II, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK III, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK, L.L.C.
K. HOVNANIAN AT STANTON, LLC
K. HOVNANIAN AT STATION SQUARE, L.L.C.
K. HOVNANIAN AT SUMMERLAKE, LLC
K. HOVNANIAN AT SUNRIDGE PARK, LLC
K. HOVNANIAN AT SUNRISE TRAIL II, LLC
K. HOVNANIAN AT SUNRISE TRAIL III, LLC
K. HOVNANIAN AT SUNRISE TRAIL, LLC*
K. HOVNANIAN AT TAMARACK SOUTH LLC*
K. HOVNANIAN AT TANGLEWOOD OAKS, LLC*
K. HOVNANIAN AT TERRA BELLA TWO, LLC
K. HOVNANIAN AT THE COMMONS AT RICHMOND HILL, LLC
K. HOVNANIAN AT THE CROSBY, LLC
K. HOVNANIAN AT THE HIGHLANDS AT SUMMERLAKE GROVE, LLC*
K. HOVNANIAN AT THE MONARCH, L.L.C.
K. HOVNANIAN AT THE PROMENADE AT BEAVER CREEK, LLC
K. HOVNANIAN AT THOMPSON RANCH, LLC

K. HOVNANIAN AT TRAFFORD PLACE, LLC
K. HOVNANIAN AT TRAIL RIDGE, LLC
K. HOVNANIAN AT UPPER PROVIDENCE, LLC
K. HOVNANIAN AT UPPER UWCHLAN II, L.L.C.
K. HOVNANIAN AT UPPER UWCHLAN, L.L.C.
K. HOVNANIAN AT VALLE DEL SOL, LLC
K. HOVNANIAN AT VALLETTA, LLC*
K. HOVNANIAN AT VERONA ESTATES, LLC
K. HOVNANIAN AT VERONA URBAN RENEWAL, L.L.C.
K. HOVNANIAN AT VICTORVILLE, L.L.C.
K. HOVNANIAN AT VILLAGE OF ROUND HILL, LLC*
K. HOVNANIAN AT VINEYARD HEIGHTS, LLC
K. HOVNANIAN AT VISTA DEL SOL, L.L.C.
K. HOVNANIAN AT WALDWICK, LLC
K. HOVNANIAN AT WALKERS GROVE, LLC
K. HOVNANIAN AT WARREN TOWNSHIP II, LLC
K. HOVNANIAN AT WARREN TOWNSHIP, L.L.C.
K. HOVNANIAN AT WATERFORD, LLC*
K. HOVNANIAN AT WATERSTONE, LLC
K. HOVNANIAN AT WAYNE IX, L.L.C.
K. HOVNANIAN AT WELLSPRINGS, LLC*
K. HOVNANIAN AT WEST VIEW ESTATES, L.L.C.
K. HOVNANIAN AT WESTBROOK, LLC
K. HOVNANIAN AT WESTSHORE, LLC
K. HOVNANIAN AT WHEELER RANCH, LLC
K. HOVNANIAN AT WHEELER WOODS, LLC
K. HOVNANIAN AT WHITEMARSH, LLC
K. HOVNANIAN AT WILDWOOD BAYSIDE, L.L.C.
K. HOVNANIAN AT WOODCREEK WEST, LLC
K. HOVNANIAN AT WOOLWICH I, L.L.C.
K. HOVNANIAN BELDEN POINTE, LLC
K. HOVNANIAN BELMONT RESERVE, LLC
K. HOVNANIAN BUILDING COMPANY, LLC*
K. HOVNANIAN CAMBRIDGE HOMES, L.L.C.
K. HOVNANIAN CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN CLASSICS, L.L.C.
K. HOVNANIAN COMMUNITIES, INC.
K. HOVNANIAN COMPANIES OF ARIZONA, LLC*
K. HOVNANIAN COMPANIES OF CALIFORNIA, INC.
K. HOVNANIAN COMPANIES OF MARYLAND, INC.
K. HOVNANIAN COMPANIES OF NEW YORK, INC.
K. HOVNANIAN COMPANIES OF PENNSYLVANIA, INC.
K. HOVNANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.
K. HOVNANIAN COMPANIES, LLC
K. HOVNANIAN CONSTRUCTION II, INC
K. HOVNANIAN CONSTRUCTION III, INC

K. HOVNANIAN CONSTRUCTION MANAGEMENT, INC.
K. HOVNANIAN CONTRACTORS OF OHIO, LLC
K. HOVNANIAN CRAFTBUILT HOMES OF SOUTH CAROLINA, L.L.C.
K. HOVNANIAN CYPRESS CREEK, LLC*
K. HOVNANIAN CYPRESS KEY, LLC
K. HOVNANIAN DEVELOPMENTS OF ARIZONA, INC.
K. HOVNANIAN DEVELOPMENTS OF CALIFORNIA, INC.
K. HOVNANIAN DEVELOPMENTS OF D.C., INC.
K. HOVNANIAN DEVELOPMENTS OF DELAWARE, INC.
K. HOVNANIAN DEVELOPMENTS OF GEORGIA, INC.
K. HOVNANIAN DEVELOPMENTS OF ILLINOIS, INC.
K. HOVNANIAN DEVELOPMENTS OF KENTUCKY, INC.
K. HOVNANIAN DEVELOPMENTS OF MARYLAND, INC.
K. HOVNANIAN DEVELOPMENTS OF MINNESOTA, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY II, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW YORK, INC.
K. HOVNANIAN DEVELOPMENTS OF NORTH CAROLINA, INC.
K. HOVNANIAN DEVELOPMENTS OF OHIO, INC.
K. HOVNANIAN DEVELOPMENTS OF PENNSYLVANIA, INC.
K. HOVNANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.
K. HOVNANIAN DEVELOPMENTS OF TEXAS, INC.
K. HOVNANIAN DEVELOPMENTS OF VIRGINIA, INC.
K. HOVNANIAN DEVELOPMENTS OF WEST VIRGINIA, INC.
K. HOVNANIAN DFW AUBURN FARMS, LLC
K. HOVNANIAN DFW BELMONT, LLC
K. HOVNANIAN DFW BERKSHIRE, LLC*
K. HOVNANIAN DFW BERKSHIRE II, LLC*
K. HOVNANIAN DFW CARILLON, LLC*
K. HOVNANIAN DFW HARMON FARMS, LLC
K. HOVNANIAN DFW HEATHERWOOD, LLC*
K. HOVNANIAN DFW HERITAGE CROSSING, LLC
K. HOVNANIAN DFW HERON POND, LLC*
K. HOVNANIAN DFW HOMESTEAD, LLC
K. HOVNANIAN DFW INSPIRATION, LLC
K. HOVNANIAN DFW LEXINGTON, LLC
K. HOVNANIAN DFW LIBERTY CROSSING, LLC
K. HOVNANIAN DFW LIGHT FARMS, LLC
K. HOVNANIAN DFW LIGHT FARMS II, LLC
K. HOVNANIAN DFW MAXWELL CREEK, LLC*
K. HOVNANIAN DFW MIDTOWN PARK, LLC
K. HOVNANIAN DFW MUSTANG LAKES, LLC*
K. HOVNANIAN DFW PALISADES, LLC
K. HOVNANIAN DFW PARKSIDE, LLC
K. HOVNANIAN DFW RICHWOODS, LLC*
K. HOVNANIAN DFW RIDGEVIEW, LLC

K. HOVNANIAN DFW SEVENTEEN LAKES, LLC
K. HOVNANIAN DFW TRAILWOOD, LLC
K. HOVNANIAN DFW VILLAS AT MUSTANG PARK, LLC
K. HOVNANIAN DFW WELLINGTON, LLC
K. HOVNANIAN DFW WILDRIDGE, LLC
K. HOVNANIAN EASTERN PENNSYLVANIA, L.L.C.
K. HOVNANIAN EDGEBROOK, LLC
K. HOVNANIAN ESTATES AT REGENCY, L.L.C.
K. HOVNANIAN ESTATES AT WEKIVA, LLC
K. HOVNANIAN FALLS POINTE, LLC
K. HOVNANIAN FIRST HOMES, L.L.C.
K. HOVNANIAN FLORIDA REALTY, L.L.C.
K. HOVNANIAN FOREST VALLEY, LLC
K. HOVNANIAN FOUR SEASONS @ HISTORIC VIRGINIA, LLC
K. HOVNANIAN FOUR SEASONS AT GOLD HILL, LLC
K. HOVNANIAN GRAND CYPRESS, LLC
K. HOVNANIAN GRANDEFIELD, LLC
K. HOVNANIAN GREAT WESTERN BUILDING COMPANY, LLC
K. HOVNANIAN GREAT WESTERN HOMES, LLC
K. HOVNANIAN HAMPTONS AT OAK CREEK II, L.L.C.
K. HOVNANIAN HIDDEN HOLLOW, LLC
K. HOVNANIAN HIGHLAND RIDGE, LLC
K. HOVNANIAN HOLDINGS NJ, L.L.C.
K. HOVNANIAN HOMES - DFW, L.L.C.
K. HOVNANIAN HOMES AT BROOK MANOR, LLC
K. HOVNANIAN HOMES AT BURKE JUNCTION, LLC
K. HOVNANIAN HOMES AT CAMP SPRINGS, L.L.C.
K. HOVNANIAN HOMES AT CREEKSIDE, LLC
K. HOVNANIAN HOMES AT FOREST RUN, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM PARK TOWNS, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM, L.L.C.
K. HOVNANIAN HOMES AT JONES STATION 1, L.L.C.
K. HOVNANIAN HOMES AT LEIGH MILL, LLC
K. HOVNANIAN HOMES AT MAXWELL PLACE, L.L.C.
K. HOVNANIAN HOMES AT PARKSIDE, LLC*
K. HOVNANIAN HOMES AT REEDY CREEK, LLC
K. HOVNANIAN HOMES AT RUSSETT, L.L.C.
K. HOVNANIAN HOMES AT SALT CREEK LANDING, LLC
K. HOVNANIAN HOMES AT SHELL HALL, LLC
K. HOVNANIAN HOMES AT ST. JAMES PLACE, LLC
K. HOVNANIAN HOMES AT THE ABBY, LLC
K. HOVNANIAN HOMES AT THE HIGHLANDS, LLC
K. HOVNANIAN HOMES AT THE PADDOCKS, LLC
K. HOVNANIAN HOMES AT THOMPSON'S GRANT, LLC
K. HOVNANIAN HOMES AT WILLOWSFORD GRANGE, LLC*
K. HOVNANIAN HOMES AT WILLOWSFORD GRANT, LLC

K. HOVNANIAN HOMES AT WILLOWSFORD GREENS, LLC
K. HOVNANIAN HOMES AT WILLOWSFORD NEW, LLC*
K. HOVNANIAN HOMES NORTHERN CALIFORNIA, INC.
K. HOVNANIAN HOMES OF D.C., L.L.C.
K. HOVNANIAN HOMES OF DELAWARE I, LLC*
K. HOVNANIAN HOMES OF DELAWARE, L.L.C.
K. HOVNANIAN HOMES OF FLORIDA I, LLC*
K. HOVNANIAN HOMES OF GEORGIA, L.L.C.
K. HOVNANIAN HOMES OF HOUSTON, L.L.C.
K. HOVNANIAN HOMES OF LONGACRE VILLAGE, L.L.C.
K. HOVNANIAN HOMES OF MARYLAND I, LLC*
K. HOVNANIAN HOMES OF MARYLAND II, LLC*
K. HOVNANIAN HOMES OF MARYLAND, L.L.C.
K. HOVNANIAN HOMES OF MINNESOTA AT ARBOR CREEK, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT AUTUMN MEADOWS, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT BRYNWOOD, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT CEDAR HOLLOW, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT FOUNDER'S RIDGE, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT HARPERS STREET WOODS, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT OAKS OF OXBOW, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT REGENT'S POINT, LLC
K. HOVNANIAN HOMES OF MINNESOTA, L.L.C.
K. HOVNANIAN HOMES OF NORTH CAROLINA, INC.
K. HOVNANIAN HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN HOMES OF SOUTH CAROLINA, LLC
K. HOVNANIAN HOMES OF VIRGINIA I, LLC*
K. HOVNANIAN HOMES OF VIRGINIA, INC.
K. HOVNANIAN HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN HOUSTON CITY HEIGHTS, LLC
K. HOVNANIAN HOVWEST HOLDINGS, L.L.C.*
K. HOVNANIAN INDIAN TRAILS, LLC
K. HOVNANIAN JV HOLDINGS, L.L.C.*
K. HOVNANIAN JV SERVICES COMPANY, L.L.C.*
K. HOVNANIAN LADUE RESERVE, LLC
K. HOVNANIAN LAKE PARKER, LLC*
K. HOVNANIAN LAKES OF GREEN, LLC
K. HOVNANIAN LEGACY AT VIA BELLA, LLC
K. HOVNANIAN LIBERTY ON BLUFF CREEK, LLC
K. HOVNANIAN MANALAPAN ACQUISITION, LLC
K. HOVNANIAN MONARCH GROVE, LLC
K. HOVNANIAN MONTCLAIRE ESTATES, LLC*
K. HOVNANIAN NORTH CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTHEAST SERVICES, L.L.C.
K. HOVNANIAN NORTHPOINTE 40S, LLC
K. HOVNANIAN OF HOUSTON II, L.L.C.

K. HOVNANIAN OF OHIO, LLC
K. HOVNANIAN OHIO REALTY, L.L.C.
K. HOVNANIAN PA REAL ESTATE, INC.
K. HOVNANIAN PARKSIDE HOLDINGS, LLC*
K. HOVNANIAN PENNSYLVANIA ACQUISITIONS, L.L.C.
K. HOVNANIAN PORT IMPERIAL URBAN RENEWAL, INC.
K. HOVNANIAN PROPERTIES OF RED BANK, INC.
K. HOVNANIAN REYNOLDS RANCH, LLC
K. HOVNANIAN RIVENDALE, LLC
K. HOVNANIAN RIVERSIDE, LLC
K. HOVNANIAN SCHADY RESERVE, LLC
K. HOVNANIAN SERENO, LLC*
K. HOVNANIAN SHERWOOD AT REGENCY, LLC
K. HOVNANIAN SHORE ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTH FORK, LLC
K. HOVNANIAN SOUTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTHERN NEW JERSEY, L.L.C.
K. HOVNANIAN STERLING RANCH, LLC
K. HOVNANIAN SUMMIT HOLDINGS, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF KENTUCKY, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES, L.L.C.
K. HOVNANIAN T&C HOMES AT FLORIDA, L.L.C.
K. HOVNANIAN T&C HOMES AT ILLINOIS, L.L.C.
K. HOVNANIAN TBD, LLC*
K. HOVNANIAN TERRALARGO, LLC*
K. HOVNANIAN TIMBRES AT ELM CREEK, LLC
K. HOVNANIAN UNION PARK, LLC
K. HOVNANIAN VENTURE I, L.L.C.
K. HOVNANIAN VILLAGE GLEN, LLC
K. HOVNANIAN WATERBURY, LLC
K. HOVNANIAN WHITE ROAD, LLC
K. HOVNANIAN WINDWARD HOMES, LLC
K. HOVNANIAN WOODLAND POINTE, LLC
K. HOVNANIAN WOODRIDGE PLACE, LLC
K. HOVNANIAN'S FOUR SEASONS AT BAKERSFIELD, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT BEAUMONT, LLC
K. HOVNANIAN'S FOUR SEASONS AT BRIARGATE, LLC
K. HOVNANIAN'S FOUR SEASONS AT CHARLOTTESVILLE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT HEMET, LLC
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND CONDOMINIUMS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT LOS BANOS, LLC
K. HOVNANIAN'S FOUR SEASONS AT MALIND BLUFF, LLC*
K. HOVNANIAN'S FOUR SEASONS AT MORENO VALLEY, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT NEW KENT VINEYARDS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT PALM SPRINGS, LLC
K. HOVNANIAN'S FOUR SEASONS AT RENAISSANCE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK II, LLC
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT SILVER MAPLE FARM, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT ST. MARGARETS LANDING, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT THE MANOR II, LLC
K. HOVNANIAN'S FOUR SEASONS AT THE MANOR, LLC
K. HOVNANIAN'S PARKSIDE AT TOWNGATE, L.L.C.
K. HOVNANIAN'S SONATA AT THE PRESERVE, LLC*
K. HOVNANIAN'S VERANDA AT RIVERPARK, LLC
K. HOVNANIAN'S VERANDA AT RIVERPARK II, LLC
KHH SHELL HALL LOAN ACQUISITION, LLC
LANDARAMA, INC.
LAUREL HIGHLANDS, LLC
M&M AT CHESTERFIELD, LLC
M&M AT CRESCENT COURT, L.L.C.
M&M AT MONROE WOODS, L.L.C.
M&M AT WEST ORANGE, L.L.C.
MATZEL & MUMFORD AT EGG HARBOR, L.L.C.
MCNJ, INC.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF PENNSYLVANIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF WEST VIRGINIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES, L.L.C.
MM-BEACHFRONT NORTH I, LLC
NEW HOME REALTY, LLC
NEW LAND TITLE AGENCY, L.L.C.
PADDOCKS, L.L.C.
PARK TITLE COMPANY, LLC
PINE AYR, LLC
RIDGEMORE UTILITY, L.L.C.
SEABROOK ACCUMULATION CORPORATION
SHELL HALL CLUB AMENITY ACQUISITION, LLC
SHELL HALL LAND ACQUISITION, LLC
STONEBROOK HOMES, INC.
TERRAPIN REALTY, L.L.C.
THE MATZEL & MUMFORD ORGANIZATION, INC
WASHINGTON HOMES, INC.
WESTMINSTER HOMES, INC.
WH PROPERTIES, INC.
WOODMORE RESIDENTIAL, L.L.C.
WTC VENTURES, L.L.C.

* Denotes Secured Group Guarantors

EXHIBIT A

[FACE OF NOTE]

K. HOVNANIAN ENTERPRISES, INC.

9.50% Senior Secured Notes Due 2020

CUSIP No.:

No. $_____

K. Hovnanian Enterprises, Inc., a California corporation (the "**Issuer**," which term includes any successor under the Indenture hereinafter referred to), for value received, promises to pay to _____, or its registered assigns, the principal sum of _____ DOLLARS ($_____), [or such other amount as is provided in a schedule attached hereto][1], on November 15, 2020.

Interest Rate: 9.50% per annum.

Interest Payment Dates: August 15 and February 15, commencing February 15, 2017.

Record Dates: August 1 and February 1.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which will for all purposes have the same effect as if set forth at this place.

[1] For Global Notes.

IN WITNESS WHEREOF, the Issuer has caused this Note to be signed manually or by facsimile by its duly authorized officer.

Dated: [_____], 2016

K. HOVNANIAN ENTERPRISES, INC.

By: _____
Name:
Title:

[Form of] Trustee's Certificate of Authentication

This is one of the 9.50% Senior Secured Notes Due 2020 described in the Indenture referred to in this Note.

WILMINGTON TRUST, NATIONAL
ASSOCIATION, as Trustee

By: _____
Authorized Signatory

[REVERSE SIDE OF NOTE]

K. HOVNANIAN ENTERPRISES, INC.

9.50% Senior Secured Notes Due 2020

Capitalized terms used herein are used as defined in the Indenture referred to below unless otherwise indicated.

1. *Principal and Interest.*

K. Hovnanian Enterprises, Inc. (the "**Issuer**," which term includes any successor under the Indenture hereinafter referred to), a California corporation, promises to pay the principal of this Note on November 15, 2020.

The Issuer promises to pay interest on the principal amount of this Note on each interest payment date, as set forth on the face of this Note, at the rate of 9.50% per annum.

Interest will be payable semiannually (to the holders of record of the Notes at the close of business on the August 1 or February 1 immediately preceding the interest payment date) on each interest payment date, commencing February 15, 2017.

Interest on this Note will accrue from the most recent date to which interest has been paid on this Note or the Note surrendered in exchange for this Note (or, if there is no existing default in the payment of interest and if this Note is authenticated between a regular record date and the next interest payment date, from such interest payment date) or, if no interest has been paid, from September 8, 2016. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

2. *Paying Agent and Registrar.*

Initially, Wilmington Trust, National Association (the "**Trustee**") will act as Paying Agent and Registrar. The Issuer may change or appoint any Paying Agent, Registrar or co-Registrar without notice to any Holder. The Issuer or any of its Subsidiaries may act as Registrar, co-Registrar or (except for purposes of Article VIII of the Indenture) Paying Agent.

3. *Indenture; Liens; Guarantees.*

This is one of the Notes issued under an Indenture dated as of September 8, 2016 (as amended from time to time, the "**Indenture**"), among the Issuer, the Guarantors party thereto, the Trustee and the Collateral Agent. The terms of the Notes include those stated in the Indenture and those expressly made part of the Indenture by reference to the Trust Indenture Act. The Notes are subject to all such terms, and Holders are referred to the Indenture and the Trust Indenture Act for a statement of all such terms. To the extent permitted by applicable law, in the event of any inconsistency between the terms of this Note and the terms of the Indenture, the terms of the Indenture will control.

The Notes are general unsecured obligations of the Issuer. The Indenture limits the original aggregate principal amount of the Notes issued thereunder to $75,000,000 but Additional Notes may be issued pursuant to the Indenture (subject to the conditions stated therein), and the originally issued Notes and all such Additional Notes vote together for all purposes as a single class. This Note is guaranteed by the Guarantors as set forth in the Indenture and the Guarantee endorsed hereon. Guarantees by Guarantors that are members of the Secured Group will be secured by Liens on the Collateral as described in the Indenture and the Security Documents.

Reference is hereby made to the Indenture for a statement of the respective rights, duties and obligations thereunder of the Issuer, the Guarantors, the Trustee, the Collateral Agent and the Holders.

4. *Optional Redemption; Redemption with Proceeds of Equity Offering.*

The Issuer may, at its option, redeem the Notes, in whole, at any time, or in part, from time to time, prior to November 15, 2018 at a redemption price equal to the sum of:

(i) 100% of the principal amount thereof, plus accrued and unpaid interest thereon to, but excluding, the redemption date, if any (subject to the right of Holders of record on the relevant Record Date to receive interest on the relevant Interest Payment Date); *plus*

(ii) the Make-Whole Amount.

The term "**Make-Whole Amount**" shall mean, in connection with any optional redemption of any Note and as determined by the Issuer in its sole discretion, the excess, if any, of:

(i) the present value at such redemption date of (i) the redemption price of the Note at November 15, 2018 (such redemption price being 100% of the principal amount of the Note to be redeemed) plus (ii) all required interest payments due on the Note through November 15, 2018 (excluding accrued but unpaid interest), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over

(ii) the principal amount of the Note being redeemed.

In no case shall the Trustee be responsible for calculating or determining the Make-Whole Amount.

"**Treasury Rate**" means, in connection with the calculation of any Make-Whole Amount with respect to any Note, as calculated by the Company, the yield to maturity at the time of computation of United States Treasury securities with a constant maturity, as compiled by and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source or similar market data), most nearly equal to the period from the redemption date to November 15, 2018; *provided, however*, that if the period from the redemption date to November 15, 2018 is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from the redemption date to November 15, 2018 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

The Issuer may, at its option, redeem the Notes, in whole, at any time, or in part, from time to time, on or after November 15, 2018 at a redemption price equal to 100% of the principal amount of the Notes being redeemed, plus accrued and unpaid interest thereon, if any, to, but excluding, the applicable redemption date (subject to the right of Holders of record on the relevant Record Date to receive interest on the relevant Interest Payment Date).

At any time and from time to time prior to November 15, 2018, the Issuer may redeem the Notes with the net cash proceeds received by the Issuer from any Equity Offering at a redemption price equal to 109.50% of the principal amount plus accrued and unpaid interest to, but excluding, the redemption date (subject to the right of Holders of record on the relevant Record Date to receive interest on the relevant Interest Payment Date), in an aggregate principal amount for all such redemptions not to exceed 35% of the original aggregate principal amount of the Notes (including Additional Notes), *provided* that:

(i) in each case the redemption takes place not later than 60 days after the closing of the related Equity Offering, and

(ii) not less than 65% of the original aggregate principal amount of the Notes (including Additional Notes) remains outstanding immediately thereafter.

If fewer than all of the Notes are being redeemed, the Notes to be redeemed shall be selected by the Trustee by lot, pro rata or such other method as the Trustee deems fair and appropriate in consultation with the Issuer, subject to applicable DTC procedures and compliance with the rules of any securities exchange on which the Notes may be listed.

No Notes of $2,000 in original principal amount or less shall be redeemed in part. Notices of any redemption may be given prior to the completion thereof, and may, at the Issuer's discretion, be subject to one or more conditions precedent, including, but not limited to, completion of a related Equity Offering. If a redemption is subject to one or more conditions precedent, such notice shall describe each condition precedent.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the Holder thereof upon cancellation of the original Note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions thereof called for redemption. Any notice of redemption will be given in accordance with the terms of Article III of the Indenture.

5. *Repurchase Provisions.*

If a Change of Control occurs, each Holder shall have the right, at such Holder's option, to require the Issuer to purchase all or any part (equal to $2,000 principal amount or any multiple of $1,000 in excess thereof) of such Holder's Notes on a date that is no later than 90 days after notice of the Change of Control, at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of repurchase as provided in, and subject to the terms of, the Indenture.

6. *Mandatory Redemption.*

There is no sinking fund for, or mandatory redemption of, the Notes. The Company and its Affiliates may at any time and from time to time purchase Notes in the open market or otherwise.

7. *Discharge and Defeasance.*

If the Issuer deposits with the Trustee money in U.S. dollars and/or U.S. Government Obligations sufficient to pay the then outstanding principal of, premium, interest and accrued interest on the Notes to redemption or maturity, as the case may be, the Issuer, the Company and the Guarantors may in certain circumstances be discharged from the Indenture, the Notes, the Guarantees and the Security Documents or may be discharged from certain of their obligations under certain provisions of the Indenture. In such circumstances, the Liens securing the Notes and the Guarantees will also be released.

8. *Registered Form; Denominations; Transfer; Exchange.*

The Notes are in registered form only without coupons in denominations of $2,000 principal amount and any multiple of $1,000 in excess thereof. A Holder may register the transfer or exchange of Notes in accordance with the Indenture. The Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. Pursuant to the Indenture, there are certain periods during which the Trustee will not be required to issue, register the transfer of, or exchange any Note or certain portions of a Note.

9. *Persons Deemed Owners.*

The registered Holder of this Note shall be treated as the owner of it for all purposes.

10. *Defaults and Remedies.*

If an Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the Notes may declare all the Notes to be due and payable immediately. If a bankruptcy or insolvency default with respect to the Issuer or the Company occurs and is continuing, the Notes automatically become immediately due and payable. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. The Trustee may require reasonable indemnity or security satisfactory to it before it enforces the Indenture or the Notes. Subject to certain limitations, Holders of a majority in principal amount of the Notes then outstanding may direct the Trustee in its exercise of remedies.

11. *Amendment, Supplement and Waiver.*

Subject to certain exceptions, the Indenture, the Notes, the Guarantees and the Security Documents may be amended or supplemented, or future compliance therewith may be waived with the consent of the Holders of a majority in principal amount of the outstanding Notes. Without notice to or the consent of any Holder, the Company, the Issuer, the Guarantors and the Trustee, and with respect to the Security Documents, the Collateral Agent, may amend or supplement the Indenture, the Notes, the Guarantees or the Security Documents to, among other things, cure any ambiguity, defect or inconsistency or if such amendment or supplement does not adversely affect the legal rights of any Holder.

12. *Trustee Dealings With Issuer.*

The Trustee, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with the Issuer or its affiliates, with the same rights as if it were not Trustee; *however*, if it acquires any conflicting interest (as defined in the Trust Indenture Act), it must eliminate such conflict or resign.

13. *No Recourse Against Others.*

An incorporator, and any past, present or future director, officer, partner, employee or stockholder, as such, of the Issuer, the Company or the Guarantors shall not have any liability for any obligations of the Issuer, the Company or the Guarantors under the Notes, the Indenture or the Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Notes.

14. *Governing Law.*

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

15. *CUSIP Numbers.*

Pursuant to a recommendation promulgated by the Committee on Uniform Note Identification Procedures, the Issuer has caused CUSIP numbers to be printed on the Notes, and the Trustee may use CUSIP numbers in notices as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice and reliance may be placed only on the other identification numbers placed thereon.

16. *Authentication.*

This Note is not valid until the Trustee (or Authenticating Agent) manually signs the certificate of authentication on the other side of this Note.

17. *Abbreviations.*

Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian) and U/G/M/A/ (= Uniform Gifts to Minors Act).

The Issuer will furnish a copy of the Indenture to any Holder upon written request and without charge.

[FORM OF TRANSFER NOTICE]

FOR VALUE RECEIVED the undersigned registered holder hereby sell(s), assign(s) and transfer(s) unto

Insert Social Security or Taxpayer Identification No.

_____

_____

Please print or typewrite name and address, including zip code, of assignee

_____

_____

the within Note and all rights thereunder, hereby irrevocably constituting and appointing

_____

agent to transfer this Note on the books of the Issuer with full power of substitution in the premises.

Dated: _____ Signed: _____
(sign exactly as name appears on the other side of this Note)

Signature Guarantee[2]: _____

[2] Signatures must be guaranteed by an "**eligible guarantor institution**" meeting the requirements of the Registrar, which requirements include membership or participation in the Note Transfer Agent Medallion Program ("**STAMP"**) or such other "**signature guarantee program**" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

[THE FOLLOWING PROVISION TO BE INCLUDED ON ALL
CERTIFICATES BEARING A RESTRICTED LEGEND]

In connection with any transfer of this Note occurring prior to the Resale Restriction Termination Date (as defined in this Note), the undersigned confirms that such transfer is made without utilizing any general solicitation or general advertising in connection with the transfer and further as follows:

Check One

☐ (1) This Note is being transferred to a "qualified institutional buyer" in compliance with Rule 144A under the Securities Act of 1933, as amended, and certification in the form of Exhibit G to the Indenture is being furnished herewith.

☐ (2) This Note is being transferred to a non-"U.S. Person," as defined in Rule 902 of Regulation S under the Securities Act in compliance with the exemption from registration under the Securities Act of 1933, as amended, provided by Regulation S thereunder, and certification in the form of Exhibit F to the Indenture is being furnished herewith.

or

☐ (3) This Note is being transferred other than in accordance with (1) or (2) above and documents are being furnished herewith which comply with the conditions of transfer set forth in this Note and the Indenture.

If none of the foregoing boxes is checked, the Trustee is not obligated to register this Note in the name of any Person other than the Holder hereof unless and until the conditions to any such transfer of registration set forth herein and in the Indenture have been satisfied.

Dated: _____

_____
Transferor

Signed: _____

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within-mentioned instrument in every particular, without alteration or any change whatsoever.

Signature
Guarantee: [3]

By: _____
(To be executed by an executive officer)

[3] Signatures must be guaranteed by an "**eligible guarantor institution**" meeting the requirements of the Registrar, which requirements include membership or participation in the Note Transfer Agent Medallion Program ("**STAMP"**) or such other "**signature guarantee program**" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

OPTION OF HOLDER TO ELECT PURCHASE

If you wish to have all of this Note purchased by the Issuer pursuant to Section 4.10 or Section 4.12 of the Indenture, check the box: ☐

If you wish to have a portion of this Note purchased by the Issuer pursuant to Section 4.10 or Section 4.12 of the Indenture, state the amount (in original principal amount) below:

$_____.

Date:_____

Your Signature:_____

(Sign exactly as your name appears on the other side of this Note)

Signature Guarantee:[4]_____

[4] Signatures must be guaranteed by an "**eligible guarantor institution**" meeting the requirements of the Trustee, which requirements include membership or participation in the Note Transfer Agent Medallion Program ("**STAMP**") or such other "**signature guarantee program**" as may be determined by the Trustee in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

SCHEDULE OF EXCHANGES OF INTERESTS IN GLOBAL NOTES[5]

The following exchanges of a part of this Global Note for Certificated Notes or an interest in another Global Note, or exchanges of a part of another Global Note or Certificated Note for an interest in this Global Note, have been made:

Date of Exchange	Amount of decrease in principal amount of this Global Note	Amount of increase in principal amount of this Global Note	Principal amount of this Global Note following such decrease or increase	Signature of authorized officer of Trustee

[5] For Global Notes

[FORM OF NOTATION ON NOTE RELATING TO GUARANTEE]

GUARANTEE

The undersigned (the "**Guarantors**") have unconditionally guaranteed, jointly and severally (such guarantee by each Guarantor being referred to herein as the "**Guarantee**") (i) the due and punctual payment of the principal of and interest on the Issuer's 9.50% Senior Secured Notes due 2020 (the "**Notes**"), whether at maturity or on an interest payment date, by acceleration or otherwise, on the Notes, to the extent lawful, and of all other obligations of the Issuer to the Holders or the Trustee all in accordance with the terms set forth in ARTICLE VI of the Indenture and (ii) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise.

No past, present or future stockholder, officer, director, employee, partner or incorporator, as such, of any of the Guarantors shall have any liability under the Guarantee evidenced hereby by reason of such person's status as stockholder, officer, director, employee, partner or incorporator. Each Holder of a Note by accepting a Note waives and releases all such liability. This waiver and release are part of the consideration for the issuance of the Guarantee.

Each Holder of a Note by accepting a Note agrees that any Guarantor named below shall have no further liability with respect to its Guarantee if such Guarantor otherwise ceases to be liable in respect of its Guarantee in accordance with the terms of the Indenture.

The Guarantee evidenced hereby shall not be valid or obligatory for any purpose until the certificate of authentication on the Notes upon which the Guarantee is noted shall have been executed by the Trustee under the Indenture by the manual signature of one of its authorized officers.

This Guarantee shall be governed by, and construed in accordance with, the laws of the State of New York.

AMBER RIDGE, LLC*
ARBOR TRAILS, LLC
BUILDER SERVICES NJ, L.L.C.
BUILDER SERVICES PA, L.L.C.
EASTERN NATIONAL TITLE AGENCY, LLC
EASTERN TITLE AGENCY OF ILLINOIS, LLC
EASTERN TITLE AGENCY, INC.
F&W MECHANICAL SERVICES, L.L.C.
FOUNDERS TITLE AGENCY OF MARYLAND, L.L.C.
FOUNDERS TITLE AGENCY, INC.
GLENRISE GROVE, L.L.C.
GOVERNOR'S ABSTRACT CO., INC.
HOMEBUYERS FINANCIAL SERVICES, L.L.C.
HOMEBUYERS FINANCIAL USA, LLC*

HOVNANIAN DEVELOPMENTS OF FLORIDA, INC.
HOVNANIAN ENTERPRISES, INC. (PARENT COMPANY)
HOVNANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP, L.L.C.
HOVWEST LAND ACQUISITION, LLC*
K. HOV IP, II, INC.
K. HOVNANIAN ABERDEEN, LLC
K. HOVNANIAN ACQUISITIONS, INC.
K. HOVNANIAN AMBER GLEN, LLC*
K. HOVNANIAN AT 240 MISSOURI, LLC
K. HOVNANIAN AT 4S, LLC
K. HOVNANIAN AT AIRE ON MCDOWELL, LLC
K. HOVNANIAN AT ALISO, LLC
K. HOVNANIAN AT ALLENTOWN, L.L.C.
K. HOVNANIAN AT AMBERLEY WOODS, LLC*
K. HOVNANIAN AT ANDALUSIA, LLC
K. HOVNANIAN AT ASBURY PARK URBAN RENEWAL, LLC
K. HOVNANIAN AT ASHBY PLACE, LLC
K. HOVNANIAN AT AVENUE ONE, L.L.C.
K. HOVNANIAN AT BAKERSFIELD 463, L.L.C.
K. HOVNANIAN AT BARNEGAT I, L.L.C.
K. HOVNANIAN AT BARNEGAT II, L.L.C.
K. HOVNANIAN AT BEACON PARK AREA 129, LLC
K. HOVNANIAN AT BEACON PARK AREA 137, LLC
K. HOVNANIAN AT BELLA LAGO, LLC
K. HOVNANIAN AT BLACKSTONE, LLC
K. HOVNANIAN AT BOCA DUNES, LLC
K. HOVNANIAN AT BRADWELL ESTATES, LLC*
K. HOVNANIAN AT BRANCHBURG II, LLC
K. HOVNANIAN AT BRANCHBURG, L.L.C.
K. HOVNANIAN AT BRANCHBURG-VOLLERS, LLC
K. HOVNANIAN AT BRENFORD STATION, LLC
K. HOVNANIAN AT BRIDGEPORT, INC.
K. HOVNANIAN AT BRIDGEWATER I, L.L.C.
K. HOVNANIAN AT BRIDGEWATER II, LLC
K. HOVNANIAN AT BURCH KOVE, LLC
K. HOVNANIAN AT CAMP HILL, L.L.C.
K. HOVNANIAN AT CAMPTON PRAIRIE, LLC
K. HOVNANIAN AT CANTER V, LLC*
K. HOVNANIAN AT CAPISTRANO, L.L.C.
K. HOVNANIAN AT CARLSBAD, LLC
K. HOVNANIAN AT CATANIA, LLC
K. HOVNANIAN AT CATON'S RESERVE, LLC
K. HOVNANIAN AT CEDAR GROVE III, L.L.C.
K. HOVNANIAN AT CEDAR GROVE URBAN RENEWAL, LLC

K. HOVNANIAN AT CEDAR LANE ESTATES, LLC*
K. HOVNANIAN AT CEDAR LANE, LLC
K. HOVNANIAN AT CHARTER WAY, LLC
K. HOVNANIAN AT CHESTERFIELD, L.L.C.
K. HOVNANIAN AT CHRISTINA COURT, LLC
K. HOVNANIAN AT CIELO, L.L.C.
K. HOVNANIAN AT COASTLINE, L.L.C.
K. HOVNANIAN AT COOSAW POINT, LLC
K. HOVNANIAN AT CORAL LAGO, LLC
K. HOVNANIAN AT CORTEZ HILL, LLC
K. HOVNANIAN AT DENVILLE, L.L.C.
K. HOVNANIAN AT DEPTFORD TOWNSHIP, L.L.C.
K. HOVNANIAN AT DOMINGUEZ HILLS, INC.
K. HOVNANIAN AT DOMINION CROSSING, LLC*
K. HOVNANIAN AT DOYLESTOWN, LLC
K. HOVNANIAN AT EAGLE HEIGHTS, LLC*
K. HOVNANIAN AT EAST BRANDYWINE, L.L.C.
K. HOVNANIAN AT EAST BRUNSWICK III, LLC
K. HOVNANIAN AT EAST BRUNSWICK, LLC
K. HOVNANIAN AT EAST WINDSOR, LLC
K. HOVNANIAN AT EDEN TERRACE, L.L.C.
K. HOVNANIAN AT EDGEWATER II, L.L.C.
K. HOVNANIAN AT EDGEWATER, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH II, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH, L.L.C.
K. HOVNANIAN AT EMBREY MILL, LLC*
K. HOVNANIAN AT ESTATES AT WHEATLANDS, LLC
K. HOVNANIAN AT EVERGREEN, L.L.C.
K. HOVNANIAN AT EVESHAM, LLC
K. HOVNANIAN AT FAIRFIELD RIDGE, LLC
K. HOVNANIAN AT FIDDYMENT RANCH, LLC
K. HOVNANIAN AT FIFTH AVENUE, L.L.C.
K. HOVNANIAN AT FLORENCE I, L.L.C.
K. HOVNANIAN AT FLORENCE II, L.L.C.
K. HOVNANIAN AT FOREST MEADOWS, L.L.C.
K. HOVNANIAN AT FOX PATH AT HAMPTON LAKE, LLC
K. HOVNANIAN AT FRANKLIN II, L.L.C.
K. HOVNANIAN AT FRANKLIN, L.L.C.
K. HOVNANIAN AT FREEHOLD TOWNSHIP II, LLC*
K. HOVNANIAN AT FREEHOLD TOWNSHIP III, LLC
K. HOVNANIAN AT FRESNO, LLC
K. HOVNANIAN AT GALLERY, LLC
K. HOVNANIAN AT GASLAMP SQUARE, L.L.C.
K. HOVNANIAN AT GENEVA MEADOWS, LLC

K. HOVNANIAN AT GILROY 60, LLC
K. HOVNANIAN AT GILROY, LLC
K. HOVNANIAN AT GREAT NOTCH, L.L.C.
K. HOVNANIAN AT HACKETTSTOWN II, L.L.C.
K. HOVNANIAN AT HAMPTON COVE, LLC
K. HOVNANIAN AT HAMPTON LAKE, LLC
K. HOVNANIAN AT HANOVER ESTATES, LLC
K. HOVNANIAN AT HERSHEY'S MILL, INC.
K. HOVNANIAN AT HIDDEN BROOK, LLC
K. HOVNANIAN AT HILLSBOROUGH, LLC
K. HOVNANIAN AT HILLTOP RESERVE II, LLC
K. HOVNANIAN AT HILLTOP RESERVE, LLC
K. HOVNANIAN AT HOWELL II, LLC
K. HOVNANIAN AT HOWELL III, LLC
K. HOVNANIAN AT HOWELL, LLC
K. HOVNANIAN AT HUDSON POINTE, L.L.C.
K. HOVNANIAN AT HUNTER'S POND, LLC*
K. HOVNANIAN AT HUNTFIELD, LLC
K. HOVNANIAN AT INDIAN WELLS, LLC
K. HOVNANIAN AT ISLAND LAKE, LLC
K. HOVNANIAN AT JACKSON I, L.L.C.
K. HOVNANIAN AT JACKSON, L.L.C.
K. HOVNANIAN AT JAEGER RANCH, LLC
K. HOVNANIAN AT JERSEY CITY IV, L.L.C.
K. HOVNANIAN AT KEYPORT, L.L.C.
K. HOVNANIAN AT LA COSTA GREENS, L.L.C.
K. HOVNANIAN AT LA LAGUNA, L.L.C.
K. HOVNANIAN AT LADD RANCH, LLC*
K. HOVNANIAN AT LAKE BURDEN, LLC
K. HOVNANIAN AT LAKE LECLARE, LLC
K. HOVNANIAN AT LAKE RANCHO VIEJO, LLC
K. HOVNANIAN AT LAKE RIDGE ESTATES, LLC
K. HOVNANIAN AT LAKE TERRAPIN, L.L.C.
K. HOVNANIAN AT LEE SQUARE, L.L.C.
K. HOVNANIAN AT LENAH WOODS, LLC
K. HOVNANIAN AT LILY ORCHARD, LLC
K. HOVNANIAN AT LINK FARM, LLC
K. HOVNANIAN AT LITTLE EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR, L.L.C
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LOWER MAKEFIELD TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MORELAND II, L.L.C.
K. HOVNANIAN AT MAGNOLIA PLACE, LLC
K. HOVNANIAN AT MAHWAH VI, INC.
K. HOVNANIAN AT MAIN STREET SQUARE, LLC

K. HOVNANIAN AT MALAN PARK, L.L.C.
K. HOVNANIAN AT MANALAPAN II, L.L.C.
K. HOVNANIAN AT MANALAPAN III, L.L.C.
K. HOVNANIAN AT MANALAPAN IV, LLC*
K. HOVNANIAN AT MANALAPAN V, LLC
K. HOVNANIAN AT MANALAPAN VI, LLC
K. HOVNANIAN AT MANSFIELD II, L.L.C.
K. HOVNANIAN AT MANTECA, LLC
K. HOVNANIAN AT MAPLE AVENUE, L.L.C.
K. HOVNANIAN AT MARLBORO IX, LLC
K. HOVNANIAN AT MARLBORO TOWNSHIP IX, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP V, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP VIII, L.L.C.
K. HOVNANIAN AT MARLBORO VI, L.L.C.
K. HOVNANIAN AT MARPLE, LLC
K. HOVNANIAN AT MEADOWRIDGE VILLAS, LLC
K. HOVNANIAN AT MELANIE MEADOWS, LLC
K. HOVNANIAN AT MENDHAM TOWNSHIP, L.L.C.
K. HOVNANIAN AT MERIDIAN HILLS, LLC*
K. HOVNANIAN AT MIDDLE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT MIDDLE TOWNSHIP, L.L.C.
K. HOVNANIAN AT MIDDLETOWN II, L.L.C.
K. HOVNANIAN AT MIDDLETOWN III, LLC
K. HOVNANIAN AT MIDDLETOWN, LLC
K. HOVNANIAN AT MILLVILLE I, L.L.C.
K. HOVNANIAN AT MILLVILLE II, L.L.C.
K. HOVNANIAN AT MONROE IV, L.L.C.
K. HOVNANIAN AT MONROE NJ II, LLC
K. HOVNANIAN AT MONROE NJ III, LLC
K. HOVNANIAN AT MONROE NJ, L.L.C.
K. HOVNANIAN AT MONTGOMERY, LLC
K. HOVNANIAN AT MONTVALE II, LLC
K. HOVNANIAN AT MONTVALE, L.L.C.
K. HOVNANIAN AT MORRIS TWP II, LLC*
K. HOVNANIAN AT MORRIS TWP, LLC
K. HOVNANIAN AT MT. LAUREL, LLC
K. HOVNANIAN AT MUIRFIELD, LLC
K. HOVNANIAN AT MYSTIC DUNES, LLC*
K. HOVNANIAN AT NICHOLSON, LLC*
K. HOVNANIAN AT NORTH BERGEN. L.L.C.
K. HOVNANIAN AT NORTH BRUNSWICK VI, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL II, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL III, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL IV, L.L.C.
K. HOVNANIAN AT NORTH WILDWOOD, L.L.C.
K. HOVNANIAN AT NORTHAMPTON, L.L.C.

K. HOVNANIAN AT NORTHERN WESTCHESTER, INC.
K. HOVNANIAN AT NORTHFIELD, L.L.C.
K. HOVNANIAN AT NORTHRIDGE ESTATES, LLC
K. HOVNANIAN AT NORTON LAKE, LLC
K. HOVNANIAN AT NOTTINGHAM MEADOWS, LLC
K. HOVNANIAN AT OAK POINTE, LLC
K. HOVNANIAN AT OCEAN TOWNSHIP, INC
K. HOVNANIAN AT OCEAN VIEW BEACH CLUB, LLC
K. HOVNANIAN AT OCEANPORT, L.L.C.
K. HOVNANIAN AT OLD BRIDGE, L.L.C.
K. HOVNANIAN AT ORCHARD MEADOWS, LLC*
K. HOVNANIAN AT PALM VALLEY, L.L.C.
K. HOVNANIAN AT PARKSIDE, LLC
K. HOVNANIAN AT PARSIPPANY, L.L.C.
K. HOVNANIAN AT PAVILION PARK, LLC
K. HOVNANIAN AT PELHAM'S REACH, LLC*
K. HOVNANIAN AT PIAZZA D'ORO, L.L.C.
K. HOVNANIAN AT PIAZZA SERENA, L.L.C
K. HOVNANIAN AT PICKETT RESERVE, LLC
K. HOVNANIAN AT PITTSGROVE, L.L.C.
K. HOVNANIAN AT PLANTATION LAKES, L.L.C.
K. HOVNANIAN AT POINTE 16, LLC
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL V, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VIII, L.L.C.
K. HOVNANIAN AT POSITANO, LLC
K. HOVNANIAN AT PRADO, L.L.C.
K. HOVNANIAN AT PRAIRIE POINTE, LLC
K. HOVNANIAN AT QUAIL CREEK, L.L.C.
K. HOVNANIAN AT RANCHO CABRILLO, LLC
K. HOVNANIAN AT RANDALL HIGHLANDS, LLC*
K. HOVNANIAN AT RANDOLPH I, L.L.C.
K. HOVNANIAN AT RAPHO, L.L.C
K. HOVNANIAN AT RAYMOND FARM, LLC*
K. HOVNANIAN AT REDTAIL, LLC
K. HOVNANIAN AT RESERVES AT WHEATLANDS, LLC
K. HOVNANIAN AT RESIDENCE AT DISCOVERY SQUARE, LLC
K. HOVNANIAN AT RIDGEMONT, L.L.C.
K. HOVNANIAN AT RIVER HILLS, LLC*
K. HOVNANIAN AT ROCK LEDGE, LLC
K. HOVNANIAN AT RODERUCK, L.L.C.
K. HOVNANIAN AT ROSEMARY LANTANA, L.L.C.
K. HOVNANIAN AT SAGE, L.L.C.
K. HOVNANIAN AT SAGEBROOK, LLC
K. HOVNANIAN AT SANTA NELLA, LLC
K. HOVNANIAN AT SAWMILL, INC.
K. HOVNANIAN AT SCOTCH PLAINS, L.L.C.

K. HOVNANIAN AT SEASONS LANDING, LLC
K. HOVNANIAN AT SHELDON GROVE, LLC
K. HOVNANIAN AT SHREWSBURY, LLC
K. HOVNANIAN AT SIGNAL HILL, LLC
K. HOVNANIAN AT SILVER SPRING, L.L.C.
K. HOVNANIAN AT SILVERSTONE, LLC
K. HOVNANIAN AT SILVERWOOD GLEN, LLC*
K. HOVNANIAN AT SKYE ISLE, LLC
K. HOVNANIAN AT SKYE ON MCDOWELL, LLC
K. HOVNANIAN AT SMITHVILLE, INC.
K. HOVNANIAN AT SOMERSET, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK II, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK III, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK, L.L.C.
K. HOVNANIAN AT STANTON, LLC
K. HOVNANIAN AT STATION SQUARE, L.L.C.
K. HOVNANIAN AT SUMMERLAKE, LLC
K. HOVNANIAN AT SUNRIDGE PARK, LLC
K. HOVNANIAN AT SUNRISE TRAIL II, LLC
K. HOVNANIAN AT SUNRISE TRAIL III, LLC
K. HOVNANIAN AT SUNRISE TRAIL, LLC*
K. HOVNANIAN AT TAMARACK SOUTH LLC*
K. HOVNANIAN AT TANGLEWOOD OAKS, LLC*
K. HOVNANIAN AT TERRA BELLA TWO, LLC
K. HOVNANIAN AT THE COMMONS AT RICHMOND HILL, LLC
K. HOVNANIAN AT THE CROSBY, LLC
K. HOVNANIAN AT THE HIGHLANDS AT SUMMERLAKE GROVE, LLC*
K. HOVNANIAN AT THE MONARCH, L.L.C.
K. HOVNANIAN AT THE PROMENADE AT BEAVER CREEK, LLC
K. HOVNANIAN AT THOMPSON RANCH, LLC
K. HOVNANIAN AT TRAFFORD PLACE, LLC
K. HOVNANIAN AT TRAIL RIDGE, LLC
K. HOVNANIAN AT UPPER PROVIDENCE, LLC
K. HOVNANIAN AT UPPER UWCHLAN II, L.L.C.
K. HOVNANIAN AT UPPER UWCHLAN, L.L.C.
K. HOVNANIAN AT VALLE DEL SOL, LLC
K. HOVNANIAN AT VALLETTA, LLC*
K. HOVNANIAN AT VERONA ESTATES, LLC
K. HOVNANIAN AT VERONA URBAN RENEWAL, L.L.C.
K. HOVNANIAN AT VICTORVILLE, L.L.C.
K. HOVNANIAN AT VILLAGE OF ROUND HILL, LLC*
K. HOVNANIAN AT VINEYARD HEIGHTS, LLC
K. HOVNANIAN AT VISTA DEL SOL, L.L.C.
K. HOVNANIAN AT WALDWICK, LLC
K. HOVNANIAN AT WALKERS GROVE, LLC
K. HOVNANIAN AT WARREN TOWNSHIP II, LLC

K. HOVNANIAN AT WARREN TOWNSHIP, L.L.C.
K. HOVNANIAN AT WATERFORD, LLC*
K. HOVNANIAN AT WATERSTONE, LLC
K. HOVNANIAN AT WAYNE IX, L.L.C.
K. HOVNANIAN AT WELLSPRINGS, LLC*
K. HOVNANIAN AT WEST VIEW ESTATES, L.L.C.
K. HOVNANIAN AT WESTBROOK, LLC
K. HOVNANIAN AT WESTSHORE, LLC
K. HOVNANIAN AT WHEELER RANCH, LLC
K. HOVNANIAN AT WHEELER WOODS, LLC
K. HOVNANIAN AT WHITEMARSH, LLC
K. HOVNANIAN AT WILDWOOD BAYSIDE, L.L.C.
K. HOVNANIAN AT WOODCREEK WEST, LLC
K. HOVNANIAN AT WOOLWICH I, L.L.C.
K. HOVNANIAN BELDEN POINTE, LLC
K. HOVNANIAN BELMONT RESERVE, LLC
K. HOVNANIAN BUILDING COMPANY, LLC*
K. HOVNANIAN CAMBRIDGE HOMES, L.L.C.
K. HOVNANIAN CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN CLASSICS, L.L.C.
K. HOVNANIAN COMMUNITIES, INC.
K. HOVNANIAN COMPANIES OF ARIZONA, LLC*
K. HOVNANIAN COMPANIES OF CALIFORNIA, INC.
K. HOVNANIAN COMPANIES OF MARYLAND, INC.
K. HOVNANIAN COMPANIES OF NEW YORK, INC.
K. HOVNANIAN COMPANIES OF PENNSYLVANIA, INC.
K. HOVNANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.
K. HOVNANIAN COMPANIES, LLC
K. HOVNANIAN CONSTRUCTION II, INC
K. HOVNANIAN CONSTRUCTION III, INC
K. HOVNANIAN CONSTRUCTION MANAGEMENT, INC.
K. HOVNANIAN CONTRACTORS OF OHIO, LLC
K. HOVNANIAN CRAFTBUILT HOMES OF SOUTH CAROLINA, L.L.C.
K. HOVNANIAN CYPRESS CREEK, LLC*
K. HOVNANIAN CYPRESS KEY, LLC
K. HOVNANIAN DEVELOPMENTS OF ARIZONA, INC.
K. HOVNANIAN DEVELOPMENTS OF CALIFORNIA, INC.
K. HOVNANIAN DEVELOPMENTS OF D.C., INC.
K. HOVNANIAN DEVELOPMENTS OF DELAWARE, INC.
K. HOVNANIAN DEVELOPMENTS OF GEORGIA, INC.
K. HOVNANIAN DEVELOPMENTS OF ILLINOIS, INC.
K. HOVNANIAN DEVELOPMENTS OF KENTUCKY, INC.
K. HOVNANIAN DEVELOPMENTS OF MARYLAND, INC.
K. HOVNANIAN DEVELOPMENTS OF MINNESOTA, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY II, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY, INC.

K. HOVNANIAN DEVELOPMENTS OF NEW YORK, INC.
K. HOVNANIAN DEVELOPMENTS OF NORTH CAROLINA, INC.
K. HOVNANIAN DEVELOPMENTS OF OHIO, INC.
K. HOVNANIAN DEVELOPMENTS OF PENNSYLVANIA, INC.
K. HOVNANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.
K. HOVNANIAN DEVELOPMENTS OF TEXAS, INC.
K. HOVNANIAN DEVELOPMENTS OF VIRGINIA, INC.
K. HOVNANIAN DEVELOPMENTS OF WEST VIRGINIA, INC.
K. HOVNANIAN DFW AUBURN FARMS, LLC
K. HOVNANIAN DFW BELMONT, LLC
K. HOVNANIAN DFW BERKSHIRE, LLC*
K. HOVNANIAN DFW BERKSHIRE II, LLC*
K. HOVNANIAN DFW CARILLON, LLC*
K. HOVNANIAN DFW HARMON FARMS, LLC
K. HOVNANIAN DFW HEATHERWOOD, LLC*
K. HOVNANIAN DFW HERITAGE CROSSING, LLC
K. HOVNANIAN DFW HERON POND, LLC*
K. HOVNANIAN DFW HOMESTEAD, LLC
K. HOVNANIAN DFW INSPIRATION, LLC
K. HOVNANIAN DFW LEXINGTON, LLC
K. HOVNANIAN DFW LIBERTY CROSSING, LLC
K. HOVNANIAN DFW LIGHT FARMS, LLC
K. HOVNANIAN DFW LIGHT FARMS II, LLC
K. HOVNANIAN DFW MAXWELL CREEK, LLC*
K. HOVNANIAN DFW MIDTOWN PARK, LLC
K. HOVNANIAN DFW MUSTANG LAKES, LLC*
K. HOVNANIAN DFW PALISADES, LLC
K. HOVNANIAN DFW PARKSIDE, LLC
K. HOVNANIAN DFW RICHWOODS, LLC*
K. HOVNANIAN DFW RIDGEVIEW, LLC
K. HOVNANIAN DFW SEVENTEEN LAKES, LLC
K. HOVNANIAN DFW TRAILWOOD, LLC
K. HOVNANIAN DFW VILLAS AT MUSTANG PARK, LLC
K. HOVNANIAN DFW WELLINGTON, LLC
K. HOVNANIAN DFW WILDRIDGE, LLC
K. HOVNANIAN EASTERN PENNSYLVANIA, L.L.C.
K. HOVNANIAN EDGEBROOK, LLC
K. HOVNANIAN ESTATES AT REGENCY, L.L.C.
K. HOVNANIAN ESTATES AT WEKIVA, LLC
K. HOVNANIAN FALLS POINTE, LLC
K. HOVNANIAN FIRST HOMES, L.L.C.
K. HOVNANIAN FLORIDA REALTY, L.L.C.
K. HOVNANIAN FOREST VALLEY, LLC
K. HOVNANIAN FOUR SEASONS @ HISTORIC VIRGINIA, LLC
K. HOVNANIAN FOUR SEASONS AT GOLD HILL, LLC
K. HOVNANIAN GRAND CYPRESS, LLC

K. HOVNANIAN GRANDEFIELD, LLC
K. HOVNANIAN GREAT WESTERN BUILDING COMPANY, LLC
K. HOVNANIAN GREAT WESTERN HOMES, LLC
K. HOVNANIAN HAMPTONS AT OAK CREEK II, L.L.C.
K. HOVNANIAN HIDDEN HOLLOW, LLC
K. HOVNANIAN HIGHLAND RIDGE, LLC
K. HOVNANIAN HOLDINGS NJ, L.L.C.
K. HOVNANIAN HOMES - DFW, L.L.C.
K. HOVNANIAN HOMES AT BROOK MANOR, LLC
K. HOVNANIAN HOMES AT BURKE JUNCTION, LLC
K. HOVNANIAN HOMES AT CAMP SPRINGS, L.L.C.
K. HOVNANIAN HOMES AT CREEKSIDE, LLC
K. HOVNANIAN HOMES AT FOREST RUN, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM PARK TOWNS, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM, L.L.C.
K. HOVNANIAN HOMES AT JONES STATION 1, L.L.C.
K. HOVNANIAN HOMES AT LEIGH MILL, LLC
K. HOVNANIAN HOMES AT MAXWELL PLACE, L.L.C.
K. HOVNANIAN HOMES AT PARKSIDE, LLC*
K. HOVNANIAN HOMES AT REEDY CREEK, LLC
K. HOVNANIAN HOMES AT RUSSETT, L.L.C.
K. HOVNANIAN HOMES AT SALT CREEK LANDING, LLC
K. HOVNANIAN HOMES AT SHELL HALL, LLC
K. HOVNANIAN HOMES AT ST. JAMES PLACE, LLC
K. HOVNANIAN HOMES AT THE ABBY, LLC
K. HOVNANIAN HOMES AT THE HIGHLANDS, LLC
K. HOVNANIAN HOMES AT THE PADDOCKS, LLC
K. HOVNANIAN HOMES AT THOMPSON'S GRANT, LLC
K. HOVNANIAN HOMES AT WILLOWSFORD GRANGE, LLC*
K. HOVNANIAN HOMES AT WILLOWSFORD GRANT, LLC
K. HOVNANIAN HOMES AT WILLOWSFORD GREENS, LLC
K. HOVNANIAN HOMES AT WILLOWSFORD NEW, LLC*
K. HOVNANIAN HOMES NORTHERN CALIFORNIA, INC.
K. HOVNANIAN HOMES OF D.C., L.L.C.
K. HOVNANIAN HOMES OF DELAWARE I, LLC*
K. HOVNANIAN HOMES OF DELAWARE, L.L.C.
K. HOVNANIAN HOMES OF FLORIDA I, LLC*
K. HOVNANIAN HOMES OF GEORGIA, L.L.C.
K. HOVNANIAN HOMES OF HOUSTON, L.L.C.
K. HOVNANIAN HOMES OF LONGACRE VILLAGE, L.L.C.
K. HOVNANIAN HOMES OF MARYLAND I, LLC*
K. HOVNANIAN HOMES OF MARYLAND II, LLC*
K. HOVNANIAN HOMES OF MARYLAND, L.L.C.
K. HOVNANIAN HOMES OF MINNESOTA AT ARBOR CREEK, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT AUTUMN MEADOWS, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT BRYNWOOD, LLC

K. HOVNANIAN HOMES OF MINNESOTA AT CEDAR HOLLOW, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT FOUNDER'S RIDGE, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT HARPERS STREET WOODS, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT OAKS OF OXBOW, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT REGENT'S POINT, LLC
K. HOVNANIAN HOMES OF MINNESOTA, L.L.C.
K. HOVNANIAN HOMES OF NORTH CAROLINA, INC.
K. HOVNANIAN HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN HOMES OF SOUTH CAROLINA, LLC
K. HOVNANIAN HOMES OF VIRGINIA I, LLC*
K. HOVNANIAN HOMES OF VIRGINIA, INC.
K. HOVNANIAN HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN HOUSTON CITY HEIGHTS, LLC
K. HOVNANIAN HOVWEST HOLDINGS, L.L.C.*
K. HOVNANIAN INDIAN TRAILS, LLC
K. HOVNANIAN JV HOLDINGS, L.L.C.*
K. HOVNANIAN JV SERVICES COMPANY, L.L.C.*
K. HOVNANIAN LADUE RESERVE, LLC
K. HOVNANIAN LAKE PARKER, LLC*
K. HOVNANIAN LAKES OF GREEN, LLC
K. HOVNANIAN LEGACY AT VIA BELLA, LLC
K. HOVNANIAN LIBERTY ON BLUFF CREEK, LLC
K. HOVNANIAN MANALAPAN ACQUISITION, LLC
K. HOVNANIAN MONARCH GROVE, LLC
K. HOVNANIAN MONTCLAIRE ESTATES, LLC*
K. HOVNANIAN NORTH CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTHEAST SERVICES, L.L.C.
K. HOVNANIAN NORTHPOINTE 40S, LLC
K. HOVNANIAN OF HOUSTON II, L.L.C.
K. HOVNANIAN OF OHIO, LLC
K. HOVNANIAN OHIO REALTY, L.L.C.
K. HOVNANIAN PA REAL ESTATE, INC.
K. HOVNANIAN PARKSIDE HOLDINGS, LLC*
K. HOVNANIAN PENNSYLVANIA ACQUISITIONS, L.L.C.
K. HOVNANIAN PORT IMPERIAL URBAN RENEWAL, INC.
K. HOVNANIAN PROPERTIES OF RED BANK, INC.
K. HOVNANIAN REYNOLDS RANCH, LLC
K. HOVNANIAN RIVENDALE, LLC
K. HOVNANIAN RIVERSIDE, LLC
K. HOVNANIAN SCHADY RESERVE, LLC
K. HOVNANIAN SERENO, LLC*
K. HOVNANIAN SHERWOOD AT REGENCY, LLC
K. HOVNANIAN SHORE ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTH FORK, LLC
K. HOVNANIAN SOUTH JERSEY ACQUISITIONS, L.L.C.

K. HOVNANIAN SOUTHERN NEW JERSEY, L.L.C.
K. HOVNANIAN STERLING RANCH, LLC
K. HOVNANIAN SUMMIT HOLDINGS, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF KENTUCKY, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES, L.L.C.
K. HOVNANIAN T&C HOMES AT FLORIDA, L.L.C.
K. HOVNANIAN T&C HOMES AT ILLINOIS, L.L.C.
K. HOVNANIAN TBD, LLC*
K. HOVNANIAN TERRALARGO, LLC*
K. HOVNANIAN TIMBRES AT ELM CREEK, LLC
K. HOVNANIAN UNION PARK, LLC
K. HOVNANIAN VENTURE I, L.L.C.
K. HOVNANIAN VILLAGE GLEN, LLC
K. HOVNANIAN WATERBURY, LLC
K. HOVNANIAN WHITE ROAD, LLC
K. HOVNANIAN WINDWARD HOMES, LLC
K. HOVNANIAN WOODLAND POINTE, LLC
K. HOVNANIAN WOODRIDGE PLACE, LLC
K. HOVNANIAN'S FOUR SEASONS AT BAKERSFIELD, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT BEAUMONT, LLC
K. HOVNANIAN'S FOUR SEASONS AT BRIARGATE, LLC
K. HOVNANIAN'S FOUR SEASONS AT CHARLOTTESVILLE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT HEMET, LLC
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND CONDOMINIUMS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT LOS BANOS, LLC
K. HOVNANIAN'S FOUR SEASONS AT MALIND BLUFF, LLC*
K. HOVNANIAN'S FOUR SEASONS AT MORENO VALLEY, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT NEW KENT VINEYARDS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT PALM SPRINGS, LLC
K. HOVNANIAN'S FOUR SEASONS AT RENAISSANCE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK II, LLC
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT SILVER MAPLE FARM, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT ST. MARGARETS LANDING, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT THE MANOR II, LLC
K. HOVNANIAN'S FOUR SEASONS AT THE MANOR, LLC
K. HOVNANIAN'S PARKSIDE AT TOWNGATE, L.L.C.
K. HOVNANIAN'S SONATA AT THE PRESERVE, LLC*
K. HOVNANIAN'S VERANDA AT RIVERPARK, LLC
K. HOVNANIAN'S VERANDA AT RIVERPARK II, LLC
KHH SHELL HALL LOAN ACQUISITION, LLC
LANDARAMA, INC.
LAUREL HIGHLANDS, LLC

M&M AT CHESTERFIELD, LLC
M&M AT CRESCENT COURT, L.L.C.
M&M AT MONROE WOODS, L.L.C.
M&M AT WEST ORANGE, L.L.C.
MATZEL & MUMFORD AT EGG HARBOR, L.L.C.
MCNJ, INC.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF PENNSYLVANIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF WEST VIRGINIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES, L.L.C.
MM-BEACHFRONT NORTH I, LLC
NEW HOME REALTY, LLC
NEW LAND TITLE AGENCY, L.L.C.
PADDOCKS, L.L.C.
PARK TITLE COMPANY, LLC
PINE AYR, LLC
RIDGEMORE UTILITY, L.L.C.
SEABROOK ACCUMULATION CORPORATION
SHELL HALL CLUB AMENITY ACQUISITION, LLC
SHELL HALL LAND ACQUISITION, LLC
STONEBROOK HOMES, INC.
TERRAPIN REALTY, L.L.C.
THE MATZEL & MUMFORD ORGANIZATION, INC
WASHINGTON HOMES, INC.
WESTMINSTER HOMES, INC.
WH PROPERTIES, INC.
WOODMORE RESIDENTIAL, L.L.C.
WTC VENTURES, L.L.C.
* Denotes Secured Group Guarantors

By: _____
Name:
Title: Authorized Officer

[This Guarantee relates to K. Hovnanian Enterprises, Inc.'s 9.50% Senior Secured Notes due 2020 – CUSIP No.: _____]

EXHIBIT B

SUPPLEMENTAL INDENTURE

dated as of _____, ____

among

K. HOVNANIAN ENTERPRISES, INC.

HOVNANIAN ENTERPRISES, INC.

The Other Guarantors Party Hereto

and

WILMINGTON TRUST, NATIONAL ASSOCIATION

as Trustee and Collateral Agent

9.50% Senior Secured Notes Due 2020

THIS [_____] SUPPLEMENTAL INDENTURE (this "[_____] **Supplemental Indenture**"), entered into as of [_____], [_____], among K. Hovnanian Enterprises, Inc., a California corporation (the "**Issuer**"), Hovnanian Enterprises, Inc., a Delaware corporation (the "**Company**"), [list each new guarantor and its jurisdiction of incorporation] (each an "**Undersigned**") and Wilmington Trust, National Association, a national banking association, as Trustee (the "**Trustee**") and Collateral Agent (the "**Collateral Agent**").

RECITALS

WHEREAS, the Issuer, Company, the other Guarantors party thereto and the Trustee and the Collateral Agent entered into an indenture, dated as of September 8, 2016 (the "**Indenture**"), relating to the Issuer's 9.50% Senior Secured Notes Due 2020 (the "**Notes**");

WHEREAS, as a condition to the purchase of the Notes by the Holders, the Company agreed pursuant to the Indenture to cause any newly acquired or created Restricted Subsidiaries to provide Guarantees.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained and intending to be legally bound, the parties hereto hereby agree as follows:

SECTION 1. Capitalized terms used herein and not otherwise defined herein are used as defined in the Indenture.

SECTION 2. Each Undersigned, by its execution of this [_____] Supplemental Indenture, agrees to be a Guarantor under the Indenture and to be bound by the terms of the Indenture applicable to Guarantors, including, but not limited to, ARTICLE VI thereof.

SECTION 3. This [_____] Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 4. This [_____] Supplemental Indenture may be signed in various counterparts which together shall constitute one and the same instrument.

SECTION 5. This [_____] Supplemental Indenture is an amendment supplemental to the Indenture and the Indenture and this [_____] Supplemental Indenture shall henceforth be read together.

SECTION 6. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the Recitals contained herein, all of which are made solely by the Issuer, the Company and each of the undersigned.

[*Signature pages follow*]

IN WITNESS WHEREOF, the parties hereto have caused this [_____] Supplemental Indenture to be duly executed as of the date first above written.

K. HOVNANIAN ENTERPRISES, INC.,
as Issuer

By: _____
Name:
Title:

HOVNANIAN ENTERPRISES, INC.

By: _____
Name:
Title:

[GUARANTOR]

By: _____
Name:
Title:

WILMINGTON TRUST, NATIONAL
ASSOCIATION
as Trustee and Collateral Agent

By: _____
Name:
Title:

EXHIBIT C

RESTRICTED LEGEND

THIS NOTE (OR ITS PREDECESSOR) HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT AS SET FORTH IN THE NEXT SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER:

(1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) (A "**QIB**"), (B) IT HAS ACQUIRED THIS NOTE IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT OR (C) IT IS AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(a)(1), (2), (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT) (AN "**IAI**"),

(2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED NOTES, NOT TO OFFER, SELL, OR OTHERWISE TRANSFER THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS [*IN THE CASE OF RULE 144A NOTES*: ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF, THE ORIGINAL ISSUE DATE OF THE ISSUANCE OF ANY ADDITIONAL NOTES AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF SUCH NOTE),] [*IN THE CASE OF REGULATION S NOTES*: 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF, THE ORIGINAL ISSUE DATE OF THE ISSUANCE OF ANY ADDITIONAL NOTES AND THE DATE ON WHICH THIS NOTE (OR ANY PREDECESSOR OF SUCH NOTE) WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF REGULATION S) IN RELIANCE ON REGULATION S], ONLY (A) TO THE ISSUER, THE COMPANY OR ANY OF ITS SUBSIDIARIES, (B) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (C) IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR 904 OF REGULATION S OF THE SECURITIES ACT, (D) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT, (E) TO AN IAI THAT, PRIOR TO SUCH TRANSFER, FURNISHES THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE TRANSFER OF THIS NOTE (THE FORM OF WHICH CAN BE OBTAINED FROM THE TRUSTEE) AND, IF SUCH TRANSFER IS IN RESPECT OF AN AGGREGATE PRINCIPAL AMOUNT OF NOTES LESS THAN $250,000, AN OPINION OF COUNSEL ACCEPTABLE TO THE ISSUER AND THE TRUSTEE THAT SUCH TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT, (F) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL ACCEPTABLE TO THE ISSUER AND THE TRUSTEE) OR (G) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH CASE, IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION (THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE), AND

(3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTIONS" AND "UNITED STATES" HAVE THE MEANINGS GIVEN TO THEM BY RULE 902 OF REGULATION S UNDER THE SECURITIES ACT. THE INDENTURE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE IN VIOLATION OF THE FOREGOING.

EXHIBIT D

DTC LEGEND

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("**DTC**"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS NOTE IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED. TRANSFERS OF THIS GLOBAL NOTE ARE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, BY DTC TO A NOMINEE OF DTC OR BY A NOMINEE OF DTC TO DTC OR ANOTHER NOMINEE OF DTC OR BY DTC OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY AND TRANSFERS OF PORTIONS OF THIS GLOBAL NOTE ARE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE TRANSFER PROVISIONS OF THE INDENTURE.

EXHIBIT E

AFFILIATE LEGEND

INTERESTS IN THIS NOTE MAY BE HELD BY AFFILIATES (AS DEFINED IN RULE 405 UNDER THE SECURITIES ACT) OF THE ISSUER OR BY PERSONS WHO HAVE ACQUIRED SUCH INTERESTS FROM AN AFFILIATE IN A TRANSACTION OR CHAIN OF TRANSACTIONS NOT INVOLVING ANY PUBLIC OFFERING. ACCORDINGLY, EXCEPT AS PERMITTED BY THE INDENTURE, THIS NOTE MAY NOT BE TRANSFERRED OR EXCHANGED FOR INTERESTS IN AN UNRESTRICTED GLOBAL NOTE (AS DEFINED IN THE INDENTURE) UNTIL THE DATE THAT IS ONE YEAR (OR SUCH SHORTER PERIOD AS MAY BE PERMITTED BY THE INDENTURE AND RULE 144 UNDER THE SECURITIES ACT (OR ANY SUCCESSOR PROVISION THEREOF)) AFTER THE LAST DATE ON WHICH EITHER THE ISSUER OR ANY AFFILIATE THEREOF WAS THE OWNER OF THIS NOTE.

EXHIBIT F

Regulation S Certificate

_____, ____

Wilmington Trust, National Association
Rodney Square North
1100 North Market Street
Wilmington, DE 19890
Facsimile: 302-636-4149
Attention: Global Capital Markets – K. Hovnanian Relationship Manager

Re: K. Hovnanian Enterprises, Inc.
9.50% Senior Secured Notes due 2020 (the "**Notes**")
Issued under the Indenture (the "**Indenture**") dated
as of September 8, 2016 relating to the Notes

Dear Sirs:

Terms are used in this Certificate as used in Regulation S ("**Regulation S**") under the Securities Act of 1933, as amended (the "**Securities Act**"), except as otherwise stated herein.

[CHECK A OR B AS APPLICABLE OR COMPLETE SECTIONS C AND D AS APPLICABLE.]

☐ A. This Certificate relates to our proposed transfer of $____ principal amount of Notes issued under the Indenture. We hereby certify as follows:

1. The offer and sale of the Notes was not and will not be made to a person in the United States (unless such person is excluded from the definition of "U.S. person" pursuant to Rule 902(k)(2)(vi) or the account held by it for which it is acting is excluded from the definition of "U.S. person" pursuant to Rule 902(k)(2)(i) under the circumstances described in Rule 902(g)(3)) and such offer and sale was not and will not be specifically targeted at an identifiable group of U.S. citizens abroad.

2. Unless the circumstances described in the parenthetical in paragraph 1 above are applicable, either (a) at the time the buy order was originated, the buyer was outside the United States or we and any person acting on our behalf reasonably believed that the buyer was outside the United States or (b) the transaction was executed in, on or through the facilities of a designated offshore securities market, and neither we nor any person acting on our behalf knows that the transaction was pre-arranged with a buyer in the United States.

3. Neither we, any of our affiliates, nor any person acting on our or their behalf has made any directed selling efforts in the United States with respect to the Notes.

4. The proposed transfer of Notes is not part of a plan or scheme to evade the registration requirements of the Securities Act.

5. If we are a dealer or a person receiving a selling concession, fee or other remuneration in respect of the Notes, and the proposed transfer takes place during the Restricted Period (as defined in the Indenture), or we are an officer or director of the Company, we certify that the proposed transfer is being made in accordance with the provisions of Rule 904(b) of Regulation S.

☐ B. This Certificate relates to our proposed exchange of $___ principal amount of Notes issued under the Indenture for an equal principal amount of Notes to be held by us. We hereby certify as follows:

1. At the time the offer and sale of the Notes was made to us, either (i) we were not in the United States or (ii) we were excluded from the definition of "U.S. person" pursuant to Rule 902(k)(2)(vi) or the account held by us for which we were acting was excluded from the definition of "U.S. person" pursuant to Rule 902(k)(2)(i) under the circumstances described in Rule 902(g)(3); and we were not a member of an identifiable group of U.S. citizens abroad.

2. Unless the circumstances described in paragraph 1(ii) above are applicable, either (a) at the time our buy order was originated, we were outside the United States or (b) the transaction was executed in, on or through the facilities of a designated offshore securities market and we did not pre-arrange the transaction in the United States.

3. The proposed exchange of Notes is not part of a plan or scheme to evade the registration requirements of the Securities Act.

☐ C. CHECK IF SELLER OR OWNER ACQUIRED ITS CERTIFICATED NOTE FROM AN AFFILIATE OF THE ISSUER. The Certificated Note being [transferred][exchanged] by us has not been held by an affiliate (as defined in Rule 144) of the Issuer for the period of [one year][6] prior to the date of the [transfer][exchange].

☐ D. CHECK IF THE PURCHASER IS AN AFFILIATE OF THE ISSUER AND WILL RECEIVE A CERTIFICATED NOTE.

You and the Issuer are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

---

[6] The transferor may insert a different period under the circumstances set forth in the Section 2.12, subject to the delivery of any documentation requested pursuant to Section 2.12.

Very truly yours,

[NAME OF SELLER (FOR TRANSFERS)
OR OWNER (FOR EXCHANGES)]

By: _____
Name:
Title:
Address:

Date: _____

Upon transfer of certificated Notes, the Notes would be registered in the name of the new beneficial owner as follows:

By: _____

Date: _____

Taxpayer ID number: _____

EXHIBIT G

Rule 144A Certificate

_____, ____

Wilmington Trust, National Association
Rodney Square North
1100 North Market Street
Wilmington, DE 19890
Facsimile: 302-636-4149
Attention: Global Capital Markets – K. Hovnanian Relationship Manager

Re: K. Hovnanian Enterprises, Inc.
9.50% Senior Secured Notes due 2020 (the "**Notes**")
Issued under the Indenture (the "**Indenture**") dated
as of September 8, 2016 relating to the Notes

Ladies and Gentlemen:

This Certificate relates to:

[CHECK A OR B AS APPLICABLE OR COMPLETE SECTIONS C AND D AS APPLICABLE.]

☐A. Our proposed purchase of $___principal amount of Notes issued under the Indenture.

☐B. Our proposed transfer or exchange of $___principal amount of Notes issued under the Indenture for an equal principal amount of Notes to be held by us.

We and, if applicable, each account for which we are acting, are a qualified institutional buyer within the meaning of Rule 144A ("**Rule 144A**") under the Securities Act of 1933, as amended (the "**Securities Act**"). If we are acting on behalf of an account, we exercise sole investment discretion with respect to such account. We are aware that the transfer of Notes to us, or such exchange, as applicable, is being made in reliance upon the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. Prior to the date of this Certificate we have received such information regarding the Company as we have requested pursuant to Rule 144A(d)(4) or have determined not to request such information.

☐ C. CHECK IF SELLER OR OWNER ACQUIRED ITS CERTIFICATED NOTE FROM AN AFFILIATE OF THE ISSUER. The Certificated Note being [transferred][exchanged] by us has not been held by an affiliate (as defined in Rule 144) of the Issuer for the period of [one year][7] prior to the date of the [transfer][exchange].

☐ D. CHECK IF THE PURCHASER IS AN AFFILIATE OF THE ISSUER AND WILL RECEIVE A CERTIFICATED NOTE.

You and the Issuer are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

[NAME OF PURCHASER (FOR TRANSFERS) OR OWNER (FOR EXCHANGES)]

By: _____
Name:
Title:
Address:

Date: _____

Upon transfer of certificated Notes, the Notes would be registered in the name of the new beneficial owner as follows:

By: _____

Date: _____

Taxpayer ID number: _____

[7] The transferor may insert a different period under the circumstances set forth in the Section 2.12, subject to the delivery of any documentation requested pursuant to Section 2.12.

EXHIBIT H

Institutional Accredited Investor Certificate

Wilmington Trust, National Association
Rodney Square North
1100 North Market Street
Wilmington, DE 19890
Facsimile: 302-636-4149
Attention: Global Capital Markets – K. Hovnanian Relationship Manager

Re: K. Hovnanian Enterprises, Inc.
9.50% Senior Secured Notes due 2020 (the "**Notes**") Issued under the Indenture (the "**Indenture**") dated as of September 8, 2016 relating to the Notes

Ladies and Gentlemen:

This Certificate relates to:

[CHECK A, B OR C AS APPLICABLE OR COMPLETE SECTIONS D AND E AS APPLICABLE.]

☐ A. Our proposed purchase of $____ principal amount of Notes issued under the Indenture.

☐ B. Our proposed purchase of $____ principal amount of a beneficial interest in a Global Note

☐ C. Our proposed transfer or exchange of $____ principal amount of Notes issued under the Indenture for an equal principal amount of Notes to be held by us.

We hereby confirm that:

1. We are an institutional "accredited investor" as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act of 1933, as amended (the "**Securities Act**") (an "**Institutional Accredited Investor**").

2. Any acquisition of Notes by us will be for our own account or for the account of one or more other Institutional Accredited Investors as to which we exercise sole investment discretion.

3. We have such knowledge and experience in financial and business matters that we are capable of evaluating the merits and risks of an investment in the Notes and we and any accounts for which we are acting are able to bear the economic risks of and an entire loss of our or their investment in the Notes.

4. We are not acquiring the Notes or beneficial interest therein with a view to any distribution thereof in a transaction that would violate the Securities Act or the securities laws of any State of the United States or any other applicable jurisdiction; *provided*, that the disposition of our property and the property of any accounts for which we are acting as fiduciary will remain at all times within our and their control.

5. We acknowledge that the Notes have not been registered under the Securities Act and that the Notes may not be offered or sold within the United States or to or for the benefit of U.S. persons except as set forth below.

6. The principal amount of Notes to which this Certificate relates is at least equal to $250,000.

☐ D. CHECK IF SELLER OR OWNER ACQUIRED ITS CERTIFICATED NOTE FROM AN AFFILIATE OF THE ISSUER. The Certificated Note being [transferred][exchanged] by us has not been held by an affiliate (as defined in Rule 144) of the Issuer for the period of [one year][8] prior to the date of the [transfer][exchange].

☐ E. CHECK IF THE PURCHASER IS AN AFFILIATE OF THE ISSUER AND WILL RECEIVE A CERTIFICATED NOTE.

We agree for the benefit of the Issuer and the Guarantors, on our own behalf and on behalf of each account for which we are acting, that we will not resell or otherwise transfer this Note or any beneficial interest herein except (A) to the Issuer, the Company or any of its subsidiaries, (B) to a person whom we reasonably believe is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (C) in an offshore transaction meeting the requirements of Rule 903 or 904 of Regulation S of the Securities Act, (D) in a transaction meeting the requirements of Rule 144 under the Securities Act, (E) to an Institutional Accredited Investor that, prior to such transfer, furnishes the Trustee a signed letter containing certain representations and agreements relating to the transfer of the Notes (the form of which can be obtained from the Trustee) and, if such transfer is in respect of an aggregate principal amount of Notes less than $250,000, an opinion of counsel acceptable to the Issuer and the Trustee that such transfer is in compliance with the Securities Act, (F) in accordance with another exemption form the registration requirements of the Securities Act (and based upon an opinion of counsel acceptable to the Issuer and the Trustee) or (G) pursuant to an effective Registration Statement and, in each case, in accordance with the applicable securities laws of any state of the United States or any other applicable jurisdiction.

Prior to the registration of any transfer or exchange, we acknowledge that the Issuer reserves the right to require the delivery of such legal opinions, certifications or other evidence as may reasonably be required in order to determine that the proposed transfer or exchange is being made in compliance with the Securities Act and applicable state securities laws. We acknowledge that no representation is made as to the availability of any Rule 144 exemption from the registration requirements of the Securities Act.

---

[8] The transferor may insert a different period under the circumstances set forth in the Section 2.12, subject to the delivery of any documentation requested pursuant to Section 2.12.

We understand that the Trustee will not be required to accept for registration of transfer or exchange any Notes acquired by us, except upon presentation of evidence satisfactory to the Issuer and the Trustee that the foregoing restrictions on transfer have been complied with. We further agree to deliver to each person acquiring any of the Notes or any beneficial interest therein from us a notice advising such person that resales of the Notes are restricted as stated herein.

We agree to notify you promptly in writing if any of our acknowledgments, representations or agreements herein ceases to be accurate and complete.

We represent to you that we have full power to make the foregoing acknowledgments, representations and agreements on our own behalf and on behalf of any account for which we are acting.

You and the Issuer are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

[NAME OF PURCHASER (FOR TRANSFERS) OR OWNER (FOR EXCHANGES)]

By: _____
Name:
Title:

Date: _____

Address:

Upon transfer of certificated Notes, the Notes would be registered in the name of the new beneficial owner as follows:

By: _____

Date: _____

Taxpayer ID number _____

EXHIBIT I

[COMPLETE FORM I OR FORM II AS APPLICABLE.]

[FORM I]

Certificate of Beneficial Ownership

To: Wilmington Trust, National Association
Rodney Square North
1100 North Market Street
Wilmington, DE 19890
Facsimile: 302-636-4149
Attention: Global Capital Markets – K. Hovnanian Relationship Manager

[Euroclear Bank S.A./N.V., as operator of the Euroclear System] *OR*

[Clearstream Banking, *société anonyme*]

Re: K. Hovnanian Enterprises, Inc.
9.50% Senior Secured Notes due 2020 (the "**Notes**")
Issued under the Indenture (the "**Indenture**") dated
as of September 8, 2016 relating to the Notes

Ladies and Gentlemen:

We are the beneficial owner of $_____ principal amount of Notes issued under the Indenture and represented by a Regulation S Temporary Global Note (as defined in the Indenture).

[CHECK A OR B AS APPLICABLE.]

☐ A. We are a non-U.S. person (within the meaning of Regulation S under the Securities Act of 1933, as amended).

☐ B. We are a U.S. person (within the meaning of Regulation S under the Securities Act of 1933, as amended) that purchased the Notes in a transaction that did not require registration under the Securities Act of 1933, as amended.

You and the Issuer are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

[NAME OF BENEFICIAL OWNER]

Date:

By: _____
Name:
Title:
Address:

[FORM II]

Certificate of Beneficial Ownership

To: Wilmington Trust, National Association
Rodney Square North
1100 North Market Street
Wilmington, DE 19890
Facsimile: 302-636-4149
Attention: Global Capital Markets – K. Hovnanian Relationship Manager

Re: K. Hovnanian Enterprises, Inc.
9.50% Senior Secured Notes due 2020 (the "**Notes**")
Issued under the Indenture (the "**Indenture**") dated
as of September 8, 2016 relating to the Notes

Ladies and Gentlemen:

This is to certify that based solely on certifications we have received in writing, by tested telex or by electronic transmission from member organizations ("**Member Organizations**") appearing in our records as persons being entitled to a portion of the principal amount of Notes represented by a Regulation S Temporary Global Note issued under the above-referenced Indenture, that as of the date hereof, $____ principal amount of Notes represented by the Regulation S Temporary Global Note being submitted herewith for exchange is beneficially owned by persons that are either (i) non-U.S. persons (within the meaning of Regulation S under the Securities Act of 1933, as amended) or (ii) U.S. persons that purchased the Notes in a transaction that did not require registration under the Securities Act of 1933, as amended.

We further certify that (i) we are not submitting herewith for exchange any portion of such Regulation S Temporary Global Note excepted in such Member Organization certifications and (ii) as of the date hereof we have not received any notification from any Member Organization to the effect that the statements made by such Member Organization with respect to any portion of such Regulation S Temporary Global Note submitted herewith for exchange are no longer true and cannot be relied upon as of the date hereof.

You and the Issuer are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Yours faithfully,

[EUROCLEAR BANK S.A./N.V., as operator of the Euroclear System]

OR

[CLEARSTREAM BANKING, *société* anonyme]

By: _____
Name:
Title:
Address:

Date: _____

EXHIBIT J

THIS NOTE IS A TEMPORARY GLOBAL NOTE. PRIOR TO THE EXPIRATION OF THE RESTRICTED PERIOD APPLICABLE HERETO, BENEFICIAL INTERESTS HEREIN MAY NOT BE HELD BY ANY PERSON OTHER THAN (1) A NON-U.S. PERSON OR (2) A U.S. PERSON THAT PURCHASED SUCH INTEREST IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"). BENEFICIAL INTERESTS HEREIN ARE NOT EXCHANGEABLE FOR CERTIFICATED NOTES OTHER THAN A PERMANENT GLOBAL NOTE IN ACCORDANCE WITH THE TERMS OF THE INDENTURE. TERMS IN THIS LEGEND ARE USED AS USED IN REGULATION S UNDER THE SECURITIES ACT.

EXHIBIT K

UNRESTRICTED SUBSIDIARIES

77 HUDSON STREET JOINT DEVELOPMENT, L.L.C.
AG/HOV DELRAY HOLDINGS, L.L.C.
AG/HOV DELRAY, L.L.C.
AL TAHALUF AL AQARY LLC (AL TAHALUF REAL ESTATE LIMITED LIABILITY COMPANY)
COBBLESTONE SQUARE DEVELOPMENT, L.L.C.
FAIR LAND TITLE COMPANY, INC.
GTIS-HOV ARBORS AT MONROE LLC
GTIS-HOV ARBORS AT MONROE PARENT LLC
GTIS-HOV DULLES PARKWAY PARENT LLC
GTIS-HOV FESTIVAL LAKES LLC
GTIS-HOV FOUR PONDS PARENT LLC
GTIS-HOV GREENFIELD CROSSING PARENT LLC
GTIS-HOV HEATHERFIELD PARENT LLC
GTIS-HOV HOLDINGS LLC
GTIS-HOV HOLDINGS V LLC
GTIS-HOV LAKES OF CANE BAY PARENT LLC
GTIS-HOV LEELAND STATION LLC
GTIS-HOV PARKSIDE OF LIBERTYVILLE LLC
GTIS-HOV PARKSIDE OF LIBERTYVILLE PARENT LLC
GTIS-HOV PINNACLE PEAK PATIO PARENT LLC
GTIS-HOV POINTE 16 LLC
GTIS-HOV POSITANO LLC
GTIS-HOV RANCHO 79 LLC
GTIS-HOV RESIDENCES AT DULLES PARKWAY LLC
GTIS-HOV RESIDENCES AT GREENFIELD CROSSING LLC
GTIS-HOV SAUGANASH GLEN PARENT LLC
GTIS-HOV SAUGANSH GLEN LLC
GTIS-HOV VILLAGES AT PEPPER MILL LLC
GTIS-HOV WARMINSTER LLC
GTIS-HOV WILLOWSFORD WINDMILL, LLC
HOVSITE CATALINA LLC
HOVSITE CHURCHILL CLUB LLC
HOVSITE CIDER GROVE LLC
HOVSITE FIRENZE LLC
HOVSITE FLORIDA HOLDINGS LLC
HOVSITE GREENWOOD MANOR LLC
HOVSITE HOLDINGS II LLC
HOVSITE HOLDINGS III LLC
HOVSITE HOLDINGS LLC
HOVSITE HUNT CLUB LLC
HOVSITE II CASA DEL MAR LLC
HOVSITE III AT PARKLAND LLC

HOVSITE ILLINOIS HOLDINGS LLC
HOVSITE IRISH PRAIRIE LLC
HOVSITE LIBERTY LAKES LLC
HOVSITE MONTEVERDE 1 & 2 LLC
HOVSITE MONTEVERDE 3 & 4 LLC
HOVSITE PROVIDENCE LLC
HOVSITE SOUTHAMPTON LLC
K. HOVNANIAN 77 HUDSON STREET INVESTMENTS, L.L.C.
K. HOVNANIAN AMERICAN MORTGAGE, L.L.C.
K. HOVNANIAN AT 77 HUDSON STREET URBAN RENEWAL COMPANY, L.L.C.
K. HOVNANIAN AT DELRAY BEACH, L.L.C.
K. HOVNANIAN AT HEATHERFIELD, LLC
K. HOVNANIAN AT MIDDLETOWN IV, LLC
K. HOVNANIAN AT PHILADELPHIA I, L.L.C.
K. HOVNANIAN AT PINNACLE PEAK PATIO, LLC
K. HOVNANIAN AT PORT IMPERIAL INVESTMENT, LLC
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL II, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL III, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VI, L.L.C.
K. HOVNANIAN AT SOUTHPOINTE, LLC
K. HOVNANIAN AT TRAVERSE, LLC
K. HOVNANIAN AT TRENTON II, L.L.C.
K. HOVNANIAN AT TRENTON URBAN RENEWAL, L.L.C.
K. HOVNANIAN GT INVESTMENT, L.L.C.
K. HOVNANIAN GT V INVESTMENT, LLC
K. HOVNANIAN HOVSITE II INVESTMENT, LLC
K. HOVNANIAN HOVSITE III INVESTMENT, LLC
K. HOVNANIAN INVESTMENTS, L.L.C.
K. HOVNANIAN M.E. INVESTMENTS, LLC
K. HOVNANIAN NASSAU GROVE HOLDINGS, L.L.C.
K. HOVNANIAN TERRA LAGO INVESTMENT, LLC
K. HOVNANIAN'S FOUR SEASONS AT LAKES OF CANE BAY LLC
MILLENNIUM TITLE AGENCY, LTD.
MM-BEACHFRONT NORTH II, L.L.C.
NASSAU GROVE ENTERPRISES, L.L.C.
PORT IMPERIAL PARTNERS, LLC
TERRA LAGO INDIO LLC
TRAVERSE PARTNERS, LLC
WHI-REPUBLIC, LLC

EXHIBIT L

COLLATERAL PERFECTION OFFICER'S CERTIFICATE

K. HOVNANIAN ENTERPRISES, INC.

DATED: [ ]

This Certificate is being furnished to you pursuant to Section 11.05(c) of that certain Indenture for the 9.50% Senior Secured Notes due 2020 dated as of September 8, 2016, among K. Hovnanian Enterprises, Inc., as issuer, Hovnanian Enterprises, Inc., the other guarantors party thereto and Wilmington Trust, National Association, as Trustee and Collateral Agent.

The undersigned, [ ], HEREBY CERTIFIES, in the undersigned's capacity as an Officer of the Company and not in his individual capacity, that:

1. There has been no change to the information set forth in the [Perfection Certificate dated [ ], 2016 and the schedules thereto remain true and correct][9] [Perfection Certificate dated [ ], 2016, as amended by the Collateral Perfection Officer's Certificate dated [_____],[10] and the schedules to such Perfection Certificate, as amended by such Collateral Perfection Officer's Certificate[s], remain true and correct][11][, except as set forth on Schedule A hereto].

2. With respect to each jurisdiction listed on Schedule [A][B] hereto, I have been advised by counsel admitted to the bar in such jurisdiction that such counsel has reviewed the form of mortgage for such jurisdiction, and that no changes, modifications, revisions, amendments or supplements to such form of mortgage are necessary, as of the date hereof, to perfect the Liens on the underlying mortgaged property[, except that, with respect to [*list jurisdiction*], such form of mortgage should be replaced with the form of mortgage attached hereto as Annex A in order for such mortgage to perfect the Liens on the underlying mortgaged property upon filing and recording of such mortgage].

[Remainder of page intentionally left blank]

[9] To be used for first annual Collateral Perfection Officers' Certificate.
[10] This should include references to all previously delivered Collateral Perfection Officers' Certificates.
[11] To be used for all Collateral Perfection Officers' Certificates after the first.

IN WITNESS WHEREOF, the undersigned has duly executed this certificate as of the date first above written.

K. HOVNANIAN ENTERPRISES, INC.

_____

Name:
Title:

[SCHEDULE A]

SCHEDULE [A][B]
List of Mortgage States

2012 HOVNANIAN ENTERPRISES, INC.
AMENDED AND RESTATED STOCK INCENTIVE PLAN

MARKET SHARE UNIT AGREEMENT

Participant: _____

Date of Grant: _____

Target Number of MSUs: _____

Grant Price: _____

Maximum Number of MSUs: _____

Dates of Vesting:

Date	*Number of Eligible MSUs Per Vesting Date at Target Level*

1. Grant of MSUs.

(a) General. For valuable consideration, receipt of which is hereby acknowledged, Hovnanian Enterprises, Inc., a Delaware Corporation (the "Company"), hereby grants the target number of market share units ("MSUs") listed above to the Participant, on the terms and conditions hereinafter set forth. This grant is made pursuant to the terms and conditions of the 2012 Company Amended and Restated Stock Incentive Plan (the "Plan"), which Plan, as amended from time to time, is incorporated herein by reference and made a part of this Agreement. Each MSU represents the unfunded, unsecured right of the Participant to receive a number of Shares (or fraction thereof) determined by reference to the relevant Stock Performance Multiplier on the date(s) and subject to the terms specified herein. Capitalized terms not otherwise defined herein shall have the same meanings as in the Plan.

(b) Certain Definitions. The terms set forth below shall have the meanings as defined below:

(i) "End Price" shall mean, with respect to each Vesting Date, the average closing trading price of the Company's Shares on the New York Stock Exchange over the 60 calendar day period ending on such Vesting Date; provided, however, that with respect to any Vesting Date occurring on or after the date of a Change in Control, the End Price shall equal the price per Share paid to the holders thereof in accordance with the definitive agreement governing the transaction constituting the Change in Control (or, in the absence of such agreement, the closing price per Share for the last trading day prior to the consummation of the Change in Control).

(ii) "Grant Price" shall mean the Grant Price set forth above, representing the average closing trading price of the Company's Shares on the New York Stock Exchange over the 60 calendar day period ending on the Date of Grant.

(iii) "Stock Performance Multiplier" with respect to each Vesting Date shall mean the percentage equal to the corresponding End Price divided by the Grant Price; provided, however, that (a) if such percentage is less than 50%, then the Stock Performance Multiplier shall equal zero and (b) if such percentage exceeds 175%, then the Stock Performance Multiplier shall equal 175%. For the avoidance of doubt, the Stock Performance Multiplier shall be applied to the portion of the target number of MSUs that becomes vested on each Vesting Date as described herein.

(iv) "Vesting Dates" shall mean the Vesting Dates referenced above, or if earlier, the date upon which an acceleration of vesting occurs pursuant to Section 2 hereof.

2. Vesting and Timing of Transfer.

(a) The Participant will become vested in the MSUs in accordance with the Vesting Date schedule set forth above and as further described below; provided, however, that upon the occurrence of a Change in Control that results in the Company's Shares ceasing to be publicly traded on a national securities exchange, the outstanding MSUs shall immediately become vested with the Change in Control date constituting the relevant Vesting Date hereunder and with Share delivery determined based on the applicable Stock Performance Multiplier and timing set forth in Section 2(b) below (subject to any delay in Share delivery required pursuant to Section 16 hereof).

(b) The Company shall transfer to the Participant, as soon as practicable but not later than 60 days after an applicable Vesting Date, a number of Class A Shares (if any) equal to the number of MSUs that became vested on that Vesting Date multiplied by the corresponding Stock Performance Multiplier for such Vesting Date (rounded up to the next whole share), provided, however, that upon the final transfer of Shares to the Participant on the final Vesting Date (i) such number of Shares (if any) shall be reduced to the extent necessary to reflect any previous rounding up pursuant to this sentence, and (ii) in lieu of a fractional Share, the Participant shall receive a cash payment equal to the Fair Market Value of such fractional Share. If the Participant is eligible to participate in, and has elected to defer the transfer of Shares pursuant to the terms of a nonqualified deferred compensation plan maintained by the Company, such Shares shall be so deferred, and any such deferral, when paid, shall be paid in Shares. Once the transfer of any Shares is deferred, the rights and privileges of the Participant with respect to such Shares shall be determined solely pursuant to the terms of the applicable plan, and not pursuant to the terms and conditions of this Agreement.

(c) Notwithstanding Sections 2(a) and 2(b) of this Agreement, if the Participant's employment with the Company and its Affiliates terminates due to (i) death, (ii) Disability or (iii) Retirement, but only if such Retirement occurs on or after the first anniversary of the Date of Grant indicated above (any such termination, a "Qualifying Termination"), the MSUs shall remain outstanding and the corresponding Shares thereunder shall be delivered in accordance with Section 2(b) on or following each subsequent scheduled Vesting Date as if the Participant had remained employed with the Company and its Affiliates through such applicable Vesting Date based on the corresponding Stock Performance Multiplier for such Vesting Date. In the event of the death of the Participant, the transfer of Shares under this Section 2(c) shall be made in accordance with the beneficiary designation form on file with the Company; provided, however, that, in the absence of any such beneficiary designation form, the transfer of Shares under this Section 2(c) shall be made to the person or persons to whom the Participant's rights under the Agreement shall pass by will or by the applicable laws of descent and distribution. For purposes of this Agreement, "Disability" shall mean "Disability" as defined in the Plan, and "Retirement" shall mean termination of employment on or after age 60, or on or after age 58 with at least 15 years of "Service" to the Company and its Subsidiaries immediately preceding such termination of employment. For this purpose, "Service" means the period of employment immediately preceding Retirement, plus any prior periods of employment with the Company and its Subsidiaries of one or more years' duration, unless they were succeeded by a period of non-employment with the Company and its Subsidiaries of more than three years' duration.

(d) Upon each transfer or deferral of Shares in accordance with this Agreement, the Participant's right to receive that number of Shares transferred to the Participant or deferred shall be extinguished. Additionally, to the extent that the Participant earns less than 100% of the Shares underlying the MSUs that are scheduled to vest upon any Vesting Date (i.e., due to the applicable Performance Multiple being less than 100%), such unearned MSUs and all rights pertaining thereto shall be extinguished as of the relevant Vesting Date.

(e) Notwithstanding Sections 2(a), 2(b) and 2(c) of this Agreement, upon the Participant's termination of employment for any reason other than (i) death, Disability or Retirement occurring on or after the first anniversary of the Date of Grant indicated above or (ii) under the circumstances described in clause (f) below, any unvested MSUs shall immediately terminate for no further consideration.

(f) Certain Terminations within Two Years Following a Change in Control. In the event of the Participant's (i) Qualifying Termination or (ii) involuntary termination of employment with the Company or a subsidiary thereof without "Cause" or termination for "Good Reason", in each case, within two years following a Change in Control, the MSUs, to the extent not previously vested and settled, shall immediately become fully vested and settled in Shares on the same terms as described under Section 2(b) above treating such termination of employment date as the relevant Vesting Date; provided, however, that to the extent required under Section 16 hereof in connection with any such termination of employment in order to avoid additional taxation under Section 409A of the Code, the Shares underlying the MSUs shall instead either (i) remain outstanding and be settled upon the subsequent normal scheduled Vesting Dates as if the Participant had remained employed through such dates, as described in Section 2(c), if the Change in Control did not constitute a change in ownership or effective control within the meaning of Section 409A(a)(2)(A)(v) of the Code or (ii) be deferred to the extent required under Section 16 if the Participant is a "specified employee" within the meaning of Section 409A of the Code as of such termination date. For purposes of this Agreement, "Cause" shall mean the occurrence of any of the following: (a) the willful and continued failure of the Participant to perform substantially all of his or her duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness) for a period of 10 days following a written demand for substantial performance that is delivered to such Participant by the Company, which specifically identifies the manner in which the Company believes the Participant has not substantially performed his or her duties; (b) dishonesty in the performance of the Participant's duties with the Company; (c) the Participant's conviction of, or plea of guilty or nolo contendere to, a crime under the laws of the United States or any state thereof constituting a felony or a misdemeanor involving moral turpitude; (d) the Participant's willful malfeasance or willful misconduct in connection with the Participant's duties with the Company or any act or omission which is injurious to the financial condition or business reputation of the Company or its affiliates; or (e) the Participant's breach of the provisions of Section 11 of this Agreement. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following, without the Participant's express written consent: (a) any material diminution in the Participant's duties, titles or responsibilities with the Company from those in effect immediately prior to a Change in Control or (b) any reduction in the Participant's annual base salary or any material reduction in the Participant's annual bonus opportunity, annual equity awards or long-term incentive program awards from the Participant's annual base salary or annual bonus opportunity, annual equity awards or long-term incentive program awards in effect immediately prior to a Change in Control. Notwithstanding the foregoing, no event shall constitute Good Reason unless the Participant provides the Company with written notice of such event within 60 days after the occurrence thereof and the Company fails to cure or resolve the behavior otherwise constituting Good Reason within 30 days of its receipt of such notice.

3. Dividends. If on any date while MSUs are outstanding hereunder the Company shall pay any dividend on the Shares (other than a dividend payable in Shares), the number of MSUs granted to the Participant shall, as of such dividend payment date, be increased by a number of MSUs equal to: (a) the product of (x) the number of MSUs held by the Participant as of the related dividend record date, multiplied by (y) the per Share amount of any cash dividend (or, in the case of any dividend payable in whole or in part other than in cash, the per Share value of such dividend, as determined in good faith by the Committee), divided by (b) the Fair Market Value of a Share on the payment date of such dividend. In the case of any dividend declared on Shares that is payable in the form of Shares, the number of MSUs granted to the Participant shall be increased by a number equal to the product of (a) the MSUs that are held by the Participant on the related dividend record date, multiplied by (b) the number of Shares (including any fraction thereof) payable as a dividend on a Share. Any MSUs attributable to dividends under this Section 3 shall be subject to the vesting provisions provided in Section 2.

4. Adjustments Upon Certain Events. Subject to the terms of the Plan, in the event of any change in the outstanding Shares by reason of any Share dividend or split, reorganization, recapitalization, merger, consolidation, amalgamation, spin-off or combination transaction or exchange of Shares or other similar events (collectively, an "Adjustment Event"), the Committee shall, in its sole discretion, make an appropriate and equitable adjustment in the number of MSUs subject to this Agreement, the relevant stock price measurements and such other terms related to the MSUs to reflect such Adjustment Event. Any such adjustment made by the Committee shall be final and binding upon the Participant, the Company and all other interested persons.

5. No Right to Continued Employment. Neither the Plan nor this Agreement shall be construed as giving the Participant the right to be retained in the employ of, or in any consulting relationship to, the Company or any Affiliate. Further, the Company or an Affiliate may at any time dismiss the Participant, free from any liability or any claim under the Plan or this Agreement, except as otherwise expressly provided herein.

6. No Acquired Rights. In participating in the Plan, the Participant acknowledges and accepts that the Board has the power to amend or terminate the Plan, to the extent permitted thereunder, at any time and that the opportunity given to the Participant to participate in the Plan is entirely at the discretion of the Committee and does not obligate the Company or any of its Affiliates to offer such participation in the future (whether on the same or different terms). The Participant further acknowledges and accepts that such Participant's participation in the Plan is not to be considered part of any normal or expected compensation and that the termination of the Participant's employment under any circumstances whatsoever will give the Participant no claim or right of action against the Company or its Affiliates in respect of any loss of rights under this Agreement or the Plan that may arise as a result of such termination of employment.

7. No Rights of a Shareholder. The Participant shall not have any rights or privileges as a shareholder of the Company until the Shares in question have been registered in the Company's register of shareholders.

8. Legend on Certificates. Any Shares issued or transferred to the Participant pursuant to Section 2 of this Agreement shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares are listed, and any applicable Federal or state laws or relevant securities laws of the jurisdiction of the domicile of the Participant, and the Committee may cause a legend or legends to be put on any certificates representing such Shares to make appropriate reference to such restrictions.

9. Transferability. MSUs may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant otherwise than by will or by the laws of descent and distribution, and any purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance not permitted by this Section 9 shall be void and unenforceable against the Company or any Affiliate.

10. Withholding. The Participant may be required to pay to the Company or any Affiliate and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any transfer due under this Agreement or under the Plan or from any compensation or other amount owing to the Participant, applicable withholding taxes with respect to any transfer under this Agreement or under the Plan and to take such action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. Notwithstanding the foregoing, if the Participant's employment with the Company terminates prior to the transfer of all of the Shares under this Agreement, the payment of any applicable withholding taxes with respect to any further transfer of Shares under this Agreement or the Plan shall be made solely through the sale of Shares equal to the statutory minimum withholding liability.

11. Non-Solicitation Covenants.

(a) The Participant acknowledges and agrees that, during the Participant's employment with the Company and its Affiliates and upon the Participant's termination of Employment with the Company and its Affiliates for any reason, for a period commencing on the termination of such Employment and ending on the second anniversary of such termination, the Participant shall not, whether on Participant's own behalf or on behalf of or in conjunction with any person, company, business entity or other organization whatsoever, directly or indirectly:

(i) solicit any employee of the Company or its Affiliates with whom the Participant had any contact during the last two years of the Participant's employment, or who worked in the same business segment or division as the Participant during that period to terminate employment with the Company or its Affiliates;

(ii) solicit the employment or services of, or hire, any such employee whose employment with the Company or its Affiliates terminated coincident with, or within twelve (12) months prior to or after the termination of Participant's employment with the Company and its Affiliates;

(iii) directly or indirectly, solicit to cease to work with the Company or its Affiliates any consultant then under contract with the Company or its Affiliates.

(b) It is expressly understood and agreed that although the Participant and the Company consider the restrictions contained in this Section 11 to be reasonable, if a final judicial determination is made by a court of competent jurisdiction that the time or any other restriction contained in this Agreement is an unenforceable restriction against the Participant, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

12. Specific Performance. The Participant acknowledges and agrees that the Company's remedies at law for a breach or threatened breach of any of the provisions of Section 11 would be inadequate and the Company would suffer irreparable damages as a result of such breach or threatened breach. In recognition of this fact, the Participant agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, the Company, without posting any bond, shall be entitled to cease making any payments or providing any benefit otherwise required by this Agreement and obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available.

13. Choice of Law. THE INTERPRETATION, PERFORMANCE AND ENFORCEMENT OF THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

14. MSUs Subject to Plan. By entering into this Agreement, the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan. All MSUs are subject to the Plan. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

15. Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

16. 409A. Notwithstanding any other provisions of this Agreement or the Plan, this MSU shall not be deferred, accelerated, extended, paid out or modified in a manner that would result in the imposition of an additional tax under Section 409A of the Code upon the Participant. In the event it is reasonably determined by the Committee that, as a result of Section 409A of the Code, the transfer of Class A Shares under this Agreement may not be made at the time contemplated hereunder without causing the Participant to be subject to taxation under Section 409A of the Code (including due to the Participant's status as a "specified employee" within the meaning of Section 409A of the Code), the Company will make such payment on the first day that would not result in the Participant incurring any tax liability under Section 409A of the Code.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

HOVNANIAN ENTERPRISES, INC.

By: _____
Stephen D. Weinroth, Chair
Compensation Committee

PARTICIPANT

By: _____

2012 HOVNANIAN ENTERPRISES, INC.
AMENDED AND RESTATED STOCK INCENTIVE PLAN

MARKET SHARE UNIT AGREEMENT

Participant: _____

Date of Grant: _____

Target Number of MSUs: _____

Grant Price: _____

Maximum Number of MSUs: _____

Dates of Vesting:

Date	*Number of Eligible MSUs Per Vesting Date at Target Level*

1. Grant of MSUs.

(a) General. For valuable consideration, receipt of which is hereby acknowledged, Hovnanian Enterprises, Inc., a Delaware Corporation (the "Company"), hereby grants the target number of market share units ("MSUs") listed above to the Participant, on the terms and conditions hereinafter set forth. This grant is made pursuant to the terms and conditions of the 2012 Company Amended and Restated Stock Incentive Plan (the "Plan"), which Plan, as amended from time to time, is incorporated herein by reference and made a part of this Agreement. Each MSU represents the unfunded, unsecured right of the Participant to receive a number of Shares (or fraction thereof) determined by reference to the relevant Stock Performance Multiplier on the date(s) and subject to the terms specified herein. Capitalized terms not otherwise defined herein shall have the same meanings as in the Plan.

(b) Certain Definitions. The terms set forth below shall have the meanings as defined below:

(i) "End Price" shall mean, with respect to each Vesting Date, the average closing trading price of the Company's Shares on the New York Stock Exchange over the 60 calendar day period ending on such Vesting Date; provided, however, that with respect to any Vesting Date occurring on or after the date of a Change in Control, the End Price shall equal the price per Share paid to the holders thereof in accordance with the definitive agreement governing the transaction constituting the Change in Control (or, in the absence of such agreement, the closing price per Share for the last trading day prior to the consummation of the Change in Control).

(ii) "Grant Price" shall mean the Grant Price set forth above, representing the average closing trading price of the Company's Shares on the New York Stock Exchange over the 60 calendar day period ending on the Date of Grant.

(iii) "Stock Performance Multiplier" with respect to each Vesting Date shall mean the percentage equal to the corresponding End Price divided by the Grant Price; provided, however, that (a) if such percentage is less than 50%, then the Stock Performance Multiplier shall equal zero and (b) if such percentage exceeds 175%, then the Stock Performance Multiplier shall equal 175%. For the avoidance of doubt, the Stock Performance Multiplier shall be applied to the portion of the target number of MSUs that becomes vested on each Vesting Date as described herein.

(iv) "Vesting Dates" shall mean the Vesting Dates referenced above, or if earlier, the date upon which an acceleration of vesting occurs pursuant to Section 2 hereof.

2. Vesting and Timing of Transfer.

(a) The Participant will become vested in the MSUs in accordance with the Vesting Date schedule set forth above and as further described below; provided, however, that upon the occurrence of a Change in Control that results in the Company's Shares ceasing to be publicly traded on a national securities exchange, the outstanding MSUs shall immediately become vested with the Change in Control date constituting the relevant Vesting Date hereunder and with Share delivery determined based on the applicable Stock Performance Multiplier and timing set forth in Section 2(b) below (subject to any delay in Share delivery required pursuant to Section 16 hereof).

(b) The Company shall transfer to the Participant, as soon as practicable but not later than 60 days after an applicable Vesting Date, a number of Class B Shares (if any) equal to the number of MSUs that became vested on that Vesting Date multiplied by the corresponding Stock Performance Multiplier for such Vesting Date (rounded up to the next whole share), provided, however, that upon the final transfer of Shares to the Participant on the final Vesting Date (i) such number of Shares (if any) shall be reduced to the extent necessary to reflect any previous rounding up pursuant to this sentence, and (ii) in lieu of a fractional Share, the Participant shall receive a cash payment equal to the Fair Market Value of such fractional Share. If the Participant is eligible to participate in, and has elected to defer the transfer of Shares pursuant to the terms of a nonqualified deferred compensation plan maintained by the Company, such Shares shall be so deferred, and any such deferral, when paid, shall be paid in Shares. Once the transfer of any Shares is deferred, the rights and privileges of the Participant with respect to such Shares shall be determined solely pursuant to the terms of the applicable plan, and not pursuant to the terms and conditions of this Agreement.

(c) Notwithstanding Sections 2(a) and 2(b) of this Agreement, if the Participant's employment with the Company and its Affiliates terminates due to (i) death, (ii) Disability or (iii) Retirement, but only if such Retirement occurs on or after the first anniversary of the Date of Grant indicated above (any such termination, a "Qualifying Termination"), the MSUs shall remain outstanding and the corresponding Shares thereunder shall be delivered in accordance with Section 2(b) on or following each subsequent scheduled Vesting Date as if the Participant had remained employed with the Company and its Affiliates through such applicable Vesting Date based on the corresponding Stock Performance Multiplier for such Vesting Date. In the event of the death of the Participant, the transfer of Shares under this Section 2(c) shall be made in accordance with the beneficiary designation form on file with the Company; provided, however, that, in the absence of any such beneficiary designation form, the transfer of Shares under this Section 2(c) shall be made to the person or persons to whom the Participant's rights under the Agreement shall pass by will or by the applicable laws of descent and distribution. For purposes of this Agreement, "Disability" shall mean "Disability" as defined in the Plan, and "Retirement" shall mean termination of employment on or after age 60, or on or after age 58 with at least 15 years of "Service" to the Company and its Subsidiaries immediately preceding such termination of employment. For this purpose, "Service" means the period of employment immediately preceding Retirement, plus any prior periods of employment with the Company and its Subsidiaries of one or more years' duration, unless they were succeeded by a period of non-employment with the Company and its Subsidiaries of more than three years' duration.

(d) Upon each transfer or deferral of Shares in accordance with this Agreement, the Participant's right to receive that number of Shares transferred to the Participant or deferred shall be extinguished. Additionally, to the extent that the Participant earns less than 100% of the Shares underlying the MSUs that are scheduled to vest upon any Vesting Date (i.e., due to the applicable Performance Multiple being less than 100%), such unearned MSUs and all rights pertaining thereto shall be extinguished as of the relevant Vesting Date.

(e) Notwithstanding Sections 2(a), 2(b) and 2(c) of this Agreement, upon the Participant's termination of employment for any reason other than (i) death, Disability or Retirement occurring on or after the first anniversary of the Date of Grant indicated above or (ii) under the circumstances described in clause (f) below, any unvested MSUs shall immediately terminate for no further consideration.

(f) Certain Terminations within Two Years Following a Change in Control. In the event of the Participant's (i) Qualifying Termination or (ii) involuntary termination of employment with the Company or a subsidiary thereof without "Cause" or termination for "Good Reason", in each case, within two years following a Change in Control, the MSUs, to the extent not previously vested and settled, shall immediately become fully vested and settled in Shares on the same terms as described under Section 2(b) above treating such termination of employment date as the relevant Vesting Date; provided, however, that to the extent required under Section 16 hereof in connection with any such termination of employment in order to avoid additional taxation under Section 409A of the Code, the Shares underlying the MSUs shall instead either (i) remain outstanding and be settled upon the subsequent normal scheduled Vesting Dates as if the Participant had remained employed through such dates, as described in Section 2(c), if the Change in Control did not constitute a change in ownership or effective control within the meaning of Section 409A(a)(2)(A)(v) of the Code or (ii) be deferred to the extent required under Section 16 if the Participant is a "specified employee" within the meaning of Section 409A of the Code as of such termination date. For purposes of this Agreement, "Cause" shall mean the occurrence of any of the following: (a) the willful and continued failure of the Participant to perform substantially all of his or her duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness) for a period of 10 days following a written demand for substantial performance that is delivered to such Participant by the Company, which specifically identifies the manner in which the Company believes the Participant has not substantially performed his or her duties; (b) dishonesty in the performance of the Participant's duties with the Company; (c) the Participant's conviction of, or plea of guilty or nolo contendere to, a crime under the laws of the United States or any state thereof constituting a felony or a misdemeanor involving moral turpitude; (d) the Participant's willful malfeasance or willful misconduct in connection with the Participant's duties with the Company or any act or omission which is injurious to the financial condition or business reputation of the Company or its affiliates; or (e) the Participant's breach of the provisions of Section 11 of this Agreement. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following, without the Participant's express written consent: (a) any material diminution in the Participant's duties, titles or responsibilities with the Company from those in effect immediately prior to a Change in Control or (b) any reduction in the Participant's annual base salary or any material reduction in the Participant's annual bonus opportunity, annual equity awards or long-term incentive program awards from the Participant's annual base salary or annual bonus opportunity, annual equity awards or long-term incentive program awards in effect immediately prior to a Change in Control. Notwithstanding the foregoing, no event shall constitute Good Reason unless the Participant provides the Company with written notice of such event within 60 days after the occurrence thereof and the Company fails to cure or resolve the behavior otherwise constituting Good Reason within 30 days of its receipt of such notice.

3. Dividends. If on any date while MSUs are outstanding hereunder the Company shall pay any dividend on the Shares (other than a dividend payable in Shares), the number of MSUs granted to the Participant shall, as of such dividend payment date, be increased by a number of MSUs equal to: (a) the product of (x) the number of MSUs held by the Participant as of the related dividend record date, multiplied by (y) the per Share amount of any cash dividend (or, in the case of any dividend payable in whole or in part other than in cash, the per Share value of such dividend, as determined in good faith by the Committee), divided by (b) the Fair Market Value of a Share on the payment date of such dividend. In the case of any dividend declared on Shares that is payable in the form of Shares, the number of MSUs granted to the Participant shall be increased by a number equal to the product of (a) the MSUs that are held by the Participant on the related dividend record date, multiplied by (b) the number of Shares (including any fraction thereof) payable as a dividend on a Share. Any MSUs attributable to dividends under this Section 3 shall be subject to the vesting provisions provided in Section 2.

4. Adjustments Upon Certain Events. Subject to the terms of the Plan, in the event of any change in the outstanding Shares by reason of any Share dividend or split, reorganization, recapitalization, merger, consolidation, amalgamation, spin-off or combination transaction or exchange of Shares or other similar events (collectively, an "Adjustment Event"), the Committee shall, in its sole discretion, make an appropriate and equitable adjustment in the number of MSUs subject to this Agreement, the relevant stock price measurements and such other terms related to the MSUs to reflect such Adjustment Event. Any such adjustment made by the Committee shall be final and binding upon the Participant, the Company and all other interested persons.

5. No Right to Continued Employment. Neither the Plan nor this Agreement shall be construed as giving the Participant the right to be retained in the employ of, or in any consulting relationship to, the Company or any Affiliate. Further, the Company or an Affiliate may at any time dismiss the Participant, free from any liability or any claim under the Plan or this Agreement, except as otherwise expressly provided herein.

6. No Acquired Rights. In participating in the Plan, the Participant acknowledges and accepts that the Board has the power to amend or terminate the Plan, to the extent permitted thereunder, at any time and that the opportunity given to the Participant to participate in the Plan is entirely at the discretion of the Committee and does not obligate the Company or any of its Affiliates to offer such participation in the future (whether on the same or different terms). The Participant further acknowledges and accepts that such Participant's participation in the Plan is not to be considered part of any normal or expected compensation and that the termination of the Participant's employment under any circumstances whatsoever will give the Participant no claim or right of action against the Company or its Affiliates in respect of any loss of rights under this Agreement or the Plan that may arise as a result of such termination of employment.

7. No Rights of a Shareholder. The Participant shall not have any rights or privileges as a shareholder of the Company until the Shares in question have been registered in the Company's register of shareholders.

8. Legend on Certificates. Any Shares issued or transferred to the Participant pursuant to Section 2 of this Agreement shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares are listed, and any applicable Federal or state laws or relevant securities laws of the jurisdiction of the domicile of the Participant, and the Committee may cause a legend or legends to be put on any certificates representing such Shares to make appropriate reference to such restrictions.

9. Transferability. MSUs may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant otherwise than by will or by the laws of descent and distribution, and any purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance not permitted by this Section 9 shall be void and unenforceable against the Company or any Affiliate.

10. Withholding. The Participant may be required to pay to the Company or any Affiliate and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any transfer due under this Agreement or under the Plan or from any compensation or other amount owing to the Participant, applicable withholding taxes with respect to any transfer under this Agreement or under the Plan and to take such action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. Notwithstanding the foregoing, if the Participant's employment with the Company terminates prior to the transfer of all of the Shares under this Agreement, the payment of any applicable withholding taxes with respect to any further transfer of Shares under this Agreement or the Plan shall be made solely through the sale of Shares equal to the statutory minimum withholding liability.

11. Non-Solicitation Covenants.

(a) The Participant acknowledges and agrees that, during the Participant's employment with the Company and its Affiliates and upon the Participant's termination of Employment with the Company and its Affiliates for any reason, for a period commencing on the termination of such Employment and ending on the second anniversary of such termination, the Participant shall not, whether on Participant's own behalf or on behalf of or in conjunction with any person, company, business entity or other organization whatsoever, directly or indirectly:

(i) solicit any employee of the Company or its Affiliates with whom the Participant had any contact during the last two years of the Participant's employment, or who worked in the same business segment or division as the Participant during that period to terminate employment with the Company or its Affiliates;

(ii) solicit the employment or services of, or hire, any such employee whose employment with the Company or its Affiliates terminated coincident with, or within twelve (12) months prior to or after the termination of Participant's employment with the Company and its Affiliates;

(iii) directly or indirectly, solicit to cease to work with the Company or its Affiliates any consultant then under contract with the Company or its Affiliates.

(b) It is expressly understood and agreed that although the Participant and the Company consider the restrictions contained in this Section 11 to be reasonable, if a final judicial determination is made by a court of competent jurisdiction that the time or any other restriction contained in this Agreement is an unenforceable restriction against the Participant, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

12. Specific Performance. The Participant acknowledges and agrees that the Company's remedies at law for a breach or threatened breach of any of the provisions of Section 11 would be inadequate and the Company would suffer irreparable damages as a result of such breach or threatened breach. In recognition of this fact, the Participant agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, the Company, without posting any bond, shall be entitled to cease making any payments or providing any benefit otherwise required by this Agreement and obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available.

13. Choice of Law. THE INTERPRETATION, PERFORMANCE AND ENFORCEMENT OF THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

14. MSUs Subject to Plan. By entering into this Agreement, the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan. All MSUs are subject to the Plan. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

15. Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

16. 409A. Notwithstanding any other provisions of this Agreement or the Plan, this MSU shall not be deferred, accelerated, extended, paid out or modified in a manner that would result in the imposition of an additional tax under Section 409A of the Code upon the Participant. In the event it is reasonably determined by the Committee that, as a result of Section 409A of the Code, the transfer of Class B Shares under this Agreement may not be made at the time contemplated hereunder without causing the Participant to be subject to taxation under Section 409A of the Code (including due to the Participant's status as a "specified employee" within the meaning of Section 409A of the Code), the Company will make such payment on the first day that would not result in the Participant incurring any tax liability under Section 409A of the Code.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

HOVNANIAN ENTERPRISES, INC.

By: _____
Stephen D. Weinroth, Chair
Compensation Committee

PARTICIPANT

By: _____

2012 HOVNANIAN ENTERPRISES, INC.
AMENDED AND RESTATED STOCK INCENTIVE PLAN

MARKET SHARE UNIT AGREEMENT
(Gross Margin Improvement Performance Vesting)

Participant: _____

Date of Grant: _____

Target Number of MSUs: _____

Grant Price: _____

Maximum Number of MSUs: _____

Dates of Vesting:

Date	*Number of Eligible MSUs Per Vesting Date at Target Level*

1. Grant of MSUs.

(a) General. For valuable consideration, receipt of which is hereby acknowledged, Hovnanian Enterprises, Inc., a Delaware Corporation (the "Company"), hereby grants the target number of market share units ("MSUs") listed above to the Participant, on the terms and conditions hereinafter set forth. This grant is made pursuant to the terms and conditions of the 2012 Company Amended and Restated Stock Incentive Plan (the "Plan"), which Plan, as amended from time to time, is incorporated herein by reference and made a part of this Agreement. Each MSU represents the unfunded, unsecured right of the Participant to receive a number of Shares (or fraction thereof) determined by reference to the product of the relevant Stock Performance Multiplier and the Gross Margin Multiplier on the date(s) and subject to the terms specified herein. Capitalized terms not otherwise defined herein shall have the same meanings as in the Plan.

(b) Certain Definitions. The terms set forth below shall have the meanings as defined below:

(i) "End Price" shall mean, with respect to each Vesting Date, the average closing trading price of the Company's Shares on the New York Stock Exchange over the 60 calendar day period ending on such Vesting Date; provided, however, that with respect to any Vesting Date occurring on or after the date of a Change in Control, the End Price shall equal the price per Share paid to the holders thereof in accordance with the definitive agreement governing the transaction constituting the Change in Control (or, in the absence of such agreement, the closing price per Share for the last trading day prior to the consummation of the Change in Control).

(ii) "Grant Price" shall mean the Grant Price set forth above, representing the average closing trading price of the Company's Shares on the New York Stock Exchange over the 60 calendar day period ending on the Date of Grant.

(iii) "Gross Margin Factor" for a fiscal year shall mean the quotient of (A) the sum of (1) the consolidated homebuilding gross margin, before cost of sales interest expense and land charges for the Company, as reported on the Company's audited financial statements for the fiscal year and (2) the homebuilding gross margin, before cost of sales interest expense and land charges for the Company's unconsolidated joint ventures, as reflected on their respective financial statements for the fiscal year, divided by (B) the sum of (1) the sale of homes revenue for the Company, as reported on the Company's audited financial statements for the fiscal year and (2) the sale of homes revenue for the Company's unconsolidated joint ventures, as reflected on their respective financial statements for the fiscal year.

(iv) "Gross Margin Multiplier" shall be determined as follows by reference to the increase (if any) in the Gross Margin Factor for the Company's fiscal year ending October 31, 2018 as measured against the Gross Margin Factor for the Company's fiscal year ending October 31, 2016:

Gross Margin Improvement (i.e., increase): Full Fiscal Year 2018 vs. Full Fiscal Year 2016	**Applicable Gross Margin Multiplier**
0 basis points (or less)	0%
50 basis points	50%
100 basis points (or greater)	100%

; provided, however, that (a) the applicable Gross Margin Multiplier for gross margin improvement between 0 basis points and 50 basis points or between 50 basis points and 100 basis points shall be determined by linear interpolation and (b) in the event that a Change in Control occurs prior to October 31, 2018, the Gross Margin Multiplier shall be deemed to equal 100%. For the avoidance of doubt, the Gross Margin Multiplier shall be applied to the portion of the target number of MSUs that becomes vested on each Vesting Date as described herein.

(v) "Stock Performance Multiplier" with respect to each Vesting Date shall mean the percentage equal to the corresponding End Price divided by the Grant Price; provided, however, that (a) if such percentage is less than 50%, then the Stock Performance Multiplier shall equal zero and (b) if such percentage exceeds 175%, then the Stock Performance Multiplier shall equal 175%. For the avoidance of doubt, the Stock Performance Multiplier shall be applied to the portion of the target number of MSUs that becomes vested on each Vesting Date as described herein.

(vi) "Vesting Dates" shall mean the Vesting Dates referenced above, or if earlier, the date upon which an acceleration of vesting occurs pursuant to Section 2 hereof.

2. Vesting and Timing of Transfer.

(a) The Participant will become vested in the MSUs in accordance with the Vesting Date schedule set forth above and as further described below; provided, however, that upon the occurrence of a Change in Control that results in the Company's Shares ceasing to be publicly traded on a national securities exchange, the outstanding MSUs shall immediately become vested with the Change in Control date constituting the relevant Vesting Date hereunder and with Share delivery determined based on the applicable Stock Performance Multiplier, Gross Margin Multiplier and timing set forth in Section 2(b) below (subject to any delay in Share delivery required pursuant to Section 16 hereof).

(b) The Company shall transfer to the Participant, as soon as practicable but not later than 60 days after an applicable Vesting Date, a number of Class A Shares (if any) equal to the number of MSUs that became vested on that Vesting Date multiplied by the corresponding Stock Performance Multiplier for such Vesting Date (rounded up to the next whole share) and multiplied further by the Gross Margin Multiplier, provided, however, that upon the final transfer of Shares to the Participant on the final Vesting Date (i) such number of Shares (if any) shall be reduced to the extent necessary to reflect any previous rounding up pursuant to this sentence, and (ii) in lieu of a fractional Share, the Participant shall receive a cash payment equal to the Fair Market Value of such fractional Share. If the Participant is eligible to participate in, and has elected to defer the transfer of Shares pursuant to the terms of a nonqualified deferred compensation plan maintained by the Company, such Shares shall be so deferred, and any such deferral, when paid, shall be paid in Shares. Once the transfer of any Shares is deferred, the rights and privileges of the Participant with respect to such Shares shall be determined solely pursuant to the terms of the applicable plan, and not pursuant to the terms and conditions of this Agreement.

(c) Notwithstanding Sections 2(a) and 2(b) of this Agreement, if the Participant's employment with the Company and its Affiliates terminates due to (i) death, (ii) Disability or (iii) Retirement, but only if such Retirement occurs on or after the first anniversary of the Date of Grant indicated above (any such termination, a “Qualifying Termination”), the MSUs shall remain outstanding and the corresponding Shares thereunder shall be delivered in accordance with Section 2(b) on or following each subsequent scheduled Vesting Date as if the Participant had remained employed with the Company and its Affiliates through such applicable Vesting Date based on the corresponding Stock Performance Multiplier for such Vesting Date and the Gross Margin Multiplier. In the event of the death of the Participant, the transfer of Shares under this Section 2(c) shall be made in accordance with the beneficiary designation form on file with the Company; provided, however, that, in the absence of any such beneficiary designation form, the transfer of Shares under this Section 2(c) shall be made to the person or persons to whom the Participant's rights under the Agreement shall pass by will or by the applicable laws of descent and distribution. For purposes of this Agreement, "Disability" shall mean "Disability" as defined in the Plan, and "Retirement" shall mean termination of employment on or after age 60, or on or after age 58 with at least 15 years of "Service" to the Company and its Subsidiaries immediately preceding such termination of employment. For this purpose, "Service" means the period of employment immediately preceding Retirement, plus any prior periods of employment with the Company and its Subsidiaries of one or more years' duration, unless they were succeeded by a period of non-employment with the Company and its Subsidiaries of more than three years' duration.

(d) Upon each transfer or deferral of Shares in accordance with this Agreement, the Participant’s right to receive that number of Shares transferred to the Participant or deferred shall be extinguished. Additionally, to the extent that the Participant earns less than 100% of the Shares underlying the MSUs that are scheduled to vest upon any Vesting Date (i.e., due to the applicable Performance Multiple being less than 100%), such unearned MSUs and all rights pertaining thereto shall be extinguished as of the relevant Vesting Date.

(e) Notwithstanding Sections 2(a), 2(b) and 2(c) of this Agreement, upon the Participant's termination of employment for any reason other than (i) death, Disability or Retirement occurring on or after the first anniversary of the Date of Grant indicated above or (ii) under the circumstances described in clause (f) below, any unvested MSUs shall immediately terminate for no further consideration.

(f) Certain Terminations within Two Years Following a Change in Control. In the event of the Participant's (i) Qualifying Termination or (ii) involuntary termination of employment with the Company or a subsidiary thereof without "Cause" or termination for "Good Reason", in each case, within two years following a Change in Control, the MSUs, to the extent not previously vested and settled, shall immediately become fully vested and settled in Shares on the same terms as described under Section 2(b) above treating such termination of employment date as the relevant Vesting Date; provided, however, that to the extent required under Section 16 hereof in connection with any such termination of employment in order to avoid additional taxation under Section 409A of the Code, the Shares underlying the MSUs shall instead either (i) remain outstanding and be settled upon the subsequent normal scheduled Vesting Dates as if the Participant had remained employed through such dates, as described in Section 2(c), if the Change in Control did not constitute a change in ownership or effective control within the meaning of Section 409A(a)(2)(A)(v) of the Code or (ii) be deferred to the extent required under Section 16 if the Participant is a "specified employee" within the meaning of Section 409A of the Code as of such termination date. For purposes of this Agreement, "Cause" shall mean the occurrence of any of the following: (a) the willful and continued failure of the Participant to perform substantially all of his or her duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness) for a period of 10 days following a written demand for substantial performance that is delivered to such Participant by the Company, which specifically identifies the manner in which the Company believes the Participant has not substantially performed his or her duties; (b) dishonesty in the performance of the Participant's duties with the Company; (c) the Participant's conviction of, or plea of guilty or nolo contendere to, a crime under the laws of the United States or any state thereof constituting a felony or a misdemeanor involving moral turpitude; (d) the Participant's willful malfeasance or willful misconduct in connection with the Participant's duties with the Company or any act or omission which is injurious to the financial condition or business reputation of the Company or its affiliates; or (e) the Participant's breach of the provisions of Section 11 of this Agreement. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following, without the Participant's express written consent: (a) any material diminution in the Participant's duties, titles or responsibilities with the Company from those in effect immediately prior to a Change in Control or (b) any reduction in the Participant's annual base salary or any material reduction in the Participant's annual bonus opportunity, annual equity awards or long-term incentive program awards from the Participant's annual base salary or annual bonus opportunity, annual equity awards or long-term incentive program awards in effect immediately prior to a Change in Control. Notwithstanding the foregoing, no event shall constitute Good Reason unless the Participant provides the Company with written notice of such event within 60 days after the occurrence thereof and the Company fails to cure or resolve the behavior otherwise constituting Good Reason within 30 days of its receipt of such notice.

3. Dividends. If on any date while MSUs are outstanding hereunder the Company shall pay any dividend on the Shares (other than a dividend payable in Shares), the number of MSUs granted to the Participant shall, as of such dividend payment date, be increased by a number of MSUs equal to: (a) the product of (x) the number of MSUs held by the Participant as of the related dividend record date, multiplied by (y) the per Share amount of any cash dividend (or, in the case of any dividend payable in whole or in part other than in cash, the per Share value of such dividend, as determined in good faith by the Committee), divided by (b) the Fair Market Value of a Share on the payment date of such dividend. In the case of any dividend declared on Shares that is payable in the form of Shares, the number of MSUs granted to the Participant shall be increased by a number equal to the product of (a) the MSUs that are held by the Participant on the related dividend record date, multiplied by (b) the number of Shares (including any fraction thereof) payable as a dividend on a Share. Any MSUs attributable to dividends under this Section 3 shall be subject to the vesting provisions provided in Section 2.

4. Adjustments Upon Certain Events. Subject to the terms of the Plan, in the event of any change in the outstanding Shares by reason of any Share dividend or split, reorganization, recapitalization, merger, consolidation, amalgamation, spin-off or combination transaction or exchange of Shares or other similar events (collectively, an "Adjustment Event"), the Committee shall, in its sole discretion, make an appropriate and equitable adjustment in the number of MSUs subject to this Agreement, the relevant stock price measurements and such other terms related to the MSUs to reflect such Adjustment Event. Any such adjustment made by the Committee shall be final and binding upon the Participant, the Company and all other interested persons.

5. No Right to Continued Employment. Neither the Plan nor this Agreement shall be construed as giving the Participant the right to be retained in the employ of, or in any consulting relationship to, the Company or any Affiliate. Further, the Company or an Affiliate may at any time dismiss the Participant, free from any liability or any claim under the Plan or this Agreement, except as otherwise expressly provided herein.

6. No Acquired Rights. In participating in the Plan, the Participant acknowledges and accepts that the Board has the power to amend or terminate the Plan, to the extent permitted thereunder, at any time and that the opportunity given to the Participant to participate in the Plan is entirely at the discretion of the Committee and does not obligate the Company or any of its Affiliates to offer such participation in the future (whether on the same or different terms). The Participant further acknowledges and accepts that such Participant's participation in the Plan is not to be considered part of any normal or expected compensation and that the termination of the Participant's employment under any circumstances whatsoever will give the Participant no claim or right of action against the Company or its Affiliates in respect of any loss of rights under this Agreement or the Plan that may arise as a result of such termination of employment.

7. No Rights of a Shareholder. The Participant shall not have any rights or privileges as a shareholder of the Company until the Shares in question have been registered in the Company's register of shareholders.

8. Legend on Certificates. Any Shares issued or transferred to the Participant pursuant to Section 2 of this Agreement shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares are listed, and any applicable Federal or state laws or relevant securities laws of the jurisdiction of the domicile of the Participant, and the Committee may cause a legend or legends to be put on any certificates representing such Shares to make appropriate reference to such restrictions.

9. Transferability. MSUs may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant otherwise than by will or by the laws of descent and distribution, and any purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance not permitted by this Section 9 shall be void and unenforceable against the Company or any Affiliate.

10. Withholding. The Participant may be required to pay to the Company or any Affiliate and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any transfer due under this Agreement or under the Plan or from any compensation or other amount owing to the Participant, applicable withholding taxes with respect to any transfer under this Agreement or under the Plan and to take such action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. Notwithstanding the foregoing, if the Participant's employment with the Company terminates prior to the transfer of all of the Shares under this Agreement, the payment of any applicable withholding taxes with respect to any further transfer of Shares under this Agreement or the Plan shall be made solely through the sale of Shares equal to the statutory minimum withholding liability.

11. Non-Solicitation Covenants.

(a) The Participant acknowledges and agrees that, during the Participant's employment with the Company and its Affiliates and upon the Participant's termination of Employment with the Company and its Affiliates for any reason, for a period commencing on the termination of such Employment and ending on the second anniversary of such termination, the Participant shall not, whether on Participant's own behalf or on behalf of or in conjunction with any person, company, business entity or other organization whatsoever, directly or indirectly:

(i) solicit any employee of the Company or its Affiliates with whom the Participant had any contact during the last two years of the Participant's employment, or who worked in the same business segment or division as the Participant during that period to terminate employment with the Company or its Affiliates;

(ii) solicit the employment or services of, or hire, any such employee whose employment with the Company or its Affiliates terminated coincident with, or within twelve (12) months prior to or after the termination of Participant's employment with the Company and its Affiliates;

(iii) directly or indirectly, solicit to cease to work with the Company or its Affiliates any consultant then under contract with the Company or its Affiliates.

(b) It is expressly understood and agreed that although the Participant and the Company consider the restrictions contained in this Section 11 to be reasonable, if a final judicial determination is made by a court of competent jurisdiction that the time or any other restriction contained in this Agreement is an unenforceable restriction against the Participant, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

12. Specific Performance. The Participant acknowledges and agrees that the Company's remedies at law for a breach or threatened breach of any of the provisions of Section 11 would be inadequate and the Company would suffer irreparable damages as a result of such breach or threatened breach. In recognition of this fact, the Participant agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, the Company, without posting any bond, shall be entitled to cease making any payments or providing any benefit otherwise required by this Agreement and obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available.

13. Choice of Law. THE INTERPRETATION, PERFORMANCE AND ENFORCEMENT OF THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

14. MSUs Subject to Plan. By entering into this Agreement, the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan. All MSUs are subject to the Plan. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

15. Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

16. 409A. Notwithstanding any other provisions of this Agreement or the Plan, this MSU shall not be deferred, accelerated, extended, paid out or modified in a manner that would result in the imposition of an additional tax under Section 409A of the Code upon the Participant. In the event it is reasonably determined by the Committee that, as a result of Section 409A of the Code, the transfer of Class A Shares under this Agreement may not be made at the time contemplated hereunder without causing the Participant to be subject to taxation under Section 409A of the Code (including due to the Participant's status as a "specified employee" within the meaning of Section 409A of the Code), the Company will make such payment on the first day that would not result in the Participant incurring any tax liability under Section 409A of the Code.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

HOVNANIAN ENTERPRISES, INC.

By: _____

Stephen D. Weinroth, Chair
Compensation Committee

PARTICIPANT

By: _____

2012 HOVNANIAN ENTERPRISES, INC.
AMENDED AND RESTATED STOCK INCENTIVE PLAN

MARKET SHARE UNIT AGREEMENT
(Gross Margin Improvement Performance Vesting)

Participant: _____

Date of Grant: _____

Target Number of MSUs: _____

Grant Price: _____

Maximum Number of MSUs: _____

Dates of Vesting:

Date	*Number of Eligible MSUs Per Vesting Date at Target Level*

1. Grant of MSUs.

(a) General. For valuable consideration, receipt of which is hereby acknowledged, Hovnanian Enterprises, Inc., a Delaware Corporation (the "Company"), hereby grants the target number of market share units ("MSUs") listed above to the Participant, on the terms and conditions hereinafter set forth. This grant is made pursuant to the terms and conditions of the 2012 Company Amended and Restated Stock Incentive Plan (the "Plan"), which Plan, as amended from time to time, is incorporated herein by reference and made a part of this Agreement. Each MSU represents the unfunded, unsecured right of the Participant to receive a number of Shares (or fraction thereof) determined by reference to the product of the relevant Stock Performance Multiplier and the Gross Margin Multiplier on the date(s) and subject to the terms specified herein. Capitalized terms not otherwise defined herein shall have the same meanings as in the Plan.

(b) Certain Definitions. The terms set forth below shall have the meanings as defined below:

(i) "End Price" shall mean, with respect to each Vesting Date, the average closing trading price of the Company's Shares on the New York Stock Exchange over the 60 calendar day period ending on such Vesting Date; provided, however, that with respect to any Vesting Date occurring on or after the date of a Change in Control, the End Price shall equal the price per Share paid to the holders thereof in accordance with the definitive agreement governing the transaction constituting the Change in Control (or, in the absence of such agreement, the closing price per Share for the last trading day prior to the consummation of the Change in Control).

(ii) "Grant Price" shall mean the Grant Price set forth above, representing the average closing trading price of the Company's Shares on the New York Stock Exchange over the 60 calendar day period ending on the Date of Grant.

(iii) "Gross Margin Factor" for a fiscal year shall mean the quotient of (A) the sum of (1) the consolidated homebuilding gross margin, before cost of sales interest expense and land charges for the Company, as reported on the Company's audited financial statements for the fiscal year and (2) the homebuilding gross margin, before cost of sales interest expense and land charges for the Company's unconsolidated joint ventures, as reflected on their respective financial statements for the fiscal year, divided by (B) the sum of (1) the sale of homes revenue for the Company, as reported on the Company's audited financial statements for the fiscal year and (2) the sale of homes revenue for the Company's unconsolidated joint ventures, as reflected on their respective financial statements for the fiscal year.

(iv) "Gross Margin Multiplier" shall be determined as follows by reference to the increase (if any) in the Gross Margin Factor for the Company's fiscal year ending October 31, 2018 as measured against the Gross Margin Factor for the Company's fiscal year ending October 31, 2016:

Gross Margin Improvement (i.e., increase): Full Fiscal Year 2018 vs. Full Fiscal Year 2016	**Applicable Gross Margin Multiplier**
0 basis points (or less)	0%
50 basis points	50%
100 basis points (or greater)	100%

; provided, however, that (a) the applicable Gross Margin Multiplier for gross margin improvement between 0 basis points and 50 basis points or between 50 basis points and 100 basis points shall be determined by linear interpolation and (b) in the event that a Change in Control occurs prior to October 31, 2018, the Gross Margin Multiplier shall be deemed to equal 100%. For the avoidance of doubt, the Gross Margin Multiplier shall be applied to the portion of the target number of MSUs that becomes vested on each Vesting Date as described herein.

(v) "Stock Performance Multiplier" with respect to each Vesting Date shall mean the percentage equal to the corresponding End Price divided by the Grant Price; provided, however, that (a) if such percentage is less than 50%, then the Stock Performance Multiplier shall equal zero and (b) if such percentage exceeds 175%, then the Stock Performance Multiplier shall equal 175%. For the avoidance of doubt, the Stock Performance Multiplier shall be applied to the portion of the target number of MSUs that becomes vested on each Vesting Date as described herein.

(vi) "Vesting Dates" shall mean the Vesting Dates referenced above, or if earlier, the date upon which an acceleration of vesting occurs pursuant to Section 2 hereof.

2. Vesting and Timing of Transfer.

(a) The Participant will become vested in the MSUs in accordance with the Vesting Date schedule set forth above and as further described below; provided, however, that upon the occurrence of a Change in Control that results in the Company's Shares ceasing to be publicly traded on a national securities exchange, the outstanding MSUs shall immediately become vested with the Change in Control date constituting the relevant Vesting Date hereunder and with Share delivery determined based on the applicable Stock Performance Multiplier, Gross Margin Multiplier and timing set forth in Section 2(b) below (subject to any delay in Share delivery required pursuant to Section 16 hereof).

(b) The Company shall transfer to the Participant, as soon as practicable but not later than 60 days after an applicable Vesting Date, a number of Class B Shares (if any) equal to the number of MSUs that became vested on that Vesting Date multiplied by the corresponding Stock Performance Multiplier for such Vesting Date (rounded up to the next whole share) and multiplied further by the Gross Margin Multiplier, provided, however, that upon the final transfer of Shares to the Participant on the final Vesting Date (i) such number of Shares (if any) shall be reduced to the extent necessary to reflect any previous rounding up pursuant to this sentence, and (ii) in lieu of a fractional Share, the Participant shall receive a cash payment equal to the Fair Market Value of such fractional Share. If the Participant is eligible to participate in, and has elected to defer the transfer of Shares pursuant to the terms of a nonqualified deferred compensation plan maintained by the Company, such Shares shall be so deferred, and any such deferral, when paid, shall be paid in Shares. Once the transfer of any Shares is deferred, the rights and privileges of the Participant with respect to such Shares shall be determined solely pursuant to the terms of the applicable plan, and not pursuant to the terms and conditions of this Agreement.

(c) Notwithstanding Sections 2(a) and 2(b) of this Agreement, if the Participant's employment with the Company and its Affiliates terminates due to (i) death, (ii) Disability or (iii) Retirement, but only if such Retirement occurs on or after the first anniversary of the Date of Grant indicated above (any such termination, a “Qualifying Termination”), the MSUs shall remain outstanding and the corresponding Shares thereunder shall be delivered in accordance with Section 2(b) on or following each subsequent scheduled Vesting Date as if the Participant had remained employed with the Company and its Affiliates through such applicable Vesting Date based on the corresponding Stock Performance Multiplier for such Vesting Date and the Gross Margin Multiplier. In the event of the death of the Participant, the transfer of Shares under this Section 2(c) shall be made in accordance with the beneficiary designation form on file with the Company; provided, however, that, in the absence of any such beneficiary designation form, the transfer of Shares under this Section 2(c) shall be made to the person or persons to whom the Participant's rights under the Agreement shall pass by will or by the applicable laws of descent and distribution. For purposes of this Agreement, "Disability" shall mean "Disability" as defined in the Plan, and "Retirement" shall mean termination of employment on or after age 60, or on or after age 58 with at least 15 years of "Service" to the Company and its Subsidiaries immediately preceding such termination of employment. For this purpose, "Service" means the period of employment immediately preceding Retirement, plus any prior periods of employment with the Company and its Subsidiaries of one or more years' duration, unless they were succeeded by a period of non-employment with the Company and its Subsidiaries of more than three years' duration.

(d) Upon each transfer or deferral of Shares in accordance with this Agreement, the Participant’s right to receive that number of Shares transferred to the Participant or deferred shall be extinguished. Additionally, to the extent that the Participant earns less than 100% of the Shares underlying the MSUs that are scheduled to vest upon any Vesting Date (i.e., due to the applicable Performance Multiple being less than 100%), such unearned MSUs and all rights pertaining thereto shall be extinguished as of the relevant Vesting Date.

(e) Notwithstanding Sections 2(a), 2(b) and 2(c) of this Agreement, upon the Participant's termination of employment for any reason other than (i) death, Disability or Retirement occurring on or after the first anniversary of the Date of Grant indicated above or (ii) under the circumstances described in clause (f) below, any unvested MSUs shall immediately terminate for no further consideration.

(f) Certain Terminations within Two Years Following a Change in Control. In the event of the Participant's (i) Qualifying Termination or (ii) involuntary termination of employment with the Company or a subsidiary thereof without "Cause" or termination for "Good Reason", in each case, within two years following a Change in Control, the MSUs, to the extent not previously vested and settled, shall immediately become fully vested and settled in Shares on the same terms as described under Section 2(b) above treating such termination of employment date as the relevant Vesting Date; provided, however, that to the extent required under Section 16 hereof in connection with any such termination of employment in order to avoid additional taxation under Section 409A of the Code, the Shares underlying the MSUs shall instead either (i) remain outstanding and be settled upon the subsequent normal scheduled Vesting Dates as if the Participant had remained employed through such dates, as described in Section 2(c), if the Change in Control did not constitute a change in ownership or effective control within the meaning of Section 409A(a)(2)(A)(v) of the Code or (ii) be deferred to the extent required under Section 16 if the Participant is a "specified employee" within the meaning of Section 409A of the Code as of such termination date. For purposes of this Agreement, "Cause" shall mean the occurrence of any of the following: (a) the willful and continued failure of the Participant to perform substantially all of his or her duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness) for a period of 10 days following a written demand for substantial performance that is delivered to such Participant by the Company, which specifically identifies the manner in which the Company believes the Participant has not substantially performed his or her duties; (b) dishonesty in the performance of the Participant's duties with the Company; (c) the Participant's conviction of, or plea of guilty or nolo contendere to, a crime under the laws of the United States or any state thereof constituting a felony or a misdemeanor involving moral turpitude; (d) the Participant's willful malfeasance or willful misconduct in connection with the Participant's duties with the Company or any act or omission which is injurious to the financial condition or business reputation of the Company or its affiliates; or (e) the Participant's breach of the provisions of Section 11 of this Agreement. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following, without the Participant's express written consent: (a) any material diminution in the Participant's duties, titles or responsibilities with the Company from those in effect immediately prior to a Change in Control or (b) any reduction in the Participant's annual base salary or any material reduction in the Participant's annual bonus opportunity, annual equity awards or long-term incentive program awards from the Participant's annual base salary or annual bonus opportunity, annual equity awards or long-term incentive program awards in effect immediately prior to a Change in Control. Notwithstanding the foregoing, no event shall constitute Good Reason unless the Participant provides the Company with written notice of such event within 60 days after the occurrence thereof and the Company fails to cure or resolve the behavior otherwise constituting Good Reason within 30 days of its receipt of such notice.

3. Dividends. If on any date while MSUs are outstanding hereunder the Company shall pay any dividend on the Shares (other than a dividend payable in Shares), the number of MSUs granted to the Participant shall, as of such dividend payment date, be increased by a number of MSUs equal to: (a) the product of (x) the number of MSUs held by the Participant as of the related dividend record date, multiplied by (y) the per Share amount of any cash dividend (or, in the case of any dividend payable in whole or in part other than in cash, the per Share value of such dividend, as determined in good faith by the Committee), divided by (b) the Fair Market Value of a Share on the payment date of such dividend. In the case of any dividend declared on Shares that is payable in the form of Shares, the number of MSUs granted to the Participant shall be increased by a number equal to the product of (a) the MSUs that are held by the Participant on the related dividend record date, multiplied by (b) the number of Shares (including any fraction thereof) payable as a dividend on a Share. Any MSUs attributable to dividends under this Section 3 shall be subject to the vesting provisions provided in Section 2.

4. Adjustments Upon Certain Events. Subject to the terms of the Plan, in the event of any change in the outstanding Shares by reason of any Share dividend or split, reorganization, recapitalization, merger, consolidation, amalgamation, spin-off or combination transaction or exchange of Shares or other similar events (collectively, an "Adjustment Event"), the Committee shall, in its sole discretion, make an appropriate and equitable adjustment in the number of MSUs subject to this Agreement, the relevant stock price measurements and such other terms related to the MSUs to reflect such Adjustment Event. Any such adjustment made by the Committee shall be final and binding upon the Participant, the Company and all other interested persons.

5. No Right to Continued Employment. Neither the Plan nor this Agreement shall be construed as giving the Participant the right to be retained in the employ of, or in any consulting relationship to, the Company or any Affiliate. Further, the Company or an Affiliate may at any time dismiss the Participant, free from any liability or any claim under the Plan or this Agreement, except as otherwise expressly provided herein.

6. No Acquired Rights. In participating in the Plan, the Participant acknowledges and accepts that the Board has the power to amend or terminate the Plan, to the extent permitted thereunder, at any time and that the opportunity given to the Participant to participate in the Plan is entirely at the discretion of the Committee and does not obligate the Company or any of its Affiliates to offer such participation in the future (whether on the same or different terms). The Participant further acknowledges and accepts that such Participant's participation in the Plan is not to be considered part of any normal or expected compensation and that the termination of the Participant's employment under any circumstances whatsoever will give the Participant no claim or right of action against the Company or its Affiliates in respect of any loss of rights under this Agreement or the Plan that may arise as a result of such termination of employment.

7. No Rights of a Shareholder. The Participant shall not have any rights or privileges as a shareholder of the Company until the Shares in question have been registered in the Company's register of shareholders.

8. Legend on Certificates. Any Shares issued or transferred to the Participant pursuant to Section 2 of this Agreement shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares are listed, and any applicable Federal or state laws or relevant securities laws of the jurisdiction of the domicile of the Participant, and the Committee may cause a legend or legends to be put on any certificates representing such Shares to make appropriate reference to such restrictions.

9. Transferability. MSUs may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant otherwise than by will or by the laws of descent and distribution, and any purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance not permitted by this Section 9 shall be void and unenforceable against the Company or any Affiliate.

10. Withholding. The Participant may be required to pay to the Company or any Affiliate and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any transfer due under this Agreement or under the Plan or from any compensation or other amount owing to the Participant, applicable withholding taxes with respect to any transfer under this Agreement or under the Plan and to take such action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. Notwithstanding the foregoing, if the Participant's employment with the Company terminates prior to the transfer of all of the Shares under this Agreement, the payment of any applicable withholding taxes with respect to any further transfer of Shares under this Agreement or the Plan shall be made solely through the sale of Shares equal to the statutory minimum withholding liability.

11. Non-Solicitation Covenants.

(a) The Participant acknowledges and agrees that, during the Participant's employment with the Company and its Affiliates and upon the Participant's termination of Employment with the Company and its Affiliates for any reason, for a period commencing on the termination of such Employment and ending on the second anniversary of such termination, the Participant shall not, whether on Participant's own behalf or on behalf of or in conjunction with any person, company, business entity or other organization whatsoever, directly or indirectly:

(i) solicit any employee of the Company or its Affiliates with whom the Participant had any contact during the last two years of the Participant's employment, or who worked in the same business segment or division as the Participant during that period to terminate employment with the Company or its Affiliates;

(ii) solicit the employment or services of, or hire, any such employee whose employment with the Company or its Affiliates terminated coincident with, or within twelve (12) months prior to or after the termination of Participant's employment with the Company and its Affiliates;

(iii) directly or indirectly, solicit to cease to work with the Company or its Affiliates any consultant then under contract with the Company or its Affiliates.

(b) It is expressly understood and agreed that although the Participant and the Company consider the restrictions contained in this Section 11 to be reasonable, if a final judicial determination is made by a court of competent jurisdiction that the time or any other restriction contained in this Agreement is an unenforceable restriction against the Participant, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

12. Specific Performance. The Participant acknowledges and agrees that the Company's remedies at law for a breach or threatened breach of any of the provisions of Section 11 would be inadequate and the Company would suffer irreparable damages as a result of such breach or threatened breach. In recognition of this fact, the Participant agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, the Company, without posting any bond, shall be entitled to cease making any payments or providing any benefit otherwise required by this Agreement and obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available.

13. Choice of Law. THE INTERPRETATION, PERFORMANCE AND ENFORCEMENT OF THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

14. MSUs Subject to Plan. By entering into this Agreement, the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan. All MSUs are subject to the Plan. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

15. Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

16. 409A. Notwithstanding any other provisions of this Agreement or the Plan, this MSU shall not be deferred, accelerated, extended, paid out or modified in a manner that would result in the imposition of an additional tax under Section 409A of the Code upon the Participant. In the event it is reasonably determined by the Committee that, as a result of Section 409A of the Code, the transfer of Class B Shares under this Agreement may not be made at the time contemplated hereunder without causing the Participant to be subject to taxation under Section 409A of the Code (including due to the Participant's status as a "specified employee" within the meaning of Section 409A of the Code), the Company will make such payment on the first day that would not result in the Participant incurring any tax liability under Section 409A of the Code.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

HOVNANIAN ENTERPRISES, INC.

By: _____
Stephen D. Weinroth, Chair
Compensation Committee

PARTICIPANT

By: _____

2012 HOVNANIAN ENTERPRISES, INC.
AMENDED AND RESTATED STOCK INCENTIVE PLAN

MARKET SHARE UNIT AGREEMENT
(Debt Reduction Performance Vesting)

Participant: _____

Date of Grant: _____

Target Number of MSUs: _____

Grant Price: _____

Maximum Number of MSUs: _____

Dates of Vesting:

Date	*Number of Eligible MSUs Per Vesting Date at Target Level*

1. Grant of MSUs.

(a) General. For valuable consideration, receipt of which is hereby acknowledged, Hovnanian Enterprises, Inc., a Delaware Corporation (the "Company"), hereby grants the target number of market share units ("MSUs") listed above to the Participant, on the terms and conditions hereinafter set forth. This grant is made pursuant to the terms and conditions of the 2012 Company Amended and Restated Stock Incentive Plan (the "Plan"), which Plan, as amended from time to time, is incorporated herein by reference and made a part of this Agreement. Each MSU represents the unfunded, unsecured right of the Participant to receive a number of Shares (or fraction thereof) determined by reference to the product of the relevant Stock Performance Multiplier and the Debt Reduction Multiplier on the date(s) and subject to the terms specified herein. Capitalized terms not otherwise defined herein shall have the same meanings as in the Plan.

(b) Certain Definitions. The terms set forth below shall have the meanings as defined below:

(i) "End Price" shall mean, with respect to each Vesting Date, the average closing trading price of the Company's Shares on the New York Stock Exchange over the 60 calendar day period ending on such Vesting Date; provided, however, that with respect to any Vesting Date occurring on or after the date of a Change in Control, the End Price shall equal the price per Share paid to the holders thereof in accordance with the definitive agreement governing the transaction constituting the Change in Control (or, in the absence of such agreement, the closing price per Share for the last trading day prior to the consummation of the Change in Control).

(ii) "Grant Price" shall mean the Grant Price set forth above, representing the average closing trading price of the Company's Shares on the New York Stock Exchange over the 60 calendar day period ending on the Date of Grant.

(iii) "Debt Reduction Multiplier" shall be determined as follows by reference to the decrease (if any) in the Company's total (recourse) notes payable excluding accrued interest and non-recourse property-specific debt, as reflected on the Company's audited balance sheet as of October 31, 2018 as measured against the Company's total (recourse) notes payable excluding accrued interest and non-recourse property-specific debt, as reflected on the Company's audited balance sheet as of October 31, 2015:

Debt Reduction: **October 31, 2018 vs. October 31, 2015**	**Applicable Debt Reduction Multiplier**
$0 (or less)	0%
$150 million	50%
$300 million (or greater)	100%

; provided, however, that (a) the applicable Debt Reduction Multiplier for debt reduction between $0 and $150 million or between $150 million and $300 million shall be determined by linear interpolation and (b) in the event that a Change in Control occurs prior to October 31, 2018, the Debt Reduction Multiplier shall be deemed to equal 100%. For the avoidance of doubt, the Debt Reduction Multiplier shall be applied to the portion of the target number of MSUs that becomes vested on each Vesting Date as described herein.

(iv) "Stock Performance Multiplier" with respect to each Vesting Date shall mean the percentage equal to the corresponding End Price divided by the Grant Price; provided, however, that (a) if such percentage is less than 50%, then the Stock Performance Multiplier shall equal zero and (b) if such percentage exceeds 175%, then the Stock Performance Multiplier shall equal 175%. For the avoidance of doubt, the Stock Performance Multiplier shall be applied to the portion of the target number of MSUs that becomes vested on each Vesting Date as described herein.

(v) "Vesting Dates" shall mean the Vesting Dates referenced above, or if earlier, the date upon which an acceleration of vesting occurs pursuant to Section 2 hereof.

2. Vesting and Timing of Transfer.

(a) The Participant will become vested in the MSUs in accordance with the Vesting Date schedule set forth above and as further described below; provided, however, that upon the occurrence of a Change in Control that results in the Company's Shares ceasing to be publicly traded on a national securities exchange, the outstanding MSUs shall immediately become vested with the Change in Control date constituting the relevant Vesting Date hereunder and with Share delivery determined based on the applicable Stock Performance Multiplier, Debt Reduction Multiplier and timing set forth in Section 2(b) below (subject to any delay in Share delivery required pursuant to Section 16 hereof).

(b) The Company shall transfer to the Participant, as soon as practicable but not later than 60 days after an applicable Vesting Date, a number of Class A Shares (if any) equal to the number of MSUs that became vested on that Vesting Date multiplied by the corresponding Stock Performance Multiplier for such Vesting Date (rounded up to the next whole share) and multiplied further by the Debt Reduction Multiplier, provided, however, that upon the final transfer of Shares to the Participant on the final Vesting Date (i) such number of Shares (if any) shall be reduced to the extent necessary to reflect any previous rounding up pursuant to this sentence, and (ii) in lieu of a fractional Share, the Participant shall receive a cash payment equal to the Fair Market Value of such fractional Share. If the Participant is eligible to participate in, and has elected to defer the transfer of Shares pursuant to the terms of a nonqualified deferred compensation plan maintained by the Company, such Shares shall be so deferred, and any such deferral, when paid, shall be paid in Shares. Once the transfer of any Shares is deferred, the rights and privileges of the Participant with respect to such Shares shall be determined solely pursuant to the terms of the applicable plan, and not pursuant to the terms and conditions of this Agreement.

(c) Notwithstanding Sections 2(a) and 2(b) of this Agreement, if the Participant's employment with the Company and its Affiliates terminates due to (i) death, (ii) Disability or (iii) Retirement, but only if such Retirement occurs on or after the first anniversary of the Date of Grant indicated above (any such termination, a "Qualifying Termination"), the MSUs shall remain outstanding and the corresponding Shares thereunder shall be delivered in accordance with Section 2(b) on or following each subsequent scheduled Vesting Date as if the Participant had remained employed with the Company and its Affiliates through such applicable Vesting Date based on the corresponding Stock Performance Multiplier for such Vesting Date and the Debt Reduction Multiplier. In the event of the death of the Participant, the transfer of Shares under this Section 2(c) shall be made in accordance with the beneficiary designation form on file with the Company; provided, however, that, in the absence of any such beneficiary designation form, the transfer of Shares under this Section 2(c) shall be made to the person or persons to whom the Participant's rights under the Agreement shall pass by will or by the applicable laws of descent and distribution. For purposes of this Agreement, "Disability" shall mean "Disability" as defined in the Plan, and "Retirement" shall mean termination of employment on or after age 60, or on or after age 58 with at least 15 years of "Service" to the Company and its Subsidiaries immediately preceding such termination of employment. For this purpose, "Service" means the period of employment immediately preceding Retirement, plus any prior periods of employment with the Company and its Subsidiaries of one or more years' duration, unless they were succeeded by a period of non-employment with the Company and its Subsidiaries of more than three years' duration.

(d) Upon each transfer or deferral of Shares in accordance with this Agreement, the Participant's right to receive that number of Shares transferred to the Participant or deferred shall be extinguished. Additionally, to the extent that the Participant earns less than 100% of the Shares underlying the MSUs that are scheduled to vest upon any Vesting Date (i.e., due to the applicable Performance Multiple being less than 100%), such unearned MSUs and all rights pertaining thereto shall be extinguished as of the relevant Vesting Date.

(e) Notwithstanding Sections 2(a), 2(b) and 2(c) of this Agreement, upon the Participant's termination of employment for any reason other than (i) death, Disability or Retirement occurring on or after the first anniversary of the Date of Grant indicated above or (ii) under the circumstances described in clause (f) below, any unvested MSUs shall immediately terminate for no further consideration.

(f) Certain Terminations within Two Years Following a Change in Control. In the event of the Participant's (i) Qualifying Termination or (ii) involuntary termination of employment with the Company or a subsidiary thereof without "Cause" or termination for "Good Reason", in each case, within two years following a Change in Control, the MSUs, to the extent not previously vested and settled, shall immediately become fully vested and settled in Shares on the same terms as described under Section 2(b) above treating such termination of employment date as the relevant Vesting Date; provided, however, that to the extent required under Section 16 hereof in connection with any such termination of employment in order to avoid additional taxation under Section 409A of the Code, the Shares underlying the MSUs shall instead either (i) remain outstanding and be settled upon the subsequent normal scheduled Vesting Dates as if the Participant had remained employed through such dates, as described in Section 2(c), if the Change in Control did not constitute a change in ownership or effective control within the meaning of Section 409A(a)(2)(A)(v) of the Code or (ii) be deferred to the extent required under Section 16 if the Participant is a "specified employee" within the meaning of Section 409A of the Code as of such termination date. For purposes of this Agreement, "Cause" shall mean the occurrence of any of the following: (a) the willful and continued failure of the Participant to perform substantially all of his or her duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness) for a period of 10 days following a written demand for substantial performance that is delivered to such Participant by the Company, which specifically identifies the manner in which the Company believes the Participant has not substantially performed his or her duties; (b) dishonesty in the performance of the Participant's duties with the Company; (c) the Participant's conviction of, or plea of guilty or nolo contendere to, a crime under the laws of the United States or any state thereof constituting a felony or a misdemeanor involving moral turpitude; (d) the Participant's willful malfeasance or willful misconduct in connection with the Participant's duties with the Company or any act or omission which is injurious to the financial condition or business reputation of the Company or its affiliates; or (e) the Participant's breach of the provisions of Section 11 of this Agreement. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following, without the Participant's express written consent: (a) any material diminution in the Participant's duties, titles or responsibilities with the Company from those in effect immediately prior to a Change in Control or (b) any reduction in the Participant's annual base salary or any material reduction in the Participant's annual bonus opportunity, annual equity awards or long-term incentive program awards from the Participant's annual base salary or annual bonus opportunity, annual equity awards or long-term incentive program awards in effect immediately prior to a Change in Control. Notwithstanding the foregoing, no event shall constitute Good Reason unless the Participant provides the Company with written notice of such event within 60 days after the occurrence thereof and the Company fails to cure or resolve the behavior otherwise constituting Good Reason within 30 days of its receipt of such notice.

3. Dividends. If on any date while MSUs are outstanding hereunder the Company shall pay any dividend on the Shares (other than a dividend payable in Shares), the number of MSUs granted to the Participant shall, as of such dividend payment date, be increased by a number of MSUs equal to: (a) the product of (x) the number of MSUs held by the Participant as of the related dividend record date, multiplied by (y) the per Share amount of any cash dividend (or, in the case of any dividend payable in whole or in part other than in cash, the per Share value of such dividend, as determined in good faith by the Committee), divided by (b) the Fair Market Value of a Share on the payment date of such dividend. In the case of any dividend declared on Shares that is payable in the form of Shares, the number of MSUs granted to the Participant shall be increased by a number equal to the product of (a) the MSUs that are held by the Participant on the related dividend record date, multiplied by (b) the number of Shares (including any fraction thereof) payable as a dividend on a Share. Any MSUs attributable to dividends under this Section 3 shall be subject to the vesting provisions provided in Section 2.

4. Adjustments Upon Certain Events. Subject to the terms of the Plan, in the event of any change in the outstanding Shares by reason of any Share dividend or split, reorganization, recapitalization, merger, consolidation, amalgamation, spin-off or combination transaction or exchange of Shares or other similar events (collectively, an "Adjustment Event"), the Committee shall, in its sole discretion, make an appropriate and equitable adjustment in the number of MSUs subject to this Agreement, the relevant stock price measurements and such other terms related to the MSUs to reflect such Adjustment Event. Any such adjustment made by the Committee shall be final and binding upon the Participant, the Company and all other interested persons.

5. No Right to Continued Employment. Neither the Plan nor this Agreement shall be construed as giving the Participant the right to be retained in the employ of, or in any consulting relationship to, the Company or any Affiliate. Further, the Company or an Affiliate may at any time dismiss the Participant, free from any liability or any claim under the Plan or this Agreement, except as otherwise expressly provided herein.

6. No Acquired Rights. In participating in the Plan, the Participant acknowledges and accepts that the Board has the power to amend or terminate the Plan, to the extent permitted thereunder, at any time and that the opportunity given to the Participant to participate in the Plan is entirely at the discretion of the Committee and does not obligate the Company or any of its Affiliates to offer such participation in the future (whether on the same or different terms). The Participant further acknowledges and accepts that such Participant's participation in the Plan is not to be considered part of any normal or expected compensation and that the termination of the Participant's employment under any circumstances whatsoever will give the Participant no claim or right of action against the Company or its Affiliates in respect of any loss of rights under this Agreement or the Plan that may arise as a result of such termination of employment.

7. No Rights of a Shareholder. The Participant shall not have any rights or privileges as a shareholder of the Company until the Shares in question have been registered in the Company's register of shareholders.

8. Legend on Certificates. Any Shares issued or transferred to the Participant pursuant to Section 2 of this Agreement shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares are listed, and any applicable Federal or state laws or relevant securities laws of the jurisdiction of the domicile of the Participant, and the Committee may cause a legend or legends to be put on any certificates representing such Shares to make appropriate reference to such restrictions.

9. Transferability. MSUs may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant otherwise than by will or by the laws of descent and distribution, and any purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance not permitted by this Section 9 shall be void and unenforceable against the Company or any Affiliate.

10. Withholding. The Participant may be required to pay to the Company or any Affiliate and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any transfer due under this Agreement or under the Plan or from any compensation or other amount owing to the Participant, applicable withholding taxes with respect to any transfer under this Agreement or under the Plan and to take such action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. Notwithstanding the foregoing, if the Participant's employment with the Company terminates prior to the transfer of all of the Shares under this Agreement, the payment of any applicable withholding taxes with respect to any further transfer of Shares under this Agreement or the Plan shall be made solely through the sale of Shares equal to the statutory minimum withholding liability.

11. Non-Solicitation Covenants.

(a) The Participant acknowledges and agrees that, during the Participant's employment with the Company and its Affiliates and upon the Participant's termination of Employment with the Company and its Affiliates for any reason, for a period commencing on the termination of such Employment and ending on the second anniversary of such termination, the Participant shall not, whether on Participant's own behalf or on behalf of or in conjunction with any person, company, business entity or other organization whatsoever, directly or indirectly:

(i) solicit any employee of the Company or its Affiliates with whom the Participant had any contact during the last two years of the Participant's employment, or who worked in the same business segment or division as the Participant during that period to terminate employment with the Company or its Affiliates;

(ii) solicit the employment or services of, or hire, any such employee whose employment with the Company or its Affiliates terminated coincident with, or within twelve (12) months prior to or after the termination of Participant's employment with the Company and its Affiliates;

(iii) directly or indirectly, solicit to cease to work with the Company or its Affiliates any consultant then under contract with the Company or its Affiliates.

(b) It is expressly understood and agreed that although the Participant and the Company consider the restrictions contained in this Section 11 to be reasonable, if a final judicial determination is made by a court of competent jurisdiction that the time or any other restriction contained in this Agreement is an unenforceable restriction against the Participant, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

12. Specific Performance. The Participant acknowledges and agrees that the Company's remedies at law for a breach or threatened breach of any of the provisions of Section 11 would be inadequate and the Company would suffer irreparable damages as a result of such breach or threatened breach. In recognition of this fact, the Participant agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, the Company, without posting any bond, shall be entitled to cease making any payments or providing any benefit otherwise required by this Agreement and obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available.

13. Choice of Law. THE INTERPRETATION, PERFORMANCE AND ENFORCEMENT OF THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

14. MSUs Subject to Plan. By entering into this Agreement, the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan. All MSUs are subject to the Plan. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

15. Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

16. 409A. Notwithstanding any other provisions of this Agreement or the Plan, this MSU shall not be deferred, accelerated, extended, paid out or modified in a manner that would result in the imposition of an additional tax under Section 409A of the Code upon the Participant. In the event it is reasonably determined by the Committee that, as a result of Section 409A of the Code, the transfer of Class A Shares under this Agreement may not be made at the time contemplated hereunder without causing the Participant to be subject to taxation under Section 409A of the Code (including due to the Participant's status as a "specified employee" within the meaning of Section 409A of the Code), the Company will make such payment on the first day that would not result in the Participant incurring any tax liability under Section 409A of the Code.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

HOVNANIAN ENTERPRISES, INC.

By: _____
Stephen D. Weinroth, Chair
Compensation Committee

PARTICIPANT

By: _____

2012 HOVNANIAN ENTERPRISES, INC.
AMENDED AND RESTATED STOCK INCENTIVE PLAN

MARKET SHARE UNIT AGREEMENT
(Debt Reduction Performance Vesting)

Participant: _____

Date of Grant: _____

Target Number of MSUs: _____

Grant Price: _____

Maximum Number of MSUs: _____

Dates of Vesting:

Date	*Number of Eligible MSUs Per Vesting Date at Target Level*

1. Grant of MSUs.

(a) General. For valuable consideration, receipt of which is hereby acknowledged, Hovnanian Enterprises, Inc., a Delaware Corporation (the "Company"), hereby grants the target number of market share units ("MSUs") listed above to the Participant, on the terms and conditions hereinafter set forth. This grant is made pursuant to the terms and conditions of the 2012 Company Amended and Restated Stock Incentive Plan (the "Plan"), which Plan, as amended from time to time, is incorporated herein by reference and made a part of this Agreement. Each MSU represents the unfunded, unsecured right of the Participant to receive a number of Shares (or fraction thereof) determined by reference to the product of the relevant Stock Performance Multiplier and the Debt Reduction Multiplier on the date(s) and subject to the terms specified herein. Capitalized terms not otherwise defined herein shall have the same meanings as in the Plan.

(b) Certain Definitions. The terms set forth below shall have the meanings as defined below:

(i) "End Price" shall mean, with respect to each Vesting Date, the average closing trading price of the Company's Shares on the New York Stock Exchange over the 60 calendar day period ending on such Vesting Date; provided, however, that with respect to any Vesting Date occurring on or after the date of a Change in Control, the End Price shall equal the price per Share paid to the holders thereof in accordance with the definitive agreement governing the transaction constituting the Change in Control (or, in the absence of such agreement, the closing price per Share for the last trading day prior to the consummation of the Change in Control).

(ii) "Grant Price" shall mean the Grant Price set forth above, representing the average closing trading price of the Company's Shares on the New York Stock Exchange over the 60 calendar day period ending on the Date of Grant.

(iii) "Debt Reduction Multiplier" shall be determined as follows by reference to the decrease (if any) in the Company's total (recourse) notes payable excluding accrued interest and non-recourse property-specific debt, as reflected on the Company's audited balance sheet as of October 31, 2018 as measured against the Company's total (recourse) notes payable excluding accrued interest and non-recourse property-specific debt, as reflected on the Company's audited balance sheet as of October 31, 2015:

Debt Reduction: **October 31, 2018 vs. October 31, 2015**	**Applicable Debt Reduction Multiplier**
$0 (or less)	0%
$150 million	50%
$300 million (or greater)	100%

; provided, however, that (a) the applicable Debt Reduction Multiplier for debt reduction between $0 and $150 million or between $150 million and $300 million shall be determined by linear interpolation and (b) in the event that a Change in Control occurs prior to October 31, 2018, the Debt Reduction Multiplier shall be deemed to equal 100%. For the avoidance of doubt, the Debt Reduction Multiplier shall be applied to the portion of the target number of MSUs that becomes vested on each Vesting Date as described herein.

(iv) "Stock Performance Multiplier" with respect to each Vesting Date shall mean the percentage equal to the corresponding End Price divided by the Grant Price; provided, however, that (a) if such percentage is less than 50%, then the Stock Performance Multiplier shall equal zero and (b) if such percentage exceeds 175%, then the Stock Performance Multiplier shall equal 175%. For the avoidance of doubt, the Stock Performance Multiplier shall be applied to the portion of the target number of MSUs that becomes vested on each Vesting Date as described herein.

(v) "Vesting Dates" shall mean the Vesting Dates referenced above, or if earlier, the date upon which an acceleration of vesting occurs pursuant to Section 2 hereof.

2. Vesting and Timing of Transfer.

(a) The Participant will become vested in the MSUs in accordance with the Vesting Date schedule set forth above and as further described below; provided, however, that upon the occurrence of a Change in Control that results in the Company's Shares ceasing to be publicly traded on a national securities exchange, the outstanding MSUs shall immediately become vested with the Change in Control date constituting the relevant Vesting Date hereunder and with Share delivery determined based on the applicable Stock Performance Multiplier, Debt Reduction Multiplier and timing set forth in Section 2(b) below (subject to any delay in Share delivery required pursuant to Section 16 hereof).

(b) The Company shall transfer to the Participant, as soon as practicable but not later than 60 days after an applicable Vesting Date, a number of Class B Shares (if any) equal to the number of MSUs that became vested on that Vesting Date multiplied by the corresponding Stock Performance Multiplier for such Vesting Date (rounded up to the next whole share) and multiplied further by the Debt Reduction Multiplier, provided, however, that upon the final transfer of Shares to the Participant on the final Vesting Date (i) such number of Shares (if any) shall be reduced to the extent necessary to reflect any previous rounding up pursuant to this sentence, and (ii) in lieu of a fractional Share, the Participant shall receive a cash payment equal to the Fair Market Value of such fractional Share. If the Participant is eligible to participate in, and has elected to defer the transfer of Shares pursuant to the terms of a nonqualified deferred compensation plan maintained by the Company, such Shares shall be so deferred, and any such deferral, when paid, shall be paid in Shares. Once the transfer of any Shares is deferred, the rights and privileges of the Participant with respect to such Shares shall be determined solely pursuant to the terms of the applicable plan, and not pursuant to the terms and conditions of this Agreement.

(c) Notwithstanding Sections 2(a) and 2(b) of this Agreement, if the Participant's employment with the Company and its Affiliates terminates due to (i) death, (ii) Disability or (iii) Retirement, but only if such Retirement occurs on or after the first anniversary of the Date of Grant indicated above (any such termination, a "Qualifying Termination"), the MSUs shall remain outstanding and the corresponding Shares thereunder shall be delivered in accordance with Section 2(b) on or following each subsequent scheduled Vesting Date as if the Participant had remained employed with the Company and its Affiliates through such applicable Vesting Date based on the corresponding Stock Performance Multiplier for such Vesting Date and the Debt Reduction Multiplier. In the event of the death of the Participant, the transfer of Shares under this Section 2(c) shall be made in accordance with the beneficiary designation form on file with the Company; provided, however, that, in the absence of any such beneficiary designation form, the transfer of Shares under this Section 2(c) shall be made to the person or persons to whom the Participant's rights under the Agreement shall pass by will or by the applicable laws of descent and distribution. For purposes of this Agreement, "Disability" shall mean "Disability" as defined in the Plan, and "Retirement" shall mean termination of employment on or after age 60, or on or after age 58 with at least 15 years of "Service" to the Company and its Subsidiaries immediately preceding such termination of employment. For this purpose, "Service" means the period of employment immediately preceding Retirement, plus any prior periods of employment with the Company and its Subsidiaries of one or more years' duration, unless they were succeeded by a period of non-employment with the Company and its Subsidiaries of more than three years' duration.

(d) Upon each transfer or deferral of Shares in accordance with this Agreement, the Participant's right to receive that number of Shares transferred to the Participant or deferred shall be extinguished. Additionally, to the extent that the Participant earns less than 100% of the Shares underlying the MSUs that are scheduled to vest upon any Vesting Date (i.e., due to the applicable Performance Multiple being less than 100%), such unearned MSUs and all rights pertaining thereto shall be extinguished as of the relevant Vesting Date.

(e) Notwithstanding Sections 2(a), 2(b) and 2(c) of this Agreement, upon the Participant's termination of employment for any reason other than (i) death, Disability or Retirement occurring on or after the first anniversary of the Date of Grant indicated above or (ii) under the circumstances described in clause (f) below, any unvested MSUs shall immediately terminate for no further consideration.

(f) Certain Terminations within Two Years Following a Change in Control. In the event of the Participant's (i) Qualifying Termination or (ii) involuntary termination of employment with the Company or a subsidiary thereof without "Cause" or termination for "Good Reason", in each case, within two years following a Change in Control, the MSUs, to the extent not previously vested and settled, shall immediately become fully vested and settled in Shares on the same terms as described under Section 2(b) above treating such termination of employment date as the relevant Vesting Date; provided, however, that to the extent required under Section 16 hereof in connection with any such termination of employment in order to avoid additional taxation under Section 409A of the Code, the Shares underlying the MSUs shall instead either (i) remain outstanding and be settled upon the subsequent normal scheduled Vesting Dates as if the Participant had remained employed through such dates, as described in Section 2(c), if the Change in Control did not constitute a change in ownership or effective control within the meaning of Section 409A(a)(2)(A)(v) of the Code or (ii) be deferred to the extent required under Section 16 if the Participant is a "specified employee" within the meaning of Section 409A of the Code as of such termination date. For purposes of this Agreement, "Cause" shall mean the occurrence of any of the following: (a) the willful and continued failure of the Participant to perform substantially all of his or her duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness) for a period of 10 days following a written demand for substantial performance that is delivered to such Participant by the Company, which specifically identifies the manner in which the Company believes the Participant has not substantially performed his or her duties; (b) dishonesty in the performance of the Participant's duties with the Company; (c) the Participant's conviction of, or plea of guilty or nolo contendere to, a crime under the laws of the United States or any state thereof constituting a felony or a misdemeanor involving moral turpitude; (d) the Participant's willful malfeasance or willful misconduct in connection with the Participant's duties with the Company or any act or omission which is injurious to the financial condition or business reputation of the Company or its affiliates; or (e) the Participant's breach of the provisions of Section 11 of this Agreement. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following, without the Participant's express written consent: (a) any material diminution in the Participant's duties, titles or responsibilities with the Company from those in effect immediately prior to a Change in Control or (b) any reduction in the Participant's annual base salary or any material reduction in the Participant's annual bonus opportunity, annual equity awards or long-term incentive program awards from the Participant's annual base salary or annual bonus opportunity, annual equity awards or long-term incentive program awards in effect immediately prior to a Change in Control. Notwithstanding the foregoing, no event shall constitute Good Reason unless the Participant provides the Company with written notice of such event within 60 days after the occurrence thereof and the Company fails to cure or resolve the behavior otherwise constituting Good Reason within 30 days of its receipt of such notice.

3. Dividends. If on any date while MSUs are outstanding hereunder the Company shall pay any dividend on the Shares (other than a dividend payable in Shares), the number of MSUs granted to the Participant shall, as of such dividend payment date, be increased by a number of MSUs equal to: (a) the product of (x) the number of MSUs held by the Participant as of the related dividend record date, multiplied by (y) the per Share amount of any cash dividend (or, in the case of any dividend payable in whole or in part other than in cash, the per Share value of such dividend, as determined in good faith by the Committee), divided by (b) the Fair Market Value of a Share on the payment date of such dividend. In the case of any dividend declared on Shares that is payable in the form of Shares, the number of MSUs granted to the Participant shall be increased by a number equal to the product of (a) the MSUs that are held by the Participant on the related dividend record date, multiplied by (b) the number of Shares (including any fraction thereof) payable as a dividend on a Share. Any MSUs attributable to dividends under this Section 3 shall be subject to the vesting provisions provided in Section 2.

4. Adjustments Upon Certain Events. Subject to the terms of the Plan, in the event of any change in the outstanding Shares by reason of any Share dividend or split, reorganization, recapitalization, merger, consolidation, amalgamation, spin-off or combination transaction or exchange of Shares or other similar events (collectively, an "Adjustment Event"), the Committee shall, in its sole discretion, make an appropriate and equitable adjustment in the number of MSUs subject to this Agreement, the relevant stock price measurements and such other terms related to the MSUs to reflect such Adjustment Event. Any such adjustment made by the Committee shall be final and binding upon the Participant, the Company and all other interested persons.

5. No Right to Continued Employment. Neither the Plan nor this Agreement shall be construed as giving the Participant the right to be retained in the employ of, or in any consulting relationship to, the Company or any Affiliate. Further, the Company or an Affiliate may at any time dismiss the Participant, free from any liability or any claim under the Plan or this Agreement, except as otherwise expressly provided herein.

6. No Acquired Rights. In participating in the Plan, the Participant acknowledges and accepts that the Board has the power to amend or terminate the Plan, to the extent permitted thereunder, at any time and that the opportunity given to the Participant to participate in the Plan is entirely at the discretion of the Committee and does not obligate the Company or any of its Affiliates to offer such participation in the future (whether on the same or different terms). The Participant further acknowledges and accepts that such Participant's participation in the Plan is not to be considered part of any normal or expected compensation and that the termination of the Participant's employment under any circumstances whatsoever will give the Participant no claim or right of action against the Company or its Affiliates in respect of any loss of rights under this Agreement or the Plan that may arise as a result of such termination of employment.

7. No Rights of a Shareholder. The Participant shall not have any rights or privileges as a shareholder of the Company until the Shares in question have been registered in the Company's register of shareholders.

8. Legend on Certificates. Any Shares issued or transferred to the Participant pursuant to Section 2 of this Agreement shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares are listed, and any applicable Federal or state laws or relevant securities laws of the jurisdiction of the domicile of the Participant, and the Committee may cause a legend or legends to be put on any certificates representing such Shares to make appropriate reference to such restrictions.

9. Transferability. MSUs may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant otherwise than by will or by the laws of descent and distribution, and any purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance not permitted by this Section 9 shall be void and unenforceable against the Company or any Affiliate.

10. Withholding. The Participant may be required to pay to the Company or any Affiliate and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any transfer due under this Agreement or under the Plan or from any compensation or other amount owing to the Participant, applicable withholding taxes with respect to any transfer under this Agreement or under the Plan and to take such action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. Notwithstanding the foregoing, if the Participant's employment with the Company terminates prior to the transfer of all of the Shares under this Agreement, the payment of any applicable withholding taxes with respect to any further transfer of Shares under this Agreement or the Plan shall be made solely through the sale of Shares equal to the statutory minimum withholding liability.

11. Non-Solicitation Covenants.

(a) The Participant acknowledges and agrees that, during the Participant's employment with the Company and its Affiliates and upon the Participant's termination of Employment with the Company and its Affiliates for any reason, for a period commencing on the termination of such Employment and ending on the second anniversary of such termination, the Participant shall not, whether on Participant's own behalf or on behalf of or in conjunction with any person, company, business entity or other organization whatsoever, directly or indirectly:

(i) solicit any employee of the Company or its Affiliates with whom the Participant had any contact during the last two years of the Participant's employment, or who worked in the same business segment or division as the Participant during that period to terminate employment with the Company or its Affiliates;

(ii) solicit the employment or services of, or hire, any such employee whose employment with the Company or its Affiliates terminated coincident with, or within twelve (12) months prior to or after the termination of Participant's employment with the Company and its Affiliates;

(iii) directly or indirectly, solicit to cease to work with the Company or its Affiliates any consultant then under contract with the Company or its Affiliates.

(b) It is expressly understood and agreed that although the Participant and the Company consider the restrictions contained in this Section 11 to be reasonable, if a final judicial determination is made by a court of competent jurisdiction that the time or any other restriction contained in this Agreement is an unenforceable restriction against the Participant, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

12. Specific Performance. The Participant acknowledges and agrees that the Company's remedies at law for a breach or threatened breach of any of the provisions of Section 11 would be inadequate and the Company would suffer irreparable damages as a result of such breach or threatened breach. In recognition of this fact, the Participant agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, the Company, without posting any bond, shall be entitled to cease making any payments or providing any benefit otherwise required by this Agreement and obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available.

13. Choice of Law. THE INTERPRETATION, PERFORMANCE AND ENFORCEMENT OF THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

14. MSUs Subject to Plan. By entering into this Agreement, the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan. All MSUs are subject to the Plan. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

15. Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

16. 409A. Notwithstanding any other provisions of this Agreement or the Plan, this MSU shall not be deferred, accelerated, extended, paid out or modified in a manner that would result in the imposition of an additional tax under Section 409A of the Code upon the Participant. In the event it is reasonably determined by the Committee that, as a result of Section 409A of the Code, the transfer of Class B Shares under this Agreement may not be made at the time contemplated hereunder without causing the Participant to be subject to taxation under Section 409A of the Code (including due to the Participant's status as a "specified employee" within the meaning of Section 409A of the Code), the Company will make such payment on the first day that would not result in the Participant incurring any tax liability under Section 409A of the Code.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

HOVNANIAN ENTERPRISES, INC.

By: _____
Stephen D. Weinroth, Chair
Compensation Committee

PARTICIPANT

By: _____

2012 HOVNANIAN ENTERPRISES, INC.
AMENDED AND RESTATED STOCK INCENTIVE PLAN

INCENTIVE STOCK OPTION AGREEMENT

Participant:	*Date of Grant:*
Number of Class A Shares:	*Grant Price:* [One-third higher than closing price on grant date].
Vesting Schedule:	
Date	*Number of Shares*
[Four years from grant date]	[100% of shares]
Option Termination Date:	

1. Grant of the Option. For valuable consideration, receipt of which is hereby acknowledged, Hovnanian Enterprises, Inc., a Delaware Corporation (The "Company"), hereby grants the right and option (the "Option") to purchase, on the terms and conditions hereinafter set forth, all or any part of an aggregate number of Class A Shares set forth above. This grant is made subject to the terms and conditions of the 2012 Company Amended and Restated Stock Incentive Plan (the "Plan"), which Plan is incorporated herein by reference and subject to amendments to the Plan. Capitalized terms used herein without definition have the meanings assigned to such terms under the Plan. The purchase price of the Shares subject to the Option (the "Grant Price") shall be the price per Share set forth above. This Option is intended to qualify as an Incentive Stock Option within the meaning of Section 422 of the Internal Revenue Code of 1986 (the "Code") to the extent possible under Section 422 of the Code. Any portion of the Option which is ineligible to be treated as an Incentive Stock Option (due to Section 422(d) of the Code or otherwise) shall be treated as a nonqualified option.

2. Vesting. This Option will vest and become exercisable in accordance with the schedule set forth above, subject to Section 3 of this Agreement; provided, however, that upon the occurrence of a Change in Control that results in the Company's Shares ceasing to be publicly traded on a national securities exchange, the Option shall immediately become fully vested and exercisable.

3. Exercise of Option.

(a) Period of Exercise.

(i) In General. The Option must be exercised before the Option Termination Date set forth above (the "Option Termination Date"). The Participant may exercise less than the full installment available to him or her under this Option, but the Participant must exercise this Option in full shares of the Common Stock of the Company. The Participant is limited to ten exercises during the term of this Option.

(ii) Termination of Employment Other Than Due to Death. If, prior to the Option Termination Date, the Participant ceases to be employed by the Company or a subsidiary thereof (otherwise than by reason of death or under the circumstances described in clause (iv) below), the nonvested portion of the Option shall be canceled and the vested portion of the Option, to the extent not previously exercised, shall remain exercisable until the earlier of (a) the Option Termination Date and (b) the sixtieth (60^{th}) day after the date of cessation of employment, and thereafter all Options, to the extent not previously exercised, shall terminate together with all other rights hereunder. Notwithstanding the preceding sentence, (i) in the event of the Participant's termination of employment with the Company and its Subsidiaries at or after reaching age 65 with at least 10 years of Service (a "Qualified Retirement") or due to "Disability" (as defined below), the vested portion of the Option, to the extent not previously exercised, shall remain exercisable until the Option Termination Date and shall then terminate together with all other rights under this Agreement and (ii) in the event of the Participant's termination of employment other than due to death, Disability or a Qualified Retirement and such termination occurs on or after age 60, or on or after age 58 with at least 15 years of Service, then the vested portion of the Option, to the extent not previously exercised, shall remain exercisable until the earlier of the first anniversary of such termination or the Option Termination Date and shall then terminate together with all other rights under this Agreement. For purposes of this Agreement, "Disability" means disability within the meaning of Section 22(e)(3) of the Code and "Service" means the period of employment immediately preceding termination, plus any prior periods of employment with the Company and its Subsidiaries of one or more years' duration, unless they were succeeded by a period of non-employment with the Company and its Subsidiaries of more than three years' duration. This Option shall be wholly void and of no effect after the Option Termination Date.

(iii) Termination of Employment Due to Death. If, prior to the Option Termination Date, the Participant ceases to be employed by the Company or a subsidiary thereof due to the Participant's death, the Option, to the extent not previously vested and exercised, shall immediately become fully vested and exercisable and remain exercisable until the Option Termination Date, and thereafter all Options, to the extent not previously exercised, shall terminate together with all other rights hereunder. During such time, the Option will be exercisable by the person or persons to whom the Participant's rights under the Option shall pass by will or by the applicable laws of descent and distribution.

(iv) Termination without Cause or for Good Reason within Two Years Following a Change in Control. In the event of the Participant's involuntary termination of employment with the Company or a subsidiary thereof without "Cause" or for "Good Reason" within two years following a Change in Control, the Option, to the extent not previously vested and exercised, shall immediately become fully vested and exercisable and remain exercisable until the earlier of (i) the Option Termination Date and (ii) the sixtieth (60^{th}) day after the date of cessation of employment, and thereafter all Options, to the extent not previously exercised, shall terminate together with all other rights hereunder. For purposes of this Agreement, "Cause" shall mean the occurrence of any of the following: (a) the willful and continued failure of the Participant to perform substantially all of his or her duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness) for a period of 10 days following a written demand for substantial performance that is delivered to such Participant by the Company, which specifically identifies the manner in which the Company believes the Participant has not substantially performed his or her duties; (b) dishonesty in the performance of the Participant's duties with the Company; (c) the Participant's conviction of, or plea of guilty or nolo contendere to, a crime under the laws of the United States or any state thereof constituting a felony or a misdemeanor involving moral turpitude; (d) the Participant's willful malfeasance or willful misconduct in connection with the Participant's duties with the Company or any act or omission which is injurious to the financial condition or business reputation of the Company or its affiliates; or (e) the Participant's breach of the provisions of Section 12 of this Agreement. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following, without the Participant's express written consent: (a) any material diminution in the Participant's duties, titles or responsibilities with the Company from those in effect immediately prior to a Change in Control or (b) any reduction in the Participant's annual base salary or any material reduction in the Participant's annual bonus opportunity, annual equity awards or long-term incentive program awards from the Participant's annual base salary or annual bonus opportunity, annual equity awards or long-term incentive program awards in effect immediately prior to a Change in Control. Notwithstanding the foregoing, no event shall constitute Good Reason unless the Participant provides the Company with written notice of such event within 60 days after the occurrence thereof and the Company fails to cure or resolve the behavior otherwise constituting Good Reason within 30 days of its receipt of such notice.

(b) Method of Exercise. Subject to the provisions of the Plan, this Option may be exercised by written notice to the Company stating the number of shares with respect to which it is being exercised and accompanied by payment of the Option Price (a) by certified or bank cashier's check payable to the order of the Company in New York Clearing House Funds, (b) by surrender or delivery to the Company of shares of its Common Stock that have been held by the Participant for at least six months (or such other period of time as may be determined by the Board of Directors), or (c) in any other form acceptable to the Company together with payment or arrangement for payment of any federal income or other tax required to be withheld by the Company. As soon as practical after receipt of such notice and payment, the Company, shall, without transfer or issue tax or other incidental expense to the Participant, deliver to the Participant at the offices of the Company at 110 West Front Street, Red Bank, New Jersey, or such other place as may be mutually acceptable, or, at the election of the Company, by first-class insured mail addressed to the Participant at his or her address shown in the employment records of the Company or at the location at which he or she is employed by the Company or a subsidiary, a certificate or certificates for previously unissued shares or reacquired shares of its Common Stock as the Company may elect.

(c) Delivery.

(i) The Company may postpone the time of delivery of certificates for shares of its Common Stock for such additional time as the Company shall deem necessary or desirable to enable it to comply with the listing requirements of any securities exchange upon which the Common Stock of the Company may be listed, or the requirements of the Securities Act of 1933 or the Securities Exchange Act of 1934 or any Rules or Regulations of the Securities and Exchange Commission promulgates thereunder or the requirements of applicable state laws relating to authorization, issuance or sale of securities.

(ii) If the Participant fails to accept delivery of the shares of Common Stock of the Company upon tender of delivery thereof, his or her right to exercise this Option with respect to such undelivered shares may be terminated by the Company.

4. Notification of Disposition. Participant agrees to notify the Company in writing, within thirty days, of any disposition (whether by sale, exchange, gift, or otherwise) of shares of Common Stock acquired by the Participant pursuant to the exercise of this Option within one year of the transfer of such shares to the Participant.

5. Adjustments Upon Certain Events. Subject to the terms of the Plan, in the event of any change in the outstanding Shares by reason of any Share dividend or split, reorganization, recapitalization, merger, consolidation, amalgamation, spin-off or combination transaction or exchange of Shares or other similar events (collectively, an "Adjustment Event"), the Committee shall, in its sole discretion, make an appropriate and equitable adjustment in the number of Shares subject to this Agreement to reflect such Adjustment Event. Any such adjustment made by the Committee shall be final and binding upon the Participant, the Company and all other interested persons.

6. No Right to Continued Employment. Neither the Plan nor this Agreement shall be construed as giving the Participant the right to be retained in the employ of, or in any consulting relationship to, the Company or any Affiliate. Further, the Company or an Affiliate may at any time dismiss the Participant, free from any liability or any claim under the Plan or this Agreement, except as otherwise expressly provided herein.

7. No Acquired Rights. In participating in the Plan, the Participant acknowledges and accepts that the Board has the power to amend or terminate the Plan, to the extent permitted thereunder, at any time and that the opportunity given to the Participant to participate in the Plan is entirely at the discretion of the Committee and does not obligate the Company or any of its Affiliates to offer such participation in the future (whether on the same or different terms). The Participant further acknowledges and accepts that such Participant's participation in the Plan is not to be considered part of any normal or expected compensation and that the termination of the Participant's employment under any circumstances whatsoever will give the Participant no claim or right of action against the Company or its Affiliates in respect of any loss of rights under this Agreement or the Plan that may arise as a result of such termination of employment.

8. No Rights of a Shareholder. The Participant shall not have any rights or privileges as a shareholder of the Company until the Shares in question have been registered in the Company's register of shareholders.

9. Legend on Certificates. Any Shares issued or transferred to the Participant pursuant to Section 3 of this Agreement shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares are listed, and any applicable Federal or state laws or relevant securities laws of the jurisdiction of the domicile of the Participant, and the Committee may cause a legend or legends to be put on any certificates representing such Shares to make appropriate reference to such restrictions.

10. Transferability. The Option may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant otherwise than by will or by the laws of descent and distribution. Any purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance not permitted by this Section 10 shall be void and unenforceable against the Company or any Affiliate.

11. Withholding. The Participant may be required to pay to the Company or any Affiliate and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any transfer due under this Agreement or under the Plan or from any compensation or other amount owing to the Participant, applicable withholding taxes with respect to any transfer under this Agreement or under the Plan and to take such action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. Notwithstanding the foregoing, if the Participant's employment with the Company terminates prior to the transfer of all of the Shares under this Agreement, the payment of any applicable withholding taxes with respect to any further transfer of Shares under this Agreement or the Plan shall be made solely through the sale of Shares equal to the statutory minimum withholding liability.

12. Non-Solicitation Covenants.

(a) The Participant acknowledges and agrees that, during the Participant's employment with the Company and its Affiliates and upon the Participant's termination of Employment with the Company and its Affiliates for any reason, for a period commencing on the termination of such Employment and ending on the second anniversary of such termination, the Participant shall not, whether on Participant's own behalf or on behalf of or in conjunction with any person, company, business entity or other organization whatsoever, directly or indirectly:

(i) solicit any employee of the Company or its Affiliates with whom the Participant had any contact during the last two years of the Participant's employment, or who worked in the same business segment or division as the Participant during that period to terminate employment with the Company or its Affiliates;

(ii) solicit the employment or services of, or hire, any such employee whose employment with the Company or its Affiliates terminated coincident with, or within twelve (12) months prior to or after the termination of Participant's employment with the Company and its Affiliates;

(iii) directly or indirectly, solicit to cease to work with the Company or its Affiliates any consultant then under contract with the Company or its Affiliates.

(b) It is expressly understood and agreed that although the Participant and the Company consider the restrictions contained in this Section 12 to be reasonable, if a final judicial determination is made by a court of competent jurisdiction that the time or any other restriction contained in this Agreement is an unenforceable restriction against the Participant, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

13. Specific Performance. The Participant acknowledges and agrees that the Company's remedies at law for a breach or threatened breach of any of the provisions of Section 12 would be inadequate and the Company would suffer irreparable damages as a result of such breach or threatened breach. In recognition of this fact, the Participant agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, the Company, without posting any bond, shall be entitled to cease making any payments or providing any benefit otherwise required by this Agreement and obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available.

14. Choice of Law. THE INTERPRETATION, PERFORMANCE AND ENFORCEMENT OF THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

15. Option Subject to Plan. By entering into this Agreement, the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan. The Option is subject to the Plan. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

16. Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

HOVNANIAN ENTERPRISES, INC.

By: _____
Stephen D. Weinroth, Chair
Compensation Committee

PARTICIPANT

By: _____

2012 HOVNANIAN ENTERPRISES, INC.
AMENDED AND RESTATED STOCK INCENTIVE PLAN

NON-QUALIFIED STOCK OPTION AGREEMENT

Participant:	*Date of Grant:*
Number of Class B Shares:	*Grant Price:* [One-third higher than closing price on grant date].
Vesting Schedule:	
Date	*Number of Shares*
[Four years from grant date]	[100% of shares]
Option Termination Date:	

1. Grant of the Option. For valuable consideration, receipt of which is hereby acknowledged, Hovnanian Enterprises, Inc., a Delaware Corporation (The "Company"), hereby grants the right and option (the "Option") to purchase, on the terms and conditions hereinafter set forth, all or any part of an aggregate number of Class B Shares set forth above. This grant is made subject to the terms and conditions of the 2012 Company Amended and Restated Stock Incentive Plan (the "Plan"), which Plan is incorporated herein by reference and subject to amendments to the Plan. Capitalized terms used herein without definition have the meanings assigned to such terms under the Plan. The purchase price of the Shares subject to the Option (the "Grant Price") shall be the price per Share set forth above. This Option is not an Incentive Stock Option within the meaning of Section 422 of the Internal Revenue Code of 1986 (the "Code").

2. Vesting. This Option will vest and become exercisable in accordance with the schedule set forth above, subject to Section 3 of this Agreement; provided, however, that upon the occurrence of a Change in Control that results in the Company's Shares ceasing to be publicly traded on a national securities exchange, the Option shall immediately become fully vested and exercisable.

3. Exercise of Option.

(a) Period of Exercise.

(i) In General. The Option must be exercised before the Option Termination Date set forth above (the "Option Termination Date"). The Participant may exercise less than the full installment available to him or her under this Option, but the Participant must exercise this Option in full shares of the Common Stock of the Company. The Participant is limited to ten exercises during the term of this Option.

(ii) Termination of Employment Other Than Due to Death. If, prior to the Option Termination Date, the Participant ceases to be employed by the Company or a subsidiary thereof (otherwise than by reason of death or under the circumstances described in clause (iv) below), the nonvested portion of the Option shall be canceled and the vested portion of the Option, to the extent not previously exercised, shall remain exercisable until the earlier of (a) the Option Termination Date and (b) the sixtieth (60^{th}) day after the date of cessation of employment, and thereafter all Options, to the extent not previously exercised, shall terminate together with all other rights hereunder. Notwithstanding the preceding sentence, (i) in the event of the Participant's termination of employment with the Company and its Subsidiaries at or after reaching age 65 with at least 10 years of Service (a "Qualified Retirement") or due to "Disability" (as defined below), the vested portion of the Option, to the extent not previously exercised, shall remain exercisable until the Option Termination Date and shall then terminate together with all other rights under this Agreement and (ii) in the event of the Participant's termination of employment other than due to death, Disability or a Qualified Retirement and such termination occurs on or after age 60, or on or after age 58 with at least 15 years of Service, then the vested portion of the Option, to the extent not previously exercised, shall remain exercisable until the earlier of the first anniversary of such termination or the Option Termination Date and shall then terminate together with all other rights under this Agreement. For purposes of this Agreement, "Disability" means disability within the meaning of Section 22(e)(3) of the Code and "Service" means the period of employment immediately preceding termination, plus any prior periods of employment with the Company and its Subsidiaries of one or more years' duration, unless they were succeeded by a period of non-employment with the Company and its Subsidiaries of more than three years' duration. This Option shall be wholly void and of no effect after the Option Termination Date.

(iii) Termination of Employment Due to Death. If, prior to the Option Termination Date, the Participant ceases to be employed by the Company or a subsidiary thereof due to the Participant's death, the Option, to the extent not previously vested and exercised, shall immediately become fully vested and exercisable and remain exercisable until the Option Termination Date, and thereafter all Options, to the extent not previously exercised, shall terminate together with all other rights hereunder. During such time, the Option will be exercisable by the person or persons to whom the Participant's rights under the Option shall pass by will or by the applicable laws of descent and distribution.

(iv) Termination without Cause or for Good Reason within Two Years Following a Change in Control. In the event of the Participant's involuntary termination of employment with the Company or a subsidiary thereof without "Cause" or for "Good Reason" within two years following a Change in Control, the Option, to the extent not previously vested and exercised, shall immediately become fully vested and exercisable and remain exercisable until the earlier of (i) the Option Termination Date and (ii) the sixtieth (60^{th}) day after the date of cessation of employment, and thereafter all Options, to the extent not previously exercised, shall terminate together with all other rights hereunder. For purposes of this Agreement, "Cause" shall mean the occurrence of any of the following: (a) the willful and continued failure of the Participant to perform substantially all of his or her duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness) for a period of 10 days following a written demand for substantial performance that is delivered to such Participant by the Company, which specifically identifies the manner in which the Company believes the Participant has not substantially performed his or her duties; (b) dishonesty in the performance of the Participant's duties with the Company; (c) the Participant's conviction of, or plea of guilty or nolo contendere to, a crime under the laws of the United States or any state thereof constituting a felony or a misdemeanor involving moral turpitude; (d) the Participant's willful malfeasance or willful misconduct in connection with the Participant's duties with the Company or any act or omission which is injurious to the financial condition or business reputation of the Company or its affiliates; or (e) the Participant's breach of the provisions of Section 12 of this Agreement. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following, without the Participant's express written consent: (a) any material diminution in the Participant's duties, titles or responsibilities with the Company from those in effect immediately prior to a Change in Control or (b) any reduction in the Participant's annual base salary or any material reduction in the Participant's annual bonus opportunity, annual equity awards or long-term incentive program awards from the Participant's annual base salary or annual bonus opportunity, annual equity awards or long-term incentive program awards in effect immediately prior to a Change in Control. Notwithstanding the foregoing, no event shall constitute Good Reason unless the Participant provides the Company with written notice of such event within 60 days after the occurrence thereof and the Company fails to cure or resolve the behavior otherwise constituting Good Reason within 30 days of its receipt of such notice.

(b) Method of Exercise. Subject to the provisions of the Plan, this Option may be exercised by written notice to the Company stating the number of shares with respect to which it is being exercised and accompanied by payment of the Option Price (a) by certified or bank cashier's check payable to the order of the Company in New York Clearing House Funds, (b) by surrender or delivery to the Company of shares of its Common Stock that have been held by the Participant for at least six months (or such other period of time as may be determined by the Board of Directors), or (c) in any other form acceptable to the Company together with payment or arrangement for payment of any federal income or other tax required to be withheld by the Company. As soon as practical after receipt of such notice and payment, the Company, shall, without transfer or issue tax or other incidental expense to the Participant, deliver to the Participant at the offices of the Company at 110 West Front Street, Red Bank, New Jersey, or such other place as may be mutually acceptable, or, at the election of the Company, by first-class insured mail addressed to the Participant at his or her address shown in the employment records of the Company or at the location at which he or she is employed by the Company or a subsidiary, a certificate or certificates for previously unissued shares or reacquired shares of its Common Stock as the Company may elect.

(c) Delivery.

(i) The Company may postpone the time of delivery of certificates for shares of its Common Stock for such additional time as the Company shall deem necessary or desirable to enable it to comply with the listing requirements of any securities exchange upon which the Common Stock of the Company may be listed, or the requirements of the Securities Act of 1933 or the Securities Exchange Act of 1934 or any Rules or Regulations of the Securities and Exchange Commission promulgates thereunder or the requirements of applicable state laws relating to authorization, issuance or sale of securities.

(ii) If the Participant fails to accept delivery of the shares of Common Stock of the Company upon tender of delivery thereof, his or her right to exercise this Option with respect to such undelivered shares may be terminated by the Company.

4. Adjustments Upon Certain Events. Subject to the terms of the Plan, in the event of any change in the outstanding Shares by reason of any Share dividend or split, reorganization, recapitalization, merger, consolidation, amalgamation, spin-off or combination transaction or exchange of Shares or other similar events (collectively, an "Adjustment Event"), the Committee shall, in its sole discretion, make an appropriate and equitable adjustment in the number of Shares subject to this Agreement to reflect such Adjustment Event. Any such adjustment made by the Committee shall be final and binding upon the Participant, the Company and all other interested persons.

5. No Right to Continued Employment. Neither the Plan nor this Agreement shall be construed as giving the Participant the right to be retained in the employ of, or in any consulting relationship to, the Company or any Affiliate. Further, the Company or an Affiliate may at any time dismiss the Participant, free from any liability or any claim under the Plan or this Agreement, except as otherwise expressly provided herein.

6. No Acquired Rights. In participating in the Plan, the Participant acknowledges and accepts that the Board has the power to amend or terminate the Plan, to the extent permitted thereunder, at any time and that the opportunity given to the Participant to participate in the Plan is entirely at the discretion of the Committee and does not obligate the Company or any of its Affiliates to offer such participation in the future (whether on the same or different terms). The Participant further acknowledges and accepts that such Participant's participation in the Plan is not to be considered part of any normal or expected compensation and that the termination of the Participant's employment under any circumstances whatsoever will give the Participant no claim or right of action against the Company or its Affiliates in respect of any loss of rights under this Agreement or the Plan that may arise as a result of such termination of employment.

7. No Rights of a Shareholder. The Participant shall not have any rights or privileges as a shareholder of the Company until the Shares in question have been registered in the Company's register of shareholders.

8. Legend on Certificates. Any Shares issued or transferred to the Participant pursuant to Section 3 of this Agreement shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares are listed, and any applicable Federal or state laws or relevant securities laws of the jurisdiction of the domicile of the Participant, and the Committee may cause a legend or legends to be put on any certificates representing such Shares to make appropriate reference to such restrictions.

9. Transferability. The Option may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant otherwise than by will or by the laws of descent and distribution. Notwithstanding the foregoing, a Participant may transfer this option in whole or in part by gift or domestic relations order to a family member of the Participant (a "Permitted Transferee") and, following any such transfer such option or portion thereof shall be exercisable only by the Permitted Transferee, provided that no such option or portion thereof is transferred for value, and provided further that, following any such transfer, neither such option or any portion thereof nor any right hereunder shall be transferable other than to the Participant or otherwise than by will or the laws of descent and distribution or be subject to attachment, execution or other similar process. For purposes of this paragraph, "family member" includes any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, including adoptive relationships, any person sharing the Participant's household (other than a tenant or employee), trust in which these persons have more than fifty percent of the beneficial interest, a foundation in which these persons (or the Participant) control the management of assets and any other entity in which these persons (or the Participant) own more than fifty percent of the voting interests. Any purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance not permitted by this Section 9 shall be void and unenforceable against the Company or any Affiliate.

10. Withholding. The Participant may be required to pay to the Company or any Affiliate and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any transfer due under this Agreement or under the Plan or from any compensation or other amount owing to the Participant, applicable withholding taxes with respect to any transfer under this Agreement or under the Plan and to take such action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. Notwithstanding the foregoing, if the Participant's employment with the Company terminates prior to the transfer of all of the Shares under this Agreement, the payment of any applicable withholding taxes with respect to any further transfer of Shares under this Agreement or the Plan shall be made solely through the sale of Shares equal to the statutory minimum withholding liability.

11. Non-Solicitation Covenants.

(a) The Participant acknowledges and agrees that, during the Participant's employment with the Company and its Affiliates and upon the Participant's termination of Employment with the Company and its Affiliates for any reason, for a period commencing on the termination of such Employment and ending on the second anniversary of such termination, the Participant shall not, whether on Participant's own behalf or on behalf of or in conjunction with any person, company, business entity or other organization whatsoever, directly or indirectly:

(i) solicit any employee of the Company or its Affiliates with whom the Participant had any contact during the last two years of the Participant's employment, or who worked in the same business segment or division as the Participant during that period to terminate employment with the Company or its Affiliates;

(ii) solicit the employment or services of, or hire, any such employee whose employment with the Company or its Affiliates terminated coincident with, or within twelve (12) months prior to or after the termination of Participant's employment with the Company and its Affiliates;

(iii) directly or indirectly, solicit to cease to work with the Company or its Affiliates any consultant then under contract with the Company or its Affiliates.

(b) It is expressly understood and agreed that although the Participant and the Company consider the restrictions contained in this Section 11 to be reasonable, if a final judicial determination is made by a court of competent jurisdiction that the time or any other restriction contained in this Agreement is an unenforceable restriction against the Participant, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

12. Specific Performance. The Participant acknowledges and agrees that the Company's remedies at law for a breach or threatened breach of any of the provisions of Section 11 would be inadequate and the Company would suffer irreparable damages as a result of such breach or threatened breach. In recognition of this fact, the Participant agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, the Company, without posting any bond, shall be entitled to cease making any payments or providing any benefit otherwise required by this Agreement and obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available.

13. Choice of Law. THE INTERPRETATION, PERFORMANCE AND ENFORCEMENT OF THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

14. Option Subject to Plan. By entering into this Agreement, the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan. The Option is subject to the Plan. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

15. Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

HOVNANIAN ENTERPRISES, INC.

By: _____
Stephen D. Weinroth, Chair
Compensation Committee

PARTICIPANT

By: _____
Ara K. Hovnanian
President, Chief Executive Officer and Chairman of the Board

2012 HOVNANIAN ENTERPRISES, INC.
AMENDED AND RESTATED STOCK INCENTIVE PLAN

INCENTIVE STOCK OPTION AGREEMENT

Participant:	*Date of Grant:*
_____	_____
Number of Class A Shares:	*Grant Price:*
_____	_____

Vesting Schedule:

Date	*Number of Shares*
_____	_____
_____	_____
_____	_____
_____	_____

Option Termination Date: _____

1. Grant of the Option. For valuable consideration, receipt of which is hereby acknowledged, Hovnanian Enterprises, Inc., a Delaware Corporation (The "Company"), hereby grants the right and option (the "Option") to purchase, on the terms and conditions hereinafter set forth, all or any part of an aggregate number of Class A Shares set forth above. This grant is made subject to the terms and conditions of the 2012 Company Amended and Restated Stock Incentive Plan (the "Plan"), which Plan is incorporated herein by reference and subject to amendments to the Plan. Capitalized terms used herein without definition have the meanings assigned to such terms under the Plan. The purchase price of the Shares subject to the Option (the "Grant Price") shall be the price per Share set forth above. This Option is intended to qualify as an Incentive Stock Option within the meaning of Section 422 of the Internal Revenue Code of 1986 (the "Code") to the extent possible under Section 422 of the Code. Any portion of the Option which is ineligible to be treated as an Incentive Stock Option (due to Section 422(d) of the Code or otherwise) shall be treated as a nonqualified option.

2. Vesting. This Option will vest and become exercisable in accordance with the schedule set forth above, subject to Section 3 of this Agreement; provided, however, that upon the occurrence of a Change in Control that results in the Company's Shares ceasing to be publicly traded on a national securities exchange, the Option shall immediately become fully vested and exercisable.

3. Exercise of Option.

(a) Period of Exercise.

(i) In General. The Option must be exercised before the Option Termination Date set forth above (the "Option Termination Date"). The Participant may exercise less than the full installment available to him or her under this Option, but the Participant must exercise this Option in full shares of the Common Stock of the Company. The Participant is limited to ten exercises during the term of this Option.

(ii) Termination of Employment Other Than Due to Death, Disability or Retirement. If, prior to the Option Termination Date, the Participant ceases to be employed by the Company or a subsidiary thereof (otherwise than by reason of death, Disability or Retirement, or under the circumstances described in clause (vi) below), the nonvested portion of the Option shall be canceled and the vested portion of the Option, to the extent not previously exercised, shall remain exercisable until the earlier of (a) the Option Termination Date and (b) the sixtieth (60^{th}) day after the date of cessation of employment, and thereafter all Options, to the extent not previously exercised, shall terminate together with all other rights hereunder. This Option shall be wholly void and of no effect after the Option Termination Date. For purposes of this Agreement, "Disability" shall mean disability within the meaning of Section 22(e)(3) of the Code, and "Retirement" shall mean termination of employment on or after age 60, or on or after age 58 with at least 15 years of "Service" to the Company and its Subsidiaries immediately preceding such termination of employment. For this purpose, "Service" means the period of employment immediately preceding Retirement, plus any prior periods of employment with the Company and its Subsidiaries of one or more years' duration, unless they were succeeded by a period of non-employment with the Company and its Subsidiaries of more than three years' duration.

(iii) Termination of Employment Due to Death. If, prior to the Option Termination Date, the Participant ceases to be employed by the Company or a subsidiary thereof due to the Participant's death, the Option, to the extent not previously vested and exercised, shall immediately become fully vested and exercisable and remain exercisable until the Option Termination Date, and thereafter all Options, to the extent not previously exercised, shall terminate together with all other rights hereunder. During such time, the Option will be exercisable by the person or persons to whom the Participant's rights under the Option shall pass by will or by the applicable laws of descent and distribution.

(iv) Termination of Employment Due to Disability. If prior to the Option Termination Date the Participant ceases to be employed by the Company or a subsidiary thereof by reason of Disability, the Option, to the extent not previously vested and exercised, shall immediately become fully vested and exercisable and shall remain exercisable until the Option Termination Date by the Participant or his or her designated personal representative on the Participant's behalf, and thereafter all Options, to the extent not previously exercised, shall terminate together with all other rights hereunder.

(v) Termination of Employment Due to Retirement. If prior to the Option Termination Date the Participant ceases to be employed by the Company or a subsidiary thereof due to Participant's Retirement, the Option, to the extent not previously vested and exercised, shall immediately become fully vested and exercisable and remain exercisable until the earlier of (i) the Option Termination Date and (ii) the first anniversary of the Participant's Retirement, and thereafter all Options, to the extent not previously exercised, shall terminate together with all other rights hereunder. Notwithstanding the preceding sentence (and without limiting the Participant's rights in connection with a Retirement), in the event of the Participant's Qualified Retirement, the Option, to the extent not previously exercised, shall remain exercisable until the Option Termination Date and shall then terminate together with all other rights under this Agreement. As used herein, the term "Qualified Retirement" means the Participant's termination of employment with the Company and its Subsidiaries at or after reaching age 65 with at least 10 years of Service.

(vi) Termination without Cause or for Good Reason within Two Years Following a Change in Control. In the event of the Participant's involuntary termination of employment with the Company or a subsidiary thereof without "Cause" or for "Good Reason" within two years following a Change in Control, the Option, to the extent not previously vested and exercised, shall immediately become fully vested and exercisable and remain exercisable until the earlier of (i) the Option Termination Date and (ii) the sixtieth (60^{th}) day after the date of cessation of employment, and thereafter all Options, to the extent not previously exercised, shall terminate together with all other rights hereunder. For purposes of this Agreement, "Cause" shall mean the occurrence of any of the following: (a) the willful and continued failure of the Participant to perform substantially all of his or her duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness) for a period of 10 days following a written demand for substantial performance that is delivered to such Participant by the Company, which specifically identifies the manner in which the Company believes the Participant has not substantially performed his or her duties; (b) dishonesty in the performance of the Participant's duties with the Company; (c) the Participant's conviction of, or plea of guilty or nolo contendere to, a crime under the laws of the United States or any state thereof constituting a felony or a misdemeanor involving moral turpitude; (d) the Participant's willful malfeasance or willful misconduct in connection with the Participant's duties with the Company or any act or omission which is injurious to the financial condition or business reputation of the Company or its affiliates; or (e) the Participant's breach of the provisions of Section 12 of this Agreement. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following, without the Participant's express written consent: (a) any material diminution in the Participant's duties, titles or responsibilities with the Company from those in effect immediately prior to a Change in Control or (b) any reduction in the Participant's annual base salary or any material reduction in the Participant's annual bonus opportunity, annual equity awards or long-term incentive program awards from the Participant's annual base salary or annual bonus opportunity, annual equity awards or long-term incentive program awards in effect immediately prior to a Change in Control. Notwithstanding the foregoing, no event shall constitute Good Reason unless the Participant provides the Company with written notice of such event within 60 days after the occurrence thereof and the Company fails to cure or resolve the behavior otherwise constituting Good Reason within 30 days of its receipt of such notice.

(b) Method of Exercise. Subject to the provisions of the Plan, this Option may be exercised by written notice to the Company stating the number of shares with respect to which it is being exercised and accompanied by payment of the Option Price (a) by certified or bank cashier's check payable to the order of the Company in New York Clearing House Funds, (b) by surrender or delivery to the Company of shares of its Common Stock that have been held by the Participant for at least six months (or such other period of time as may be determined by the Board of Directors), or (c) in any other form acceptable to the Company together with payment or arrangement for payment of any federal income or other tax required to be withheld by the Company. As soon as practical after receipt of such notice and payment, the Company, shall, without transfer or issue tax or other incidental expense to the Participant, deliver to the Participant at the offices of the Company at 110 West Front Street, Red Bank, New Jersey, or such other place as may be mutually acceptable, or, at the election of the Company, by first-class insured mail addressed to the Participant at his or her address shown in the employment records of the Company or at the location at which he or she is employed by the Company or a subsidiary, a certificate or certificates for previously unissued shares or reacquired shares of its Common Stock as the Company may elect.

(c) Delivery.

(i) The Company may postpone the time of delivery of certificates for shares of its Common Stock for such additional time as the Company shall deem necessary or desirable to enable it to comply with the listing requirements of any securities exchange upon which the Common Stock of the Company may be listed, or the requirements of the Securities Act of 1933 or the Securities Exchange Act of 1934 or any Rules or Regulations of the Securities and Exchange Commission promulgates thereunder or the requirements of applicable state laws relating to authorization, issuance or sale of securities.

(ii) If the Participant fails to accept delivery of the shares of Common Stock of the Company upon tender of delivery thereof, his or her right to exercise this Option with respect to such undelivered shares may be terminated by the Company.

4. Notification of Disposition. Participant agrees to notify the Company in writing, within thirty days, of any disposition (whether by sale, exchange, gift, or otherwise) of shares of Common Stock acquired by the Participant pursuant to the exercise of this Option within one year of the transfer of such shares to the Participant.

5. Adjustments Upon Certain Events. Subject to the terms of the Plan, in the event of any change in the outstanding Shares by reason of any Share dividend or split, reorganization, recapitalization, merger, consolidation, amalgamation, spin-off or combination transaction or exchange of Shares or other similar events (collectively, an "Adjustment Event"), the Committee shall, in its sole discretion, make an appropriate and equitable adjustment in the number of Shares subject to this Agreement to reflect such Adjustment Event. Any such adjustment made by the Committee shall be final and binding upon the Participant, the Company and all other interested persons.

6. No Right to Continued Employment. Neither the Plan nor this Agreement shall be construed as giving the Participant the right to be retained in the employ of, or in any consulting relationship to, the Company or any Affiliate. Further, the Company or an Affiliate may at any time dismiss the Participant, free from any liability or any claim under the Plan or this Agreement, except as otherwise expressly provided herein.

7. No Acquired Rights. In participating in the Plan, the Participant acknowledges and accepts that the Board has the power to amend or terminate the Plan, to the extent permitted thereunder, at any time and that the opportunity given to the Participant to participate in the Plan is entirely at the discretion of the Committee and does not obligate the Company or any of its Affiliates to offer such participation in the future (whether on the same or different terms). The Participant further acknowledges and accepts that such Participant's participation in the Plan is not to be considered part of any normal or expected compensation and that the termination of the Participant's employment under any circumstances whatsoever will give the Participant no claim or right of action against the Company or its Affiliates in respect of any loss of rights under this Agreement or the Plan that may arise as a result of such termination of employment.

8. No Rights of a Shareholder. The Participant shall not have any rights or privileges as a shareholder of the Company until the Shares in question have been registered in the Company's register of shareholders.

9. Legend on Certificates. Any Shares issued or transferred to the Participant pursuant to Section 3 of this Agreement shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares are listed, and any applicable Federal or state laws or relevant securities laws of the jurisdiction of the domicile of the Participant, and the Committee may cause a legend or legends to be put on any certificates representing such Shares to make appropriate reference to such restrictions.

10. Transferability. The Option may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant otherwise than by will or by the laws of descent and distribution. Any purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance not permitted by this Section 10 shall be void and unenforceable against the Company or any Affiliate.

11. Withholding. The Participant may be required to pay to the Company or any Affiliate and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any transfer due under this Agreement or under the Plan or from any compensation or other amount owing to the Participant, applicable withholding taxes with respect to any transfer under this Agreement or under the Plan and to take such action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. Notwithstanding the foregoing, if the Participant's employment with the Company terminates prior to the transfer of all of the Shares under this Agreement, the payment of any applicable withholding taxes with respect to any further transfer of Shares under this Agreement or the Plan shall be made solely through the sale of Shares equal to the statutory minimum withholding liability.

12. Non-Solicitation Covenants.

(a) The Participant acknowledges and agrees that, during the Participant's employment with the Company and its Affiliates and upon the Participant's termination of Employment with the Company and its Affiliates for any reason, for a period commencing on the termination of such Employment and ending on the second anniversary of such termination, the Participant shall not, whether on Participant's own behalf or on behalf of or in conjunction with any person, company, business entity or other organization whatsoever, directly or indirectly:

(i) solicit any employee of the Company or its Affiliates with whom the Participant had any contact during the last two years of the Participant's employment, or who worked in the same business segment or division as the Participant during that period to terminate employment with the Company or its Affiliates;

(ii) solicit the employment or services of, or hire, any such employee whose employment with the Company or its Affiliates terminated coincident with, or within twelve (12) months prior to or after the termination of Participant's employment with the Company and its Affiliates;

(iii) directly or indirectly, solicit to cease to work with the Company or its Affiliates any consultant then under contract with the Company or its Affiliates.

(b) It is expressly understood and agreed that although the Participant and the Company consider the restrictions contained in this Section 12 to be reasonable, if a final judicial determination is made by a court of competent jurisdiction that the time or any other restriction contained in this Agreement is an unenforceable restriction against the Participant, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

13. Specific Performance. The Participant acknowledges and agrees that the Company's remedies at law for a breach or threatened breach of any of the provisions of Section 12 would be inadequate and the Company would suffer irreparable damages as a result of such breach or threatened breach. In recognition of this fact, the Participant agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, the Company, without posting any bond, shall be entitled to cease making any payments or providing any benefit otherwise required by this Agreement and obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available.

14. Choice of Law. THE INTERPRETATION, PERFORMANCE AND ENFORCEMENT OF THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

15. Option Subject to Plan. By entering into this Agreement, the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan. The Option is subject to the Plan. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

16. Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

HOVNANIAN ENTERPRISES, INC.

By: _____
Ara K. Hovnanian
President, Chief Executive Officer and Chairman of the Board

PARTICIPANT[1]

By: _____

[1] To the extent that the Company has established, either itself or through a third-party plan administrator, the ability to accept this award electronically, such acceptance shall constitute the Participant's signature hereof.

2012 HOVNANIAN ENTERPRISES, INC.
AMENDED AND RESTATED STOCK INCENTIVE PLAN

RESTRICTED SHARE UNIT AGREEMENT

Participant: _____ *Date of Grant:* _____

Number of RSUs: _____

Dates of Vesting of Class A Shares:

Date	*Number of RSUs*
_____	_____
_____	_____
_____	_____
_____	_____

1. Grant of RSUs. For valuable consideration, receipt of which is hereby acknowledged, Hovnanian Enterprises, Inc., a Delaware Corporation (the "Company"), hereby grants the number of restricted share units ("RSUs") listed above to the Participant, on the terms and conditions hereinafter set forth. This grant is made pursuant to the terms and conditions of the 2012 Company Amended and Restated Stock Incentive Plan (the "Plan"), which Plan, as amended from time to time, is incorporated herein by reference and made a part of this Agreement. Each RSU represents the unfunded, unsecured right of the Participant to receive a Share on the date(s) specified herein. Capitalized terms not otherwise defined herein shall have the same meanings as in the Plan.

2. Vesting and Timing of Transfer.

(a) The Participant will become vested in the RSUs in accordance with the schedule set forth above; provided, however, that upon the occurrence of a Change in Control that results in the Company's Shares ceasing to be publicly traded on a national securities exchange, the RSUs shall immediately become fully vested (subject to any delay in Share delivery required pursuant to Section 16 hereof).

(b) The Company shall transfer to the Participant, as soon as practicable but not later than 60 days after an applicable vesting date, a number of Class A Shares equal to the number of RSUs that became vested on that vesting date (rounded up to the next whole share), provided, however, that upon the final transfer of Shares to the Participant (i) such number of Shares shall be reduced to the extent necessary to reflect any previous rounding up pursuant to this sentence, and (ii) in lieu of a fractional Share, the Participant shall receive a cash payment equal to the Fair Market Value of such fractional Share. If the Participant is eligible to participate in, and has elected to defer the transfer of Shares pursuant to the terms of a nonqualified deferred compensation plan maintained by the Company, such Shares shall be so deferred, and any such deferral, when paid, shall be paid in Shares. Once the transfer of any Shares is deferred, the rights and privileges of the Participant with respect to such Shares shall be determined solely pursuant to the terms of the applicable plan, and not pursuant to the terms and conditions of this Agreement.

(c) Notwithstanding Sections 2(a) and 2(b) of this Agreement, if the Participant's employment with the Company and its Affiliates terminates due to (i) death, (ii) Disability or (iii) Retirement, but only if such Retirement occurs on or after the first anniversary of the Date of Grant indicated above, the Company shall cause there to be transferred to the Participant, as soon as practicable but not later than 60 days after such termination, but subject to Section 16 of this Agreement, a number of Shares equal to the aggregate number of then unvested RSUs granted to the Participant under this Agreement; provided, however, that upon the transfer of such Shares to the Participant, in lieu of a fractional Share, the Participant shall receive a cash payment equal to the Fair Market Value of such fractional Share. In the event of the death of the Participant, the transfer of Shares under this Section 2(c) shall be made in accordance with the beneficiary designation form on file with the Company; provided, however, that, in the absence of any such beneficiary designation form, the transfer of Shares under this Section 2(c) shall be made to the person or persons to whom the Participant's rights under the Agreement shall pass by will or by the applicable laws of descent and distribution. For purposes of this Agreement, "Disability" shall mean "Disability" as defined in the Plan, and "Retirement" shall mean termination of employment on or after age 60, or on or after age 58 with at least 15 years of "Service" to the Company and its Subsidiaries immediately preceding such termination of employment. For this purpose, "Service" means the period of employment immediately preceding Retirement, plus any prior periods of employment with the Company and its Subsidiaries of one or more years' duration, unless they were succeeded by a period of non-employment with the Company and its Subsidiaries of more than three years' duration.

(d) Upon each transfer or deferral of Shares in accordance with Sections 2(a), 2(b) and 2(c) of this Agreement, a number of RSUs equal to the number of Shares transferred to the Participant or deferred shall be extinguished.

(e) Notwithstanding Sections 2(a), 2(b) and 2(c) of this Agreement, upon the Participant's termination of employment for any reason other than (i) death, Disability or Retirement occurring on or after the first anniversary of the Date of Grant indicated above or (ii) under the circumstances described in clause (f) below, any unvested RSUs shall immediately terminate for no further consideration.

(f) Termination without Cause or for Good Reason within Two Years Following a Change in Control. In the event of the Participant's involuntary termination of employment with the Company or a subsidiary thereof without "Cause" or for "Good Reason" within two years following a Change in Control, the RSUs, to the extent not previously vested and settled, shall immediately become fully vested and settled in Shares on the same terms as applicable to a termination due to death or Disability as described under Section 2(c) above. For purposes of this Agreement, "Cause" shall mean the occurrence of any of the following: (a) the willful and continued failure of the Participant to perform substantially all of his or her duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness) for a period of 10 days following a written demand for substantial performance that is delivered to such Participant by the Company, which specifically identifies the manner in which the Company believes the Participant has not substantially performed his or her duties; (b) dishonesty in the performance of the Participant's duties with the Company; (c) the Participant's conviction of, or plea of guilty or nolo contendere to, a crime under the laws of the United States or any state thereof constituting a felony or a misdemeanor involving moral turpitude; (d) the Participant's willful malfeasance or willful misconduct in connection with the Participant's duties with the Company or any act or omission which is injurious to the financial condition or business reputation of the Company or its affiliates; or (e) the Participant's breach of the provisions of Section 11 of this Agreement. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following, without the Participant's express written consent: (a) any material diminution in the Participant's duties, titles or responsibilities with the Company from those in effect immediately prior to a Change in Control or (b) any reduction in the Participant's annual base salary or any material reduction in the Participant's annual bonus opportunity, annual equity awards or long-term incentive program awards from the Participant's annual base salary or annual bonus opportunity, annual equity awards or long-term incentive program awards in effect immediately prior to a Change in Control. Notwithstanding the foregoing, no event shall constitute Good Reason unless the Participant provides the Company with written notice of such event within 60 days after the occurrence thereof and the Company fails to cure or resolve the behavior otherwise constituting Good Reason within 30 days of its receipt of such notice.

3. Dividends. If on any date while RSUs are outstanding hereunder the Company shall pay any dividend on the Shares (other than a dividend payable in Shares), the number of RSUs granted to the Participant shall, as of such dividend payment date, be increased by a number of RSUs equal to: (a) the product of (x) the number of RSUs held by the Participant as of the related dividend record date, multiplied by (y) the per Share amount of any cash dividend (or, in the case of any dividend payable in whole or in part other than in cash, the per Share value of such dividend, as determined in good faith by the Committee), divided by (b) the Fair Market Value of a Share on the payment date of such dividend. In the case of any dividend declared on Shares that is payable in the form of Shares, the number of RSUs granted to the Participant shall be increased by a number equal to the product of (a) the RSUs that are held by the Participant on the related dividend record date, multiplied by (b) the number of Shares (including any fraction thereof) payable as a dividend on a Share. Any RSUs attributable to dividends under this Section 3 shall be subject to the vesting provisions provided in Section 2.

4. Adjustments Upon Certain Events. Subject to the terms of the Plan, in the event of any change in the outstanding Shares by reason of any Share dividend or split, reorganization, recapitalization, merger, consolidation, amalgamation, spin-off or combination transaction or exchange of Shares or other similar events (collectively, an "Adjustment Event"), the Committee shall, in its sole discretion, make an appropriate and equitable adjustment in the number of RSUs subject to this Agreement to reflect such Adjustment Event. Any such adjustment made by the Committee shall be final and binding upon the Participant, the Company and all other interested persons.

5. No Right to Continued Employment. Neither the Plan nor this Agreement shall be construed as giving the Participant the right to be retained in the employ of, or in any consulting relationship to, the Company or any Affiliate. Further, the Company or an Affiliate may at any time dismiss the Participant, free from any liability or any claim under the Plan or this Agreement, except as otherwise expressly provided herein.

6. No Acquired Rights. In participating in the Plan, the Participant acknowledges and accepts that the Board has the power to amend or terminate the Plan, to the extent permitted thereunder, at any time and that the opportunity given to the Participant to participate in the Plan is entirely at the discretion of the Committee and does not obligate the Company or any of its Affiliates to offer such participation in the future (whether on the same or different terms). The Participant further acknowledges and accepts that such Participant's participation in the Plan is not to be considered part of any normal or expected compensation and that the termination of the Participant's employment under any circumstances whatsoever will give the Participant no claim or right of action against the Company or its Affiliates in respect of any loss of rights under this Agreement or the Plan that may arise as a result of such termination of employment.

7. No Rights of a Shareholder. The Participant shall not have any rights or privileges as a shareholder of the Company until the Shares in question have been registered in the Company's register of shareholders.

8. Legend on Certificates. Any Shares issued or transferred to the Participant pursuant to Section 2 of this Agreement shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares are listed, and any applicable Federal or state laws or relevant securities laws of the jurisdiction of the domicile of the Participant, and the Committee may cause a legend or legends to be put on any certificates representing such Shares to make appropriate reference to such restrictions.

9. Transferability. RSUs may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant otherwise than by will or by the laws of descent and distribution, and any purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance not permitted by this Section 9 shall be void and unenforceable against the Company or any Affiliate.

10. Withholding. The Participant may be required to pay to the Company or any Affiliate and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any transfer due under this Agreement or under the Plan or from any compensation or other amount owing to the Participant, applicable withholding taxes with respect to any transfer under this Agreement or under the Plan and to take such action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. Notwithstanding the foregoing, if the Participant's employment with the Company terminates prior to the transfer of all of the Shares under this Agreement, the payment of any applicable withholding taxes with respect to any further transfer of Shares under this Agreement or the Plan shall be made solely through the sale of Shares equal to the statutory minimum withholding liability.

11. Non-Solicitation Covenants.

(a) The Participant acknowledges and agrees that, during the Participant's employment with the Company and its Affiliates and upon the Participant's termination of Employment with the Company and its Affiliates for any reason, for a period commencing on the termination of such Employment and ending on the second anniversary of such termination, the Participant shall not, whether on Participant's own behalf or on behalf of or in conjunction with any person, company, business entity or other organization whatsoever, directly or indirectly:

(i) solicit any employee of the Company or its Affiliates with whom the Participant had any contact during the last two years of the Participant's employment, or who worked in the same business segment or division as the Participant during that period to terminate employment with the Company or its Affiliates;

(ii) solicit the employment or services of, or hire, any such employee whose employment with the Company or its Affiliates terminated coincident with, or within twelve (12) months prior to or after the termination of Participant's employment with the Company and its Affiliates;

(iii) directly or indirectly, solicit to cease to work with the Company or its Affiliates any consultant then under contract with the Company or its Affiliates.

(b) It is expressly understood and agreed that although the Participant and the Company consider the restrictions contained in this Section 11 to be reasonable, if a final judicial determination is made by a court of competent jurisdiction that the time or any other restriction contained in this Agreement is an unenforceable restriction against the Participant, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

12. Specific Performance. The Participant acknowledges and agrees that the Company's remedies at law for a breach or threatened breach of any of the provisions of Section 11 would be inadequate and the Company would suffer irreparable damages as a result of such breach or threatened breach. In recognition of this fact, the Participant agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, the Company, without posting any bond, shall be entitled to cease making any payments or providing any benefit otherwise required by this Agreement and obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available.

13. Choice of Law. THE INTERPRETATION, PERFORMANCE AND ENFORCEMENT OF THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

14. RSUs Subject to Plan. By entering into this Agreement, the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan. All RSUs are subject to the Plan. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

15. Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

16. 409A. Notwithstanding any other provisions of this Agreement or the Plan, this RSU shall not be deferred, accelerated, extended, paid out or modified in a manner that would result in the imposition of an additional tax under Section 409A of the Code upon the Participant. In the event it is reasonably determined by the Committee that, as a result of Section 409A of the Code, the transfer of Class A Shares under this Agreement may not be made at the time contemplated hereunder without causing the Participant to be subject to taxation under Section 409A of the Code (including due to the Participant's status as a "specified employee" within the meaning of Section 409A of the Code), the Company will make such payment on the first day that would not result in the Participant incurring any tax liability under Section 409A of the Code.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

HOVNANIAN ENTERPRISES, INC.

By: _____
Ara K. Hovnanian
President, Chief Executive Officer and Chairman of the Board

PARTICIPANT[1]

By: _____

[1] To the extent that the Company has established, either itself or through a third-party plan administrator, the ability to accept this award electronically, such acceptance shall constitute the Participant's signature hereof.

2012 HOVNANIAN ENTERPRISES, INC.
AMENDED AND RESTATED STOCK INCENTIVE PLAN

RESTRICTED SHARE UNIT AGREEMENT
(Directors)

Participant: _____ *Date of Grant:* _____

Number of RSUs: _____

Dates of Vesting of Class A Shares:

Date	*Number of RSUs*
_____	_____
_____	_____
_____	_____

1. Grant of RSUs. For valuable consideration, receipt of which is hereby acknowledged, Hovnanian Enterprises, Inc., a Delaware Corporation (the "Company"), hereby grants the number of restricted share units ("RSUs") listed above to the Participant, on the terms and conditions hereinafter set forth. This grant is made pursuant to the terms and conditions of the 2012 Company Amended and Restated Stock Incentive Plan (the "Plan"), which Plan, as amended from time to time, is incorporated herein by reference and made a part of this Agreement. Each RSU represents the unfunded, unsecured right of the Participant to receive a Share on the date(s) specified herein. Capitalized terms not otherwise defined herein shall have the same meanings as in the Plan.

2. Vesting and Timing of Transfer.

(a) The Participant will become vested in the RSUs in accordance with the schedule set forth above (each such vesting date, a "Vesting Date").

(b) The Company shall transfer to the Participant, as soon as practicable but not later than 60 days after an applicable "Delivery Date" (as defined below), a number of Class A Shares equal to the number of RSUs that became vested on the corresponding Vesting Date (rounded up to the next whole share), provided, however, that upon the final transfer of Shares to the Participant (i) such number of Shares shall be reduced to the extent necessary to reflect any previous rounding up pursuant to this sentence, and (ii) in lieu of a fractional Share, the Participant shall receive a cash payment equal to the Fair Market Value of such fractional Share. If the Participant is eligible to participate in, and has elected to defer the transfer of Shares pursuant to the terms of a nonqualified deferred compensation plan maintained by the Company, such Shares shall be so deferred, and any such deferral, when paid, shall be paid in Shares. Once the transfer of any Shares is deferred, the rights and privileges of the Participant with respect to such Shares shall be determined solely pursuant to the terms of the applicable plan, and not pursuant to the terms and conditions of this Agreement. For purposes of this Agreement, the "Delivery Date" with respect to each Vesting Date shall mean the date that is the earlier of (i) the second anniversary of such Vesting Date or (ii) the second anniversary of the date of the Participant's Qualified Termination (as defined below), if applicable.

(c) Notwithstanding Sections 2(a) and 2(b) of this Agreement, if the Participant ceases to be a member of the Board of Directors due to (i) death, (ii) Disability or (iii) Retirement, but only if such Retirement occurs on or after the first anniversary of the Date of Grant indicated above (any such termination, a "Qualified Termination"), any previously unvested RSUs shall become fully vested and the Shares underlying all of the Participant's outstanding RSUs shall be delivered to the Participant as soon as practicable but not later than 60 days after the corresponding Delivery Date(s). In the event of the death of the Participant, the transfer of Shares under this Section 2(c) shall be made in accordance with the beneficiary designation form on file with the Company; provided, however, that, in the absence of any such beneficiary designation form, the transfer of Shares under this Section 2(c) shall be made to the person or persons to whom the Participant's rights under the Agreement shall pass by will or by the applicable laws of descent and distribution. For purposes of this Agreement, "Disability" shall mean disability within the meaning of Section 22(e)(3) of the Code, and "Retirement" shall mean termination as a member of the Board of Directors on or after age 60, or on or after age 58 with at least 15 years of "Service" to the Company immediately preceding such termination. For this purpose, "Service" means the period of service as a member of the Board of Directors immediately preceding Retirement, plus any prior periods of service as a member of the Board of Directors of one or more years' duration, unless they were succeeded by a period of non-service as a member of the Board of Directors of at least three years' duration.

(d) Upon each transfer or deferral of Shares in accordance with Sections 2(a), 2(b) and 2(c) of this Agreement, a number of RSUs equal to the number of Shares transferred to the Participant or deferred shall be extinguished.

(e) Notwithstanding Sections 2(a), 2(b) and 2(c) of this Agreement, upon the date that the Participant ceases to be a member of the Board of Directors for any reason other than death, Disability or Retirement occurring on or after the first anniversary of the Date of Grant indicated above, any unvested RSUs shall immediately terminate for no further consideration.

3. Dividends. If on any date while RSUs are outstanding hereunder the Company shall pay any dividend on the Shares (other than a dividend payable in Shares), the number of RSUs granted to the Participant shall, as of such dividend payment date, be increased by a number of RSUs equal to: (a) the product of (x) the number of RSUs held by the Participant as of the related dividend record date, multiplied by (y) the per Share amount of any cash dividend (or, in the case of any dividend payable in whole or in part other than in cash, the per Share value of such dividend, as determined in good faith by the Committee), divided by (b) the Fair Market Value of a Share on the payment date of such dividend. In the case of any dividend declared on Shares that is payable in the form of Shares, the number of RSUs granted to the Participant shall be increased by a number equal to the product of (a) the RSUs that are held by the Participant on the related dividend record date, multiplied by (b) the number of Shares (including any fraction thereof) payable as a dividend on a Share. Any RSUs attributable to dividends under this Section 3 shall be subject to the vesting provisions provided in Section 2.

4. Adjustments Upon Certain Events. Subject to the terms of the Plan, in the event of any change in the outstanding Shares by reason of any Share dividend or split, reorganization, recapitalization, merger, consolidation, amalgamation, spin-off or combination transaction or exchange of Shares or other similar events (collectively, an "Adjustment Event"), the Committee shall, in its sole discretion, make an appropriate and equitable adjustment in the number of RSUs subject to this Agreement to reflect such Adjustment Event. Any such adjustment made by the Committee shall be final and binding upon the Participant, the Company and all other interested persons.

5. No Acquired Rights. In participating in the Plan, the Participant acknowledges and accepts that the Board has the power to amend or terminate the Plan, to the extent permitted thereunder, at any time and that the opportunity given to the Participant to participate in the Plan is entirely at the discretion of the Board and does not obligate the Company or any of its Affiliates to offer such participation in the future (whether on the same or different terms).

6. No Rights of a Shareholder. The Participant shall not have any rights or privileges as a shareholder of the Company until the Shares in question have been registered in the Company's register of shareholders.

7. Legend on Certificates. Any Shares issued or transferred to the Participant pursuant to Section 2 of this Agreement shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares are listed, and any applicable Federal or state laws or relevant securities laws of the jurisdiction of the domicile of the Participant, and the Committee may cause a legend or legends to be put on any certificates representing such Shares to make appropriate reference to such restrictions.

8. Transferability. RSUs may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant otherwise than by will or by the laws of descent and distribution, and any purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance not permitted by this Section 8 shall be void and unenforceable against the Company or any Affiliate.

9. Withholding. The Participant may be required to pay to the Company or any Affiliate and the Company or any Affiliate shall have the right and is hereby authorized to withhold from any transfer due under this Agreement or under the Plan or from any compensation or other amount owing to the Participant, applicable withholding taxes with respect to any transfer under this Agreement or under the Plan and to take such action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. Notwithstanding the foregoing, if the Participant ceases to be a member of the Board of Directors prior to the transfer of all of the Shares under this Agreement, the payment of any applicable withholding taxes with respect to any further transfer of Shares under this Agreement or the Plan shall be made solely through the sale of Shares equal to the statutory minimum withholding liability.

10. Choice of Law. THE INTERPRETATION, PERFORMANCE AND ENFORCEMENT OF THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

11. RSUs Subject to Plan. By entering into this Agreement, the Participant agrees and acknowledges that the Participant has received and read a copy of the Plan. All RSUs are subject to the Plan. In the event of a conflict between any term or provision contained herein and a term or provision of the Plan, the applicable terms and provisions of the Plan will govern and prevail.

12. Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

13. 409A. Notwithstanding any other provisions of this Agreement or the Plan, this RSU shall not be deferred, accelerated, extended, paid out or modified in a manner that would result in the imposition of an additional tax under Section 409A of the Code upon the Participant. In the event it is reasonably determined by the Committee that, as a result of Section 409A of the Code, the transfer of Class A Shares under this Agreement may not be made at the time contemplated hereunder without causing the Participant to be subject to taxation under Section 409A of the Code (including due to the Participant's status as a "specified employee" within the meaning of Section 409A of the Code), the Company will make such payment on the first day that would not result in the Participant incurring any tax liability under Section 409A of the Code.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

HOVNANIAN ENTERPRISES, INC.

By:_____
Ara K. Hovnanian
President, Chief Executive Officer and Chairman of the Board

PARTICIPANT

By:_____

Exhibit 10(l)

EXECUTION VERSION

$75,000,000

CREDIT AGREEMENT

Dated as of July 29, 2016

among

K. HOVNANIAN ENTERPRISES, INC.,
as Borrower

HOVNANIAN ENTERPRISES, INC.,
as Holdings

THE SUBSIDIARIES OF HOLDINGS NAMED HEREIN,
as Subsidiary Guarantors

WILMINGTON TRUST, NATIONAL ASSOCIATION,
as Administrative Agent

and

THE LENDERS PARTY HERETO

TABLE OF CONTENTS

CREDIT AGREEMENT

This CREDIT AGREEMENT (as amended, restated, amended and restated or otherwise modified from time to time, this "Agreement") is entered into as of July 29, 2016 among HOVNANIAN ENTERPRISES, INC., a Delaware corporation ("Holdings"), K. HOVNANIAN ENTERPRISES, INC., a California corporation (the "Borrower"), the Subsidiaries of Holdings from time to time party hereto (each a "Subsidiary Guarantor" and collectively, together with Holdings, the "Guarantors"), each lender from time to time party hereto (collectively, the "Lenders" and individually, each a "Lender") and WILMINGTON TRUST, NATIONAL ASSOCIATION, as Administrative Agent (as defined herein).

PRELIMINARY STATEMENTS

The Borrower has requested that the Initial Term Lenders make Initial Term Loans to the Borrower in an aggregate principal amount of $75,000,000.

The Loan Parties have agreed pursuant to the Security Agreement to secure all of the Loan Obligations by granting to the Administrative Agent, for the benefit of the Secured Parties, super-priority Liens (subject to certain Liens permitted by this Agreement) on the assets currently constituting collateral under the First Lien Notes and Existing Second Lien Notes.

The Guarantors have agreed to guarantee the Loan Obligations of the Borrower hereunder pursuant to the Guarantee.

The applicable Lenders have indicated their willingness to lend on the terms and subject to the conditions set forth in this Agreement.

In consideration of the mutual covenants and agreements contained in this Agreement, the parties hereto covenant and agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01 Defined Terms. As used in this Agreement, the following terms shall have the meanings set forth below:

"2017 Notes" means the collective reference to the January 2017 Notes and the Units.

"7.000% Notes" means the Borrower's 7.000% Senior Notes due 2019 issued under the 7.000% Notes Indenture.

"7.000% Notes Indenture" means the indenture governing the Borrower's 7.000% Notes, dated as of January 10, 2014 (as may be amended or supplemented as of the date hereof or from time to time), among the Borrower, Holdings, each of the other guarantors named therein and Wilmington Trust, National Association as Trustee (as defined in the 7.000% Notes Indenture).

"8.000% Notes" means the Borrower's 8.000% Senior Notes due 2019.

"Acquired Indebtedness" means (a) with respect to any Person that becomes a Restricted Subsidiary (or is merged into Holdings, the Borrower or any Restricted Subsidiary) after the Closing Date, Indebtedness of such Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary (or is merged into Holdings, the Borrower or any Restricted Subsidiary) that was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary (or being merged into Holdings, the Borrower or any Restricted Subsidiary) and (b) with respect to Holdings, the Borrower or any Restricted Subsidiary, any Indebtedness expressly assumed by Holdings, the Borrower or any Restricted Subsidiary in connection with the acquisition of any assets from another Person (other than Holdings, the Borrower or any Restricted Subsidiary), which Indebtedness was not incurred by such other Person in connection with or in contemplation of such acquisition. Indebtedness incurred in connection with or in contemplation of any transaction described in clause (a) or (b) of the preceding sentence shall be deemed to have been incurred by Holdings or a Restricted Subsidiary, as the case may be, at the time such Person becomes a Restricted Subsidiary (or is merged into Holdings, the Borrower or any Restricted Subsidiary) in the case of clause (a) or at the time of the acquisition of such assets in the case of clause (b), but shall not be deemed Acquired Indebtedness.

"Administrative Agent" means Wilmington Trust, National Association in its capacity as administrative agent or collateral agent, as the case may be, under any of the Loan Documents, or any permitted successor administrative agent or collateral agent, as the case may be.

"Administrative Agent's Office" means the Administrative Agent's address and, as appropriate, account as set forth on Schedule 9.02, or such other address or account as the Administrative Agent may from time to time notify in writing to the Borrower and the Lenders.

"Administrative Questionnaire" means an Administrative Questionnaire substantially in the form of Exhibit D.

"Affiliate" means, when used with reference to a specified Person, any Person directly or indirectly controlling, or controlled by or under direct or indirect common control with, the Person specified.

"Affiliate Transaction" has the meaning specified in Section 6.10.

"Agent-Related Person" means the Administrative Agent, together with its Affiliates, and the officers, directors, employees, agents and attorneys-in-fact of such Persons and Affiliates.

"Agents" means, collectively, the Administrative Agent and the Supplemental Administrative Agents (if any).

"Aggregate Commitments" means the Term Commitments of all the Lenders.

"Aggregate Exposure" means, with respect to any Lender at any time, an amount equal to such Lender's Total Outstandings.

"Aggregate Exposure Percentage" means, with respect to any Lender at any time, the ratio (expressed as a percentage) of such Lender's Aggregate Exposure at such time to the Aggregate Exposure of all Lenders at such time.

"Agreement" has the meaning specified in the introductory paragraph.

"Amended and Restated Collateral Agency Agreement" means the Amended and Restated Collateral Agency Agreement, dated as of the Closing Date, among the Borrower, Holdings, the other grantors party from time to time thereto, the First Lien Notes Collateral Agent, the Administrative Agent, the Existing Second Lien Collateral Agent, the New Second Lien Notes Collateral Agent, Wilmington Trust, National Association, as Junior Joint Collateral Agent (as defined therein) and the Mortgage Tax Collateral Agent, as may be amended, restated, supplemented or otherwise modified from time to time.

"Amended and Restated Intercreditor Agreement" means the Amended and Restated Intercreditor Agreement, dated as of the Closing Date, among the Borrower, Holdings, the other grantors party from time to time thereto, the Administrative Agent, the First Lien Notes Collateral Agent and the First Lien Notes Trustee, the Existing Second Lien Collateral Agent and the Existing Second Lien Trustee, the New Second Lien Notes Collateral Agent and the New Second Lien Notes Trustee, Wilmington Trust, National Association, as Junior Joint Collateral Agent (as defined therein) and the Mortgage Tax Collateral Agent, as may be amended, restated, supplemented or otherwise modified from time to time.

"Applicable Debt" means all Indebtedness of Holdings, the Borrower or any other Loan Party (a) under Credit Facilities or (b) that is publicly traded (including in the Rule 144A market), including, without limitation, the Borrower's senior notes outstanding on the Closing Date.

"Applicable Rate" means with respect to an Initial Term Loan, (i) in the case of any Base Rate Loan, 6.00% and (ii) in the case of any Eurodollar Rate Loan, 7.00%.

"Appropriate Lender" means, at any time, with respect to Loans of any Class, the Lenders of such Class.

"Approved Fund" means any Fund that is administered, advised or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers, advises or manages a Lender.

"Asset Acquisition" means (a) an Investment by Holdings, the Borrower or any Restricted Subsidiary in any other Person if, as a result of such Investment, such Person shall become a Restricted Subsidiary or shall be consolidated or merged with or into Holdings, the Borrower or any Restricted Subsidiary or (b) the acquisition by Holdings, the Borrower or any Restricted Subsidiary of the assets of any Person, which constitute all or substantially all of the assets or of an operating unit or line of business of such Person or which is otherwise outside the ordinary course of business.

"Asset Disposition" means any sale, transfer, conveyance, lease or other disposition (including, without limitation, by way of merger, consolidation or sale and leaseback or sale of shares of Capital Stock in any Subsidiary) (each, a "transaction") by Holdings, the Borrower or any Restricted Subsidiary to any Person of any Property having a Fair Market Value in any transaction or series of related transactions of at least $10.0 million, provided that such de-minimis amount shall not apply to any Land Banking Transactions (and with respect to Land Banking Transactions, the proviso in clause (b) below shall apply). The term "Asset Disposition" shall not include:

(a) a transaction between Holdings, the Borrower and any Restricted Subsidiary or a transaction between Restricted Subsidiaries,

(b) a transaction in the ordinary course of business, including, without limitation, sales (directly or indirectly), sales subject to repurchase options, dedications and other donations to governmental authorities, leases and sales and leasebacks of (i) homes, improved land and unimproved land and (ii) real estate (including related amenities and improvements); provided that sales of Collateral pursuant to Land Banking Transactions (other than Collateral acquired by Holdings, the Borrower or any Restricted Subsidiary within 180 days prior to the entering into of a definitive agreement for such Land Banking Transaction) do not in the aggregate exceed a GAAP book value for all such Collateral of $10.0 million during any fiscal quarter (with any unused amounts in any fiscal quarter being carried over to subsequent fiscal quarters subject to a maximum GAAP book value of $50.0 million in any fiscal quarter),

(c) a transaction involving the sale of Capital Stock of, or the disposition of assets in, an Unrestricted Subsidiary,

(d) any exchange or swap of assets of Holdings, the Borrower or any Restricted Subsidiary for assets (including Capital Stock of any Person that is or will be a Restricted Subsidiary following receipt thereof) that (i) are to be used by Holdings, the Borrower or any Restricted Subsidiary in the ordinary course of its Real Estate Business and (ii) have a Fair Market Value not less than the Fair Market Value of the assets exchanged or swapped (provided that (except as permitted by clause (c) under the definition of "Permitted Investment") to the extent that the assets exchanged or swapped were Collateral, the assets received are pledged as Collateral under the Collateral Documents substantially simultaneously with such exchange or swap, with the Lien on such assets received being of the same priority with respect to Loans as the Lien on the assets disposed of),

(e) any sale, transfer, conveyance, lease or other disposition of assets and properties that is governed by Section 6.11 hereof,

(f) dispositions of mortgage loans and related assets and mortgage-backed securities in the ordinary course of a mortgage lending business,

(g) the creation of a Permitted Lien and dispositions in connection with Permitted Liens,

(h) any sale, transfer, conveyance, lease or other disposition that constitutes a Restricted Payment or Permitted Investment,

(i) sales, transfers and other dispositions of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding arrangements,

(j) the unwinding of any Hedging Obligations,

(k) foreclosures, condemnation, eminent domain or any similar action on assets,

(l) any financing transaction with respect to property built or acquired by Holdings or any Restricted Subsidiary after the Closing Date,

(m) any surrender or waiver of contractual rights or the settlement, release or surrender of contractual rights or other litigation claims in the ordinary course of business, and

(n) the issuance of directors' qualifying shares and shares issued to foreign nationals or other third parties as required by applicable law.

"Assignment and Assumption" means an Assignment and Assumption substantially in the form of Exhibit C or in another form reasonably acceptable to the Administrative Agent.

"Attorney Costs" means and includes all reasonable and documented out-of-pocket fees, expenses and disbursements of any law firm or other external counsel.

"Attributable Debt" means, with respect to any Capitalized Lease Obligations, the capitalized amount thereof determined in accordance with GAAP.

"Authorization" has the meaning specified in Section 5.09.

"Bankruptcy Law" means Title 11 of the United States Code, as amended, or any similar federal or state law for the relief of debtors.

"Base Rate" means, for any day, a fluctuating rate per annum equal to the highest of (a) the Federal Funds Rate in effect on such day plus 1/2 of 1%, (b) the Prime Rate and (c) the Eurodollar Rate applicable for an Interest Period of one (1) month beginning on such day (or if such day is not a Business Day, the immediately preceding Business Day) plus 1.00%. Any change in the Base Rate due to a change in the Federal Funds Rate, the Prime Rate or the Eurodollar Rate, as the case may be, shall be effective as of the opening of business on the effective day of such change in the Federal Funds Rate, Prime Rate or Eurodollar Rate, as the case may be.

"Base Rate Loan" means a Loan that bears interest based on the Base Rate.

"Board of Directors" means, when used with reference to the Borrower or Holdings, as the case may be, the board of directors or any duly authorized committee of that board or any director or directors and/or officer or officers to whom that board or committee shall have duly delegated its authority.

"Borrower" has the meaning specified in the introductory paragraph to this Agreement.

"Borrowing" means a borrowing of Term Loans, Refinancing Term Loans or Extended Term Loans, as the context may require.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the Laws of, or are in fact closed in the state where the Administrative Agent's Office is located, and, if such day relates to any interest rate settings as to a Eurodollar Rate Loan, any fundings, disbursements, settlements and payments in respect of any such Eurodollar Rate Loan, or any other dealings to be carried out pursuant to this Agreement in respect of any such Eurodollar Rate Loan, means any such day on which dealings in deposits in Dollars are conducted by and between banks in the London interbank eurodollar market.

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated) of or in such Person's capital stock or other equity interests, and options, rights or warrants to purchase such capital stock or other equity interests, whether now outstanding or issued after the Closing Date, including, without limitation, all Disqualified Stock and Preferred Stock, but excluding any debt security that is convertible into, or exchangeable for, Capital Stock.

"Capitalized Lease Obligations" of any Person means the obligations of such Person to pay rent or other amounts under a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP, and the amount of such obligations will be the capitalized amount thereof determined in accordance with GAAP.

"Cash Equivalents" means:

(a) U.S. dollars, Canadian dollars, euros, pound sterling, any national currency of any participating member state in the European Union or local currencies held from time to time in the ordinary course of business;

(b) securities issued or directly and fully guaranteed or insured by the U.S. government or any country that is a member state of the European Union or any agency or instrumentality thereof having maturities of one year or less from the date of acquisition;

(c) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances with maturities of one year or less from the date of acquisition, in each case with any domestic commercial bank having capital and surplus in excess of $500.0 million;

(d) marketable general obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition and, at the time of acquisition, having a credit rating of at least "A" or the equivalent thereof by S&P or Moody's, or carrying an equivalent rating by a nationally recognized Rating Agency, if both of the two named Rating Agencies cease publishing ratings of investments;

(e) repurchase obligations for underlying securities of the types described in clauses (b), (c) and (d) of this definition entered into with any financial institution meeting the qualifications specified in clause (c) of this definition;

(f) commercial paper rated P-1, A-1 or the equivalent thereof by Moody's or S&P, respectively, and in each case maturing within one year after the date of acquisition;

(g) investments with average maturities of one year or less from the date of acquisition in money market funds rated AAA- (or the equivalent thereof) or better by S&P or Aaa3 (or the equivalent thereof) or better by Moody's; and

(h) investments in investment companies or money market funds substantially all of the assets of which consist of securities described in the foregoing clauses (a) through (g) of this definition.

Notwithstanding the foregoing, Cash Equivalents shall include amounts denominated in currencies other than those set forth in clause (a) above; provided that such amounts are converted into any currency listed in clause (a) as promptly as practicable and in any event within ten business days following the receipt of such amounts.

"Cash Management Services" means any of the following to the extent not constituting a line of credit (other than an overnight overdraft facility that is not in default): ACH transactions, treasury and/or cash management services, including, without limitation, controlled disbursement services, overdraft facilities, foreign exchange facilities, deposit and other accounts and merchant services.

"Casualty Event" means any event that gives rise to the receipt by Holdings, the Borrower or any Restricted Subsidiary of any insurance proceeds or condemnation awards in respect of any equipment, fixed assets or real property (including any improvements thereon) to replace or repair any such equipment, fixed assets or real property.

"Change of Control" means:

(a) any sale, lease or other transfer (in one transaction or a series of transactions) of all or substantially all of the consolidated assets of Holdings and its Restricted Subsidiaries to any Person (other than a Restricted Subsidiary); provided, however, that a transaction where the holders of all classes of Common Equity of Holdings immediately prior to such transaction own, directly or indirectly, more than 50% of all classes of Common Equity of such Person immediately after such transaction shall not be a Change of Control;

(b) a "person" or "group" (within the meaning of Section 13(d) of the Exchange Act (other than (x) Holdings or (y) the Permitted Hovnanian Holders)) becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of Common Equity of Holdings representing more than 50% of the voting power of the Common Equity of Holdings;

(c) Continuing Directors cease to constitute at least a majority of the Board of Directors of Holdings; or

(d) the stockholders of Holdings approve any plan or proposal for the liquidation or dissolution of Holdings; provided, however, that a liquidation or dissolution of Holdings which is part of a transaction that does not constitute a Change of Control under the proviso contained in clause (a) of this definition shall not constitute a Change of Control.

"Change of Control Offer" has the meaning specified in Section 6.16.

"Change of Control Repurchase Date" has the meaning specified in Section 6.16.

"Class" (a) when used with respect to Lenders, refers to whether such Lenders are the Initial Term Lenders, Refinancing Term Lenders or Extending Term Lenders with loans or commitments hereunder with identical terms, (b) when used with respect to Term Commitments, refers to whether such Term Commitments are Initial Term Commitments or Term Commitments in respect of Refinancing Term Loans with identical terms and (c) when used with respect to Loans or a Borrowing, refers to whether such Loans, or the Loans comprising such Borrowing, are Initial Term Loans, Refinancing Term Loans or Extended Term Loans with identical terms, in the case of each of clauses (a), (b) and (c), under this Agreement as originally in effect or as amended or otherwise modified pursuant to Sections 2.13, 2.14 or 9.01, of which such Loan, Borrowing or Term Commitment shall be a part.

"Closing Date" means the first date all the conditions precedent in Section 4.02 are satisfied or waived in accordance with Section 4.02, which date shall be no later than the Commitment Termination Date.

"Code" means the U.S. Internal Revenue Code of 1986, as amended from time to time, and rules and regulations related thereto.

"Collateral" means all property or assets of the Borrower and the other Loan Parties (whether now owned or hereafter arising or acquired) that secures Loan Obligations under the Collateral Documents.

"Collateral Documents" means, collectively, the First Lien Intercreditor Agreement, the Amended and Restated Intercreditor Agreement, the Amended and Restated Collateral Agency Agreement, the Security Agreement, the Pledge Agreement, the Intellectual Property Security Agreements and any collateral agency agreement related to any of the foregoing, in each case, if any, and each of the other agreements, instruments or documents that creates, purports to create or perfects a Lien in favor of the Administrative Agent for the benefit of the Secured Parties as security for the Loan Obligations.

"Collateral Perfection Officer's Certificate" has the meaning specified in Section 6.14(g)

"Commission" means the Securities and Exchange Commission.

"Commitment Termination Date" means (a) five (5) Business Days after the Effective Date, if the Tender Offer and Consent Solicitation has not been commenced substantially on the terms (subject to the right of the Purchasers (as defined in the Note Purchase Agreement) to consent to certain changes to such terms in accordance with Section 7.01 of the Note Purchase Agreement) set forth in the Offer to Purchase Statement in the form attached hereto as Exhibit J by such date, and otherwise, (b) 45 Business Days after the Effective Date, if the condition set forth in Section 4.02(j) has not been satisfied.

"Common Equity" of any Person means Capital Stock of such Person that is generally entitled to (a) vote in the election of directors of such Person or (b) if such Person is not a corporation, vote or otherwise participate in the selection of the governing body, partners, managers or others that will control the management or policies of such Person.

"Compensation Period" has the meaning specified in Section 2.10(b)(ii).

"Competitors" means those Persons identified in writing to the Administrative Agent and the Initial Term Lenders on or prior to the Effective Date as competitors or who are clearly identifiable Affiliates of such Persons solely by similarity of such Affiliate's name.

"Connection Income Taxes" means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

"Consent Solicitation" has the meaning specified in the definition of "Tender Offer and Consent Solicitation."

"Consolidated Cash Flow Available for Fixed Charges" means, for any period, Consolidated Net Income for such period plus (each to the extent deducted in calculating such Consolidated Net Income and determined in accordance with GAAP) the sum for such period, without duplication, of:

(a) provision for taxes based on income or profits or capital gains, including, without limitation, U.S. federal, state, non-U.S., franchise, excise, value added and similar taxes and foreign withholding taxes of such Person paid or accrued during such period, including any penalties and interest relating to such taxes or arising from any tax examinations,

(b) Consolidated Interest Expense,

(c) depreciation and amortization expenses and other non-cash charges to earnings,

(d) any fees, expenses, charges or losses (other than depreciation or amortization expense) related to any Equity Offering, Permitted Investment, acquisition, disposition, recapitalization or the incurrence of Indebtedness permitted to be incurred by this Agreement (including a refinancing thereof) (whether or not successful), including (i) such fees, expenses or charges related to the making of Loans and the issuance of the New Second Lien Notes and the First Lien Exchange Notes and (ii) any amendment or other modification of the Loans hereunder, the New Second Lien Notes and the First Lien Exchange Notes or other Indebtedness,

(e) any other non-cash charges, including any write offs, write downs, expenses, losses or items, excluding any such charge that represents an accrual or reserve for a cash expenditure for a future period,

(f) costs of surety bonds incurred in such period in connection with financing activities,

(g) any costs or expense incurred by Holdings or a Restricted Subsidiary pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement or any stock subscription or shareholder agreement, to the extent that such cost or expenses are funded with cash proceeds contributed to the capital of Holdings or net cash proceeds of an issuance of Qualified Stock solely to the extent that such net cash proceeds are excluded from the calculation set forth in clause (iii) of Section 6.04(a),

(h) effects of adjustments (including the effects of such adjustments pushed down to Holdings and its Restricted Subsidiaries) in any line item in such Person's consolidated financial statements in accordance with GAAP resulting from the application of purchase accounting, or the amortization or write-off of any amounts thereof, net of taxes,

(i) any impairment charge, asset write-off or write-down pursuant to ASC 350 and ASC 360 (formerly Financial Accounting Standards Board Statement Nos. 142 and 144, respectively) and the amortization of intangibles arising pursuant to ASC 805 (formerly Financial Accounting Standards Board Statement No. 141), and

(j) cash receipts (or any netting arrangements resulting in reduced cash expenses) not included in Consolidated Cash Flow Available for Fixed Charges in any period to the extent non-cash gains relating to such receipts were deducted in the calculation of Consolidated Cash Flow Available for Fixed Charges pursuant to clause (k) below for any previous period and not added back, *minus*

(k) non-cash gains increasing Consolidated Net Income for such period, excluding any non-cash gains which represent the reversal of any accrual of, or cash reserve for, anticipated cash charges that reduced Consolidated Cash Flow Available for Fixed Charges in any prior period; provided that, to the extent non-cash gains are deducted pursuant to this clause (k) for any previous period and not otherwise added back to Consolidated Cash Flow Available for Fixed Charges, Consolidated Cash Flow Available for Fixed Charges shall be increased by the amount of any cash receipts (or any netting arrangements resulting in reduced cash expenses) in respect of such non-cash gains received in subsequent periods to the extent not already included therein, and *plus* or *minus* (as applicable and without duplication) to eliminate the following items to the extent reflected in Consolidated Net Income,

(l) (i) any net gain or loss resulting in such period from currency gains or losses related to Indebtedness, intercompany balances and other balance sheet items, and (ii) any unrealized net gain or loss resulting in such period from Hedging Obligations, and the application of Financial Accounting Standards Codification No. 815—Derivatives and Hedging (formerly Financing Accounting Standards Board Statement No. 133), and its related pronouncements and interpretations (or any successor provision).

"Consolidated Fixed Charge Coverage Ratio" means, with respect to any determination date, the ratio of (x) Consolidated Cash Flow Available for Fixed Charges for the prior four full fiscal quarters (the "Four Quarter Period") for which financial results have been reported immediately preceding the determination date (the "Transaction Date"), to (y) the aggregate Consolidated Interest Incurred for the Four Quarter Period. For purposes of this definition, "Consolidated Cash Flow Available for Fixed Charges" and "Consolidated Interest Incurred" shall be calculated after giving effect on a *pro forma* basis for the period of such calculation to:

(a) the incurrence or the repayment, repurchase, redemption, retirement, defeasance or other discharge or the assumption by another Person that is not an Affiliate (collectively, "repayment") of any Indebtedness of Holdings, the Borrower or any Restricted Subsidiary (and the application of the proceeds thereof) giving rise to the need to make such calculation, and any incurrence or repayment of other Indebtedness (and the application of the proceeds thereof), at any time on or after the first day of the Four Quarter Period and on or prior to the Transaction Date, as if such incurrence or repayment, as the case may be (and the application of the proceeds thereof), occurred on the first day of the Four Quarter Period, except that Indebtedness under revolving credit facilities shall be deemed to be the average daily balance of such Indebtedness during the Four Quarter Period (as reduced on such *pro forma* basis by the application of any proceeds of the incurrence of Indebtedness giving rise to the need to make such calculation);

(b) any Asset Disposition, Asset Acquisition (including, without limitation, any Asset Acquisition giving rise to the need to make such calculation as a result of Holdings, the Borrower or any Restricted Subsidiary (including any Person that becomes a Restricted Subsidiary as a result of any such Asset Acquisition) incurring Acquired Indebtedness at any time on or after the first day of the Four Quarter Period and on or prior to the Transaction Date), Investment, merger or consolidation as if such Asset Disposition, Asset Acquisition (including the incurrence or repayment of any such Indebtedness), Investment, merger or consolidation and the inclusion, notwithstanding clause (b) of the definition of "Consolidated Net Income," of any Consolidated Cash Flow Available for Fixed Charges associated with such Asset Acquisition or other transaction occurred on the first day of the Four Quarter Period; provided, however, that the Consolidated Cash Flow Available for Fixed Charges associated with any Asset Acquisition or other transaction shall not be included to the extent the net income so associated would be excluded pursuant to the definition of "Consolidated Net Income," other than clause (b) thereof, as if it applied to the Person or assets involved before they were acquired; and

(c) the Consolidated Cash Flow Available for Fixed Charges and the Consolidated Interest Incurred attributable to discontinued operations, as determined in accordance with GAAP, shall be excluded.

Furthermore, in calculating "Consolidated Cash Flow Available for Fixed Charges" for purposes of determining the denominator (but not the numerator) of this "Consolidated Fixed Charge Coverage Ratio,"

(a) interest on Indebtedness in respect of which a *pro forma* calculation is required that is determined on a fluctuating basis as of the Transaction Date (including Indebtedness actually incurred on the Transaction Date) and which will continue to be so determined thereafter shall be deemed to have accrued at a fixed rate per annum equal to the rate of interest on such Indebtedness in effect on the Transaction Date, and

(b) notwithstanding the immediately preceding clause (a), interest on such Indebtedness determined on a fluctuating basis, to the extent such interest is covered by agreements relating to Interest Protection Agreements, shall be deemed to accrue at the rate per annum resulting after giving effect to the operation of such agreements.

"Consolidated Interest Expense" of Holdings for any period means the Interest Expense of Holdings, the Borrower and the Restricted Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP.

"Consolidated Interest Incurred" for any period means the Interest Incurred of Holdings, the Borrower and the Restricted Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP.

"Consolidated Net Income" for any period means the aggregate net income (or loss) of Holdings and its Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP; provided, that there will be excluded from such net income (loss) (to the extent otherwise included therein), without duplication:

(a) the net income (or loss) of (x) any Unrestricted Subsidiary (other than a Mortgage Subsidiary) or (y) any Person (other than a Restricted Subsidiary or a Mortgage Subsidiary) that is accounted for by the equity method of accounting, except, in each case, to the extent that any such income has actually been received by Holdings, the Borrower or any Restricted Subsidiary in the form of cash dividends or similar cash distributions during such period,

(b) except to the extent includable in Consolidated Net Income pursuant to clause (a) of this definition, the net income (or loss) of any Person that accrued prior to the date that (i) such Person becomes a Restricted Subsidiary or is merged with or into or consolidated with Holdings, the Borrower or any of its Restricted Subsidiaries (except, in the case of an Unrestricted Subsidiary that is redesignated a Restricted Subsidiary during such period, to the extent of its retained earnings from the beginning of such period to the date of such redesignation) or (ii) the assets of such Person are acquired by Holdings or any Restricted Subsidiary,

(c) solely for the purpose of determining the amount available for Restricted Payments under clause (iii) of Section 6.04(a), the net income of any Restricted Subsidiary that is not a Loan Party to the extent that (but only so long as) the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of that income is not permitted by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary during such period, except, the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash that could have been distributed by such Restricted Subsidiary during such period to Holdings or another Restricted Subsidiary as a dividend,

(d) the gains or losses, together with any related provision for taxes, realized during such period by Holdings, the Borrower or any Restricted Subsidiary resulting from (i) the acquisition of securities, or extinguishment of Indebtedness or Hedging Obligations or other derivative instruments (including deferred financing costs written off and premiums paid), of Holdings or any Restricted Subsidiary, (ii) any Asset Disposition by Holdings or any Restricted Subsidiary, (iii) any non-cash income (or loss) related to currency gains or losses related to Indebtedness, intercompany balances and other balance sheet items and to Hedging Obligations pursuant to Financial Accounting Standards Codification No. 815 —Derivatives and Hedging (formerly Financing Accounting Standards Board Statement No. 133) and its related pronouncements and interpretations (or any successor provision) and (iv) any non-cash expense, income or loss attributable to the movement in mark-to-market valuation of foreign currencies, Indebtedness or derivative instruments pursuant to GAAP,

(e) any extraordinary, unusual or non-recurring gain or loss (but excluding any impairment charges), in each case, less all fees and expenses relating thereto and any expenses, severance, relocation costs, curtailments or modifications to pension and post-retirement employee benefits plans, integration and other restructuring and business optimization costs, charges, reserves or expenses (including relating to acquisitions after January 10, 2014), and one-time compensation charges together with any related provision for taxes, realized by Holdings, the Borrower or any Restricted Subsidiary,

(f) the cumulative effect of a change in accounting principles and changes as a result of adoption or modification of accounting policies during such period,

(g) any net after-tax gains or losses on disposal of disposed, abandoned, transferred, closed or discontinued operations,

(h) any after-tax effect of gains or losses (less all fees and expenses relating thereto) attributable to asset dispositions or abandonments other than in the ordinary course of business, as determined in good faith by Holdings,

(i) (A) any non-cash compensation expense recorded from grants of stock appreciation or similar rights, phantom equity, stock options, restricted stock, units or other rights to officers, directors, managers or employees and (B) non-cash income (loss) attributable to deferred compensation plans or trusts,

(j) any fees and expenses incurred during such period, or any amortization thereof for such period, in connection with any acquisition, Investment, recapitalization, Asset Disposition, issuance or repayment of Indebtedness, issuance of Capital Stock, refinancing transaction or amendment or modification of any debt instrument (in each case, including any such transaction consummated prior to January 10, 2014 and any such transaction undertaken but not completed) and any charges or non-recurring merger costs incurred during such period as a result of any such transaction, and

(k) to the extent covered by insurance or indemnification and actually reimbursed, or, so long as the Borrower has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer or indemnifying party and only to the extent that such amount is (i) not denied by the applicable carrier or indemnifying party in writing within 180 days and (ii) in fact reimbursed within 365 days of the date of such evidence (with a deduction for any amount so added back to the extent not so reimbursed within 365 days), losses and expenses with respect to liability or casualty events or business interruption shall be excluded;

provided, further, that for purposes of calculating Consolidated Net Income solely as it relates to clause (iii) of Section 6.04(a), clauses (d)(ii) and (h) above shall not be applicable.

"Consolidated Tangible Assets" of Holdings as of any date means the total amount of assets of Holdings and its Restricted Subsidiaries (less applicable reserves and including any deferred tax assets (for which a valuation allowance has been recorded with respect thereto as if no such valuation allowance was required in making such calculation)) on a consolidated basis at the end of the fiscal quarter for which financial results have been reported immediately preceding such date, as determined in accordance with GAAP, less: (a) Intangible Assets and (b) appropriate adjustments on account of minority interests of other Persons holding equity investments in Restricted Subsidiaries, in the case of each of clauses (a) and (b) above, as reflected on the consolidated balance sheet of Holdings and its Restricted Subsidiaries as of the end of the fiscal quarter immediately preceding such date, with such *pro forma* adjustments to Consolidated Tangible Assets as are appropriate and consistent with the *pro forma* adjustment provisions set forth in the definition of "Consolidated Fixed Charge Coverage Ratio."

"Consolidated Tangible Net Worth" of Holdings as of any date means the stockholders' equity (including any Preferred Stock that is classified as equity under GAAP, other than Disqualified Stock) of Holdings and its Restricted Subsidiaries on a consolidated basis at the end of the fiscal quarter for which financial results have been reported immediately preceding such date, as determined in accordance with GAAP (provided that any deferred tax assets for which a valuation allowance has been recorded with respect thereto shall be included as if no such valuation allowance was required in making such calculation), less the amount of Intangible Assets reflected on the consolidated balance sheet of Holdings and its Restricted Subsidiaries as of the end of the fiscal quarter for which financial results have been reported immediately preceding such date.

"Continuing Director" means a director who either was a member of the Board of Directors of Holdings on the Effective Date or who became a director of Holdings subsequent to such date and whose election or nomination for election by Holdings' stockholders was duly approved by a majority of the Continuing Directors on the Board of Directors of Holdings at the time of such approval, either by a specific vote or by approval of the proxy statement issued by Holdings on behalf of the entire Board of Directors of Holdings in which such individual is named as nominee for director.

"control" when used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Credit Facilities" means, with respect to Holdings, the Borrower or any of its Restricted Subsidiaries, one or more debt facilities or other financing arrangements (including, without limitation, commercial paper facilities or indentures) providing for revolving credit loans, term loans, letters of credit or other long-term indebtedness, including any notes, mortgages, guarantees, collateral documents, instruments and agreements executed in connection therewith, and any amendments, supplements, modifications, extensions, renewals, restatements or refundings thereof and any indentures or credit facilities or commercial paper facilities that exchange, replace, refund, refinance, extend, renew, restate, amend, supplement or modify any part of the loans, notes, other credit facilities or commitments thereunder, including any such exchanged, replacement, refunding, refinancing, extended, renewed, restated, amended, supplemented or modified facility or indenture that increases the amount permitted to be borrowed thereunder or alters the maturity thereof (provided that such increase in borrowings is permitted under Section 6.03(a)) or adds Holdings, the Borrower or Restricted Subsidiaries as additional borrowers or guarantors thereunder and whether by the same or any other agent, lender or group of lenders.

"Currency Agreement" of any Person means any foreign exchange contract, currency swap agreement or other similar agreement or arrangement designed to protect such Person or any of its Subsidiaries against fluctuations in currency values. For the avoidance of doubt, any Permitted Convertible Indebtedness Call Transaction will not constitute a Currency Agreement.

"Custodian" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

"Debtor Relief Laws" means Title 11 of the United States Code, and all other liquidation, conservatorship, bankruptcy, general assignment for the benefit of creditors, moratorium, rearrangement, receivership, examinership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

"Declined Proceeds" has the meaning specified in Section 2.03(b)(iii).

"Default" means any event, act or condition that is, or after notice or the passage of time or both would be, an Event of Default.

"Default Rate" means, with respect to any overdue Loan or interest, an interest rate equal to 2.00% per annum in excess of the interest rate otherwise applicable to such overdue Loan (or the Loan to which such overdue interest relates).

"Defaulting Lender" means, at any time, a Lender as to which the Administrative Agent has notified the Borrower that (a) such Lender has failed for two (2) or more Business Days to comply with its obligations under this Agreement to make a Loan (a "Lender Funding Obligation") required to be funded hereunder, (b) such Lender has notified the Administrative Agent or Borrower in writing, that it will not comply with any such Lender Funding Obligation hereunder, or has defaulted on its Lender Funding Obligations under other loan agreements, credit agreements or other similar agreements in which it commits to extend credit generally or (c) such Lender has, for three (3) or more Business Days, failed to confirm in writing to the Borrower, in response to a written request of the Borrower (based on the reasonable belief that it may not fulfill its Lender Funding Obligations), that it will comply with its Lender Funding Obligations hereunder; provided, that any such Lender shall cease to be a Defaulting Lender under this clause (c) upon receipt of such confirmation by the Borrower. The Administrative Agent or Borrower will promptly send to all parties hereto a copy of any notice to the Borrower or Administrative Agent, as applicable, provided for in this definition.

"Designation Amount" has the meaning specified under the definition of "Unrestricted Subsidiary."

"Disqualified Stock" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, (a) matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, in whole or in part, on or prior to the Latest Maturity Date on the date of determination or (b) is convertible into or exchangeable or exercisable for (whether at the option of the issuer or the holder thereof) (i) debt securities or (ii) any Capital Stock referred to in (a) above, in each case, at any time prior to the Latest Maturity Date on the date of determination; provided, however, that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof (or the holders of any security into or for which such Capital Stock is convertible, exchangeable or exercisable) the right to require Holdings to repurchase or redeem such Capital Stock upon the occurrence of a change in control or asset disposition occurring prior to the Latest Maturity Date on the date of determination shall not constitute Disqualified Stock if the change in control or asset disposition provision applicable to such Capital Stock are no more favorable to such holders than the provisions of Section 6.07 or Section 6.09 (as applicable) and such Capital Stock specifically provides that Holdings will not repurchase or redeem any such Capital Stock pursuant to such provisions prior to Holdings' repurchase of the Loans as are required pursuant to the provisions of Section 6.07 or Section 6.09 hereof (as applicable).

"Dollar" and "$" mean lawful money of the United States.

"Effective Date" means the date on which the conditions precedent in Section 4.01 are satisfied, which date is July 29, 2016.

"Eligible Assignee" means (a) a Lender; (b) an Affiliate of a Lender; (c) an Approved Fund; and (d) any other Person that meets the requirements to be an assignee under Section 9.07(b), provided, that under no circumstances shall (i) any Competitor be an assignee without the prior written consent of the Borrower and, (ii) subject to clauses (k) and (l) of Section 9.07, Holdings, the Borrower or any Affiliate thereof or a natural person, be an Eligible Assignee.

"Environmental Laws" has the meaning specified in Section 5.10.

"Equity Offering" means any public or private sale, after the Closing Date, of Qualified Stock of Holdings, other than (a) public offerings registered on Form S-4 or S-8 or any successor form thereto or (b) any issuance pursuant to employee benefit plans or otherwise in compensation to officers, directors or employees.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Eurodollar Rate" means, for any Interest Period with respect to any Eurodollar Rate Loan (a) the per annum London interbank offered rate as administered by the ICE Benchmark Administration (or any other Person that takes over the administration of such rate) for Dollars for a period equal in length to such Interest Period as displayed on page LIBOR01 or LIBOR02 of the Reuters Screen that displays such rate (or, in the event such rate does not appear on a Reuters page or screen, on any successor or substitute page on such screen that displays such rate, or on the appropriate page of such other information service that publishes such rate from time to time as selected by the Administrative Agent in consultation with the Borrower; in each case, the "Screen Rate") determined as of approximately 11:00 a.m. (London time) two (2) Business Days prior to the first (1st) day of such Interest Period or (b) if the Screen Rate shall not be available at such time for such Interest Period (an "Impacted Interest Period") with respect to Dollars, then the Eurodollar Rate shall be the Interpolated Rate at such time; provided that in no event shall the Eurodollar Rate be less than 0.75% per annum. "Interpolated Rate" means, at any time, the rate per annum determined by the Administrative Agent (which determination shall be conclusive and binding absent manifest error) to be equal to the rate that results from interpolating on a linear basis between: (i) the Screen Rate for the longest period (for which that Screen is available in Dollars) that is shorter than the Impacted Interest Period and (ii) the Screen Rate for the shortest period (for which that Screen Rate is available for Dollars) that exceeds the Impacted Interest Period, in each case, at such time.

"Eurodollar Rate Loan" means a Loan that bears interest at a rate based on the Eurodollar Rate.

"Event of Default" has the meaning specified in Section 7.01.

"Exchange Act" means the United States Securities Exchange Act of 1934, as amended.

"Exchange Agreement" means that certain Exchange Agreement, dated as of the Effective Date, among the Borrower, the guarantors named therein and the purchasers named therein for the exchange of $75,000,000 aggregate principal amount of the Borrower's Existing Second Lien Notes for the First Lien Exchange Notes.

"Excluded Property" means (a) any pledges of stock of the Borrower, any other Loan Party or of K. Hovnanian JV Holdings, L.L.C. to the extent that (including if the Loans were "Securities" as defined in the Securities Act) Rule 3-16 of Regulation S-X under the Securities Act requires or would require (or is replaced with another rule or regulation, or any other law, rule or regulation is adopted, that would require) the filing with the Commission of separate financial statements of the Borrower, such Loan Party or of K. Hovnanian JV Holdings, L.L.C. that are not otherwise required to be filed, but only to the extent necessary to not be subject to such requirement, (b) up to $50.0 million of assets received in connection with Asset Dispositions and asset swaps or exchanges as permitted by clause (c) of the definition of "Permitted Investment," (c) personal property where the cost of obtaining a security interest or perfection thereof exceeds its benefits (as reasonably determined by Holdings' Board of Directors in a board resolution delivered to the Administrative Agent), (d) property subject to a Lien securing Indebtedness incurred for the purpose of financing the acquisition thereof (plus any construction or improvements thereon and any licenses, permits, authorizations, consent forms or contracts related to the acquisition, development, use or improvement thereof) to the extent the terms of such Indebtedness prohibit the incurrence of any other Liens thereon, (e) real property located outside the United States, (f) Unentitled Land, (g) property that is leased or held for the purpose of leasing to unaffiliated third parties, (h) equity interests in Unrestricted Subsidiaries, except for K. Hovnanian JV Holdings, L.L.C., and subject to future grants under the terms of this Agreement, (i) any property in a community under development with a dollar amount of investment as of the most recent month-end (as determined in accordance with GAAP) of less than $2.0 million or with less than 10 lots remaining, (j) any assets or property excluded from the Collateral pursuant to clause (ii) of the proviso of Article 2 of the Security Agreement and (k) up to $25.0 million of cash or cash equivalents that are pledged to secure obligations permitted to be secured pursuant to clause (d) of the definition of "Permitted Liens" if, after the use of commercially reasonable efforts by Holdings to obtain a Lien on such cash or cash equivalents for the benefit of the Secured Parties, the holders of the obligations secured by such cash and cash equivalents do not consent to the granting of such Liens.

"Excluded Subsidiary" means (a) each non-wholly owned Subsidiary and (b) each Subsidiary of Holdings (other than the Borrower) that has a book value of less than $5.0 million, measured at the end of the most recently completed fiscal year for which financial statements have been provided as set forth under Section 6.12 (or if acquired or created subsequent to such delivery, measured at the most recent practicable date (or estimated in the reasonable judgment of Holdings)); provided that in each case, such Subsidiary has not guaranteed any other Applicable Debt of Holdings or the Borrower; provided, further, that in no event shall Excluded Subsidiaries comprise in the aggregate more than 5% of the Consolidated Tangible Assets, measured at the end of the most recently completed fiscal quarter or year, as applicable, for which financial statements have been provided as set forth under Section 6.12.

"Excluded Taxes" means any of the following Taxes imposed on or with respect to any Agent or Lender or required to be withheld or deducted from a payment to any Lender or an Agent, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Lender or Agent being organized under the laws of, or having its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, United States federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan or Term Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Loan or Term Commitment (other than pursuant to an assignment request by the Borrower under Section 3.07) or (ii) such Lender changes its Lending Office, except in each case to the extent that, pursuant to Section 3.01, amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender acquired the applicable interest in a Loan or Term Commitment or to such Lender immediately before it changed its Lending Office, (c) Taxes attributable to such Lender or Agent's failure to comply with Section 3.01(f) and (d) any withholding Taxes imposed under FATCA.

"Existing Second Lien Collateral Agent" means the Existing Second Lien Trustee acting as the collateral agent for the holders of the Existing Second Lien Notes under the security documents related thereto and any successor acting in such capacity.

"Existing Second Lien Guarantees" means the guarantee of the Existing Second Lien Notes by each guarantor under the Existing Second Lien Indenture.

"Existing Second Lien Indenture" means the indenture, dated as of October 2, 2012, by and among the Borrower, Holdings, each of the guarantors party thereto, the Existing Second Lien Trustee and the Existing Second Lien Collateral Agent, as amended or supplemented as of the date hereof and as further amended or supplemented from time to time hereafter, under which the Existing Second Lien Notes were issued.

"Existing Second Lien Notes" means the Borrower's 9.125% Senior Secured Second Lien Notes due 2020 issued under the Existing Second Lien Indenture.

"Existing Second Lien Trustee" means Wilmington Trust, National Association acting as the trustee for the holders of the Existing Second Lien Notes under the Existing Second Lien Indenture and any successor acting in such capacity.

"Existing Senior Secured New Group Notes" means the Borrower's 2.00% Senior Secured Notes due 2021 and 5.00% Senior Secured Notes due 2021 issued under the Existing Senior Secured New Group Notes Indenture.

"Existing Senior Secured New Group Notes Collateral Agent" means the Existing Senior Secured New Group Notes Trustee acting as the collateral agent for the holders of the Existing Senior Secured New Group Notes under the Existing Senior Secured New Group Notes Indenture and the security documents related thereto and any successor acting in such capacity.

"Existing Senior Secured New Group Notes Indenture" means the indenture dated as of November 1, 2011 among the Borrower, Holdings, the other guarantors party thereto and the Existing Senior Secured New Group Notes Trustee and the Existing Senior Secured New Group Notes Collateral Agent, as amended and supplemented as of the date hereof and as further amended or supplemented from time to time hereafter, relating to the Existing Senior Secured New Group Notes.

"Existing Senior Secured New Group Notes Trustee" means Wilmington Trust, National Association acting as the trustee for the holders of the Existing Senior Secured New Group Notes under the Existing Senior Secured New Group Notes Indenture and any successor acting in such capacity.

"Existing Senior Secured Old Group Notes" means the First Lien Notes and Existing Second Lien Notes.

"Existing Unsecured Notes" means the 7.000% Notes and the 8.000% Notes.

"Extended Term Loan Facility" means a facility providing for the Borrowing of Extended Term Loans.

"Extended Term Loans" shall have the meaning assigned to such term in Section 2.13(a)(ii).

"Extending Term Lender" shall have the meaning assigned to such term in Section 2.13(a)(ii).

"Extension" shall have the meaning specified in Section 2.13(a).

"Extension Offer" shall have the meaning specified in Section 2.13(a).

"Facility" means the Term Loan Facility.

"Fair Market Value" means, with respect to any asset, the price (after taking into account any liabilities relating to such assets) that would be negotiated in an arm's-length transaction for cash between a willing seller and a willing and able buyer, neither of which is under any compulsion to complete the transaction, as such price is determined in good faith by the Board of Directors of Holdings or a duly authorized committee thereof, as evidenced by a resolution of such Board or committee.

"FATCA" means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations with respect thereto or official administrative interpretations thereof, any agreements entered into pursuant to current Section 1471(b)(1) of the Code (or any amended or successor version described above), any intergovernmental agreements entered into to implement such Sections of the Code, any laws, fiscal or regulatory legislation, rules, guidance notes and practices implementing the foregoing.

"Federal Funds Rate" means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the immediately preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate charged to the Administrative Agent on such day on such transactions as determined by the Administrative Agent.

"First-Priority Lien Obligations" means (a) the First Lien Notes and the First Lien Notes Guarantees thereof and (b) all other Indebtedness secured by Liens on the Collateral that are senior or equal in priority to the Liens on the Collateral securing the First Lien Notes, including Loans made under this Agreement, and, in each case, all Obligations in respect thereof.

"First Lien Exchange Notes" means the 9.50% Senior Secured First Lien Notes due 2020 of the Borrower and issued under the First Lien Exchange Notes Indenture.

"First Lien Exchange Notes Guarantees" means the guarantee of the First Lien Exchange Notes by each guarantor under the First Lien Exchange Notes Indenture.

"First Lien Exchange Notes Indenture" means the indenture, dated as of the Closing Date (as it may be amended or supplemented from time to time), by and among the Borrower, Holdings, each of the guarantors party thereto, the First Lien Exchange Notes Trustee and the collateral agent named therein under which the First Lien Exchange Notes were issued.

"First Lien Exchange Notes Trustee" means Wilmington Trust, National Association acting as the trustee for the holders of the First Lien Exchange Notes under the First Lien Exchange Notes Indenture and any successor acting in such capacity.

"First Lien Intercreditor Agreement" means the Intercreditor Agreement, to be dated as of the Closing Date, among the Borrower, Holdings, the other grantors party from time to time thereto, the Administrative Agent, the Mortgage Tax Collateral Agent, the First Lien Notes Trustee and the First Lien Notes Collateral Agent, as may be amended, restated, supplemented or otherwise modified from time to time, substantially in the form of Exhibit F.

"First Lien Notes" means the Borrower's 7.25% Senior Secured First Lien Notes due 2020 issued under the First Lien Notes Indenture.

"First Lien Notes Collateral Agent" means the First Lien Notes Trustee acting as the collateral agent for the holders of the First Lien Notes under the security documents related thereto and any successor acting in such capacity.

"First Lien Notes Guarantees" means the guarantee of the First Lien Notes by each guarantor under the First Lien Notes Indenture.

"First Lien Notes Indenture" means the indenture, dated as of October 2, 2012, by and among the Borrower, Holdings, each of the other guarantors party thereto, the First Lien Notes Trustee and the First Lien Notes Collateral Agent, as amended or supplemented as of the date hereof and as further amended or supplemented from time to time hereafter, under which the First Lien Notes were issued.

"First Lien Notes Trustee" means Wilmington Trust, National Association acting as the trustee for the holders of the First Lien Notes under the First Lien Notes Indenture and any successor acting in such capacity.

"Flood Insurance Laws" shall mean, collectively, (i) the National Flood Insurance Reform Act of 1994 (which comprehensively revised the National Flood Insurance Act of 1968 and the Flood Disaster Protection Act of 1973) as now or hereafter in effect or any successor statute thereto, (ii) the Flood Insurance Reform Act of 2004 as now or hereafter in effect or any successor statute thereto and (iii) the Biggert-Waters Flood Insurance Reform Act of 2012 as now or hereafter in effect or any successor statute thereto.

"Four Quarter Period" has the meaning specified in the definition of "Consolidated Fixed Charge Coverage Ratio".

"Fund" means any Person (other than a natural person) that is engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession of the United States, as in effect on February 1, 2014.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, administrative tribunal, central bank or other entity exercising executive, legislative, judicial, Taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national body exercising such powers or functions).

"Guarantee" means the guarantee of the Loan Obligations by each Guarantor under this Agreement.

"guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person: (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (b) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof, in whole or in part; provided, that the term "guarantee" does not include endorsements for collection or deposit in the ordinary course of business. The term "guarantee" used as a verb has a corresponding meaning.

"Guarantors" has the meaning specified in the introductory paragraph to this Agreement.

"Hedging Obligations" means, with respect to any Person, the obligations of such Person under any Interest Protection Agreement, commodity swap agreement, commodity cap agreement, commodity collar agreement, Currency Agreement or similar agreement providing for the transfer or mitigation of interest rate, commodity price or currency risks either generally or under specific contingencies.

"Historical Financial Statements" has the meaning specified in Section 5.15.

"Holdings" has the meaning specified in the introductory paragraph to this Agreement.

"incurrence" has the meaning ascribed to it in Section 6.03 hereof.

"Indebtedness" of any Person means, without duplication,

(a) any liability of such Person (i) for borrowed money or under any reimbursement obligation relating to a letter of credit or other similar instruments (other than standby letters of credit or similar instruments issued for the benefit of, or surety, performance, completion or payment bonds, earnest money notes or similar purpose undertakings or indemnifications issued by, such Person in the ordinary course of business), (ii) evidenced by a bond, note, debenture or similar instrument (including a purchase money obligation) given in connection with the acquisition of any businesses, properties or assets of any kind or with services incurred in connection with capital expenditures (other than any obligation to pay a contingent purchase price which, as of the date of incurrence thereof, is not required to be recorded as a liability in accordance with GAAP), or (iii) in respect of Capitalized Lease Obligations (to the extent of the Attributable Debt in respect thereof),

(b) any Indebtedness of others that such Person has guaranteed to the extent of the guarantee; provided, however, that Indebtedness of Holdings and its Restricted Subsidiaries will not include the obligations of Holdings or a Restricted Subsidiary under warehouse lines of credit of Mortgage Subsidiaries to repurchase mortgages at prices no greater than 98% of the principal amount thereof, and upon any such purchase the excess, if any, of the purchase price thereof over the Fair Market Value of the mortgages acquired, will constitute Restricted Payments subject to Section 6.04 hereof,

(c) to the extent not otherwise included, the obligations of such Person under Hedging Obligations to the extent recorded as liabilities not constituting Interest Incurred, net of amounts recorded as assets in respect of such obligations, in accordance with GAAP, and

(d) all Indebtedness of others secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person;

provided, that Indebtedness shall not include accounts payable, liabilities to trade creditors of such Person or other accrued expenses arising in the ordinary course of business or completion guarantees entered into in the ordinary course of business. The amount of Indebtedness of any Person at any date shall be (i) the outstanding balance at such date of all unconditional obligations as described above, net of any unamortized discount to be accounted for as Interest Expense, in accordance with GAAP, (ii) the maximum liability of such Person for any contingent obligations under clause (a) of this definition at such date, net of an unamortized discount to be accounted for as Interest Expense in accordance with GAAP, (iii) in the case of clause (c) above, the net termination amount payable in respect thereof, and (iv) in the case of clause (d) above, the lesser of (x) the fair market value of any asset subject to a Lien securing the Indebtedness of others on the date that the Lien attaches and (y) the amount of the Indebtedness secured.

For the avoidance of doubt, obligations of any Person under a Permitted Bond Hedge Transaction or a Permitted Warrant Transaction shall be deemed not to constitute Indebtedness.

"Indemnified Liabilities" has the meaning specified in Section 9.05.

"Indemnified Taxes" means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of any Loan Party under any Loan Document and (b) to the extent not otherwise described in (a), Other Taxes.

"Indemnitees" has the meaning specified in Section 9.05.

"Information" has the meaning specified in Section 9.08.

"Initial Term Commitment" means, as to the Initial Term Lenders, its obligation to make an Initial Term Loan to the Borrower pursuant to Section 2.01 in an aggregate amount not to exceed the amount set forth opposite such Lender's name in Schedule 2.01 under the caption "Initial Term Commitment" or in the Assignment and Assumption pursuant to which such Lender purchases such Term Loans, as applicable, as such amount may be adjusted from time to time in accordance with this Agreement. The aggregate amount of the Initial Term Commitments as of the Closing Date is $75,000,000. The Initial Term Lenders shall have the right, on or before the Closing Date, to deliver an updated Schedule 2.01 to Holdings providing for the re-allocation of the Initial Term Commitment solely among the Initial Term Lenders, which shall replace any existing Schedule 2.01 in its entirety, provided that, in no event shall the aggregate amount of Initial Term Commitments of the Initial Term Lenders as of the Closing Date be less than $75,000,000.

"Initial Term Lenders" means the Lenders listed on Schedule 2.01.

"Initial Term Loan" has the meaning specified in Section 2.01.

"Initial Term Loan Facility" means the facility providing for the Borrowing of Initial Term Loans.

"Intangible Assets" of Holdings means all unamortized debt discount and expense, unamortized deferred charges, goodwill, patents, trademarks, service marks, trade names, copyrights and all other items (other than any deferred tax assets) which would be treated as intangibles on the consolidated balance sheet of Holdings and its Restricted Subsidiaries prepared in accordance with GAAP.

"Intellectual Property Security Agreements" has the meaning set forth in the Security Agreement.

"Intercreditor Agreements" means, collectively, the Amended and Restated Intercreditor Agreement and the First Lien Intercreditor Agreement.

"Interest Expense" of any Person for any period means, without duplication, the aggregate amount of (a) interest which, in conformity with GAAP, would be set opposite the caption "interest expense" or any like caption on an income statement for such Person (including, without limitation, imputed interest included in Capitalized Lease Obligations, all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing, the net costs (but reduced by net gains) associated with Currency Agreements and Interest Protection Agreements, amortization of other financing fees and expenses, the interest portion of any deferred payment obligation, amortization of discount or premium, if any, and all other noncash interest expense (other than interest and other charges amortized to cost of sales)), and (b) all interest actually paid by Holdings or a Restricted Subsidiary under any guarantee of Indebtedness (including, without limitation, a guarantee of principal, interest or any combination thereof) of any Person other than Holdings, the Borrower or any Restricted Subsidiary during such period; provided, that Interest Expense shall exclude any expense associated with the complete write-off of financing fees and expenses in connection with the repayment of any Indebtedness.

"Interest Incurred" of any Person for any period means, without duplication, the aggregate amount of (a) Interest Expense and (b) all capitalized interest and amortized debt issuance costs.

"Interest Payment Date" means (a) as to any Loan other than a Base Rate Loan, the last day of each Interest Period applicable to such Loan and the Maturity Date of the Facility under which such Loan was made and (b) as to any Base Rate Loan, the Last Business Day of each calendar month and the Maturity Date of the Facility under which such Loan was made.

"Interest Period" means, as to each Eurodollar Rate Loan, the period commencing on the date such Eurodollar Rate Loan is disbursed or converted to or continued as a Eurodollar Rate Loan and ending on the date one (1) month thereafter; provided that:

(a) any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the immediately preceding Business Day;

(b) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(c) no Interest Period shall extend beyond the Maturity Date of the Facility under which such Loan was made.

"Interest Protection Agreement" of any Person means any interest rate swap agreement, interest rate collar agreement, option or futures contract or other similar agreement or arrangement designed to protect such Person or any of its Subsidiaries against fluctuations in interest rates with respect to Indebtedness permitted to be incurred under this Agreement. For the avoidance of doubt, any Permitted Convertible Indebtedness Call Transaction will not constitute an Interest Protection Agreement.

"Investment Company Act" means the Investment Company Act of 1940, as amended.

"Investments" of any Person means (a) all investments by such Person in any other Person in the form of loans, advances or capital contributions, (b) all guarantees of Indebtedness of any other Person by such Person, (c) all purchases (or other acquisitions for consideration) by such Person of Indebtedness, Capital Stock or other securities of any other Person and (d) all other items that would be classified as investments in any other Person (including, without limitation, purchases of assets outside the ordinary course of business) on a balance sheet of such Person prepared in accordance with GAAP.

"IRS" means the United States Internal Revenue Service.

"January 2017 Notes" means the Borrower's 8.625% Senior Notes due 2017 issued under the January 2017 Notes Indenture.

"January 2017 Notes Indenture" means the Senior Indenture, dated as of November 3, 2003, as amended by the Seventh Supplemental Indenture, dated as of June 12, 2006, and the Eighth Supplemental Indenture, dated as of April 21, 2011 (as may be further amended or supplemented as of the date hereof or from time to time), among the Borrower, Holdings and the other guarantors party thereto and Deutsche Bank National Trust Company, as Successor Trustee (as defined in the January 2017 Notes Indenture).

"Joint Second Lien Collateral Agent" means the Existing Second Lien Collateral Agent, in its capacity as Collateral Agent (as defined in the Second Lien Collateral Agency Agreement) for the Existing Second Lien Notes and the New Second Lien Notes pursuant to the appointment under the Second Lien Collateral Agency Agreement and any successor thereto.

"L/C Collateral" means cash and cash equivalents that secure obligations permitted to be secured pursuant to clause (d) of the definition of "Permitted Liens".

"Land Banking Transaction" means an arrangement relating to Property now owned or hereafter acquired whereby Holdings, the Borrower or a Restricted Subsidiary sells such Property to a Person (other than Holdings, the Borrower or a Restricted Subsidiary) and Holdings, the Borrower or a Restricted Subsidiary, as applicable, has an option to purchase such Property back on a specified schedule.

"Latest Maturity Date" means, at any date of determination, the latest maturity or expiration date applicable to any Loan or Commitment hereunder at such time, as extended in accordance with this Agreement from time to time.

"Laws" means, collectively, all applicable international, foreign, Federal, state, commonwealth and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

"Lender" has the meaning specified in the introductory paragraph to this Agreement.

"Lender Funding Obligation" has the meaning specified in the definition of "Defaulting Lender."

"Lending Office" means, as to any Lender, the office or offices of such Lender described as such in such Lender's Administrative Questionnaire, or such other office or offices as a Lender may from time to time notify the Borrower and the Administrative Agent.

"Lien" means, with respect to any Property, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such Property. For purposes of this definition, a Person shall be deemed to own, subject to a Lien, any Property which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such Property.

"Loan" means an extension of credit by a Lender to the Borrower in the form of a Term Loan.

"Loan Documents" means, collectively, (a) this Agreement, (b) the Notes and (c) the Collateral Documents.

"Loan Notice" means a notice of (a) a Borrowing, (b) a conversion of Loans from one Type to the other or (c) a continuation of Eurodollar Rate Loans, pursuant to Section 2.02(a), which, if in writing, shall be substantially in the form of Exhibit A-1.

"Loan Obligations" means all advances to, and debts, liabilities, obligations, covenants and duties of, any Loan Party arising under any Loan Document or otherwise with respect to any Loan, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against any Loan Party of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding. Without limiting the generality of the foregoing, the Loan Obligations of the Loan Parties under the Loan Documents include the obligation to pay principal, interest, charges, expenses, fees, Attorney Costs indemnities and other amounts payable by any Loan Party under any Loan Document.

"Loan Parties" means, collectively, Holdings, the Borrower and each Subsidiary Guarantor.

"Marketable Securities" means (a) equity securities that are listed on the New York Stock Exchange, the NYSE MKT or the Nasdaq Stock Market and (b) debt securities that are rated by a nationally recognized rating agency, listed on the New York Stock Exchange, the NYSE MKT or covered by at least two reputable market makers.

"Material Adverse Effect" has the meaning specified in Section 5.01.

"Maturity Date" means with respect to the Initial Term Loan Facility, August 1, 2019; provided that the Maturity Date shall occur on October 15, 2018 if (a) any of the Borrower's 7.000% Notes remain outstanding on such date or (b) in the case where the Borrower's 7.000% Notes have been refinanced in full, any such refinancing indebtedness has a maturity date that occurs prior to January 15, 2021; provided further that the reference to Maturity Date (i) with respect to Refinancing Term Loans shall be the final maturity date as specified in the applicable Refinancing Term Loan Amendment and (ii) with respect to Extended Term Loans shall be the final maturity date as specified in the applicable Extension Offer.

"Maximum Rate" has the meaning specified in Section 9.10.

"Minimum Extension Condition" shall have the meaning specified in Section 2.13(b).

"Moody's" means Moody's Investors Service, Inc. or any successor to its debt rating business.

"Mortgage Subsidiary" means any Subsidiary of Holdings substantially all of whose operations consist of the mortgage lending business.

"Mortgage Tax Collateral Agent" means Wilmington Trust, National Association in its capacity as Mortgage Tax Collateral Agent with respect to Liens granted on real property located in certain states identified pursuant to the terms of the Intercreditor Agreements and any successor thereto.

"Net Cash Proceeds" means

(a) with respect to an Asset Disposition or Casualty Event, payments received in cash (including any such payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise (including any cash received upon sale or disposition of such note or receivable), but only as and when received), excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to the Property disposed of in such Asset Disposition or that is the subject of such Casualty Event, as the case may be, or received in any other non-cash form unless and until such non-cash consideration is converted into cash therefrom, in each case, net of all legal, title and recording tax expenses, commissions and other fees and expenses incurred, and all federal, state and local taxes required to be accrued as a liability under GAAP as a consequence of such Asset Disposition or Casualty Event, and in each case net of a reasonable reserve for the after-tax cost of any indemnification or other payments (fixed and contingent) attributable to the seller's indemnities or other obligations to the purchaser undertaken by Holdings, the Borrower or any of its Restricted Subsidiaries in connection with such Asset Disposition or Casualty Event, and net of all payments made on any Indebtedness which is secured by or relates to such Property (other than Indebtedness secured by Liens on the Collateral) in accordance with the terms of any Lien or agreement upon or with respect to such Property or which such Indebtedness must by its terms or by applicable law be repaid out of the proceeds from such Asset Disposition or Casualty Event, and net of all contractually required distributions and payments made to minority interest holders in Restricted Subsidiaries or joint ventures as a result of such Asset Disposition or Casualty Event; and

(b) with respect to the incurrence or issuance of any Indebtedness by Holdings, the Borrower or any Restricted Subsidiary meeting the definition of Other Prepayment Event, the excess, if any, of (i) the sum of cash and Cash Equivalents received in connection with such incurrence or issuance or sale over (ii) all taxes paid or reasonably estimated to be payable, and all fees, commissions, costs and other out-of-pocket expenses and other customary expenses incurred, in each case by the applicable party in connection with such incurrence, sale or issuance.

"New Second Lien Notes Collateral Agent" means the New Second Lien Notes Trustee acting as the collateral agent for the holders of the New Second Lien Notes under the New Second Lien Indenture and any successor acting in such capacity.

"New Second Lien Notes Guarantees" means the guarantee of the New Second Lien Notes by each of the guarantors under the New Second Lien Notes Indenture.

"New Second Lien Notes Indenture" means the indenture, to be dated as of the Closing Date (as may be amended or supplemented from time to time), among the Borrower, Holdings, each of the guarantors party thereto and the New Second Lien Notes Trustee and the New Second Lien Notes Collateral Agent.

"New Second Lien Notes" means the Borrower's 10.000% Senior Secured Second Lien Notes due 2018.

"New Second Lien Notes Trustee" means Wilmington Trust, National Association acting as the trustee for the holders of the New Second Lien Notes under the New Second Lien Notes Indenture and any successor acting in such capacity.

"Non-Call Period" has the meaning specified in Section 2.03(a)(i).

"Non-Defaulting Lender" means, at any time, a Lender that is not a Defaulting Lender.

"Non-Recourse Indebtedness" with respect to any Person means Indebtedness of such Person for which (a) the sole legal recourse for collection of principal and interest on such Indebtedness is against the specific property, including for the avoidance of doubt, assets directly related thereto or derived therefrom, identified in the instruments evidencing or securing such Indebtedness or other property of such Person financed pursuant to the Credit Facility of such Person under which such Indebtedness was incurred (provided that the aggregate principal amount of the total Indebtedness shall not exceed the purchase price or cost (including financing costs) of the properties financed thereby), (b) such properties were acquired (directly or indirectly, including through the purchase of Capital Stock of the Person owning such property), constructed or improved with the proceeds of such Indebtedness or such Indebtedness was incurred within 365 days after the acquisition (directly or indirectly, including through the purchase of Capital Stock of the Person owning such property) or completion of such construction or improvement and (c) no other assets of such Person may be realized upon in collection of principal or interest on such Indebtedness. Indebtedness which is otherwise Non-Recourse Indebtedness will not lose its character as Non-Recourse Indebtedness because there is recourse to the borrower, any guarantor or any other Person for (i) environmental warranties, covenants and indemnities, (ii) indemnities for and liabilities arising from fraud, misrepresentation, misapplication or non-payment of rents, profits, deposits, insurance and condemnation proceeds and other sums actually received by the borrower from secured assets to be paid to the lender, waste and mechanics' liens, breach of separateness covenants, and other customary exceptions, (iii) in the case of the borrower thereof only, other obligations in respect of such Indebtedness that are payable solely as a result of a voluntary or collusive non-voluntary bankruptcy filing (or similar filing or action) by such borrower or (iv) similar customary "bad-boy" guarantees.

"Non-US Lender" means a Lender that is not a U.S. Person.

"Note" means a Term Note.

"Note Purchase Agreement" means the agreement, dated as of the Effective Date by and among the Borrower, Holdings, the other guarantors named therein, and the Purchasers (as defined therein) party thereto.

"Obligations" means with respect to any Indebtedness, all obligations (whether in existence on the Effective Date or arising afterwards, absolute or contingent, direct or indirect) for or in respect of principal (when due, upon acceleration, upon redemption, upon mandatory repayment or repurchase pursuant to a mandatory offer to purchase, or otherwise), premium, interest, penalties, fees, indemnification, reimbursement and other amounts payable and liabilities with respect to such Indebtedness, including all interest accrued or accruing after the commencement of any bankruptcy, insolvency or reorganization or similar case or proceeding at the contract rate (including, without limitation, any contract rate applicable upon default) specified in the relevant documentation, whether or not the claim for such interest is allowed as a claim in such case or proceeding.

"OFAC" has the meaning specified in Section 5.20.

"Offer to Purchase Statement" has the meaning specified in the definition of "Tender Offer and Consent Solicitation".

"Officer," when used with respect to the Borrower or Holdings, means the chairman of the Board of Directors, the president or chief executive officer, any vice president, the chief financial officer, the treasurer, any assistant treasurer, the controller, any assistant controller, the secretary or any assistant secretary of the Borrower or Holdings, as the case may be.

"Officers' Certificate," when used with respect to the Borrower or Holdings, means a certificate signed by the chairman of the Board of Directors, the president or chief executive officer, or any vice president and by the chief financial officer, the treasurer, any assistant treasurer, the controller, any assistant controller, the secretary or any assistant secretary of the Borrower or Holdings, as the case may be.

"Opinion of Counsel" means a written opinion signed by legal counsel of the Borrower or Holdings, who may be an employee of, or counsel to, the Borrower or Holdings, and who shall be reasonably satisfactory to the Administrative Agent.

"Other Connection Taxes" means, with respect to any Lender or Agent, Taxes imposed as a result of a present or former connection between such Lender or Agent and the jurisdiction imposing such Tax (other than connections arising from such Lender or Agent having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

"Other Prepayment Event" means the incurrence by the Borrower or any of its Restricted Subsidiaries of any Indebtedness, other than Indebtedness permitted under Section 6.03 (other than Refinancing Term Loans or any Refinancing Indebtedness which Refinances the Loans, or permitted by the Required Lenders pursuant to Section 9.02).

"Other Taxes" means all present or future stamp, court, or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to Section 3.07).

"Outstanding Amount" means with respect to the Term Loans on any date, the aggregate outstanding principal amount thereof after giving effect to any borrowings and prepayments or repayments of Term Loans occurring on such date.

"Parent Company" means, with respect to a Lender, the bank holding company (as defined in Federal Reserve Board Regulation Y), if any, of such Lender, and/or any Person owning, beneficially or of record, directly or indirectly, a majority of the economic or voting Capital Stock of such Lender.

"Participant" has the meaning specified in Section 9.07(e).

"Participant Register" has the meaning specified in Section 9.07(e).

"PATRIOT Act" means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Title III of Pub. L. No. 107-56 (signed into Law October 26, 2001)).

"Perfection Certificate" has the meaning set forth in the Security Agreement.

"Permitted Bond Hedge" means any call or capped call option (or substantively equivalent derivative transaction) on Holdings' Capital Stock purchased by Holdings, the Borrower or any Restricted Subsidiary in connection with the issuance of any Permitted Convertible Indebtedness; provided that the purchase price for such Permitted Bond Hedge, less the proceeds received by Holdings, the Borrower or the Restricted Subsidiaries from the sale of any related Permitted Warrant, does not exceed the net proceeds received by Holdings, the Borrower or the Restricted Subsidiaries from the sale of such Permitted Convertible Indebtedness issued in connection with the Permitted Bond Hedge.

"Permitted Convertible Indebtedness" means Indebtedness of Holdings, the Borrower or any Restricted Subsidiary permitted to be incurred under the terms of this Agreement that is either (a) convertible or exchangeable into Capital Stock of Holdings (and cash in lieu of fractional shares) and/or cash (in an amount determined by reference to the price of such Capital Stock) or (b) sold as units with call options, warrants or rights to purchase (or substantially equivalent derivative transactions) that are exercisable for Capital Stock of Holdings and/or cash (in an amount determined by reference to the price of such Capital Stock). For the avoidance of doubt, the Units and the senior unsecured exchange notes which are a component of such Units, shall be Permitted Convertible Indebtedness.

"Permitted Convertible Indebtedness Call Transaction" means any Permitted Bond Hedge and any Permitted Warrant.

"Permitted Hovnanian Holders" means, collectively, Ara K. Hovnanian, the members of his immediate family and the members of the immediate family of the late Kevork S. Hovnanian, the respective estates, spouses, heirs, ancestors, lineal descendants, legatees and legal representatives of any of the foregoing and the trustee of any *bona fide* trust of which one or more of the foregoing are the sole beneficiaries or the grantors thereof, or any entity of which any of the foregoing, individually or collectively, beneficially own more than 50% of the Common Equity. Any Person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control offer is made in accordance with the requirements of this Agreement (or would result in a Change of Control offer in the absence of the waiver of such requirement by Lenders in accordance with this Agreement) will thereafter constitute Permitted Hovnanian Holders.

"Permitted Indebtedness" means:

(a) Indebtedness under (i) this Agreement and the Loan Documents, (ii) the First Lien Exchange Notes (and the First Lien Exchange Notes Guarantees), other than Additional Notes (as defined in the First Lien Exchange Notes Indenture) and (iii) New Second Lien Notes (and New Second Lien Notes Guarantees thereof), other than Additional Notes (as defined in the New Second Lien Notes Indenture);

(b) Indebtedness incurred under Credit Facilities in an aggregate principal amount outstanding at any one time (including for purposes of determining amounts outstanding under this clause (b), any Refinancing Indebtedness in respect thereof, which Refinancing Indebtedness shall be deemed to have been incurred under this clause (b)) not to exceed the greater of (i) $250.0 million and (ii) 10.0% of Consolidated Tangible Assets measured at the time of incurrence; provided that all Indebtedness of Holdings or any Restricted Subsidiary incurred pursuant to this clause (b) (other than any Indebtedness outstanding on the Effective Date and incurred under this clause (b)) shall be scheduled to mature no earlier than January 15, 2021;

(c) Indebtedness under (i) the Existing Senior Secured Old Group Notes (and the guarantees thereof), other than Additional Notes (as defined in the First Lien Notes Indenture and the Existing Second Lien Indenture, as applicable), (ii) the Existing Senior Secured New Group Notes (and the guarantees thereof), other than Additional Notes (as defined in the Existing Senior Secured New Group Notes Indenture) and (iii) the Revolving Credit Facility, provided that the amount of Indebtedness under the Revolving Credit Facility permitted under this clause (c)(iii) shall not exceed $75.0 million principal amount;

(d) Indebtedness in respect of obligations of Holdings and its Subsidiaries to the trustees under indentures for debt securities;

(e) intercompany debt obligations of (i) Holdings to the Borrower, (ii) the Borrower to Holdings, (iii) Holdings or the Borrower to any Restricted Subsidiary and (iv) any Restricted Subsidiary to Holdings or the Borrower or any other Restricted Subsidiary; provided, however, that any Indebtedness of any Restricted Subsidiary or the Borrower or Holdings owed to any Restricted Subsidiary or the Borrower that ceases to be a Restricted Subsidiary shall be deemed to be incurred and shall be treated as an incurrence for purposes of Section 6.03 at the time the Restricted Subsidiary in question ceases to be a Restricted Subsidiary;

(f) Indebtedness of Holdings or the Borrower or any Restricted Subsidiary under Hedging Obligations, in the case of any Currency Agreements or Interest Protection Agreements in a notional amount no greater than the payments due (at the time the related Currency Agreement or Interest Protection Agreement is entered into) with respect to the Indebtedness or currency being hedged, to the extent entered into in the ordinary course of business and not for speculative purposes;

(g) Purchase Money Indebtedness and Capitalized Lease Obligations entered into in the ordinary course of business in an aggregate principal amount (including for purposes of determining amounts outstanding under this clause (g), any Refinancing Indebtedness in respect thereof, which Refinancing Indebtedness shall be deemed to have been incurred under this clause (g)) at any one time outstanding not to exceed $50.0 million;

(h) obligations for, pledge of assets in respect of, and guaranties of, bond financings of political subdivisions or enterprises thereof in the ordinary course of business;

(i) Indebtedness entered into in the ordinary course of business secured only by office buildings owned or occupied by Holdings or any Restricted Subsidiary, which Indebtedness does not exceed $25.0 million aggregate principal amount outstanding at any one time;

(j) Indebtedness under warehouse lines of credit, repurchase agreements and Indebtedness secured only by mortgage loans and related assets of mortgage lending Subsidiaries in the ordinary course of a mortgage lending business;

(k) Indebtedness of Holdings, the Borrower or any Restricted Subsidiary which (A) together with all other Indebtedness under this clause (k), does not exceed $475.0 million aggregate principal amount outstanding at any one time, including for purposes of determining amounts outstanding under this clause (k), any Refinancing Indebtedness in respect thereof, which Refinancing Indebtedness shall be deemed to have been incurred under this clause (k), and (B) is scheduled to mature no earlier than January 15, 2021 (except with respect to Indebtedness incurred pursuant to this clause (k) that (1) is outstanding on the Effective Date, (2) does not exceed $20.0 million in aggregate principal amount outstanding at any one time or (3) is Purchase Money Indebtedness not to exceed, together with any amounts outstanding under clause (2) above, $25.0 million in aggregate principal amount outstanding at any one time, which, in the case of clauses (1) through (3), may be scheduled to mature earlier than January 15, 2021);

(l) obligations in respect of self-insurance, performance, bid, appeal and surety bonds and completion guarantees and similar obligations provided by Holdings or any Restricted Subsidiary or obligations in respect of letters of credit, bank guarantees or similar instruments related thereto, in each case, in the ordinary course of business;

(m) Indebtedness of (x) Holdings, the Borrower or a Restricted Subsidiary incurred or issued to finance an acquisition (provided that all Indebtedness of Holdings, the Borrower or a Restricted Subsidiary incurred pursuant to this clause (x) shall be scheduled to mature no earlier than January 15, 2021) or (y) Persons that are acquired by Holdings, the Borrower or any Restricted Subsidiary or merged into or consolidated with Holdings, the Borrower or a Restricted Subsidiary in accordance with the terms of this Agreement (including designating an Unrestricted Subsidiary a Restricted Subsidiary), to the extent that the Indebtedness of such Persons in the case of this clause (y), was not incurred or entered into in contemplation of such acquisition, merger or consolidation; provided that after giving effect to such acquisition, merger or consolidation, either: (i) Holdings could incur at least $1.00 of Indebtedness pursuant to Section 6.03(a), or (ii) the Consolidated Fixed Charge Coverage Ratio would be equal to or greater than the Consolidated Fixed Charge Coverage Ratio immediately prior to such transaction or the ratio of Indebtedness of Holdings and the Restricted Subsidiaries to Consolidated Tangible Net Worth of Holdings would be equal to or less than the ratio immediately prior to such transaction;

(n) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business;

(o) Indebtedness of Holdings or any Restricted Subsidiary supported by a letter of credit (which letter of credit is incurred pursuant to another clause hereof (other than clause (l) of this definition), in a principal amount not in excess of the stated amount of such letter of credit;

(p) Indebtedness of Holdings or any Restricted Subsidiary consisting of (i) the financing of insurance premiums or (ii) take or pay obligations contained in supply arrangements, in each case incurred in the ordinary course of business;

(q) Indebtedness of Holdings or any of its Restricted Subsidiaries in respect of Cash Management Services;

(r) obligations (other than Indebtedness for borrowed money) of Holdings or any of its Restricted Subsidiaries under an agreement with any governmental authority, quasi-governmental entity, utility, adjoining (or common master plan) landowner or seller of real property, in each case entered into in the ordinary course of business in connection with the acquisition of real property, to entitle, develop or construct infrastructure thereupon;

(s) the incurrence by Holdings or any Restricted Subsidiary of Indebtedness deemed to exist pursuant to the terms of a joint venture agreement as a result of a failure of Holdings or such Restricted Subsidiary to make a required capital contribution therein; provided that the only recourse on such Indebtedness is limited to Holdings' or such Restricted Subsidiary's equity interests in the related joint venture; and

(t) Indebtedness under the January 2017 Notes outstanding on the Effective Date.

"Permitted Investment" means:

(a) Cash Equivalents;

(b) any Investment in Holdings, the Borrower or any Restricted Subsidiary or any Person that becomes a Restricted Subsidiary as a result of such Investment or that is consolidated or merged with or into, or transfers all or substantially all of the assets of it or an operating unit or line of business to, Holdings or a Restricted Subsidiary;

(c) any receivables, loans or other consideration taken by Holdings, the Borrower or any Restricted Subsidiary in connection with any asset sale otherwise permitted by this Agreement; provided that non-cash consideration received in an Asset Disposition or an exchange or swap of assets shall be pledged as Collateral under the Collateral Documents to the extent the assets subject to such Asset Disposition or exchange or swap of assets constituted Collateral, with the Lien on such Collateral securing the Notes being of the same priority with respect to the Notes as the Lien on the assets disposed of; provided, further, that notwithstanding the foregoing clause, up to an aggregate of $50.0 million of (i) non-cash consideration and consideration received as referred to in Section 6.07(b)(ii), (ii) assets invested in pursuant to Section 6.07(c) and (iii) assets received pursuant to clause (d) under the definition of "Asset Disposition" may be designated by Holdings or the Borrower as Excluded Property not required to be pledged as Collateral, to the extent the documentation, instruments or agreements governing such non-cash consideration or assets, as applicable, prohibit such a pledge as Collateral;

(d) Investments received in connection with any bankruptcy or reorganization proceeding, or as a result of foreclosure, perfection or enforcement of any Lien or any judgment or settlement of any Person in exchange for or satisfaction of Indebtedness or other obligations or other property received from such Person, or for other liabilities or obligations of such Person created, in accordance with the terms of this Agreement;

(e) Investments in Hedging Obligations described in the definition of "Permitted Indebtedness";

(f) any loan or advance to an executive officer, director or employee of Holdings or any Restricted Subsidiary made in the ordinary course of business or in accordance with past practice; provided, however, that any such loan or advance exceeding $1.0 million shall have been approved by the Board of Directors of Holdings or a committee thereof consisting of disinterested members;

(g) Investments in interests in issuances of collateralized mortgage obligations, mortgages, mortgage loan servicing, or other mortgage related assets;

(h) obligations of Holdings or a Restricted Subsidiary under warehouse lines of credit of Mortgage Subsidiaries to repurchase mortgages;

(i) Investments in an aggregate amount at any time outstanding not to exceed $100.0 million (measured at the time made and without giving effect to subsequent changes in value); provided, however, that Investments in Unrestricted Subsidiaries shall not be permitted pursuant to this clause (i);

(j) Guarantees issued in accordance with Section 6.03;

(k) Investments existing on the Effective Date in K. Hovnanian JV Holdings, L.L.C. and its subsidiaries;

(l) Permitted Bond Hedges which constitute Investments;

(m) extensions of trade credit and credit in connection with the sale of land owned by Holdings or a Restricted Subsidiary which is zoned by the applicable governmental authority having jurisdiction for construction and use as a detached or attached (including town homes or condominium) single-family house (but excluding mobile homes), or the sale of a detached or attached (including town homes or condominium) single-family house (but excluding mobile homes) owned by Holdings or a Restricted Subsidiary which is completed or for which there has been a start of construction and which has been or is being constructed on any such land;

(n) obligations (but not payments thereon) with respect to homeowners association obligations, community facility district bonds, metro district bonds, mello-roos bonds and subdivision improvement bonds and similar bonding requirements arising in the ordinary course of business of a homebuilder;

(o) guarantee obligations, including completion guarantee or indemnification obligations (other than for the payment of borrowed money) entered into in the ordinary course of business and incurred for the benefit of any adjoining landowner, lender, seller of real property or municipal government authority (or enterprises thereof) in connection with the acquisition, construction, subdivision, entitlement and development of real property;

(p) Investments the payment for which consists of Qualified Stock of Holdings; provided that such Qualified Stock will not increase the amount available for Restricted Payments under clause (iii) of Section 6.04(a);

(q) advances, loans or extensions of trade credit in the ordinary course of business by Holdings or any of the Restricted Subsidiaries;

(r) intercompany current liabilities owed to Unrestricted Subsidiaries or joint ventures incurred in the ordinary course of business in connection with the cash management operations of Holdings and its Subsidiaries; and

(s) insurance, lease, utility and workers' compensation, performance and other similar deposits made in the ordinary course of business.

"Permitted Liens" means

(a) Liens for taxes, assessments or governmental or quasi-governmental charges or claims that (i) are not yet delinquent for a period of more than 30 days, (ii) are being contested in good faith by appropriate proceedings and as to which appropriate reserves have been established or other provisions have been made in accordance with GAAP, if required, or (iii) encumber solely property abandoned or in the process of being abandoned;

(b) statutory Liens of landlords and carriers', warehousemen's, mechanics', suppliers', materialmen's, repairmen's or other Liens imposed by law and arising in the ordinary course of business and with respect to amounts that, to the extent applicable, either (i) are not yet delinquent for a period of more than 30 days or (ii) are being contested in good faith by appropriate proceedings and as to which appropriate reserves have been established or other provisions have been made in accordance with GAAP, if required;

(c) Liens (other than any Lien imposed by the Employer Retirement Income Security Act of 1974, as amended) incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security or similar legislation or other insurance related obligations (including, but not limited to, in respect of deductibles, self-insured retention amounts and premiums and adjustments thereto) or indemnification obligations of (including obligations in respect of letters of credit or bank guarantees for the benefit of) insurance carriers providing property, casualty or liability insurance, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Person is a party, or deposits to secure public or statutory obligations of such Person or deposits of cash or U.S. government bonds to secure surety, stay, customs or appeal bonds to which such Person is a party, or deposits as security for contested taxes or import duties or for the payment of rent, performance and return-of-money bonds and other similar obligations (including letters of credit issued in lieu of any such bonds or to support the issuance thereof and including those to secure health, safety and environmental obligations);

(d) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory obligations, surety and appeal bonds, development obligations, progress payments, government contracts, utility services, developer's or other obligations to make on-site or off-site improvements and other obligations of like nature (exclusive of obligations for the payment of borrowed money but including the items referred to in the parenthetical in clause (a)(i) of the definition of "Indebtedness"), in each case incurred in the ordinary course of business of Holdings, the Borrower and the Restricted Subsidiaries;

(e) attachment or judgment Liens not giving rise to a Default or an Event of Default;

(f) easements, dedications, assessment district or similar Liens in connection with municipal or special district financing, rights-of-way, restrictions, reservations and other similar charges, burdens, and other similar charges or encumbrances not materially interfering with the ordinary course of business of Holdings, the Borrower and the Restricted Subsidiaries;

(g) zoning restrictions, licenses, restrictions on the use of real property or minor irregularities in title thereto, which do not materially impair the use of such real property in the ordinary course of business of Holdings, the Borrower and the Restricted Subsidiaries;

(h) Liens securing Indebtedness incurred pursuant to clauses (i) or (j) of the definition of "Permitted Indebtedness";

(i) Liens on the Collateral and other assets not constituting Collateral pursuant to clause (a) of the definition of "Excluded Property" securing Indebtedness of Holdings, the Borrower or any Restricted Subsidiary permitted to be incurred under this Agreement; provided, that the aggregate amount of all consolidated Indebtedness of Holdings, the Borrower and the Restricted Subsidiaries (including, with respect to Capitalized Lease Obligations, the Attributable Debt in respect thereof) secured by Liens under this clause (i) (together with the principal amounts then outstanding under the New Second Lien Notes and the Existing Senior Secured Old Group Notes and any refinancing, replacement or renewal thereof that constitutes Secured Indebtedness which is not permitted by and incurred under another clause of this definition of "Permitted Liens" (other than clauses (s) and (w)) shall not exceed the greater of (i) $800.0 million and (ii) 30% of Consolidated Tangible Assets at any one time outstanding (after giving effect to the incurrence of such Indebtedness and the use of the proceeds thereof) measured at the time of incurrence; provided that the Liens under this clause (i) securing (x) Indebtedness which is not Refinancing Indebtedness in respect of, or Indebtedness otherwise serving to renew, extend, refinance or replace, Secured Indebtedness outstanding on the Effective Date or the New Second Lien Notes outstanding on the Closing Date shall rank junior to the Liens securing the Loans and (y) any Refinancing Indebtedness in respect of, or Indebtedness otherwise serving to renew, extend, refinance or replace, Secured Indebtedness outstanding on the Effective Date or the New Second Lien Notes outstanding on the Closing Date shall have the same or junior priority as the initial Liens;

(j) Liens securing Non-Recourse Indebtedness of Holdings, the Borrower or any Restricted Subsidiary; provided, that such Liens apply only to (i) the property financed, constructed or improved out of the net proceeds of such Non-Recourse Indebtedness within 365 days after the incurrence of such Non-Recourse Indebtedness, and, including for the avoidance of doubt, assets directly related thereto or derived therefrom or other property of Holdings, the Borrower or any Restricted Subsidiary financed pursuant to the Credit Facility of such person under which the Non-Recourse Indebtedness was incurred, or (ii) licenses, permits, authorizations, consent forms or contracts related to the acquisition, development, use or improvement of such property;

(k) Liens securing Purchase Money Indebtedness; provided, that such Liens apply only to (i) the property financed, designed, installed, constructed or improved with the proceeds of such Purchase Money Indebtedness within 365 days after the incurrence of such Purchase Money Indebtedness, and, including for the avoidance of doubt, assets directly related thereto or derived therefrom or other property of Holdings, the Borrower or any Restricted Subsidiary financed pursuant to the Credit Facility of such person under which the Purchase Money Indebtedness was incurred, or (ii) licenses, permits, authorizations, consent forms or contracts related to the acquisition, development, use or improvement of such property;

(l) Liens on property or assets of Holdings, the Borrower or any Restricted Subsidiary securing Indebtedness of Holdings, the Borrower or any Restricted Subsidiary owing to Holdings, the Borrower or one or more Restricted Subsidiaries;

(m) leases, subleases, licenses or sublicenses (including of intellectual property) granted to others not materially interfering with the ordinary course of business of Holdings and the Restricted Subsidiaries;

(n) purchase money security interests (including, without limitation, Capitalized Lease Obligations); provided, that such Liens apply only to the Property acquired and the related Indebtedness is incurred within 365 days after the acquisition of such Property;

(o) any right of first refusal, right of first offer, option, contract or other agreement to sell an asset; provided that such sale is not otherwise prohibited under this Agreement;

(p) any right of a lender or lenders to which Holdings, the Borrower or a Restricted Subsidiary may be indebted to offset against, or appropriate and apply to the payment of such, Indebtedness and any and all balances, credits, deposits, accounts or money of Holdings, the Borrower or a Restricted Subsidiary with or held by such lender or lenders or its Affiliates;

(q) any pledge or deposit of cash or property in conjunction with obtaining surety, performance, completion or payment bonds and letters of credit or other similar instruments or providing earnest money obligations, escrows or similar purpose undertakings or indemnifications in the ordinary course of business of Holdings, the Borrower and the Restricted Subsidiaries;

(r) Liens for homeowner, condominium, property owner association developments and similar fees, assessments and other payments;

(s) Liens securing Refinancing Indebtedness (except Liens securing Refinancing Indebtedness in respect of Indebtedness secured pursuant to clauses (i), (qq) and (rr) under this definition); provided, that such Liens extend only to the assets securing the Indebtedness being refinanced and have the same or junior priority as the initial Liens;

(t) Liens incurred in the ordinary course of business as security for the obligations of Holdings, the Borrower and the Restricted Subsidiaries with respect to indemnification in respect of title insurance providers;

(u) Liens on property of a Person existing at the time such Person is merged with or into or consolidated with Holdings or any Subsidiary of Holdings or becomes a Subsidiary of Holdings; provided, that such Liens were in existence prior to the contemplation of such merger or consolidation or acquisition and do not extend to any assets other than those of the Person merged into or consolidated with Holdings or the Subsidiary or acquired by Holdings or its Subsidiaries;

(v) Liens on property existing at the time of acquisition thereof by Holdings or any Subsidiary of Holdings, provided, that such Liens were in existence prior to the contemplation of such acquisition;

(w) Liens existing on the issue date of the Existing Second Lien Notes (other than Liens securing Applicable Debt) and any extensions, renewals, refinancings or replacements thereof;

(x) Liens on specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(y) pledges, deposits and other Liens existing under, or required to be made in connection with, (i) earnest money obligations, escrows or similar purpose undertakings or indemnifications in connection with any purchase and sale agreement, (ii) development agreements or other contracts entered into with governmental authorities (or an entity sponsored by a governmental authority) in connection with the entitlement of real property or (iii) agreements for the funding of infrastructure, including in respect of the issuance of community facility district bonds, metro district bonds, subdivision improvement bonds and similar bonding requirements arising in the ordinary course of business of a homebuilder;

(z) Liens securing obligations of Holdings or any Restricted Subsidiary to any third party in connection with any option, repurchase right or right of first refusal to purchase real property granted to the master developer or the seller of real property that arises as a result of the non-use or non-development of such real property by Holdings or any Restricted Subsidiary and joint development agreements with third parties to perform and/or pay for or reimburse the costs of construction and/or development related to or benefiting property (and additions, accessions, improvements and replacements and customary deposits in connection therewith and proceeds and products therefrom) of Holdings or any Restricted Subsidiary and property belonging to such third parties, in each case entered into in the ordinary course of business; provided that such Liens do not at any time encumber any property, other than the property (and additions, accessions, improvements and replacements and customary deposits in connection therewith and proceeds and products therefrom) financed by such Indebtedness and the proceeds and products thereof;

(aa) Liens securing Hedging Obligations and Cash Management Services permitted to be incurred under this Agreement, so long as the related Indebtedness is, and is permitted under this Agreement to be, secured by a Lien on the same property securing such Hedging Obligations or Cash Management Services;

(bb) Liens arising from Uniform Commercial Code (or equivalent statute) financing statement filings regarding operating leases or consignments entered into by Holdings or any Restricted Subsidiary in the ordinary course of business;

(cc) Liens in favor of the Borrower or any other Loan Party;

(dd) deposits made or other security provided to secure liabilities to insurance carriers under insurance or self-insurance arrangements in the ordinary course of business;

(ee) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods in the ordinary course of business;

(ff) Liens (i) of a collection bank arising under Section 4-210 of the Uniform Commercial Code or any comparable or successor provision on items in the course of collection and (ii) in favor of banking or other financial institutions or electronic payment service providers arising as a matter of law encumbering deposits (including the right of set-off) and which are within the general parameters customary in the banking or finance industry;

(gg) the rights reserved or vested in any Person by the terms of any lease, license, grant or permit held by Holdings or any of its Restricted Subsidiaries or by a statutory provision, to terminate any such lease, license, grant or permit, or to require annual or periodic payments as a condition to the continuance thereof;

(hh) restrictive covenants affecting the use to which real property may be put; provided that the covenants are complied with;

(ii) security given to a public utility or any municipality or governmental authority when required by such utility or authority in connection with the operations of that Person in the ordinary course of business;

(jj) zoning by-laws and other land use restrictions, including, without limitation, site plan agreements, development agreements and contract zoning agreements;

(kk) Liens arising out of conditional sale, title retention, consignment or similar arrangements for sale of goods entered into by Holdings or any Restricted Subsidiary in the ordinary course of business;

(ll) [Reserved];

(mm) [Reserved];

(nn) any encumbrance or restriction (including put and call arrangements) with respect to capital stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement, to the extent that such encumbrance or restriction does not secure Indebtedness;

(oo) Liens on property or assets used to defease or to irrevocably satisfy and discharge Indebtedness; *provided* that such defeasance or satisfaction and discharge is not prohibited by this Agreement;

(pp) easements, rights-of-way, dedications, covenants, conditions, restrictions, reservations and assessment district or similar Liens in connection with municipal or special district financing, agreements with adjoining landowners or state or local government authorities, quasi-governmental entities or utilities and other similar charges or encumbrances incurred in the ordinary course of business and which do not, in the aggregate, materially interfere with the ordinary course of business of Holdings and its Subsidiaries;

(qq) Liens on the Collateral and other assets not constituting Collateral pursuant to clause (a) of the definition of "Excluded Property" securing Indebtedness (including Refinancing Indebtedness) of the Borrower or any other Loan Party incurred under Credit Facilities that constitute revolving credit loans, term loans, letters of credit or similar lines of credit in an aggregate amount at any time outstanding (together with the principal amounts then outstanding under this Agreement and any refinancing, replacement or renewal thereof that constitutes Secured Indebtedness which is not permitted by and incurred under another clause of this definition of "Permitted Liens" (other than clauses (s) and (w)) not to exceed the greater of (i) $125.0 million and (ii) 4.0% of Consolidated Tangible Assets at any one time outstanding measured at the time of the incurrence; provided that (i) any Indebtedness incurred to refund, refinance or extend (including Refinancing Indebtedness) Indebtedness secured by Liens pursuant to this clause (qq) shall be permitted to be secured by Liens pursuant to this clause (qq) notwithstanding that at the time of incurrence thereof, such Indebtedness may exceed the amount of Indebtedness that would then be permitted to be secured under this clause (qq) due to a diminution in the amount of Consolidated Tangible Assets and (ii) the Liens under this clause (qq) securing (x) Indebtedness which is not Refinancing Indebtedness in respect of, or Indebtedness otherwise serving to renew, extend, refinance or replace, Secured Indebtedness outstanding on the Effective Date or the Loans outstanding on the Closing Date shall rank junior to the Liens securing the Loans and (y) any Refinancing Indebtedness in respect of, or Indebtedness otherwise serving to renew, extend, refinance or replace, Secured Indebtedness outstanding on the Effective Date or the Loans outstanding on the Closing Date shall have the same or junior priority as the initial Liens; and

(rr) Liens securing obligations not to exceed $25.0 million at any one time outstanding, provided that any Liens on the Collateral incurred under this clause (rr) securing Indebtedness incurred after the Closing Date shall rank junior to the Liens securing the Loans.

For purposes of determining compliance with this definition, (x) a Lien need not be incurred solely by reference to one category of Permitted Liens described in this definition but may be incurred under any combination of such categories (including in part under one such category and in part under any other such category) and (y) in the event that a Lien (or any portion thereof) meets the criteria of one or more of such categories of Permitted Liens, the Borrower shall, in its sole discretion, classify or reclassify such Lien (or any portion thereof) in any manner that complies with this definition.

"Permitted Warrant" means any call option on, warrant or right to purchase (or substantively equivalent derivative transaction) Holdings' Capital Stock sold by Holdings, the Borrower or any Restricted Subsidiary substantially concurrently with any purchase by Holdings, the Borrower or any Restricted Subsidiary of a related Permitted Bond Hedge.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, incorporated or unincorporated association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Pledge" has the meaning specified in Section 9.07(i).

"Pledgee" has the meaning specified in Section 9.07(i).

"Pledge Agreement" means the Pledge Agreement among the Borrower, the other Grantors named therein and the Administrative Agent, dated as of the Closing Date.

"Preferred Stock" of any Person means all Capital Stock of such Person which has a preference in liquidation or with respect to the payment of dividends.

"Prepayment Notice" has the meaning specified in Section 2.03(a)(i), which shall be substantially in the form of Exhibit A-2.

"Prepayment Premium" has the meaning specified in Section 2.03(a)(i).

"Prime Rate" means the rate of interest per annum reported as the "prime rate" in the money rate column of the "Wall Street Journal" (or any other publication selected by the Administrative Agent) on the date of determination.

"Pro Rata Share" means, with respect to each Lender at any time, a fraction (expressed as a percentage, carried out to the ninth decimal place), the numerator of which is the amount of the Term Commitments of such Lender under the applicable Facility or Facilities or the Outstanding Amount of such Lender's Term Loans under such Facility at such time and the denominator of which is the amount of the Aggregate Commitments under the applicable Facility or Facilities or the aggregate Outstanding Amount of all Term Loans under such Facility at such time.

"Property" of any Person means all types of real, personal, tangible, intangible or mixed property owned by such Person, whether or not included in the most recent consolidated balance sheet of such Person and its Subsidiaries under GAAP.

"Public Filings" means Holding's annual report on Form 10-K for the fiscal year ended October 31, 2015, each subsequently filed quarterly report on Form 10-Q and current report on Form 8-K (other than Items 2.02 and 7.01) and all other documents filed by Holdings with the Securities and Exchange Commission since November 1, 2015 under Section 13(a), 13(c), 14 and 15(d) of the Exchange Act on or prior to the Closing Date (other than Items 2.02 and 7.01 of a Form 8-K).

"Purchase Money Indebtedness" means Indebtedness of Holdings, the Borrower or any Restricted Subsidiary incurred for the purpose of financing all or any part of the purchase price, or the cost of design, installation, construction, lease or improvement, of any property to be used in the business of Holdings, the Borrower and the Restricted Subsidiaries; provided, however, that (a) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost (including financing costs) and (b) such Indebtedness shall be incurred no later than 365 days after the acquisition of such property or completion of such design, installation, construction, lease or improvement.

"Purchasing Borrower Party" means Holdings or any subsidiary of Holdings.

"Qualified Stock" means Capital Stock of Holdings other than Disqualified Stock.

"Rating Agency" means a statistical rating agency or agencies, as the case may be, nationally recognized in the United States and selected by Holdings (as certified by a resolution of the Board of Directors of Holdings) which shall be substituted for S&P or Moody's, or both, as the case may be.

"Real Estate Business" means homebuilding, housing construction, real estate development or construction and the sale of homes and related real estate activities, including the provision of mortgage financing or title insurance.

"Refinance" has the meaning specified in Section 2.14.

"Refinancing Effective Date" has the meaning specified in Section 2.14.

"Refinancing Indebtedness" means Indebtedness (to the extent not Permitted Indebtedness) that refunds, refinances or extends any Indebtedness of Holdings, the Borrower or any Restricted Subsidiary (other than Non-Recourse Indebtedness and Permitted Indebtedness described under clauses (d) through (f), (h) through (j), (l), and (n) through (t) of the definition thereof), but only to the extent that:

(a) the Refinancing Indebtedness is subordinated, if at all, to the Loans or the Guarantees, as the case may be, to the same extent as the Indebtedness being refunded, refinanced or extended,

(b) the Refinancing Indebtedness (i) in respect of Permitted Indebtedness under clause (g) of the definition thereof and Permitted Indebtedness described under (2) and (3) of the proviso to clause (k)(B) of the definition thereof is scheduled to mature either (x) no earlier than the Indebtedness being refunded, refinanced or extended or (y) after the maturity date of the Loans and (ii) in respect of all other Indebtedness, is scheduled to mature no earlier than January 15, 2021,

(c) the portion, if any, of the Refinancing Indebtedness that is scheduled to mature on or prior to the maturity date of the Loans has a Weighted Average Life to Maturity at the time such Refinancing Indebtedness is incurred that is equal to or greater than the Weighted Average Life to Maturity of the portion of the Indebtedness being refunded, refinanced or extended that is scheduled to mature on or prior to the maturity date of the Loans, and

(d) such Refinancing Indebtedness is in an aggregate principal amount that is equal to or less than the aggregate principal amount then outstanding under the Indebtedness being refunded, refinanced or extended (plus all accrued interest thereon and the amount of any premiums (including tender premiums) and fees, costs and expenses incurred in connection with the refinancing thereof);

provided, that for purposes of determining the principal amount outstanding under clauses (b), (g), (k) and (t) of "Permitted Indebtedness" and clauses (i), (qq) and (rr) of "Permitted Liens," the principal amount referred to in such clauses shall be calculated excluding any principal amount that was incurred in respect of amounts set forth in the parenthetical in clause (d) of this definition and such principal amount shall nonetheless be permitted under such clauses.

"Refinancing Term Lender" has the meaning specified in Section 2.14(v)(i).

"Refinancing Term Loan Amendment" has the meaning specified in Section 2.14(vii).

"Refinancing Term Loan Facility" means a facility providing for the Borrowing of Refinancing Term Loans.

"Refinancing Term Loan Series" has the meaning specified in Section 2.14(vi).

"Refinancing Term Loans" has the meaning specified in Section 2.14.

"Register" has the meaning specified in Section 9.07(c).

"Related Indemnitee" has the meaning specified in Section 9.05.

"Related Parties" means, with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents and advisors of such Person and of such Person's Affiliates.

"Release" means any release, spill, emission, discharge, deposit, disposal, leaking, pumping, pouring, dumping, emptying, injection or leaching into the Environment, or into, from or through any structure or facility.

"repayment" has the meaning specified in the definition of "Consolidated Fixed Charge Coverage Ratio".

"Representatives" has the meaning specified in Section 9.08.

"Required Lenders" means, as of any date of determination, Lenders having more than 50% of the sum of the Total Outstandings; provided that the unused Term Commitment and the portion of the Total Outstandings held or deemed held by any Defaulting Lender shall be excluded for purposes of making a determination of Required Lenders.

"Responsible Officer" means the chief executive officer, president, executive vice president, vice president, chief financial officer, chief accounting officer, treasurer, assistant treasurer, controller or other similar officer of a Loan Party or, in the case of any Foreign Subsidiary, any duly appointed authorized signatory or any director or managing member of such Person and, as to any document delivered on the Closing Date, any secretary or assistant secretary. Any document delivered hereunder that is signed by a Responsible Officer of a Loan Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Loan Party, and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Loan Party.

"Restricted Investment" means any Investment other than a Permitted Investment.

"Restricted Payment" means any of the following:

(a) the declaration or payment of any dividend or any other distribution on Capital Stock of Holdings, the Borrower or any Restricted Subsidiary or any payment made to the direct or indirect holders (in their capacities as such) of Capital Stock of Holdings, the Borrower or any Restricted Subsidiary (other than (i) dividends or distributions payable solely in Qualified Stock and (ii) in the case of the Borrower or Restricted Subsidiaries, dividends or distributions payable to Holdings, the Borrower or a Restricted Subsidiary);

(b) the purchase, redemption or other acquisition or retirement for value of any Capital Stock of Holdings, the Borrower or any Restricted Subsidiary (other than a payment made to Holdings, the Borrower or any Restricted Subsidiary);

(c) any Investment (other than any Permitted Investment), including any Investment in an Unrestricted Subsidiary (including by the designation of a Subsidiary of Holdings as an Unrestricted Subsidiary); and

(d) the purchase, repurchase, redemption, acquisition or retirement for value, prior to the date for any scheduled maturity, sinking fund or amortization or other principal installment payment, of any Subordinated Indebtedness (other than (i) Indebtedness permitted under clause (d) of the definition of "Permitted Indebtedness" or (ii) the purchase, repurchase, redemption, defeasance, or other acquisition or retirement of Subordinated Indebtedness purchased in anticipation of satisfying a sinking fund obligation, amortization or principal installment or final maturity, in each case due within one year of the date of purchase, repurchase, redemption, defeasance or other acquisition or retirement).

"Restricted Subsidiary" means any Subsidiary of Holdings which is not an Unrestricted Subsidiary.

"Rule 144A" means Rule 144A under the Securities Act.

"Revolving Credit Facility" means the revolving credit facility under the Credit Agreement, dated as of June 7, 2013, among the Borrower, Holdings, the other guarantors party thereto, and the lender party thereto, as amended by the Credit Agreement First Amendment, dated as of June 11, 2013, the Credit Agreement Second Amendment, dated as of June 18, 2013, the Credit Agreement Third Amendment, dated as of June 27, 2013 and the Credit Agreement Fourth Amendment, dated as of July 10, 2013 and as further amended, restated, supplemented or otherwise modified from time to time hereafter, including any such amendment, restatement or other modification that increases the amount permitted to be borrowed thereunder or alters the maturity thereof (to the extent that such increase in borrowings is permitted under Section 6.03 hereof) or adds Holdings, the Borrower or Restricted Subsidiaries as additional borrowers or guarantors thereunder and whether by the same or any other agent, lender or group of lenders.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and any successor thereto.

"Sanctioned Country" has the meaning specified in Section 5.20.

"Sanctions" has the meaning specified in Section 5.20.

"Second Lien Collateral Agency Agreement" means the Collateral Agency Agreement, dated as of the Closing Date, among the Borrower, Holdings, the guarantors party thereto, the New Second Lien Notes Collateral Agent, the Existing Second Lien Collateral Agent and the Joint Second Lien Collateral Agent.

"Second-Priority Lien Obligations" means (1) the New Second Lien Notes and the New Second Lien Notes Guarantees thereof, (2) the Existing Second Lien Notes and the Existing Second Lien Guarantees thereof and (3) all other Indebtedness secured by Liens on the Collateral that are equal in priority to the Liens on the Collateral securing the New Second Lien Notes and the Existing Second Lien Notes, and, in each case, all Obligations in respect thereof.

"Secured Parties" means, collectively, the Administrative Agent, the Mortgage Tax Collateral Agent, the Lenders, the Supplemental Administrative Agent, if any, and each co-agent or sub-agent appointed by the Administrative Agent from time to time pursuant to Section 8.05.

"Securities Act" means the United States Securities Act of 1933, as amended.

"Security Agreement" means the Security Agreement among the Borrower, the other Grantors named therein and the Administrative Agent, dated as of the Closing Date.

"Segregated Account" means one or more segregated accounts pledged under the Collateral Documents that is under the control of the Administrative Agent or the Joint Second Lien Collateral Agent, subject to the Intercreditor Agreement.

"Significant Subsidiary" means any Subsidiary of Holdings which would constitute a "significant subsidiary" as defined in Rule 1-02(w)(1) or (2) of Regulation S-X under the Securities Act and the Exchange Act as in effect on the Effective Date.

"Subordinated Indebtedness" means Indebtedness subordinated in right of payment to the Loans pursuant to a written agreement.

"Subsidiary" of any Person means any corporation or other entity of which a majority of the Capital Stock having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions is at the time directly or indirectly owned or controlled by such Person.

"Subsidiary Guarantor" has the meaning specified in the introductory paragraph to this Agreement. Each Subsidiary Guarantor as of the date hereof is listed on Schedule 10.01 hereto.

"Successor" has the meaning specified in Section 6.11(i).

"Supplemental Administrative Agent" has the meaning specified in Section 8.10 and "Supplemental Administrative Agents" shall have the corresponding meaning.

"Taxes" means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"Tender Offer" has the meaning specified in the definition of "Tender Offer and Consent Solicitation."

"Tender Offer and Consent Solicitation" means the Borrower's offer to purchase for cash (the "Tender Offer") any and all of the January 2017 Notes, as well as the related consent solicitation (the "Consent Solicitation") to amend the January 2017 Notes Indenture, each subject to the terms and conditions set forth in the offer to purchase and consent solicitation statement (the "Offer to Purchase Statement"), to be dated on or about the Effective Date, and the related letter of transmittal and consent.

"Term Commitment" means an Initial Term Commitment, a commitment in respect of Refinancing Term Loans or a commitment in respect of Extended Term Loans.

"Term Lender" means, at any time, any Lender that has a Term Commitment or a Term Loan at such time.

"Term Loan Facility" means the Initial Term Loan Facility, each Refinancing Term Loan Facility and each Extended Term Loan Facility.

"Term Loans" means Initial Term Loans, Refinancing Term Loans and Extended Term Loans.

"Term Note" means a promissory note of the Borrower payable to any Term Lender or its registered assigns, in substantially the form of Exhibit B hereto, evidencing the indebtedness of the Borrower to such Term Lender resulting from the Initial Term Loans made by such Initial Term Lenders.

"Termination Date" has the meaning specified in Section 8.08(a).

"Total Outstandings" means the aggregate Outstanding Amount of all Loans.

"tranche" shall have the meaning specified in Section 2.13(a).

"Transaction Date" has the meaning specified in the definition of "Consolidated Fixed Charge Coverage Ratio".

"Type" means, with respect to a Loan, its character as a Base Rate Loan or a Eurodollar Rate Loan.

"Unentitled Land" means land owned by the Borrower or a Loan Party which has not been granted preliminary approvals ((a) in New Jersey, as defined in the Municipal Land Use Law (N.J.S.A. 40:55D-1 et seq.) and (b) for states other than New Jersey, a point in time equivalent thereto) for residential development.

"Uniform Commercial Code" means the Uniform Commercial Code as the same may from time to time be in effect in the State of New York or the Uniform Commercial Code (or similar code or statute) of another jurisdiction, to the extent it may be required to apply to the creation or perfection of a security interest in any item or items of Collateral.

"United States" and "US" mean the United States of America.

"Units" means the 6.00% Exchangeable Note Units of the Borrower and Holdings issued on October 2, 2012 composed of a senior unsecured exchangeable note of the Borrower and guaranteed by the applicable guarantors thereof and a senior unsecured amortizing note of the Borrower and guaranteed by the applicable guarantors thereof.

"Unrestricted Subsidiary" means any Subsidiary of Holdings so designated by a resolution adopted by the Board of Directors of Holdings or a duly authorized committee thereof as provided below; provided, that the holders of Indebtedness thereof do not have direct or indirect recourse against Holdings, the Borrower or any Restricted Subsidiary, and neither Holdings, the Borrower nor any Restricted Subsidiary otherwise has liability for, any payment obligations in respect of such Indebtedness (including any undertaking, agreement or instrument evidencing such Indebtedness), except, in each case, to the extent that the amount thereof constitutes a Restricted Payment or Permitted Investment permitted by this Agreement, in the case of Non-Recourse Indebtedness, to the extent such recourse or liability is for the matters discussed in the last sentence of the definition of "Non-Recourse Indebtedness," or to the extent such Indebtedness is a guarantee by such Subsidiary of Indebtedness of Holdings, the Borrower or a Restricted Subsidiary. As of the Effective Date, the Unrestricted Subsidiaries were the Subsidiaries of Holdings named in Schedule 1.01 hereto.

Subject to the foregoing, the Board of Directors of Holdings or a duly authorized committee thereof may designate any Subsidiary in addition to those named above to be an Unrestricted Subsidiary; provided, however, that (a) the net amount (the "Designation Amount") then outstanding of all previous Investments by Holdings and the Restricted Subsidiaries in such Subsidiary will be deemed to be a Restricted Payment at the time of such designation and will reduce the amount available for Restricted Payments under Section 6.04 hereof to the extent provided therein, (b) Holdings must be permitted under Section 6.04 hereof or pursuant to the definition of "Permitted Investment" to make the Restricted Payment deemed to have been made pursuant to clause (a) of this paragraph, and (c) after giving effect to such designation, no Default or Event of Default shall have occurred or be continuing. In accordance with the foregoing, and not in limitation thereof, Investments made by any Person in any Subsidiary of such Person prior to such Person's merger with Holdings or any Restricted Subsidiary (but not in contemplation or anticipation of such merger) shall not be counted as an Investment by Holdings or such Restricted Subsidiary if such Subsidiary of such Person is designated as an Unrestricted Subsidiary.

The Board of Directors of Holdings or a duly authorized committee thereof may also redesignate an Unrestricted Subsidiary to be a Restricted Subsidiary; provided, however, that (a) the Indebtedness of such Unrestricted Subsidiary as of the date of such redesignation could then be incurred under Section 6.03 hereof and (b) immediately after giving effect to such redesignation and the incurrence of any such additional Indebtedness, (i) Holdings and the Restricted Subsidiaries could incur $1.00 of additional Indebtedness under Section 6.03(a) hereof or (ii) the Consolidated Fixed Charge Coverage Ratio would be equal to or greater than the Consolidated Fixed Charge Coverage Ratio immediately prior to such redesignation or the ratio of Indebtedness of Holding and the Restricted Subsidiaries to Consolidated Tangible Net Worth of Holdings would be equal to or less than the ratio immediately prior to such redesignation. Any such designation or redesignation by the Board of Directors of Holdings or a committee thereof will be evidenced to the Trustee by the filing with the Trustee of a certified copy of the resolution of the Board of Directors of Holdings or a committee thereof giving effect to such designation or redesignation and an Officers' Certificate certifying that such designation or redesignation complied with the foregoing conditions and setting forth the underlying calculations of such Officers' Certificate. The designation of any Person as an Unrestricted Subsidiary shall be deemed to include a designation of all Subsidiaries of such Person as Unrestricted Subsidiaries; provided, however, that the ownership of the general partnership interest (or a similar member's interest in a limited liability company) by an Unrestricted Subsidiary shall not cause a Subsidiary of Holdings of which more than 95% of the equity interest is held by Holdings or one or more Restricted Subsidiaries to be deemed an Unrestricted Subsidiary.

"US Person" means any Person that is a "United States person" within the meaning of Section 7701(a)(30) of the Code.

"US Tax Certificate" has the meaning set forth in Section 3.01(f)(ii)(B)(3).

"Weighted Average Life to Maturity" means, when applied to any Indebtedness or portion thereof at any date, the number of years obtained by dividing (a) the sum of the products obtained by multiplying (i) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal, including, without limitation, payment at final maturity, in respect thereof, by (ii) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment by (b) the sum of all such payments described in clause (a)(i) of this definition.

"Withholding Agent" means any Loan Party, the Administrative Agent and, for U.S. federal income tax purposes only, any other withholding agent.

SECTION 1.02 Rules of Construction. Unless the context otherwise requires or except as otherwise expressly provided:

(a) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(b) "herein," "hereof" and other words of similar import refer to this Agreement as a whole and not to any particular Section, Article or other subdivision;

(c) all references to Sections or Articles or Exhibits refer to Sections or Articles or Exhibits of or to this Agreement unless otherwise indicated;

(d) references to agreements or instruments, or to statutes or regulations, are to such agreements or instruments, or statutes or regulations, as amended from time to time (or to successor statutes and regulations); and

(e) in the event that a transaction meets the criteria of more than one category of permitted transactions or listed exceptions, the Borrower may classify such transaction as it, in its sole discretion, determines.

SECTION 1.03 Times of Day. Unless otherwise specified, all references herein to times of day shall be references to New York time (daylight or standard, as applicable).

SECTION 1.04 Timing of Payment or Performance. When the payment of any obligation or the performance of any covenant, duty or obligation is stated to be due or performance required on a day which is not a Business Day, the date of such payment (other than as described in the definition of Interest Period) or performance shall extend to the immediately succeeding Business Day and such extension of time shall be reflected in computing interest or fees, as the case may be.

ARTICLE II

THE COMMITMENTS AND BORROWINGS

SECTION 2.01 The Loans. Subject to the terms and conditions set forth herein, each Initial Term Lender agrees to make loans on the Closing Date to the Borrower (each, an "Initial Term Loan" and, collectively, the "Initial Term Loans") in an amount denominated in Dollars equal to such Initial Term Lender's Initial Term Commitment. Amounts borrowed under this Section 2.01 and repaid or prepaid may not be reborrowed. Term Loans may be Base Rate Loans or Eurodollar Rate Loans, as further provided herein.

SECTION 2.02 Borrowings, Conversions and Continuations of Loans.

(a) Each Borrowing, each conversion of Term Loans from one Type to the other, and each continuation of Eurodollar Rate Loans shall be made upon the Borrower's irrevocable delivery to the Administrative Agent of a Loan Notice (which may be given by telephone as provided below), appropriately completed and signed by a Responsible Officer of the Borrower. Each such notice must be received by the Administrative Agent (i) not later than 11:00 a.m. three (3) Business Days (or such shorter time period as agreed to by the Initial Term Lenders) prior to the requested date of any Borrowing of Eurodollar Rate Loans, continuation of Eurodollar Rate Loans or any conversion of Base Rate Loans to Eurodollar Rate Loans or (ii) not later than 12:00 p.m. (noon) one (1) Business Day prior to the requested date of any Borrowing of Base Rate Loans. Each telephonic notice delivered pursuant to this Section 2.02(a) must be confirmed promptly by delivery to the Administrative Agent of a written Loan Notice, appropriately completed and signed by a Responsible Officer of the Borrower. Each Borrowing of, conversion to or continuation of Eurodollar Rate Loans shall be in a minimum principal amount of $1,000,000 or a whole multiple of $500,000 in excess thereof. Each Borrowing of or conversion to Base Rate Loans shall be in a principal amount of $500,000 or a whole multiple of $100,000 in excess thereof. Each Loan Notice (whether telephonic or written) shall specify (i) whether the Borrower is requesting a Borrowing of Term Loans, a conversion of Term Loans from one Type to the other, or a continuation of Eurodollar Rate Loans, (ii) the requested date of the Borrowing, conversion or continuation, as the case may be (which shall be a Business Day), (iii) the principal amount of Loans to be borrowed, converted or continued, (iv) the Type of Loans to be borrowed or to which existing Term Loans are to be converted, and (v) the account of the Borrower to be credited with the proceeds of such Borrowing. If the Borrower fails to specify a Type of Loan in a Loan Notice or fails to give a timely notice requesting a conversion or continuation, then the applicable Term Loans shall be made as, or converted to, Eurodollar Rate Loans with an Interest Period of one (1) month. Any such automatic conversion shall be effective as of the last day of the Interest Period then in effect with respect to the applicable Eurodollar Rate Loans.

(b) Following receipt of a Loan Notice, the Administrative Agent shall promptly notify each Appropriate Lender of the amount of its Pro Rata Share of the applicable Class of Loans, and if no timely notice of a conversion or continuation is provided by the Borrower, the Administrative Agent shall notify each Lender of the details of any automatic conversion or continuation described in Section 2.02(a). In the case of each Borrowing, each Appropriate Lender shall make the amount of its Loan available to the Administrative Agent in immediately available funds at the Administrative Agent's Office not later than 1:00 p.m. (with respect to Eurodollar Rate Loans) or 2:00 p.m. (with respect to Base Rate Loans) on the Business Day specified in the applicable Loan Notice. Subject to the terms and conditions hereof, the Administrative Agent shall make all funds so received available to the Borrower in like funds as received by the Administrative Agent by wire transfer of such funds in accordance with instructions provided to the Administrative Agent by the Borrower.

(c) A Eurodollar Rate Loan may be continued or converted only on the last day of an Interest Period for such Eurodollar Rate Loan unless the Borrower pays the amount due, if any, under Section 3.05 in connection therewith. During the existence of an Event of Default, the Required Lenders, upon written notice to the Borrower and the Administrative Agent, may require that no Loans may be converted to or continued as Eurodollar Rate Loans.

(d) The Administrative Agent shall promptly notify the Borrower and the Appropriate Lenders of the interest rate applicable to any Interest Period for Eurodollar Rate Loans upon determination of such interest rate. The determination of the Eurodollar Rate by the Administrative Agent shall be conclusive in the absence of manifest error. At any time that Base Rate Loans are outstanding, the Administrative Agent shall notify the Borrower and the Appropriate Lenders of any change in the Prime Rate used in determining the Base Rate promptly following the determination of such change.

(e) After giving effect to all Borrowings, all conversions of Loans from one Type to the other and all continuations of Loans as the same Type, there shall not be more than six (6) Interest Periods in effect.

(f) The failure of any Lender to make the Loan to be made by it as part of any Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make its Loan on the date of such Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Loan to be made by such other Lender on the date of any Borrowing.

SECTION 2.03 Prepayments.

(a) (i) The Borrower will not be permitted to voluntarily prepay all or any portion of the Initial Term Loans prior to the second anniversary of the Closing Date (such two year period, the "Non-Call Period"). The Borrower may, at its option, upon notice to the Administrative Agent (a "Prepayment Notice"), at any time from and after the second anniversary of the Closing Date, voluntarily prepay the principal outstanding amount of the Initial Term Loans made to the Borrower, in whole or in part, *plus* (a) all accrued and unpaid interest on the principal amount to be prepaid to, but excluding the date of, prepayment and, in the case of a prepayment of a Eurodollar Rate Loan, together with any additional amounts required pursuant to Section 3.05 and (b) in the case of a prepayment made after the second anniversary of the Closing Date but prior to February 1, 2019, a premium (the "Prepayment Premium") in an amount equal to 1.0% of the aggregate principal amount of the Term Loans so prepaid (it being understood that, any prepayment of the Term Loans made on or after the date that is six (6) months prior to the Maturity Date shall be without any Prepayment Premium); provided, that (1) such notice must be received by the Administrative Agent not later than 12:00 p.m., (x) three (3) Business Days prior to any date of prepayment of Eurodollar Rate Loans and (y) one (1) Business Day prior to any date of prepayment of Base Rate Loans; (2) any prepayment of Eurodollar Rate Loans shall be in a principal amount of $1,000,000 or a whole multiple of $500,000 in excess thereof; and (3) any prepayment of Base Rate Loans shall be in a principal amount of $250,000 or a whole multiple of $50,000 in excess thereof or, in each case, if less, the entire principal amount thereof then outstanding. Each such notice shall specify the date and amount of such prepayment and the Class(es) and Type(s) of Term Loans to be prepaid. The Administrative Agent will promptly notify each Appropriate Lender of its receipt of each such notice, and of the amount of such Lender's Pro Rata Share of such prepayment. The Borrower shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein. Each prepayment of the Loans pursuant to this Section 2.03(a) shall be applied among the Facilities in such amounts as the relevant Borrower may direct in its sole discretion (and absent such direction, *pro rata* among the Term Loan Facilities and in direct order of maturity). Each prepayment made by any Borrower in respect of a particular Facility shall be paid to the Administrative Agent for the account of (and to be promptly disbursed to) the Appropriate Lenders in accordance with their respective Pro Rata Shares.

(ii) Notwithstanding anything to the contrary contained in this Agreement, the Borrower may rescind any notice of prepayment under Section 2.03(a)(i) if such prepayment would have resulted from (A) a refinancing of all of the Facilities, which refinancing shall not be consummated or shall otherwise be delayed or (B) the refinancing of all or a portion of the Facilities pursuant to a Permitted Refinancing, which refinancing shall not be consummated or shall otherwise be delayed. Notices of prepayment may, at the Borrower's discretion, be subject to one or more conditions precedent, including, but not limited to, completion of an Equity Offering, another offering or another transaction or event.

(iii) In the event and on each occasion that Holdings, the Borrower or any Restricted Subsidiary makes an Asset Disposition which results in the realization or receipt of Net Cash Proceeds (other than the Net Cash Proceeds in connection with Land Banking Transactions constituting Asset Dispositions which shall be applied in accordance with Section 2.03(a)(vii) below), such Net Cash Proceeds of an Asset Disposition shall, subject to Section 2.03(c) below, within one year, at Holding's election:

(A) be used pursuant to Section 2.03(a)(vi),

(B) be used to permanently prepay or permanently repay any (i) Indebtedness which had been secured by the assets sold in the relevant Asset Disposition, to the extent the assets sold were not Collateral, or (ii) Indebtedness of a Restricted Subsidiary that is not a Guarantor, to the extent the assets sold were not Collateral, or

(C) be used to permanently prepay or permanently repay, subject to Section 2.03(b)(iii), the Term Loans, and, if Holdings or a Restricted Subsidiary elects or is required to do so, to repay, purchase or redeem the First Lien Notes and, if Holdings or a Restricted Subsidiary elects or is required to do so and the assets disposed of were not Collateral, repay, purchase or redeem any unsubordinated Indebtedness (on a *pro rata* basis if the amount available for such repayment, purchase, or redemption is less than the aggregate amount of (x) the aggregate principal amount of Loans held by the Term Loans Lenders who have not provided a Rejection Notice pursuant to Section 2.03(b)(iii), (y) the lesser of the principal amount, or accreted value, of First Lien Notes tendered or to be repaid, redeemed, or repurchased and (z) the lesser of the principal amount, or accreted value, of such unsubordinated Indebtedness tendered or to be repaid, repurchased or redeemed, plus, in each case, accrued interest to the date of repayment, purchase or redemption) at 100% of the principal amount or accreted value thereof, as the case may be, plus accrued and unpaid interest, if any, to the date of repurchase, repayment or redemption;

provided that pending any such application under this Section 2.03(a)(iii), Net Cash Proceeds may be used to temporarily reduce Indebtedness or otherwise be invested in any manner not prohibited by this Agreement.

(iv) In the event and on each occasion that a Casualty Event occurs, which results in the realization or receipt of Net Cash Proceeds, such Net Cash Proceeds of a Casualty Event shall, within one year, at Holding's election:

(A) be used pursuant to Section 2.03(a)(vi),

(B) be used to permanently prepay or permanently repay any (i) Indebtedness which had been secured by the assets that are the subject of such Casualty Event, to the extent the such assets were not Collateral, or (ii) Indebtedness of a Restricted Subsidiary that is not a Guarantor, to the extent such assets were not Collateral, or

(C) be used to permanently prepay or permanently repay, subject to Section 2.03(b)(iii), the Term Loans, and, if Holdings or a Restricted Subsidiary elects or is required to do so, to repay, purchase or redeem the First Lien Notes and, if Holdings or a Restricted Subsidiary elects or is required to do so and the assets that are the subject of such Casualty Event were not Collateral, repay, purchase or redeem any unsubordinated Indebtedness (on a *pro rata* basis if the amount available for such repayment, purchase, or redemption is less than the aggregate amount of (x) the aggregate principal amount of Loans held by the Term Loans Lenders who have not provided a Rejection Notice pursuant to Section 2.03(b)(iii), (y) the lesser of the principal amount, or accreted value, of First Lien Notes tendered or to be repaid, redeemed, or repurchased and (z) the lesser of the principal amount, or accreted value, of such unsubordinated Indebtedness tendered or to be repaid, repurchased or redeemed, plus, in each case, accrued interest to the date of repayment, purchase or redemption) at 100% of the principal amount or accreted value thereof, as the case may be, plus accrued and unpaid interest, if any, to the date of repurchase, repayment or redemption;

provided that pending any such application under this Section 2.03(a)(iv), Net Cash Proceeds may be used to temporarily reduce Indebtedness or otherwise be invested in any manner not prohibited by this Agreement.

(v) In the event and on each occasion that any Other Prepayment Event occurs, which results in the realization or receipt of Net Cash Proceeds, the Borrower shall prepay, or cause to be prepaid, subject to Section 2.03(b)(iii), on or prior to the date which is ten (10) Business Days after the date of realization or receipt of such Net Cash Proceeds, an aggregate principal amount of Term Loans equal to 100% of all Net Cash Proceeds realized or received.

(vi) With respect to any Net Cash Proceeds realized or received with respect to any Asset Disposition or any Casualty Event, the Borrower or any of the Restricted Subsidiaries may, at its option, reinvest the Net Cash Proceeds from such event (or a portion thereof) within 12 months after receipt of such Net Cash Proceeds in assets (including Capital Stock of any Person that is or will be a Restricted Subsidiary following investment therein) used or useful in a Real Estate Business (provided that, to the extent the assets that were the subject of such Asset Disposition or Casualty Event were Collateral, such reinvested assets are pledged as Collateral under the Collateral Documents with the Lien on such Collateral securing the Loans being of the same priority with respect to the Loans as the Liens on the assets disposed of).

(vii) The Net Cash Proceeds of Land Banking Transactions constituting Asset Dispositions shall, within 60 days, be used to permanently prepay or permanently repay, subject to Section 2.03(b)(iii), the Term Loans, and if Holdings or a Restricted Subsidiary elects or is required to do so, to repay, purchase or redeem the First Lien Notes (on a *pro rata* basis if the amount available for such repayment, purchase, redemption is less than the aggregate amount of (x) the aggregate principal amount of Loans held by the Term Loans Lenders who have not provided a Rejection Notice pursuant to Section 2.03(b)(iii), and (y) the lesser of the principal amount, or accreted value, of First Lien Notes tendered or to be repaid, redeemed, or repurchased) at 100% of the principal amount or accreted value thereof, as the case may be, plus accrued and unpaid interest, if any, to the date of repurchase, repayment or redemption.

(b) Application and Funding Losses.

(i) Application of Prepayments. All prepayments pursuant to Section 2.05(a)(i) and Section 2.03(a) shall be applied to prepay the Term Loans among the various Classes thereof on a ratable basis (in accordance with the aggregate outstanding principal amount of the Term Loans of each such Class), applied to each such Class of Term Loans to reduce the remaining scheduled amortization payments (if any) in direct order of maturity, unless otherwise agreed among the Borrower and the lenders providing Extended Term Loans in accordance with Section 2.13 (it being understood that, in any case, the Initial Term Loans shall not be allocated any less than such Class's pro rata share of such prepayment). Unless otherwise provided herein, each such prepayment shall be paid to the Lenders in accordance with their respective Pro Rata Shares.

(ii) Funding Losses, Etc. All prepayments under this Section 2.03 shall be made together with, in the case of any such prepayment of a Eurodollar Rate Loan on a date other than the last day of an Interest Period therefor, any amounts owing in respect of such Eurodollar Rate Loan pursuant to Section 3.05.

(iii) Declined Proceeds. The Borrower shall notify the Administrative Agent in writing of any mandatory prepayments of Loans required to be made pursuant to Section 2.03(a)(iii), (iv), (v), and (vii) no less than ten (10) Business Days before the date of such mandatory prepayment. Each such notice shall specify the date of such prepayment and provide a reasonably detailed calculation of the aggregate amount of such prepayment to be made by the Borrower. The Administrative Agent will promptly notify each Lender of the contents of the Borrower's prepayment notice and of each Lender's Pro Rata Share, or other applicable share provided for under this Agreement. Each Lender may reject all or a portion of its Pro Rata Share, or other applicable share provided for under this Agreement, of such mandatory prepayment (such declined amounts, the "Declined Proceeds") of Loans, by providing written notice to the Administrative Agent (a "Rejection Notice") no later than 5:00 p.m., New York time, five (5) Business Days after the date of such Lender's receipt of notice from the Administrative Agent regarding such prepayment. A Rejection Notice from a Lender shall specify the principal amount of the mandatory repayment of Loans to be declined by such Lender. If a Lender fails to deliver a Rejection Notice to the Administrative Agent within the time frame specified above, or the Rejection Notice fails to specify the principal amount of the Loans to be declined, it will be deemed an acceptance of the total amount of such mandatory prepayment of Term Loans.

(iv) Any Declined Proceeds may be used by Holdings, the Borrower and the Subsidiaries for general corporate purposes (including, for the avoidance of doubt, the repayment or repurchase of Indebtedness), subject to the other covenants hereunder.

(c) Threshold. Notwithstanding the foregoing, and other than with respect to Net Cash Proceeds in connection with Land Banking Transactions constituting Asset Dispositions which shall be applied in accordance with Section 2.03(a)(vii) above, the Borrower will not be required to make a prepayment from such Net Cash Proceeds in accordance with Section 2.03(a)(iii) except to the extent that such Net Cash Proceeds, together with the aggregate Net Cash Proceeds of prior Asset Dispositions (other than those so used) which have not been applied in accordance with this Section 2.03 and as to which no prior prepayments or repayments shall have been made, exceed $25.0 million.

SECTION 2.04 Termination of Commitments.

(a) Mandatory. The Initial Term Commitment of the Initial Term Lenders shall be automatically and permanently reduced to $0 at 5:30 pm on the Closing Date upon the funding of the Initial Term Loans.

(b) Closing Date. If the Commitment Termination Date occurs, the Initial Term Commitments shall immediately and automatically terminate.

SECTION 2.05 Repayment of Loans.

Payment at Maturity. The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Term Loan on the Maturity Date of the applicable Term Loan Facility in an amount equal to the aggregate principal amount of all Term Loans of such Class outstanding on such date.

SECTION 2.06 Interest.

(a) Subject to the provisions of Section 2.06(b), (i) each Eurodollar Rate Loan shall bear interest on the outstanding principal amount thereof for each Interest Period at a rate per annum equal to the Eurodollar Rate for such Interest Period plus the Applicable Rate; and (ii) each Base Rate Loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate plus the Applicable Rate.

(b) While any Event of Default set forth in Sections 7.01(i) or (ii) (as applicable) exists with respect to the payment of any principal, interest or fees, the Borrower shall pay interest on all such overdue amounts hereunder at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Laws. Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be due and payable upon demand.

(c) Interest on each Loan shall be due and payable in arrears on each Interest Payment Date applicable thereto and at such other times as may be specified herein. Interest hereunder shall be due and payable in accordance with the terms hereof before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Law.

SECTION 2.07 Fees.

The Borrower shall pay or cause to be paid to the Agents such fees as shall have been separately agreed upon in writing in the amounts and at the times so specified. Such fees shall be fully earned when paid and shall not be refundable for any reason whatsoever.

SECTION 2.08 Computation of Interest and Fees. All computations of interest for Base Rate Loans when the Base Rate is determined by the Prime Rate shall be made on the basis of a year of three hundred and sixty-five (365) or three hundred and sixty-six (366) days, as the case may be, and actual days elapsed. All other computations of fees and interest shall be made on the basis of a three hundred and sixty (360) day year and actual days elapsed (which results in more fees or interest, as applicable, being paid than if computed on the basis of a three hundred and sixty-five (365) day year). Interest shall accrue on each Loan for the day on which the Loan is made and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid; provided that any Loan that is repaid on the same day on which it is made shall, subject to Section 2.10(a), bear interest for one (1) day. Each determination by the Administrative Agent of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error.

SECTION 2.09 Evidence of Indebtedness.

(a) The Loans made by each Lender shall be evidenced by one or more accounts or records maintained by such Lender and evidenced by one or more entries in the Register maintained by the Administrative Agent in accordance with Section 9.07(c), acting as a non-fiduciary agent solely for purposes of Treasury Regulation Section 5f.103-1(c), as agent for the Borrower, in each case in the ordinary course of business. The accounts or records maintained by each Lender shall be prima facie evidence absent manifest error of the amount of the Loans made by the Lenders to the Borrower and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrower hereunder to pay any amount owing with respect to the Loan Obligations. In the event of any conflict between the accounts and records maintained by any Lender and the Register in respect of such matters, the Register shall control in the absence of manifest error. Upon the request of any Lender made through the Administrative Agent, the Borrower shall execute and deliver to such Lender (through the Administrative Agent) a Note payable to such Lender, which shall evidence such Lender's Loans in addition to such accounts or records. Each Lender may attach schedules to its Note and endorse thereon the date, Type (if applicable), amount and maturity of its Loans and payments with respect thereto.

(b) Entries made in good faith by the Administrative Agent in the Register pursuant to Section 2.09(a), and by each Lender in its account or accounts pursuant to Section 2.09(a), shall be prima facie evidence of the amount of principal and interest due and payable or to become due and payable from the Borrower to, in the case of the Register, each Lender and, in the case of such account or accounts, such Lender, under this Agreement and the other Loan Documents, absent manifest error; provided that the failure of the Administrative Agent or such Lender to make an entry, or any finding that an entry is incorrect, in the Register or such account or accounts shall not limit or otherwise affect the obligations of the Borrower under this Agreement and the other Loan Documents.

SECTION 2.10 Payments Generally.

(a) Except as otherwise required by applicable Law, all payments to be made by the Borrower shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided herein, all payments by the Borrower hereunder shall be made to the Administrative Agent, for the account of the respective Lenders to which such payment is owed, at the Administrative Agent's Office in Dollars and in immediately available funds not later than noon, 12:00 p.m., on the date specified herein. The Administrative Agent will promptly distribute to each Lender its Pro Rata Share (or other applicable share as provided herein) of such payment in like funds as received by wire transfer to such Lender's Lending Office. All payments received by the Administrative Agent after noon, 12:00 p.m., shall be deemed received on the next succeeding Business Day in the Administrative Agent's sole discretion and any applicable interest or fee shall continue to accrue to the extent applicable.

(b) Unless the Borrower or any Lender has notified the Administrative Agent, prior to the date any payment is required to be made by it to the Administrative Agent hereunder, that the Borrower or such Lender, as the case may be, will not make such payment, the Administrative Agent may assume that the Borrower or such Lender, as the case may be, has timely made such payment and may (but shall not be so required to), in reliance thereon, make available a corresponding amount to the Person entitled thereto. If and to the extent that such payment was not in fact made to the Administrative Agent in immediately available funds, then:

(i) if the Borrower failed to make such payment, each Lender shall forthwith on demand repay to the Administrative Agent the portion of such assumed payment that was made available to such Lender in immediately available funds, together with interest thereon in respect of each day from and including the date such amount was made available by the Administrative Agent to such Lender to the date such amount is repaid to the Administrative Agent in immediately available funds at the applicable Federal Funds Rate from time to time in effect; and

(ii) if any Lender failed to make such payment, such Lender shall forthwith on demand pay to the Administrative Agent the amount thereof in immediately available funds, together with interest thereon for the period from the date such amount was made available by the Administrative Agent to the Borrower to the date such amount is recovered by the Administrative Agent (the "Compensation Period") at a rate per annum equal to the applicable Federal Funds Rate from time to time in effect. When such Lender makes payment to the Administrative Agent (together with all accrued interest thereon), then such payment amount (excluding the amount of any interest which may have accrued and been paid in respect of such late payment) shall constitute such Lender's Loan included in the applicable Borrowing. If such Lender does not pay such amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent may make a demand therefor upon the Borrower, and the Borrower shall pay such amount to the Administrative Agent, together with interest thereon for the Compensation Period at a rate per annum equal to the rate of interest applicable to the applicable Borrowing. Nothing herein shall be deemed to relieve any Lender from its obligation to fulfill its Term Commitment or to prejudice any rights which the Administrative Agent or the Borrower may have against any Lender as a result of any Default by such Lender hereunder.

A notice of the Administrative Agent to any Lender or the Borrower with respect to any amount owing under this Section 2.10(b) shall be conclusive, absent manifest error.

(c) If any Lender makes available to the Administrative Agent funds for any Loan to be made by such Lender as provided in this Article 2, and such funds are not made available to the Borrower by the Administrative Agent because the conditions to the applicable Borrowing set forth in Article 4 are not satisfied or waived in accordance with the terms hereof, the Administrative Agent shall promptly return such funds (in like funds as received from such Lender) to such Lender, without interest.

(d) The obligations of the Lenders hereunder to make Loans are several and not joint. The failure of any Lender to make any Loan or to fund any such participation on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Loan or purchase its participation.

(e) Nothing herein shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

(f) Whenever any payment received by the Administrative Agent under this Agreement or any of the other Loan Documents is insufficient to pay in full all amounts then due and payable to the Administrative Agent and the Lenders under or in respect of this Agreement and the other Loan Documents on any date, such payment shall be distributed by the Administrative Agent and applied by the Administrative Agent and the Lenders in the order of priority set forth in clauses First through Last of Section 7.03. If the Administrative Agent receives funds for application to the Loan Obligations of the Loan Parties under or in respect of the Loan Documents under circumstances for which the Loan Documents do not specify the manner in which such funds are to be applied, the Administrative Agent may, but shall not be obligated to, elect to distribute such funds to each of the Lenders in accordance with such Lender's Pro Rata Share of the Outstanding Amount of all Loans outstanding at such time, in repayment or prepayment of such of the outstanding Loans or other Loan Obligations then owing to such Lender.

SECTION 2.11 Sharing of Payments. If any Lender shall obtain on account of the Loans made by it, any payment (whether voluntary, involuntary, through the exercise of any right of setoff, or otherwise, and other than (x) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or Participant or (y) as otherwise expressly provided elsewhere herein, including, without limitation, as provided in or contemplated by Section 2.13, Section 2.14 or Section 9.01) in excess of its ratable share (or other share contemplated hereunder) thereof, such Lender shall immediately (a) notify the Administrative Agent of such fact and (b) purchase from the other Lenders such participations in the Loans made by them, as shall be necessary to cause such purchasing Lender to share the excess payment in respect of such Loans or such participations, as the case may be, pro rata with each of them (and notify the Administrative Agent of such purchase); provided that if all or any portion of such excess payment is thereafter recovered from the purchasing Lender under any of the circumstances described in Section 9.06 (including pursuant to any settlement entered into by the purchasing Lender in its discretion), such purchase shall to that extent be rescinded and each other Lender shall repay to the purchasing Lender the purchase price paid therefor, together with an amount equal to such paying Lender's ratable share (according to the proportion of (i) the amount of such paying Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered, without further interest thereon. The Borrower agrees that any Lender so purchasing a participation from another Lender may, to the fullest extent permitted by Law, exercise all its rights of payment (including the right of setoff, but subject to Section 9.09) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation. The Administrative Agent will keep records and maintain entries in the Register (which shall be conclusive and binding in the absence of manifest error) of participations purchased under this Section 2.11 and will in each case notify the Lenders following any such purchases or repayments. Each Lender that purchases a participation pursuant to this Section 2.11 shall from and after such purchase have the right to give all notices, requests, demands, directions and other communications under this Agreement with respect to the portion of the Loan Obligations purchased to the same extent as though the purchasing Lender were the original owner of the Loan Obligations purchased.

SECTION 2.12 [Reserved].

SECTION 2.13 Extensions of Term Loans.

(a) Notwithstanding anything to the contrary in this Agreement, pursuant to one or more offers (each, an "Extension Offer") made from time to time by the Borrower to all Lenders of any Class of Term Loans with a like Maturity Date, in each case on a pro rata basis (based on the aggregate outstanding principal amount of such Term Loans) and on the same terms to each such Lender, the Borrower is hereby permitted to consummate from time to time transactions with individual Lenders that accept the terms contained in such Extension Offers to extend the Maturity Date of each such Lender's Term Loans and otherwise modify the terms of such Term Loans, subject to the provisions below, pursuant to the terms of the relevant Extension Offer (including, without limitation, by increasing the fees (other than fees on undrawn amounts) payable in respect of such Term Loans (and related outstandings) (each, an "Extension", and each group of Term Loans, in each case as so extended, as well as the original Initial Term Loans (in each case not so extended), being a "tranche"; any Extended Term Loans shall constitute a separate tranche of Term Loans from the tranche of Term Loans from which they were converted), so long as the following terms are satisfied:

(i) no Default or Event of Default shall have occurred and be continuing at the time the offering document in respect of an Extension Offer is delivered to the Lenders or at the time of the effectiveness of the Extension;

(ii) except as to interest rates, fees, amortization, final Maturity Date, premium, required prepayment dates and participation in prepayments (which shall, subject to the immediately succeeding clauses (iii), (iv) and (v), be determined between the Borrower and set forth in the relevant Extension Offer), the Term Loans of any Term Lender that agrees to an Extension with respect to such Term Loans (an "Extending Term Lender") extended pursuant to any Extension ("Extended Term Loans") shall have the same terms as the tranche of Term Loans subject to such Extension Offer;

(iii) the final Maturity Date of any Extended Term Loans shall be no earlier than the later of (A) January 15, 2021 and (B) Latest Maturity Date of the Term Loans extended thereby;

(iv) the Weighted Average Life to Maturity of any Extended Term Loans shall be no shorter than the Weighted Average Life to Maturity of the Term Loans extended thereby;

(v) any Extended Term Loans may participate on a pro rata basis or a less than pro rata basis (but not greater than a pro rata basis) in any voluntary repayments or prepayments hereunder, in each case as specified in the respective Extension Offer;

(vi) if the aggregate principal amount of Term Loans (calculated on the face amount thereof), in respect of which Term Lenders shall have accepted the relevant Extension Offer shall exceed the maximum aggregate principal amount of Term Loans offered to be extended by the Borrower pursuant to such Extension Offer, then the Term Loans of such Term Lenders shall be extended ratably up to such maximum amount based on the respective principal amounts (but not to exceed actual holdings of record) with respect to which such Term Lenders have accepted such Extension Offer;

(vii) all documentation in respect of such Extension shall be consistent with the foregoing, and the covenants and events of default applicable to any Extended Term Loans shall be substantially identical to, or, taken as a whole, no more favorable to the Lenders providing such Extended Term Loans than those applicable to the Term Loans subject to such Extension Offer;

(viii) the Extended Term Loans are not secured by any assets or property that does not constitute Collateral, and are not guaranteed by any Subsidiary of Holdings that is not a Subsidiary Guarantor; and

(ix) any applicable Minimum Extension Condition shall be satisfied unless waived by the Borrower.

(b) With respect to all Extensions consummated by the Borrower pursuant to this Section, (i) such Extensions shall not constitute payments or prepayments for purposes of Section 2.03 and (ii) shall be in an integral multiple of $1.0 million and in an aggregate principal amount that is not less than $10.0 million, provided that the Borrower may at its election specify as a condition (a "Minimum Extension Condition") to consummating any such Extension that a minimum amount (to be determined and specified in the relevant Extension Offer in the Borrower's sole discretion and which may be waived by the Borrower, but not less than $10.0 million) of Term Loans of any or all applicable tranches be tendered. The Administrative Agent and the Lenders hereby consent to the transactions contemplated by this Section (including, for the avoidance of doubt, payment of any interest, fees or premium in respect of any Extended Term Loans on such terms as may be set forth in the relevant Extension Offer (which shall be consistent with the foregoing provisions of this Section 2.13)) and hereby waive the requirements of any provision of this Agreement (including, without limitation, Sections 2.03, 2.11 and 9.01) or any other Loan Document that may otherwise prohibit or conflict with any such Extension or any other transaction contemplated by this Section.

(c) No consent of any Lender or the Administrative Agent shall be required to effectuate any Extension, other than the consent of each Lender agreeing to such Extension with respect to one or more of its Term Loans (or a portion thereof). All Extended Term Loans and all obligations in respect thereof shall be Loan Obligations under this Agreement and the other Loan Documents that are secured by the Collateral on a *pari passu* basis with all other applicable Loan Obligations under this Agreement and the other Loan Documents. The Lenders hereby irrevocably authorize the Administrative Agent to enter into amendments to this Agreement and the other Loan Documents with the Borrower as may be necessary in order to establish new tranches or sub-tranches in respect of Term Loans so extended and such technical amendments as may be necessary in the reasonable opinion of the Administrative Agent and the Borrower in connection with the establishment of such new tranches or sub-tranches, in each case on terms consistent with this Section.

(d) In connection with any Extension, the Borrower shall provide the Administrative Agent at least five (5) Business Days (or such shorter period as may be agreed by the Administrative Agent) prior written notice thereof, and shall agree to such procedures (including, without limitation, regarding timing, rounding and other adjustments and to ensure reasonable administrative management of the Facilities hereunder after such Extension), if any, as may be established by, or acceptable to, the Administrative Agent, in each case acting reasonably to accomplish the purposes of this Section 2.13.

SECTION 2.14 Refinancing Facilities. (a) The Borrower may by written notice to the Administrative Agent elect to request the establishment of one or more additional Classes of term loans under this Agreement ("Refinancing Term Loans"), which refinance, renew, replace, defease or refund (collectively, "Refinance"), in whole or in part, one or more Classes of Term Loans under this Agreement; provided, that such Refinancing Term Loans may not be in an amount greater than the Term Loans being Refinanced plus unpaid accrued interest, fees, expenses and premium (if any) thereon and underwriting discounts, fees, commissions and expenses incurred in connection with the Refinancing Term Loans. Each such notice shall specify the date (each, a "Refinancing Effective Date") on which the Borrower proposes that the Refinancing Term Loans shall be made, which shall be a date not less than five (5) Business Days after the date on which such notice is delivered to the Administrative Agent; provided that:

(i) the Weighted Average Life to Maturity of such Refinancing Term Loans shall not be shorter than the then remaining Weighted Average Life to Maturity of the Class or Classes of Term Loans being Refinanced and the Refinancing Term Loans shall not have a final maturity before the later of (A) January 15, 2021 and (B) the Maturity Date of the Term Loans being Refinanced;

(ii) the Refinancing Term Loans shall have terms and conditions agreed to by the Borrower and the lenders providing such Refinancing Term Loans, but shall be substantially the same as (or, taken as a whole, no more favorable to, the lenders providing such Refinancing Term Loans than) those applicable to the then outstanding Term Loans, except to the extent such covenants and other terms apply solely to any period after the Latest Maturity Date;

(iii) the proceeds of any Refinancing Term Loans shall be applied substantially concurrently with the incurrence thereof to the pro rata prepayment of the Class or Classes of Term Loans being Refinanced hereunder;

(iv) the Refinancing Term Loan Amendment shall set forth the principal installment payment dates of the Refinancing Term Loans, which dates may be delayed to later dates than the corresponding scheduled principal installment payment dates of the Term Loans being refinanced;

(v) the Loan Parties and the Administrative Agent shall (i) enter into such amendments to the Collateral Documents as may be reasonably requested by the Lenders providing the Refinancing Term Loans (which shall not require any consent from any Lender) in order to ensure that the Refinancing Term Loans are provided with the benefit of the applicable Collateral Documents on a pari passu basis with the other Loan Obligations and (ii) deliver such other documents and certificates as may be reasonably requested by the Administrative Agent;

(vi) the Refinancing Term Loans will be unsecured or will rank pari passu or junior in respect of Collateral with the other Loans hereunder; and

(vii) (1) no Refinancing Term Loans shall be made with respect to the Initial Term Loans during the Non-Call Period without the consent of the Initial Lender with respect to such Initial Term Loans, (2) with respect to any Refinancing Term Loans made from and after the end of the Non-Call Period, but prior to February 1, 2019, a premium in an amount equal to 1.0% of the aggregate principal amount of the Initial Term Loans being Refinanced shall be paid to the Lenders holding such Initial Term Loans.

(b) The Borrower may approach any Lender or any other Person that would be an Eligible Assignee to provide all or a portion of the Refinancing Term Loans (a "Refinancing Term Lender"); provided any Lender offered or approached to provide all or a portion of the Refinancing Term Loans may elect or decline, in its sole discretion, to provide a Refinancing Term Loan. Any Refinancing Term Loans made on any Refinancing Effective Date shall be designated a series (a "Refinancing Term Loan Series") of Refinancing Term Loans for all purposes of this Agreement and the selection of Refinancing Term Lenders shall be subject to any consent that would be required pursuant to Section 9.07(b) hereof; provided that any Refinancing Term Loans may, to the extent provided in the applicable Refinancing Term Loan Amendment, be designated as an increase in any previously established Refinancing Term Loan Series of Refinancing Term Loans made to the Borrower.

(c) The Refinancing Term Loans shall be established pursuant to an amendment to this Agreement among Holdings, the Borrower and the Refinancing Term Lenders providing such Refinancing Term Loans (a "Refinancing Term Loan Amendment") which shall be consistent with the provisions set forth in paragraph (i) above. Each Refinancing Term Loan Amendment shall be binding on the Lenders, the Administrative Agent, the Loan Parties party thereto and the other parties hereto. Upon receipt of an Officer's Certificate certifying that such Refinancing Term Loan Amendment is permitted under the Loan Documents, the Administrative Agent shall be permitted, and is hereby authorized, to enter into such amendments with the Borrower to effect the foregoing. Any Refinancing Term Loan made by a Term Lender pursuant to a Refinancing Term Loan Amendment shall be deemed a "Term Loan" for all purposes of this Agreement and each Lender with a Refinancing Term Loan shall become a Lender with respect to such Refinancing Term Loans and all matters relating thereto. Notwithstanding anything to the contrary herein, at no time shall there be Term Loans (including Refinancing Term Loans and Extended Term Loans) which have more than five different scheduled final maturity dates or shall there be more than five different "Term Loan Facilities".

SECTION 2.15 Defaulting Lenders.

(a) Reallocation of Defaulting Lender Commitment, Etc. If a Lender becomes, and during the period it remains, a Defaulting Lender, the following provisions shall apply with respect to such Defaulting Lender:

(i) any amount paid by the Borrower for the account of a Defaulting Lender that was or is a Lender under this Agreement (whether on account of principal, interest, fees, indemnity payments or other amounts) will not be paid or distributed to such Defaulting Lender, but will instead be retained by the Administrative Agent in a segregated non-interest-bearing account until (subject to Section 2.15(c)) the Termination Date and will be applied by the Administrative Agent, to the fullest extent permitted by Law, to the making of payments from time to time in the following order of priority: first, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent under this Agreement; second, to satisfy the obligations, if any, of such Term Lender to make Term Loans to the Borrower; third, to the payment of post-default interest and then current interest due and payable to the Lenders hereunder other than Defaulting Lenders that are Lenders, ratably among them in accordance with the amounts of such interest then due and payable to them; fourth, to the payment of fees then due and payable to the Non-Defaulting Lenders that are Lenders hereunder, ratably among them in accordance with the amounts of such fees then due and payable to them; fifth, to the ratable payment of other amounts then due and payable to the Non-Defaulting Lenders that are Lenders; sixth, on the Termination Date, to the payment of any amounts owing to the Borrower as a result of a final judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and seventh, after the Termination Date, to pay amounts owing under this Agreement to such Defaulting Lender or as a court of competent jurisdiction may otherwise direct.

(b) Fees. Anything herein to the contrary notwithstanding, during such period as a Lender is a Defaulting Lender, such Defaulting Lender will not be entitled to any fees accruing during such period pursuant to Section 2.07 (without prejudice to the rights of the Lenders other than Defaulting Lenders in respect of such fees).

(c) Cure. If the Borrower determines that a Lender that is a Defaulting Lender should no longer be deemed to be a Defaulting Lender, the Borrower will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein (which may include arrangements with respect to any amounts then held in the segregated account referred to in Section 2.15(a)), such Lender will, to the extent applicable, purchase such portion of outstanding Loans of the other Lenders and/or make such other adjustments as the Administrative Agent may determine to be necessary to cause the total Term Commitments pursuant to Section 2.01 of the Term Lenders to be on a *pro rata* basis in accordance with their respective Term Commitments, whereupon such Term Lender will cease to be a Defaulting Lender and will be a Non-Defaulting Lender (and such Term Commitments and Term Loans of each Term Lender will automatically be adjusted on a prospective basis to reflect the foregoing); provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while such Lender was a Defaulting Lender; provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Non-Defaulting Lender will constitute a waiver or release of any claim of any party hereunder arising from such Lender's having been a Defaulting Lender.

ARTICLE III

TAXES, INCREASED COSTS PROTECTION AND ILLEGALITY

SECTION 3.01 Taxes. (a) Payments Free of Taxes. Any and all payments by or on account of any obligation of any Loan Party under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable Law. If any applicable Law (as determined in the good faith discretion of an applicable Withholding Agent) requires the deduction or withholding of any Tax from any such payment by a Withholding Agent, then the applicable Withholding Agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law and, if such Tax is an Indemnified Tax, then the sum payable by the applicable Loan Party shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section 3.01) the applicable Lender or Agent receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(b) Payment of Other Taxes by the Borrower. The Loan Parties shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of the Administrative Agent timely reimburse it for, Other Taxes.

(c) Evidence of Payments. As soon as practicable after any payment of Taxes by any Loan Party to a Governmental Authority pursuant to this Section 3.01, such Loan Party shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(d) Indemnification by the Borrower. The Loan Parties shall jointly and severally indemnify each Lender and each Agent, within 10 days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section 3.01) payable or paid by such Lender or such Agent or required to be withheld or deducted from a payment to such Lender or such Agent and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender or Agent (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender or other Agent, shall be conclusive absent manifest error.

(e) Indemnification by the Lenders. Each Lender shall severally (but not jointly) indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any Indemnified Taxes attributable to such Lender (but only to the extent that any Loan Party has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Loan Parties to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 9.07(e) relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this paragraph (e).

(f) Status of Lenders. (i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 3.01(f)(ii)(A), (ii)(B) and (ii)(D) below) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing,

(A) any Lender that is a US Person shall deliver to the Borrower and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed originals of IRS Form W-9 certifying that such Lender is exempt from United States federal backup withholding tax;

(B) any Non-US Lender shall deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such non-US Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), whichever of the following is applicable:

(1) in the case of a Non-US Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed originals of IRS Form W-8BEN or IRS Form W-8BEN-E establishing an exemption from, or reduction of, United States federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN or IRS Form W-8BEN-E establishing an exemption from, or reduction of, United States federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(2) executed originals of IRS Form W-8ECI;

(3) in the case of a Non-US Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) a certificate substantially in the form of Exhibit E-1 to the effect that such Non-US Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10 percent shareholder" of the Borrower within the meaning of Section 881(c)(3)(B) of the Code, or a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code (a "US Tax Certificate") and (y) executed originals of IRS Form W-8BEN or IRS Form W-8BEN-E; or

(4) to the extent a Non-US Lender is not the beneficial owner, executed originals of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN, IRS Form W-8BEN-E, a US Tax Certificate substantially in the form of Exhibit E-2 or Exhibit E-3, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Non-US Lender is a partnership and one or more direct or indirect partners of such Non-US Lender are claiming the portfolio interest exemption, such Non-US Lender may provide a US Tax Certificate substantially in the form of Exhibit E-4 on behalf of each such direct and indirect partner;

(C) any Non-US Lender shall deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Non-US Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed originals of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in United States federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower or the Administrative Agent to determine the withholding or deduction required to be made; and

(D) if a payment made to a Lender under any Loan Document would be subject to United States federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

(g) Treatment of Certain Refunds. If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 3.01, (including by the payment of additional amounts pursuant to this Section 3.01), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section 3.01 with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this paragraph (g) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (g), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph (g) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This paragraph shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(h) Change of Lending Office. Each Lender agrees that, upon the occurrence of any event giving rise to the operation of Section 3.01(a) or Section 3.01(d) with respect to such Lender it will, if requested by the Borrower, use reasonable efforts to avoid the consequences of such event, including to designate another Lending Office for any Loan affected by such event or to assign its rights and obligations with respect to such Loan to another of its offices, branches or affiliates; provided that such efforts are made on terms that, in the reasonable judgment of such Lender, cause such Lender and its Lending Office(s) to suffer no material economic, legal or regulatory disadvantage; and provided further that nothing in this Section 3.01(h) shall affect or postpone any of the Loan Obligations of any Loan Party or Lender or the rights of the Lender or Loan Party pursuant to this Section 3.01.

(i) Survival. Each party's obligations under this Section 3.01 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Term Commitments and the repayment, satisfaction or discharge of all obligations under any Loan Document.

(j) Defined Terms. For purposes of this Section 3.01, the term "applicable Law" includes FATCA.

SECTION 3.02 Illegality. If any Lender reasonably determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender or its applicable Lending Office to make, maintain or fund Eurodollar Rate Loans, or to determine or charge interest rates based upon the Eurodollar Rate, then, on notice thereof by such Lender to the Borrower (with a copy to the Administrative Agent), any obligation of such Lender to make or continue Eurodollar Rate Loans or to convert Base Rate Loans to Eurodollar Rate Loans shall be suspended until such Lender notifies the Administrative Agent and the Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Borrower shall, upon written demand from such Lender (with a copy to the Administrative Agent), prepay or, if applicable, convert all Eurodollar Rate Loans of such Lender to Base Rate Loans, either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain such Eurodollar Rate Loans to such day, or immediately, if such Lender may not lawfully continue to maintain such Eurodollar Rate Loans. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted. Each Lender agrees to designate a different Lending Office if such designation will avoid the need for such notice and will not, in the good faith judgment of such Lender, otherwise be materially disadvantageous to such Lender.

SECTION 3.03 Inability to Determine Rates. If the Administrative Agent determines that for any reason adequate and reasonable means do not exist for determining the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Loan (including, without limitation, by means of an Interpolated Rate), or if the Required Lenders reasonably determine that the Eurodollar Rate for any requested Interest Period with respect to a proposed Eurodollar Rate Loan does not adequately and fairly reflect the cost to such Lenders of funding such Loan, or that Dollar deposits are not being offered to banks in the London interbank eurodollar market for the applicable amount and the Interest Period of such Eurodollar Rate Loan, the Administrative Agent or the Required Lenders, as applicable, will promptly so notify the Borrower and each Lender. Thereafter, the obligation of the Lenders to make or maintain Eurodollar Rate Loans shall be suspended until the Administrative Agent or the Required Lenders, as applicable, revokes such notice. Upon receipt of such notice, the Borrower may revoke any pending request for a Borrowing of, conversion to or continuation of Eurodollar Rate Loans or, failing that, will be deemed to have converted such request into a request for a Borrowing of Base Rate Loans in the amount specified therein.

SECTION 3.04 Increased Cost and Reduced Return; Capital Adequacy; Reserves on Eurodollar Rate Loans.

(a) If any Lender reasonably determines that as a result of the introduction of or any change in or in the interpretation of any Law, in each case after the date such Lender becomes a party to this Agreement, or such Lender's compliance therewith, there shall be any increase in the cost to such Lender of agreeing to make or making, funding or maintaining any Eurodollar Rate Loans, or a reduction in the amount received or receivable by such Lender in connection with any of the foregoing (excluding for purposes of this Section 3.04(a) any increased costs or reduction in amount resulting from (A) Indemnified Taxes, (B) Taxes described in clauses (b) through (d) of the definition of Excluded Taxes and (C) Connection Income Taxes or (D) reserve requirements contemplated by Section 3.04(c)), then from time to time upon written demand of such Lender setting forth in reasonable detail such increased costs (with a copy of such demand to the Administrative Agent given in accordance with Section 3.06), the Borrower shall, without duplication, pay to such Lender such additional amounts as will compensate such Lender for such increased cost or reduction.

(b) If any Lender reasonably determines that the introduction of any Law regarding capital adequacy or liquidity requirements or any change therein or in the interpretation thereof, in each case after the date such Lender becomes a party to this Agreement, or compliance by such Lender (or its Lending Office) therewith, has the effect of reducing the rate of return on the capital of such Lender or any Person controlling such Lender as a consequence of such Lender's obligations hereunder (taking into consideration its policies with respect to capital adequacy and/or liquidity and such Lender's desired return on capital), then from time to time upon written demand of such Lender setting forth in reasonable detail the charge and the calculation of such reduced rate of return (with a copy of such demand to the Administrative Agent given in accordance with Section 3.06), the Borrower shall pay to such Lender such additional amounts as will compensate such Lender for such reduction.

(c) The Borrower shall pay to each Lender, (i) as long as such Lender shall be required to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency funds or deposits, additional interest on the unpaid principal amount of each Eurodollar Rate Loan equal to the actual costs of such reserves allocated to such Loan by such Lender (as determined by such Lender in good faith, which determination shall be conclusive in the absence of manifest error) and (ii) as long as such Lender shall be required to comply with any reserve ratio requirement or analogous requirement of any other central banking or financial regulatory authority imposed in respect of the maintenance of the Term Commitments or the funding of the Eurodollar Rate Loans, such additional costs (expressed as a percentage per annum and rounded upwards, if necessary, to the nearest five decimal places) equal to the actual costs allocated to such Term Commitment or Loan by such Lender (as determined by such Lender in good faith, which determination shall be conclusive absent manifest error) which in each case shall be due and payable on each date on which interest is payable on such Loan; provided the Borrower shall have received at least fifteen (15) days' prior notice (with a copy to the Administrative Agent) of such additional interest or cost from such Lender. If a Lender fails to give notice fifteen (15) days prior to the relevant Interest Payment Date, such additional interest or cost shall be due and payable fifteen (15) days from receipt of such notice.

(d) If any Lender requests compensation under this Section 3.04, then such Lender will, if requested by the Borrower, use commercially reasonable efforts to designate another Lending Office for any Loan affected by such event or to assign its rights and obligations with respect to such Loan to another of its offices, branches or affiliates; provided that such efforts are made on terms that, in the reasonable judgment of such Lender, cause such Lender and its Lending Office(s) to suffer no material economic, legal or regulatory disadvantage, and provided further that nothing in this Section 3.04(d) shall affect or postpone any of the Loan Obligations of the Borrower or the rights of such Lender pursuant to Section 3.04(a), Section 3.04(b) or Section 3.04(c).

(e) Notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all rules, regulations, orders, requests, guidelines or directives in connection therewith or in implementation thereof and (ii) all requests, rules, guidelines, requirements and directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, are, in each case deemed to have been adopted and to have taken effect after the Effective Date.

SECTION 3.05 Funding Losses. Upon demand of any Lender from time to time, the Borrower shall promptly compensate such Lender for and hold such Lender harmless from any loss, cost or expense incurred by it as a result of:

(a) any continuation, conversion, payment or prepayment of any Eurodollar Rate Loan on a day other than the last day of the Interest Period for such Loan (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise); or

(b) any failure by the Borrower (for a reason other than the failure of such Lender to make a Loan) to prepay, borrow, continue or convert any Eurodollar Rate Loan on the date or in the amount notified by the Borrower;

including any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such Loan or from fees payable to terminate the deposits from which such funds were obtained, but excluding any loss of margin.

For purposes of calculating amounts payable by a Borrower to the Lenders under this Section 3.05, each Lender shall be deemed to have funded each Eurodollar Rate Loan made by it at the Eurodollar Rate for such Loan by a matching deposit or other borrowing in the London interbank eurodollar market for a comparable amount and for a comparable period, whether or not such Eurodollar Rate Loan was in fact so funded. A certificate of such Lender submitted to the Borrower and its Restricted Subsidiaries (with a copy to the Administrative Agent) with respect to any amounts owing under this Section 3.05 shall be conclusive absent manifest error.

SECTION 3.06 Matters Applicable to All Requests for Compensation.

(a) Any Agent or any Lender claiming compensation under this Article 3 shall deliver a certificate to the Borrower setting forth in reasonable detail the additional amount or amounts to be paid to it hereunder, which shall be conclusive in the absence of manifest error. In determining such amount, such Agent or such Lender may use any reasonable averaging and attribution methods.

(b) With respect to any Lender's claim for compensation under Section 3.01 or Section 3.04, the Borrower shall not be required to compensate such Lender for any amount incurred more than one hundred and eighty (180) days prior to the date that such Lender notifies the Borrower of the event that gives rise to such claim and that such Lender has determined to request such compensation; provided that if the circumstance giving rise to such increased cost or reduction is retroactive, then such one hundred eighty (180)-day period referred to above shall be extended to include the period of retroactive effect thereof. If any Lender requests compensation by the Borrower under Section 3.04, the Borrower may, by notice to such Lender (with a copy to the Administrative Agent), suspend the obligation of such Lender to make or continue Eurodollar Rate Loans from one Interest Period to another, or to convert Base Rate Loans into Eurodollar Rate Loans, until the event or condition giving rise to such request ceases to be in effect (in which case the provisions of Section 3.06(c) shall be applicable); provided that such suspension shall not affect the right of such Lender to receive the compensation so requested.

(c) If the obligation of any Lender to make or continue any Eurodollar Rate Loan from one Interest Period to another, or to convert Base Rate Loans into Eurodollar Rate Loans shall be suspended pursuant to Section 3.02 or 3.03 hereof, such Lender's Eurodollar Rate Loans shall be automatically converted into Base Rate Loans on the last day(s) of the then current Interest Period(s) for such Eurodollar Rate Loans (or, in the case of an immediate conversion required by Section 3.02, on such earlier date as required by Law) and, unless and until such Lender gives notice as provided below that the circumstances specified in Section 3.02 or Section 3.03 hereof that gave rise to such conversion no longer exist:

(i) to the extent that such Lender's Eurodollar Rate Loans have been so converted, all payments and prepayments of principal that would otherwise be applied to such Lender's Eurodollar Rate Loans shall be applied instead to its Base Rate Loans; and

(ii) all Loans that would otherwise be made or continued as Eurodollar Rate Loans from one Interest Period to another by such Lender shall be made or continued instead as Base Rate Loans, and all Base Rate Loans of such Lender that would otherwise be converted into Eurodollar Rate Loans shall remain as Base Rate Loans.

(d) If any Lender gives notice to a Borrower (with a copy to the Administrative Agent) that the circumstances specified in Section 3.02 or Section 3.03 hereof that gave rise to the conversion of such Lender's Eurodollar Rate Loans pursuant to this Section 3.06 no longer exist (which such Lender agrees to do promptly upon such circumstances ceasing to exist) at a time when Eurodollar Rate Loans made by other Lenders of such Class of Loans are outstanding, such Lender's Base Rate Loans of such Class of Loans shall be automatically converted irrespective of whether such conversion results in greater than six (6) Interest Periods being outstanding under this Agreement, on the first day(s) of the next succeeding Interest Period(s) for such outstanding Eurodollar Rate Loans, to the extent necessary so that, after giving effect thereto, all Loans held by the Lenders holding Eurodollar Rate Loans of the applicable Class and by such Lender are held pro rata (as to principal amounts, interest rate basis, and Interest Periods) in accordance with their respective Term Commitments in respect of such Class.

SECTION 3.07 Replacement of Lenders Under Certain Circumstances.

(a) If at any time (x) the Borrower becomes obligated to pay additional amounts or indemnity payments described in Section 3.01(a) or (d) or Section 3.04 as a result of any condition described in such Sections or any Lender ceases to make Eurodollar Rate Loans as a result of any condition described in Section 3.03, or (y) any Lender becomes a Defaulting Lender, then the Borrower may, on ten (10) Business Days' prior written notice to the Administrative Agent and such Lender, replace such Lender by causing such Lender to (and such Lender shall be obligated to) assign pursuant to Section 9.07(b) (with the assignment fee to be paid by the Borrower in such instance) all of its rights and obligations under this Agreement to one or more Eligible Assignees; provided that (i) in the case of any such assignment resulting from a claim for compensation under Section 3.01(a) or (d) or Section 3.04, such assignment will result in a reduction in such compensation or payments thereafter, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Term Loans, accrued but unpaid interest thereon, accrued but unpaid fees, premium and all other amounts payable to it hereunder from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (iii) neither the Administrative Agent nor any Lender shall have any obligation to the Borrower to find a replacement Lender or other such Person.

(b) Any Lender being replaced pursuant to Section 3.07(a) above shall (i) execute and deliver an Assignment and Assumption with respect to such Lender's Term Commitment and outstanding Loans of the applicable Class (ii) deliver any Notes evidencing such Loans to the Borrower or the Administrative Agent; provided that the failure of any such Lender to execute an Assignment and Assumption shall not render such assignment invalid, and such Lender shall be deemed to have executed such Assignment and Assumption within one Business Day of a request that it do so in the event that it has failed to do so within such period, and such assignment shall be recorded in the Register. Pursuant to such Assignment and Assumption, (x) the assignee Lender shall acquire all or a portion, as the case may be, of the assigning Lender's Term Commitment and outstanding Loans of the applicable Class, (y) all obligations of the Borrower owing to the assigning Lender relating to the Loans and participations so assigned shall be paid in full by the assignee Lender to such assigning Lender concurrently with such assignment and assumption and (z) upon such payment and, if so requested by the assignee Lender, delivery to the assignee Lender of the appropriate Note or Notes executed by the Borrower, the assignee Lender shall become a Lender hereunder and the assigning Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Section 3.01, Section 3.04 and Section 9.05 (and bound by the obligations set forth in Section 9.08) with respect to facts and circumstances occurring prior to the effective date of such assignment.

(c) Notwithstanding anything to the contrary contained above, the Lender that acts as the Administrative Agent may not be replaced in such capacity hereunder except in accordance with the terms of Section 8.06.

SECTION 3.08 Survival. The Borrower's obligations under this Article 3 shall survive any assignment of rights by, or the replacement of, a Lender and the Termination Date.

ARTICLE IV

CONDITIONS PRECEDENT

SECTION 4.01 Conditions to Effectiveness. The effectiveness of this Agreement is subject solely to the Administrative Agent's receipt of executed counterparts of this Agreement, in the form of an original, facsimile or electronic copy (followed promptly by originals), executed by each Lender and a Responsible Officer of each of the Borrower and Holdings. For the avoidance of doubt, any Default or Event of Default arising under this Agreement during the period between (and including) the Effective Date and the Closing Date shall be deemed to be a Default or Event of Default from such date as such Default or Event or Default occurs, until cured or waived, notwithstanding the fact that such date may occur prior to the Closing Date. It is understood and agreed that, for purposes of calculating the availability under any basket or ratio, or determining the availability of an exception to any covenant, agreement or provision, under this Agreement, such calculation or determination, as the case may be, shall take into account the effectiveness of this Agreement as of and from the Effective Date; provided, that, no action taken or omitted to be taken by the Borrower, Holdings or any of its Restricted Subsidiaries during the period between (and including) the Effective Date and the Closing Date shall give rise to a Default or Event of Default by virtue of this Section 4.01, so long as such action that is taken or omitted to be taken would not give rise to a Default or Event of Default had the "Closing Date" instead been the Effective Date.

SECTION 4.02 Conditions to Initial (Closing Date) Borrowing. The obligation of each Lender to make the Loans hereunder on the Closing Date is subject to the performance by the Borrower and the Guarantors of their respective covenants and other obligations hereunder and to the satisfaction of solely the following conditions precedent (or expressly waived in accordance with Section 9.01); provided that such date shall not be earlier than September 6, 2016; provided, further, that if the conditions have not been satisfied or waived in accordance with this Section 4.02, then each Lender as to which the conditions shall not have been met shall, at its election, be relieved of all further obligations under this Agreement, without thereby waiving any rights such Lender may have by reason of such failure or such non-fulfillment:

(a) The receipt by the Administrative Agent and the Initial Term Lenders of the following, each of which shall be in the form of an original, facsimile or electronic copy unless otherwise specified, and each executed by a Responsible Officer of the Borrower:

(i) a Note executed by the Borrower in favor of each Lender requesting a Note at least two (2) Business Days prior to the Closing Date (the original to the Lender and a copy to the Administrative Agent), if any;

(ii) executed counterparts of (A) (1) the First Lien Intercreditor Agreement substantially in the form of Exhibit F-1 hereto, (2) the Amended and Restated Intercreditor Agreement substantially in the form of Exhibit F-2 hereto, (3) the Amended and Restated Collateral Agency Agreement substantially in the form of Exhibit F-3 hereto, and (4) the other Collateral Documents required to be executed on the Closing Date and set forth on Schedule 4.02 hereto, duly executed by each of the parties thereto and (B) such evidence as the Administrative Agent and the Initial Term Lenders may reasonably require of the effectiveness of the security contemplated thereby and the perfection of the security interest created thereby (including, without limitation, the filing of UCC-1s or UCC-3s, as applicable, and delivery of certificated securities or other possessory collateral, but excluding the actions, perfections and filings set forth in Section 6.14(d) of this Agreement and recordations with the United States Patent and Trademark Office); and

(iii) a certificate of the Borrower and each other Loan Party, dated the Closing Date and executed by the secretary or assistant secretary of the Borrower and each other Loan Party, respectively, in the form attached as Exhibit G-1 and G-2, respectively, hereto.

(b) (i) a certificate signed by a Responsible Officer of the Borrower, substantially in the form of Exhibit H-1 hereto, certifying as to the satisfaction of the conditions set forth in this Section 4.02(f), (i) and (j), (ii) a Perfection Certificate substantially in the form attached as Exhibit H-2 hereto and (iii) a Solvency Certificate in the form attached as Exhibit H-3.

(c) The receipt by the Administrative Agent and the Initial Term Lenders of (i) a written opinion of Simpson Thacher & Bartlett LLP, special counsel for the Borrower and Holdings, dated as of the Closing Date and (ii) a written opinion of Michael Discafani, Vice President, Corporate Counsel and Secretary of the Borrower and Holdings, dated as of the Closing Date, in each case in form and substance reasonably satisfactory to the Administrative Agent and the Initial Term Lenders.

(d) To the extent requested by the Administrative Agent and/or the Initial Term Lenders not less than ten (10) Business Days prior to the Closing Date, the Administrative Agent and the Initial Term Lenders shall have received, at least three (3) Business Days prior to the Closing Date, all documentation and other information reasonably requested with respect to the Loan Parties required by regulatory authorities under applicable "know-your-customer" and anti-money laundering rules and regulations, including without limitation the PATRIOT Act.

(e) The Administrative Agent and Lenders shall have received a Request for Borrowing relating to the initial Borrowings in accordance with Section 2.02(a).

(f) Substantially concurrently with the making of Loans on the Closing Date, (i) the Borrower shall have issued the New Second Lien Notes in an aggregate principal amount of $75,000,000 and (ii) the Borrower shall issue to the purchasers under the Exchange Agreement $75,000,000 aggregate principal amount of First Lien Exchange Notes in exchange for $75,000,000 aggregate principal amount of such purchasers' Existing Second Lien Notes, in each case subject to the terms and conditions set forth in the Note Purchase Agreement and the Exchange Agreement, respectively.

(g) The Borrower shall have obtained CUSIP and loan identification numbers for the Loans.

(h) The Loans shall have been rated by Standard & Poor's and by Moody's Investors Service, Inc.

(i) (A) All representations and warranties in the Loan Documents shall be true and correct in all material respects as of the Closing Date; provided that to the extent any such representations and warranties are qualified by "materiality," "Material Adverse Effect" or similar language, such representations and warranties (after giving effect to any qualification therein) are true and correct in all respects as of the Closing Date; and (B) upon consummation of the transactions contemplated by the Loan Documents, the Note Purchase Agreement and the Exchange Agreement (and the application of the proceeds thereof), no Default or Event of Default shall have occurred.

(j) Substantially concurrently with the borrowing of Initial Term Loans, either (i) the Tender Offer will have been consummated and the Borrower will have accepted for purchase, in each case on the terms of the Offer to Purchase Statement (subject to the right of the Purchasers (as defined in the Note Purchase Agreement) to consent to certain changes to such terms in accordance with Section 7.01 of the Note Purchase Agreement), all January 2017 Notes validly tendered and not withdrawn; provided that (x) at least 90% of the aggregate principal amount of the January 2017 Notes outstanding as of the date of this Agreement will have been accepted for purchase by the Borrower pursuant to the Tender Offer and (y) the Borrower shall have received the Required Consents (as defined in the Offer to Purchase Statement), or (ii) the Borrower will have otherwise purchased or irrevocably called for redemption, together with any January 2017 Notes accepted for purchase pursuant to the terms of the Tender Offer and Consent Solicitation (subject to the right of the Purchasers (as defined in the Note Purchase Agreement) to consent to certain changes to such terms in accordance with Section 7.01 of the Note Purchase Agreement), at least 90% of the aggregate principal amount of the January 2017 Notes outstanding as of the date of this Agreement, provided that either (i) the Borrower shall have received the Required Consents (as defined in the Offer to Purchase Statement) or (ii) the liens covenant contained in the January 2017 Notes Indenture shall permit the incurrence of the liens securing the New Second Lien Notes or shall no longer be operative.

(k) The proceeds of Initial Term Loans under this Agreement, together with the proceeds from the sale of the New Second Lien Notes under the New Second Lien Notes Indenture, will be used on the Closing Date to pay all amounts due to holders of the January 2017 Notes in accordance with clause (j) of this Section 4.02 and the Borrower shall deposit any remaining proceeds on the Closing Date into the Segregated Account to be used by the Borrower solely to purchase or redeem (including through a satisfaction and discharge of the relevant indenture) its 2017 Notes, or as expressly agreed in writing in accordance with Section 9.01 between the Borrower, Holdings and the Lenders, any of the Borrower's other Indebtedness.

For purposes of determining satisfaction of the conditions specified in this Section 4.02, by releasing its signature page hereto or to an Assignment and Assumption Agreement, the Administrative Agent and each Lender that has signed this Agreement or an Assignment and Assumption Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required hereunder to be consented to or approved by or acceptable or satisfactory to the Administrative Agent or such Lender, as the case may be.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF HOLDINGS AND THE BORROWER

The Borrower and Holdings jointly and severally, represent and warrant to, and agree with the Administrative Agent and each Lender, that as of the date hereof and as of the Closing Date:

SECTION 5.01 Good Standing of the Borrower, Holdings and its Subsidiaries. Each of the Borrower, Holdings and its subsidiaries has been duly incorporated or formed, as the case may be, is validly existing as a corporation, limited liability company or limited partnership, as the case may be, in good standing under the laws of its jurisdiction of incorporation or organization and has the corporate power, or its equivalent in the case of a limited partnership or limited liability company, and authority to carry on its business as described in the Public Filings and to own, lease and operate its properties; and each is duly qualified and is in good standing as a foreign corporation, limited liability company or limited partnership, as the case may be, authorized to do business in each jurisdiction in which the nature of its business or its ownership or leasing of property requires such qualification, except where the failure to be so qualified would not have a material adverse effect on the business, prospects, financial condition or results of operations of Holdings and its subsidiaries, taken as a whole, or their ability to perform their respective obligations under this Agreement, the Note Purchase Agreement and the Exchange Agreement (a "Material Adverse Effect").

SECTION 5.02 Capital Stock. All outstanding shares of capital stock of the Borrower and Holdings have been duly authorized and validly issued and are fully paid, nonassessable and not subject to any preemptive or similar rights, except, for the avoidance of doubt, with respect to the Rights Plan of Holdings, as described in the Public Filings; all of the outstanding shares of capital stock of each of Holdings' direct and indirect subsidiaries have been duly authorized and validly issued and are fully paid and nonassessable and such shares that are owned by Holdings are owned by Holdings, directly or indirectly through one or more subsidiaries, free and clear of any security interest, claim, lien, encumbrance or adverse interest of any nature other than Liens securing obligations under (i) the Borrower's First Lien Notes issued pursuant to the First Lien Notes Indenture, (ii) the Borrower's Existing Second Lien Notes issued pursuant to the Existing Second Lien Indenture, (iii) the Borrower's Existing Senior Secured New Group Notes issued pursuant to the Existing Senior Secured New Group Notes Indenture, and (iv) "Permitted Liens" as defined in this Agreement, the Existing Senior Secured New Group Notes Indenture, First Lien Notes Indenture, the First Lien Exchange Notes Indenture, the Existing Second Lien Notes Indenture and the New Second Lien Notes Indenture.

SECTION 5.03 Loan Documents. Each of the Loan Documents has been duly authorized by the Borrower and each other Loan Party thereto; when each Loan Document has been duly executed and delivered by the Borrower and each other Loan Party that is a party thereto, and, assuming that each Loan Document is a valid and binding obligation of the Administrative Agent, each Loan Document will be, a valid and binding agreement of the Borrower and each other Loan Party that is a party thereto, enforceable against the Borrower and each other Loan Party in accordance with its terms except as the enforceability thereof may be limited by the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing; the applicable Collateral Documents, when duly executed and delivered, will create valid and perfected security interests or mortgage liens in the Collateral to which they relate, subject to no prior liens other than Permitted Liens.

SECTION 5.04 Absence of Further Requirements. The execution, delivery and performance of this Agreement and any other Loan Document by the Borrower and each of the Loan Parties, as applicable, compliance by the Borrower and each of the Loan Parties party thereto with all provisions hereof and thereof and the consummation of the transactions contemplated hereby and thereby will not require any consent, approval, authorization or other order of, or qualification with, any court or governmental body or agency except for the filing of any UCC-1s or UCC-3s, as applicable, the recording of any mortgages or deeds of trust, and any other filing or recording necessary to perfect the interest in the Collateral pursuant to the Collateral Documents.

SECTION 5.05 Title to Properties. Except as would not, singly or in the aggregate, have a Material Adverse Effect, each of the Borrower and the other Loan Parties has good and marketable title to or a valid leasehold interest in all properties, assets and other rights which it purports to own or lease or which are reflected as owned or leased on its books and records, free and clear of all liens and encumbrances, except Permitted Liens, and subject to the terms and conditions of the applicable leases. All leases of property are in full force and effect without the necessity for any consent which has not previously been obtained upon consummation of the transactions contemplated hereby.

SECTION 5.06 Absence of Defaults and Conflicts Resulting from the Transactions. The execution, delivery and performance of the Loan Documents by the Borrower and each of the Loan Parties, as applicable, compliance by the Borrower and each of the Loan Parties with all provisions hereof and thereof and the consummation of the transactions contemplated hereby and thereby will not (i) conflict with or constitute a breach of any of the terms or provisions of the charter, by-laws or other organizational documents of the Borrower or any other Loan Party, (ii) conflict with or constitute a breach of any of the terms or provisions of, or a default under, any indenture, loan agreement, mortgage, lease or other agreement or instrument that is material to the Borrower or Holdings and its subsidiaries, taken as a whole, to which the Borrower or the Loan Parties is a party or by which the Borrower or the Loan Parties or their respective property is bound, (iii) violate or conflict with any applicable law or any rule, regulation, judgment, order or decree of any court or any governmental body or agency having jurisdiction over the Borrower, Holdings or any of its subsidiaries or their respective property, (iv) result in the imposition or creation of (or the obligation to create or impose) a Lien under, any agreement or instrument to which the Borrower, Holdings or any of its subsidiaries is a party or by which the Borrower, Holdings or any of its subsidiaries or their respective property is bound, other than as contemplated by the Loan Documents, the First Lien Exchange Notes Indenture and the collateral documents related thereto and the New Second Lien Notes Indenture and the collateral documents related thereto or (v) result in the termination, suspension or revocation of any Authorization (as defined in Section 5.09 hereof) of the Borrower, Holdings or any of its subsidiaries or result in any other impairment of the rights of the holder of any such Authorization, except in the case of clauses (iii), (iv) and (v), for such conflicts, breaches, defaults, liens, charges, encumbrances, impositions, terminations, suspensions or revocations that would not, singly or in the aggregate, have a Material Adverse Effect.

SECTION 5.07 Absence of Existing Defaults and Conflicts. None of the Borrower, Holdings or any of their direct or indirect subsidiaries is (i) in violation of its respective charter, by-laws and/or other applicable organizational documents, as the case may be, or (ii) in default in the performance of any obligation, agreement, covenant or condition contained in any indenture, loan agreement, mortgage, lease or other agreement or instrument that is material to the Borrower, or Holdings and its subsidiaries, taken as a whole, to which the Borrower, Holdings or any of its subsidiaries is a party or by which the Borrower, Holdings or any of its subsidiaries or their respective property is bound, except in the case of clause (ii) for such default that would not, singly or in the aggregate, have a Material Adverse Effect.

SECTION 5.08 Authorization of this Agreement. This Agreement has been duly authorized, executed and delivered by the Borrower, Holdings and each other Guarantor and is the legal, valid and binding obligation of the Borrower, Holdings and each other Guarantor, enforceable against the Borrower, Holdings and each other Guarantor in accordance with the terms hereof.

SECTION 5.09 Possession of Licenses and Permits. Except as disclosed in the Public Filings, each of the Borrower, Holdings and its subsidiaries has such permits, licenses, consents, exemptions, franchises, authorizations and other approvals (each, an "Authorization") of, and has made all filings with and notices to, all governmental or regulatory authorities and self-regulatory organizations and all courts and other tribunals, including without limitation, under any applicable Environmental Laws, as are necessary to own, lease, license and operate its respective properties and to conduct its business, except where the failure to have any such Authorization or to make any such filing or notice would not, singly or in the aggregate, have a Material Adverse Effect. Each such Authorization is valid and in full force and effect and each of the Borrower, Holdings and its subsidiaries is in compliance with all the terms and conditions thereof and with the rules and regulations of the authorities and governing bodies having jurisdiction with respect thereto; and no event has occurred (including, without limitation, the receipt of any notice from any authority or governing body) which allows or, after notice or lapse of time or both, would allow, revocation, suspension or termination of any such Authorization or results or, after notice or lapse of time or both, would result in any other impairment of the rights of the holder of any such Authorization; except where such failure to be valid and in full force and effect or to be in compliance, the occurrence of any such event or the presence of any such restriction would not, singly or in the aggregate, have a Material Adverse Effect.

SECTION 5.10 Environmental Laws and ERISA. Except as disclosed in the Public Filings, neither the Borrower, Holdings nor any of its subsidiaries has (i) violated any foreign, federal, state or local law or regulation relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"), and, to the knowledge of the Borrower and Holdings, there are no pending or threatened liabilities relating to Environmental Laws or (ii) violated any provisions of ERISA, except, in each case, for such violations or liabilities, as the case may be, which, singly or in the aggregate, would not have a Material Adverse Effect.

SECTION 5.11 Insurance. Holdings, the Borrower and each of their subsidiaries maintain insurance covering their properties, assets, operations, personnel and businesses, and, in the good faith estimate of management, such insurance is of such type and in such amounts as is in accordance with customary industry practice in the locations where Holdings, the Borrower and each subsidiary conduct operations, taking into account the costs and availability of such insurance.

SECTION 5.12 Internal Control Over Financial Reporting. Holdings maintains a system of internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) that complies with the requirements of the Exchange Act and has been designed by Holdings' principal executive officer and principal financial officer, or under their supervision, to provide reasonable assurance regarding the reliability of the financial reporting and the preparation of financial statements for external purposes in accordance with GAAP; and Holdings' internal control over financial reporting is effective in all material respects to perform the functions for which it was established and Holdings is not aware of any material weaknesses in its internal control over financial reporting.

SECTION 5.13 Disclosure Controls. Holdings maintains "disclosure controls and procedures" (as such term is defined in Rule 13a-15(e) under the Exchange Act); and such disclosure controls and procedures are effective in all material respects to perform the functions for which they were established.

SECTION 5.14 Litigation. Except as disclosed in the Public Filings, there are no legal or governmental proceedings pending or, to the knowledge of the Borrower or Holdings, threatened to which the Borrower, Holdings or any of its subsidiaries is or could be a party or to which any of their respective property is or could be subject, which might result, singly or in the aggregate, in a Material Adverse Effect.

SECTION 5.15 Financial Statements. The historical financial statements, together with related notes, included in Holdings' annual report on Form 10-K for the year ended October 31, 2015 and in Holdings' quarterly reports for the quarterly periods ended January 31, 2016 and April 30, 2016 (collectively, the "Historical Financial Statements"), present fairly the consolidated financial position, results of operations and changes in financial position of Holdings and its subsidiaries, on the basis stated therein and at the respective dates or for the respective periods to which they apply; such Historical Financial Statements have been prepared in accordance with GAAP consistently applied throughout the periods involved, except as disclosed therein.

SECTION 5.16 No Material Adverse Change in Business. Since April 30, 2016, except as set forth in any of the Public Filings (including future events or trends specifically identified in such Public Filings), (i) there has not occurred any material adverse change or any development involving a prospective material adverse change in the condition, financial or otherwise, or the earnings, business, management or operations of the Borrower, or Holdings and its subsidiaries, taken as a whole, (ii) there has not been any material adverse change or any development involving a prospective material adverse change in the capital stock or in the long-term debt of Holdings or any of its subsidiaries and (iii) neither Holdings nor any of its subsidiaries has incurred any material liability or obligation, direct or contingent.

SECTION 5.17 Investment Company Act. Each of the Borrower and the Loan Parties is not and, after giving effect to the Borrowing of Loans hereunder and the consummation of the transactions contemplated by the Loan Documents, the Exchange Agreement and the Note Purchase Agreement and the application of the net proceeds thereof, will not be, an "investment company," as such term is defined in the Investment Company Act.

SECTION 5.18 Solvency. On the Closing Date, immediately after the consummation of the transactions contemplated by the Loan Documents, the Exchange Agreement and the Note Purchase Agreement (i) the present fair saleable value of the properties and assets of Holdings and its subsidiaries (on a consolidated basis) is not less than the total amount that would be required to pay the probable liability of Holdings and its subsidiaries (on a consolidated basis) on their total debts and liabilities (including contingent liabilities) as they become absolute and matured; (ii) Holdings and its subsidiaries (on a consolidated basis) are able to realize upon their properties and assets and generally pay their debts and other liabilities, contingent obligations and commitments as they mature and become due in the normal course of business; (iii) Holdings and its subsidiaries (on a consolidated basis) do not intend to, and do not believe that they will, incur debts or liabilities beyond their ability to pay as such debts and liabilities mature; and (iv) Holdings and its subsidiaries (on a consolidated basis) are not engaged in any business or transaction, and do not propose to engage in any business or transaction, for which their properties and assets would constitute unreasonably small capital after giving due consideration to the prevailing practices in the industry in which Holdings and its subsidiaries are engaged. For purposes of this Section 5.18, the amount of any contingent liability shall be computed in accordance with GAAP.

SECTION 5.19 Regulations T, U, X. Neither the Borrower nor any Loan Party nor any of their respective subsidiaries nor any agent thereof acting on their behalf has taken, and none of them will take, any action that might cause this Agreement or the borrowing of Loans to violate Regulation T, Regulation U or Regulation X of the Board of Governors of the Federal Reserve System.

SECTION 5.20 Sanctions. (a) Neither the Borrower or Holdings and its subsidiaries, nor any director or officer thereof, nor, to the Borrower's or Holdings' knowledge, any employee, agent, affiliate or representative of the Borrower or Holdings and its subsidiaries, is a Person that is, or is owned or controlled by a Person that is: (A) the target of any sanctions administered or enforced by the U.S. Department of Treasury's Office of Foreign Assets Control ("OFAC") ("Sanctions"), nor (B) located, organized or resident in the Crimea Republic of Ukraine, Cuba, Iran, North Korea, Sudan and Syria (each, a "Sanctioned Country"); and

(b) The Borrower will not, directly or indirectly, use the proceeds of Initial Term Loans and the sale of the New Second Lien Notes, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other Person for the purpose of funding or facilitating any activities or business of or with any Person in any Sanctioned Country.

SECTION 5.21 Exchange Act. Holdings is subject to Section 13 or 15(d) of the Exchange Act and has filed all reports required to be filed by it thereunder since October 31, 2015.

SECTION 5.22 Tender Offer and Consent Solicitation. Attached hereto as Exhibit J is a true and correct copy of the Offer to Purchase Statement that will be used by the Borrower to commence the Tender Offer and Consent Solicitation.

SECTION 5.23 Taxes. Except as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, each of the Borrower, Holdings and its Restricted Subsidiaries (a) have timely filed or cause to be filed all Tax returns and reports required to have been filed, and (b) have paid or caused to be paid all Taxes levied or imposed on their properties, income or assets (whether or not shown on a Tax return) that are due and payable, including in their capacity as tax withholding agents, except any Taxes that are being contested in good faith by appropriate proceedings, provided that Holdings, the Borrower or such Restricted Subsidiary, as the case may be, has set aside on its books adequate reserves therefor in accordance with GAAP. There is no proposed Tax assessment, deficiency or other claim against Holdings, the Borrower or any Restricted Subsidiary that would reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect.

SECTION 5.24 Compliance with Laws. Each of the Borrower, Holdings and its Restricted Subsidiaries is in compliance with all applicable laws, orders, writs, injunctions and orders, except to the extent that failure to do so would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

ARTICLE VI

COVENANTS

Until the Termination Date, the Borrower and Holdings shall, and to the extent applicable, shall cause each Restricted Subsidiary to comply with the following covenants:

SECTION 6.01 Existence. Holdings and the Borrower shall each do or cause to be done all things necessary to preserve and keep in full force and effect their existence and the existence of each of the Restricted Subsidiaries in accordance with their respective organizational documents, and the material rights, licenses and franchises of Holdings, the Borrower and each Restricted Subsidiary; provided, that Holdings and the Borrower are not required to preserve any such right, license or franchise, or the existence of any Restricted Subsidiary, if the maintenance or preservation thereof is no longer desirable in the conduct of the business of Holdings and its Restricted Subsidiaries taken as a whole; and provided, further, that this Section shall not prohibit any transaction otherwise permitted by Section 6.07 or Section 6.11.

SECTION 6.02 Payment of Taxes. Holdings shall pay or discharge, and cause each of its Subsidiaries to pay or discharge before the same become delinquent all material taxes, assessments and governmental charges levied or imposed upon Holdings or any Subsidiary or its income or profits or property, other than any such tax, assessment or charge the amount, applicability or validity of which is being contested in good faith by appropriate proceedings.

SECTION 6.03 Limitations on Indebtedness. (a) Holdings and the Borrower will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume, become liable for or guarantee the payment of (collectively, an "incurrence") any Indebtedness (including Acquired Indebtedness); provided that Holdings, the Borrower and any other Loan Party may incur any Indebtedness (including Acquired Indebtedness) if, after giving effect thereto and the application of the proceeds therefrom, either (i) the Consolidated Fixed Charge Coverage Ratio on the date thereof would be at least 2.0 to 1.0 or (ii) the ratio of Indebtedness of Holdings and the Restricted Subsidiaries to Consolidated Tangible Net Worth of Holdings is less than 3.0 to 1.0.

(b) Notwithstanding the foregoing, the provisions of this Agreement will not prevent the incurrence of:

(i) Permitted Indebtedness,

(ii) Refinancing Indebtedness,

(iii) Non-Recourse Indebtedness,

(iv) any Guarantee of Indebtedness represented by the Loans, the New Second Lien Notes and the First Lien Exchange Notes,

(v) any guarantee of Indebtedness incurred under Credit Facilities in compliance with this Agreement, and

(vi) any guarantee by the Borrower, Holdings or any other Loan Party of Indebtedness that is permitted to be incurred in compliance with this Agreement; provided that in the event such Indebtedness that is being guaranteed is subordinated in right of payment to the Loans or a Guarantee, as the case may be, then the related guarantee shall be subordinated in right of payment to the Loans or such Guarantee, as the case may be.

(c) For purposes of determining compliance with this covenant, in the event that an item of Indebtedness may be incurred through Section 6.03(a) or by meeting the criteria of one or more of the types of Indebtedness described in Section 6.03(b) (or the definitions of the terms used therein), Holdings, in its sole discretion,

(i) may divide, classify or later reclassify the amount and type of such item of Indebtedness (or any portion thereof) under and comply with any of such paragraphs (or any of such definitions), as applicable,

(ii) may divide, classify or later reclassify the amount and type of such item of Indebtedness (or any portion thereof) into more than one of such paragraphs (or definitions), as applicable, and

(iii) may elect to comply with such paragraphs (or definitions), as applicable, in any order.

(d) Holdings and the Borrower will not, and will not cause or permit any other Loan Party to, directly or indirectly, in any event incur any Indebtedness that purports to be by its terms (or by the terms of any agreement governing such Indebtedness) subordinated to any other Indebtedness of Holdings or of such other Loan Party, as the case may be, unless such Indebtedness is also by its terms (or by the terms of any agreement governing such Indebtedness) made expressly subordinated to the Loans or the Guarantee of such other Loan Party, as the case may be, to the same extent and in the same manner as such Indebtedness is subordinated to such other Indebtedness of Holdings or such other Loan Party, as the case may be.

(e) Accrual of interest or dividends, the accretion of accreted value, the accretion or amortization of original issue discount and the payment of interest or dividends in the form of additional Indebtedness will not be deemed to be an incurrence of Indebtedness for purposes of this Section.

(f) For purposes of determining compliance with any U.S. dollar-denominated restriction on the incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, in the case of term debt, or first committed, in the case of revolving credit debt; provided that if such Indebtedness is incurred to refinance other Indebtedness denominated in another currency, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed (i) the principal amount of such Indebtedness being refinanced plus all accrued interest thereon plus (ii) the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing. Notwithstanding any other provision of this Section 6.03, the maximum amount of Indebtedness Holdings, the Borrower or a Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies.

(g) The principal amount of any Indebtedness incurred to refinance other Indebtedness, if incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such respective Indebtedness is denominated that is in effect on the date of such refinancing.

(h) For purposes of this Section 6.03 and the other provisions of this Agreement, (i) unsecured Indebtedness shall not be treated as subordinated or junior to secured Indebtedness merely because it is unsecured, and (ii) senior Indebtedness shall not be treated as subordinated or junior to any other senior Indebtedness merely because it has a junior priority with respect to the same collateral.

(i) Holdings and the Borrower will not, and will not cause or permit any other Loan Party, directly or indirectly, to incur Indebtedness under Section 6.03(a) (other than Purchase Money Indebtedness) unless it is scheduled to mature no earlier than January 15, 2021.

(j) For purposes of determining compliance with this covenant, (i) any Existing Unsecured Notes and any Units outstanding on the Effective Date shall be deemed to be incurred, at Holdings' sole discretion, under clauses (b) or (k) of the definition of "Permitted Indebtedness" and (ii) all Indebtedness outstanding on the Effective Date under the Revolving Credit Facility shall be deemed to be incurred under clause (c) of the definition of "Permitted Indebtedness".

SECTION 6.04 Limitations on Restricted Payments. (a) Holdings and the Borrower will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, make any Restricted Payment unless:

(i) no Default or Event of Default shall have occurred and be continuing at the time of or immediately after giving effect to such Restricted Payment;

(ii) immediately after giving effect to such Restricted Payment, Holdings could incur at least $1.00 of Indebtedness pursuant to Section 6.03(a) hereof; and

(iii) immediately after giving effect to such Restricted Payment, the aggregate amount of all Restricted Payments (including the Fair Market Value of any non-cash Restricted Payment) declared or made on or after February 1, 2014 does not exceed the sum of:

(A) $16.0 million, *plus*

(B) 50% of the Consolidated Net Income of Holdings on a cumulative basis during the period (taken as one accounting period) from and including February 1, 2014 and ending on the last day of Holdings' fiscal quarter immediately preceding the date of such Restricted Payment (or in the event such Consolidated Net Income shall be a deficit, minus 100% of such deficit), *plus*

(C) 100% of the aggregate net cash proceeds of and the Fair Market Value of Property received by Holdings from (1) any capital contribution to Holdings after February 1, 2014 or any issue or sale after February 1, 2014 of Qualified Stock (other than to any Subsidiary of Holdings) and (2) the issue or sale on or after February 1, 2014 of any Indebtedness or other securities of Holdings or the Borrower convertible into or exchangeable or exercisable for Qualified Stock of Holdings that have been so converted, exchanged or exercised, as the case may be, *plus*

(D) in the case of the disposition or repayment of any Investment constituting a Restricted Payment (or if the Investment was made prior to February 1, 2014, that would have constituted a Restricted Payment if made after February 1, 2014, if such disposition or repayment results in cash received by Holdings, the Borrower or any Restricted Subsidiary), an amount (to the extent not included in the calculation of Consolidated Net Income referred to in (B)) equal to the return of capital with respect to such Investment, including by dividend, distribution or sale of Capital Stock (to the extent not included in the calculation of Consolidated Net Income referred to in (B)), *plus*

(E) with respect to any Unrestricted Subsidiary that is redesignated as a Restricted Subsidiary after February 1, 2014, in accordance with the definition of "Unrestricted Subsidiary" (so long as the designation of such Subsidiary as an Unrestricted Subsidiary was treated under the 7.000% Notes Indenture or this Agreement as a Restricted Payment made after February 1, 2014, and only to the extent not included in the calculation of Consolidated Net Income referred to in (B)), an amount equal to the lesser of (x) the proportionate interest of Holdings or a Restricted Subsidiary in an amount equal to the excess of (I) the total assets of such Subsidiary, valued on an aggregate basis at the lesser of book value and Fair Market Value thereof, over (II) the total liabilities of such Subsidiary, determined in accordance with GAAP, and (y) the Designation Amount at the time of such Subsidiary's designation as an Unrestricted Subsidiary.

(b) Clause (a) of this Section 6.04 (provided that in the case of clauses (iv) and (v) below no Default or Event of Default has occurred and is continuing at the time of such payment) will not prohibit:

(i) the payment of any dividend or distribution or the consummation of any irrevocable redemption within 60 days of its declaration or the giving of notice of such irrevocable redemption, as applicable, if such dividend or such payment could have been made on the date of its declaration or provision of notice, as applicable, without violation of the provisions of this Agreement;

(ii) the purchase, repayment, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of any Subordinated Indebtedness of the Borrower, Holdings or any Restricted Subsidiary or shares of Capital Stock of Holdings in exchange for, or out of the net proceeds of the substantially concurrent sale (other than to a Subsidiary of Holdings) of, shares of Qualified Stock;

(iii) the purchase, repayment, redemption, repurchase, defeasance or other acquisition, cancellation or retirement for value of Subordinated Indebtedness of the Borrower, Holdings or any Restricted Subsidiary in exchange for, or out of proceeds of, Refinancing Indebtedness;

(iv) the payment of dividends on Preferred Stock and Disqualified Stock up to an aggregate amount of $10.0 million in any fiscal year; provided that immediately after giving effect to any declaration of such dividend, Holdings could incur at least $1.00 of Indebtedness pursuant to clause (i) of Section 6.03(a);

(v) the purchase, redemption or other acquisition, cancellation or retirement for value of Capital Stock, or options, warrants, equity appreciation rights or other rights to purchase or acquire Capital Stock, of Holdings or any Subsidiary held by any present, future or former officers, directors, managers, employees or consultants of Holdings or any Subsidiary (or their estates or beneficiaries under their estates) not to exceed $10.0 million in the aggregate since the Closing Date;

(vi) the making of cash payments in connection with any conversion or exchange of Permitted Convertible Indebtedness in an aggregate amount since the date of the indenture therefor not to exceed the sum of (A) the principal amount of such Permitted Convertible Indebtedness *plus* (B) any payments received by Holdings, the Borrower or any Restricted Subsidiaries pursuant to the exercise, settlement or termination of any related Permitted Bond Hedge;

(vii) any payments in connection with (including, without limitation, the purchase of) a Permitted Bond Hedge and the settlement of any related Permitted Warrant (A) by delivery of shares of Holdings' Capital Stock upon net share settlement of such Permitted Warrant or (B) by (x) set-off of such Permitted Warrant against the related Permitted Bond Hedge and (y) payment of an amount due upon termination of such Permitted Warrant in Capital Stock or using cash received upon the exercise, settlement or termination of a Permitted Bond Hedge upon any early termination thereof;

(viii) the purchase, repayment, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of any Subordinated Indebtedness (A) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness in the event of a Change of Control in accordance with provisions similar to Section 6.16 hereof or (B) at a purchase price not greater than 100% of the principal amount thereof in accordance with provisions similar to Section 2.03(a)(iii) hereof; provided that, prior to or simultaneously with such purchase, repayment, repurchase, redemption, defeasance or other acquisition, cancellation, or retirement, Holdings, the Borrower or any Restricted Subsidiary has made, (i) payment in full of the Loans and any other amounts then due and owing to any Lender or the Administrative Agent hereunder, or (ii) made a Change of Control offer pursuant to Section 6.16 or any application of relevant proceeds pursuant to Section 2.03(a)(iii), as applicable, and completed the repurchase or repayments of all Term Loans which have accepted such Change of Control Offer or application of relevant proceeds;

(ix) (A) any payment of cash by Holdings, the Borrower or any of the Restricted Subsidiaries in respect of fractional shares of Holdings' Capital Stock upon the exercise, conversion or exchange of any stock options, warrants or other rights to purchase Capital Stock or other convertible or exchangeable securities and (B) payments made or expected to be made by Holdings, the Borrower or any of the Restricted Subsidiaries in respect of withholding or similar taxes payable in connection with the exercise or vesting of Capital Stock by any future, present or former officer, employee, director, manager or consultant and repurchases of Capital Stock deemed to occur upon exercise, conversion or exchange of stock options, warrants or other rights to purchase Capital Stock or other convertible or exchangeable securities if such Capital Stock represents all or a portion of the exercise price thereof;

(x) other Restricted Payments in an aggregate amount, when taken together with all other Restricted Payments made pursuant to this clause (x) not to exceed $5.0 million (after giving effect to any return of capital with respect to any Restricted Investments made under this clause (x) in the form of cash);

(xi) payments or distributions to satisfy dissenters' rights, pursuant to or in connection with a consolidation, merger or transfer of assets that complies with Section 6.11; and

(xii) any purchase, repayment, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Subordinated Indebtedness from Net Cash Proceeds of an Asset Disposition to the extent permitted under Section 2.03;

provided, however, that each Restricted Payment described in clauses (i) and (ii) of this Section 6.04(b) shall be taken into account for purposes of computing the aggregate amount of all Restricted Payments pursuant to clause (iii) of Section 6.04(a).

(c) For purposes of determining the aggregate and permitted amounts of Restricted Payments made, the amount of any guarantee of any Investment in any Person that was initially treated as a Restricted Payment and which was subsequently terminated or expired, net of any amounts paid by Holdings or any Restricted Subsidiary in respect of such guarantee, shall be deducted.

(d) In determining the "Fair Market Value of Property" for purposes of clause (iii) of Section 6.04(a), Property other than cash, Cash Equivalents and Marketable Securities shall be deemed to be equal in value to the "equity value" of the Capital Stock or other securities issued in exchange therefor. The equity value of such Capital Stock or other securities shall be equal to (i) the number of shares of Common Equity issued in the transaction (or issuable upon conversion or exercise of the Capital Stock or other securities issued in the transaction) multiplied by the closing sale price of the Common Equity on its principal market on the date of the transaction (less, in the case of Capital Stock or other securities which require the payment of consideration at the time of conversion or exercise, the aggregate consideration payable thereupon) or (ii) if the Common Equity is not then traded on a the New York Stock Exchange, the NYSE MKT or Nasdaq Stock Market, or if the Capital Stock or other securities issued in the transaction do not consist of Common Equity (or Capital Stock or other securities convertible into or exercisable for Common Equity), the value (if more than $10.0 million) of such Capital Stock or other securities as determined by a nationally recognized investment banking firm retained by the Board of Directors of Holdings.

(e) For purposes of determining compliance with this Section 6.04, in the event that a proposed Restricted Payment or Investment (or a portion thereof) meets the criteria of clauses (i) through (xii) above or is entitled to be made pursuant to Section 6.04(a) and/or one or more of the exceptions contained in the definition of "Permitted Investments" (other than clause (k) of such definition), the Borrower will be entitled to divide, classify or later reclassify (based on circumstances existing on the date of such reclassification) such Restricted Payment or Investment (or portion thereof) among such clauses (i) through (xii) and Section 6.04(a) and/or one or more of the exceptions contained in the definition of "Permitted Investments" (other than clause (k) of such definition) in a manner that otherwise complies with this covenant.

SECTION 6.05 Limitations on Liens. Holdings and the Borrower will not, and will not cause or permit any Restricted Subsidiary to, create, incur, assume or suffer to exist any Liens, other than Permitted Liens, on any of its Property, or on any shares of Capital Stock or Indebtedness of any Restricted Subsidiary.

SECTION 6.06 Limitations on Restrictions Affecting Restricted Subsidiaries. Holdings and the Borrower will not cause or permit any Restricted Subsidiary to, create, assume or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction (other than encumbrances or restrictions imposed by law or by judicial or regulatory action or by provisions of agreements that restrict the assignability thereof) on the ability of such Restricted Subsidiary to:

(a) pay dividends or make any other distributions on its Capital Stock or any other interest or participation in, or measured by, its profits, owned by Holdings or any other Restricted Subsidiary, or pay interest on or principal of any Indebtedness owed to Holdings or any other Restricted Subsidiary,

(b) make loans or advances to Holdings or any other Restricted Subsidiary, or

(c) transfer any of its property or assets to Holdings or any other Restricted Subsidiary,

except for:

(i) encumbrances or restrictions existing under or by reason of applicable law,

(ii) contractual encumbrances or restrictions in effect at or entered into on the Effective Date or the Closing Date and any amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings thereof; provided, that such amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in such contractual encumbrances or restrictions, as in effect at or entered into on the Effective Date or the Closing Date,

(iii) encumbrances or restrictions under any agreement or other instrument of a Person acquired by or merged or consolidated with or into Holdings or any Restricted Subsidiary, or of an Unrestricted Subsidiary that is designated a Restricted Subsidiary, or that is assumed in connection with the acquisition of assets from such Person, in each case that is in existence at the time of such transaction (but not created in contemplation thereof), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person and its Subsidiaries, or the property or assets of the Person and its Subsidiaries, so acquired or designated,

(iv) any restrictions or encumbrances arising in connection with Refinancing Indebtedness; provided, however, that any restrictions and encumbrances of the type described in this clause (iv) that arise under such Refinancing Indebtedness shall not be materially more restrictive or apply to additional assets than those under the agreement creating or evidencing the Indebtedness being refunded, refinanced, replaced or extended,

(v) any Permitted Lien, or any other agreement restricting the sale or other disposition of property, securing Indebtedness permitted by this Agreement if such Permitted Lien or agreement does not expressly restrict the ability of a Subsidiary of Holdings to pay dividends or make or repay loans or advances prior to default thereunder,

(vi) reasonable and customary borrowing base covenants set forth in agreements evidencing Indebtedness otherwise permitted by this Agreement,

(vii) customary non-assignment provisions in leases, licenses, encumbrances, contracts or similar assets entered into or acquired in the ordinary course of business,

(viii) any restriction with respect to a Restricted Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Restricted Subsidiary pending the closing of such sale or disposition,

(ix) encumbrances or restrictions existing under or by reason of (A) this Agreement and the other Loan Documents, (B) the First Lien Notes Indenture, the First Lien Notes and the First Lien Notes Guarantees, (C) the First Lien Exchange Notes Indenture, the First Lien Exchange Notes and the First Lien Exchange Notes Guarantees, (D) the Existing Second Lien Indenture, the Existing Second Lien Notes and the Existing Second Lien Guarantees, (E) the New Second Lien Notes Indenture, the New Second Lien Notes and the New Second Lien Notes Guarantees and (F) the Existing Senior Secured New Group Notes Indenture, the Existing Senior Secured New Group Notes and the Existing Senior Secured New Group Notes Guarantees,

(x) purchase money obligations that impose restrictions on the property so acquired of the nature described in clause (c) of this Section 6.06,

(xi) Liens permitted under this Agreement securing Indebtedness that limit the right of the debtor to dispose of the assets subject to such Lien,

(xii) provisions with respect to the disposition or distribution of assets or property in joint venture agreements, assets sale agreements, stock sale agreements and other similar agreements,

(xiii) customary provisions of any franchise, distribution or similar agreements,

(xiv) restrictions on cash or other deposits or net worth imposed by contracts entered into in the ordinary course of business,

(xv) any encumbrances or restrictions existing under (A) development agreements or other contracts entered into with municipal entities, agencies or sponsors in connection with the entitlement or development of real property or (B) agreements for funding of infrastructure, including in respect of the issuance of community facility district bonds, metro district bonds, mello-roos bonds and subdivision improvement bonds, and similar bonding requirements arising in the ordinary course of business of a homebuilder,

(xvi) any encumbrances or restrictions that require "lockbox" or similar obligations with respect to Non-Recourse Indebtedness,

(xvii) any encumbrances or restrictions of the type referred to in clauses (a), (b) or (c) of this Section 6.06 imposed by any amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings of the contracts, instruments or obligations referred to in clauses (i) and (iii) through (xvi) of this Section 6.06; provided, that such amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings are, in the good faith judgment of Holdings' Board of Directors or its chief executive officer or chief financial officer, not materially more restrictive with respect to such encumbrances or restrictions than those contained in the encumbrance or restrictions prior to such amendment, modification, restatement, renewal, supplement, refunding, replacement or refinancing, and

(xviii) any encumbrance or restriction under other Indebtedness of Restricted Subsidiaries permitted to be incurred subsequent to the Closing Date pursuant to Section 6.03; provided, that such encumbrances or restrictions will not materially affect the Borrower's ability to make anticipated principal and interest payments on the Loans, as determined in the good faith judgment of Holdings' Board of Directors or its chief executive officer or chief financial officer.

(d) For purposes of determining compliance with this Section 6.06: (i) the priority of any preferred stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock shall not be deemed a restriction on the ability to make distributions on Capital Stock and (ii) the subordination of loans or advances made to Holdings or a Restricted Subsidiary to other Indebtedness incurred by Holdings or any such Restricted Subsidiary shall not be deemed a restriction on the ability to make loans or advances.

SECTION 6.07 Limitations on Dispositions of Assets. (a) Holdings and the Borrower will not, and will not cause or permit any Restricted Subsidiary to, make any Asset Disposition unless: (i) Holdings (or the Borrower or such Restricted Subsidiary, as the case may be) receives consideration at the time of such Asset Disposition at least equal to the Fair Market Value thereof, and (ii) not less than 70% of the consideration received by Holdings (or the Borrower or such Restricted Subsidiary, as the case may be) from such Asset Disposition and all other Asset Dispositions since the Closing Date, on a cumulative basis, is in the form of cash, Cash Equivalents and Marketable Securities (which must be pledged as Collateral if the assets disposed of constituted Collateral); provided that (other than with respect to an Asset Disposition constituting a Land Banking Transaction) the Borrower and the Restricted Subsidiaries will not be required to comply with the requirements of this subclause (ii) to the extent that the non-cash consideration received in connection with such Asset Disposition, together with the sum of all non-cash consideration received in connection with all prior Asset Dispositions that has not yet been converted into cash, Cash Equivalents or Marketable Securities, does not exceed $25.0 million; *provided, however*, that when any non-cash consideration is converted into cash, Cash Equivalents or Marketable Securities, such cash shall constitute Net Cash Proceeds and be subject to Section 2.03.

(b) The amount of (i) any Indebtedness (as reflected on Holdings' most recent consolidated balance sheet or in the footnotes thereto, or if incurred or accrued subsequent to the date of such balance sheet, such Indebtedness that would have been reflected on Holdings' consolidated balance sheet or in the footnotes thereto if such incurrence or accrual had taken place on or prior to the date of such balance sheet, as determined in good faith by Holdings) of Holdings or the Borrower or any Restricted Subsidiary (other than any Subordinated Indebtedness) that is actually assumed by the transferee in such Asset Disposition (or is otherwise extinguished in connection with the transactions relating to such Asset Disposition), (ii) the fair market value (as determined in good faith by the Board of Directors of Holdings) of any property or assets (including Capital Stock of any Person that will be a Restricted Subsidiary) received that are used or useful in a Real Estate Business (provided that (except as permitted by clause (c) under the definition of "Permitted Investment") to the extent that the assets disposed of in such Asset Disposition were Collateral, such property or assets are pledged as Collateral under the Collateral Documents substantially simultaneously with such sale, with the Lien on such Collateral securing the Loans being of the same priority with respect to the Loans as the Lien on the assets disposed of), and (iii) any securities, notes or other obligations or assets received by Holdings or such Restricted Subsidiary from such transferee that are converted by Holdings or such Restricted Subsidiary into cash or Cash Equivalents, or by their terms are required to be satisfied for cash or Cash Equivalents (to the extent of the cash or Cash Equivalents received), in each case, within 180 days following the closing of such Asset Disposition, shall in each case be deemed to be consideration required by clause (ii) of Section 6.07(a) for purposes of determining the percentage of such consideration received by Holdings or the Restricted Subsidiaries.

(c) The Net Cash Proceeds of an Asset Disposition (including any Land Banking Transaction) shall be applied pursuant to Section 2.03.

SECTION 6.08 Guarantees by Restricted Subsidiaries. Each existing Restricted Subsidiary (other than the Borrower (for so long as it remains the Borrower) and any Excluded Subsidiary) will be a Loan Party. Holdings is permitted to cause any Unrestricted Subsidiary to be a Loan Party. If the Borrower, Holdings or any of its Restricted Subsidiaries acquires or creates a Restricted Subsidiary (other than any Excluded Subsidiary) after the Closing Date, such Restricted Subsidiary shall execute a supplemental guarantee substantially consistent with the existing Guarantee, and deliver an Opinion of Counsel to the Administrative Agent to the effect that the supplemental guarantee has been duly authorized, executed and delivered by the new Restricted Subsidiary and constitutes a valid and binding obligation of the new Restricted Subsidiary, enforceable against the new Restricted Subsidiary in accordance with its terms (subject to customary exceptions).

SECTION 6.09 [Reserved].

SECTION 6.10 Limitations on Transactions with Affiliates. (a) Holdings and the Borrower will not, and will not cause or permit any Restricted Subsidiary to, make any loan, advance, guarantee or capital contribution to, or for the benefit of, or sell, lease, transfer or otherwise dispose of any property or assets to or for the benefit of, or purchase or lease any property or assets from, or enter into or amend any contract, agreement or understanding with, or for the benefit of, any Affiliate of Holdings or any Affiliate of any of Holdings' Subsidiaries involving aggregate payments or consideration in excess of $7.5 million in a single transaction or series of related transactions (each, an "Affiliate Transaction"), except for any Affiliate Transaction the terms of which are at least as favorable as the terms which could be obtained by Holdings, the Borrower or such Restricted Subsidiary, as the case may be, in a comparable transaction made on an arm's-length basis with Persons who are not such a holder, an Affiliate of such a holder or an Affiliate of Holdings or any of Holdings' Subsidiaries.

(b) In addition, Holdings and the Borrower will not, and will not cause or permit any Restricted Subsidiary to, enter into an Affiliate Transaction unless:

(i) with respect to any such Affiliate Transaction involving or having a value of more than $15.0 million, Holdings shall have (A) obtained the approval of a majority of the Board of Directors of Holdings and (B) either obtained the approval of a majority of Holdings' disinterested directors or obtained an opinion of a qualified independent financial advisor to the effect that such Affiliate Transaction is fair to Holdings, the Borrower or such Restricted Subsidiary, as the case may be, from a financial point of view, and

(ii) with respect to any such Affiliate Transaction involving or having a value of more than $30.0 million, Holdings shall have (A) obtained the approval of a majority of the Board of Directors of Holdings and (B) delivered to the Administrative Agent an opinion of a qualified independent financial advisor to the effect that such Affiliate Transaction is fair to Holdings, the Borrower or such Restricted Subsidiary, as the case may be, from a financial point of view.

(c) Notwithstanding the foregoing, an Affiliate Transaction will not include:

(i) any contract, agreement or understanding with, or for the benefit of, or plan for the benefit of, employees of Holdings or its Subsidiaries generally (in their capacities as such) that has been approved by the Board of Directors of Holdings;

(ii) Capital Stock issuances to directors, officers and employees of Holdings or its Subsidiaries pursuant to plans approved by the stockholders of Holdings;

(iii) any Restricted Payment otherwise permitted under Section 6.04 hereof or any Permitted Investment (other than a Permitted Investment referred to in clause (b) of the definition thereof, except as permitted by clause (iv) below);

(iv) any transaction between or among Holdings and/or one or more Restricted Subsidiaries or between or among Restricted Subsidiaries (provided, however, no such transaction shall involve any other Affiliate of Holdings (other than an Unrestricted Subsidiary to the extent permitted by this Agreement)) and any Guarantees issued by Holdings or a Restricted Subsidiary for the benefit of Holdings or a Restricted Subsidiary, as the case may be, in accordance with Section 6.03;

(v) any transaction between Holdings or one or more Restricted Subsidiaries and one or more Unrestricted Subsidiaries (A) where all of the payments to, or other benefits conferred upon, such Unrestricted Subsidiaries are substantially contemporaneously dividended, or otherwise distributed or transferred without charge, to Holdings or a Restricted Subsidiary or (B) in the ordinary course of business, including, without limitation, sales (directly or indirectly), sales subject to repurchase options, leases and sales and leasebacks of (1) homes, improved land and unimproved land and (2) real estate (including related amenities and improvements);

(vi) issuances, sales or other transfers or dispositions of mortgages and collateralized mortgage obligations in the ordinary course of business between Restricted Subsidiaries and Unrestricted Subsidiaries of Holdings;

(vii) the payment of reasonable and customary fees to, and indemnity provided on behalf of, officers, directors, employees or consultants of Holdings, the Borrower or any Restricted Subsidiary;

(viii) transactions in which Holdings or any Restricted Subsidiary, as the case may be, delivers to the Administrative Agent an opinion of a qualified independent financial advisor stating that such transaction is fair to Holdings or such Restricted Subsidiary from a financial point of view or stating that the terms are not materially less favorable to Holdings or its relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by Holdings or such Restricted Subsidiary with an unrelated Person on an arm's length basis;

(ix) any agreement or arrangement as in effect as of the Effective Date or the Closing Date, or any amendment thereto (so long as any such amendment is not disadvantageous in any material respect to the Holders when taken as a whole as compared to the applicable agreement or arrangement as in effect on the Effective Date or the Closing Date);

(x) transactions with joint ventures entered into in the ordinary course of business, including, without limitation, sales (directly or indirectly), sales subject to repurchase options, leases and sales and leasebacks of (A) homes, improved land and unimproved land and (B) real estate (including related amenities and improvements);

(xi) any transaction with a Person (other than an Unrestricted Subsidiary) which would constitute an Affiliate Transaction solely because Holdings or a Restricted Subsidiary owns Capital Stock in or otherwise controls such Person;

(xii) the issuance and transfer of Capital Stock of Holdings and the granting and performance of customary registration rights;

(xiii) any lease entered into between Holdings or any Restricted Subsidiary, as lessee, and any Affiliate of Holdings, as lessor, in the ordinary course of business;

(xiv) intellectual property licenses in the ordinary course of business;

(xv) transactions between Holdings or any of its Restricted Subsidiaries and any Person that would constitute an Affiliate Transaction solely because a director of which is also a director of Holdings; provided, however, that such director abstains from voting as a director of Holdings on any matter involving such other Person; and

(xvi) pledges of Capital Stock of Unrestricted Subsidiaries.

SECTION 6.11 Limitations on Mergers, Consolidations and Sales of Assets. Neither the Borrower nor any other Loan Party will consolidate or merge with or into, or sell, lease, convey or otherwise dispose of all or substantially all of its assets (including, without limitation, by way of liquidation or dissolution), or assign any of its obligations under this Agreement and any other Loan Document (as an entirety or substantially as an entirety in one transaction or in a series of related transactions), to any Person (in each case other than in a transaction in which Holdings, the Borrower or a Restricted Subsidiary is the survivor of a consolidation or merger, or the transferee in a sale, lease, conveyance or other disposition) unless:

(i) the Person formed by or surviving such consolidation or merger (if other than Holdings, the Borrower or the other Loan Parties, as the case may be), or to which such sale, lease, conveyance or other disposition or assignment will be made (collectively, the "Successor"), is a corporation or other legal entity organized and existing under the laws of the United States or any state thereof or the District of Columbia, and the Successor assumes by amendment hereto in a form reasonably satisfactory to the Administrative Agent all of the obligations of Holdings, the Borrower or the other Loan Parties, as the case may be, under this Agreement and any other Loan Document, as the case may be,

(ii) immediately after giving effect to such transaction, no Default or Event of Default has occurred and is continuing, and

(iii) immediately after giving effect to such transaction,

(A) Holdings (or its Successor) could incur at least $1.00 of Indebtedness pursuant to Section 6.03(a) hereof, or

(B) the Consolidated Fixed Charge Coverage Ratio would be equal to or greater than the Consolidated Fixed Charge Coverage Ratio immediately prior to such transaction or the ratio of Indebtedness of Holdings and the Restricted Subsidiaries to Consolidated Tangible Net Worth of Holdings would be equal to or less than the ratio immediately prior to such transaction.

The foregoing provisions shall not apply to: (1) a transaction involving the sale or disposition of Capital Stock of a Guarantor, or the consolidation or merger of a Guarantor, or the sale, lease, conveyance or other disposition of all or substantially all of the assets of a Guarantor, that in any such case results in such Guarantor being released from its Guarantee, or (2) a transaction the purpose of which is to change the state of incorporation or formation of Holdings, the Borrower or any other Loan Party.

SECTION 6.12 Reports to Lenders. (a) Holdings shall file with the Commission the annual reports and the information, documents and other reports required to be filed pursuant to Section 13 or 15(d) of the Exchange Act. Holdings shall file with the Administrative Agent and deliver to each Lender such reports, information and documents within 15 days after it files them with the Commission. In the event that Holdings is no longer subject to these periodic reporting requirements of the Exchange Act, it will nonetheless continue to file reports with the Commission and the Administrative Agent and deliver such reports to each Lender as if it were subject to such reporting requirements. Regardless of whether Holdings is required to furnish such reports to its stockholders pursuant to the Exchange Act, Holdings will cause its consolidated financial statements and a "Management's Discussion and Analysis of Results of Operations and Financial Condition" written report, similar to those that would have been required to appear in annual or quarterly reports, to be delivered to each Lender.

(b) The posting of the reports, information and documents referred to above on Holdings' website or one maintained on its behalf for such purpose shall be deemed to satisfy Holdings' delivery obligations to the Administrative Agent and the Lenders. In addition, availability of the foregoing materials on the Commission's EDGAR service shall be deemed to satisfy Holdings' delivery obligations to the Administrative Agent and the Lenders. The Administrative Agent shall have no obligation to monitor whether Holdings posts such reports, information and documents on its website or the Commission's EDGAR service, or collect any such information from Holdings' website or the Commission's EDGAR service.

(c) Delivery of such reports, information and documents to the Administrative Agent is for informational purposes only and the Administrative Agent's receipt of them will not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Borrower's and/or Holdings' compliance with any of its covenants in this Agreement (as to which the Administrative Agent is entitled to rely exclusively on Officers' Certificates).

SECTION 6.13 Notice of Other Default. In the event that any Indebtedness of the Borrower or any other Loan Party is declared due and payable before its maturity because of the occurrence of any default under such Indebtedness, the Borrower or the relevant Loan Party, as the case may be, shall promptly deliver to the Administrative Agent an Officers' Certificate stating such declaration; provided, that the term "Indebtedness" as used in this Section 6.13 shall not include Non-Recourse Indebtedness.

SECTION 6.14 Collateral Requirement; Further Assurances; Costs.

(a) On the Closing Date, the Borrower and each other Loan Party shall grant Liens on all their property (other than Excluded Property) and take all appropriate steps to cause such Liens to be perfected first-priority liens ranking senior as to the Collateral relative to the First Lien Notes (subject to Permitted Liens), including through recordation of mortgages, entry into control agreements, filing of UCC-1 financing statements or otherwise, pursuant to, and to the extent required by, the Collateral Documents to be entered into on the Closing Date and this Agreement. As soon as reasonably practicable following the filing of UCC-1 financing statements in respect of the Borrower and each Loan Party, the Borrower shall perform or cause to be performed UCC file searches that reflect such filings, and shall deliver to the Administrative Agent and each Lender copies of such search reports; provided, that, such UCC file searches shall be limited to the filings required to be made on the Closing Date. For the avoidance of doubt, the requirements of this Section 6.14(a) are subject to Section 6.14(d) below.

(b) If the Borrower or any of the other Loan Parties at any time grants, assumes, perfects or becomes subject to any Lien upon any of its property (other than Excluded Property of the type referred to in clause (a) of the definition thereof) then owned or thereafter acquired as security for any other First-Priority Lien Obligation which Obligation is subject to the First Lien Intercreditor Agreement or the Amended and Restated Intercreditor Agreement, the Borrower will, or will cause such other Loan Party to, as promptly as practical (subject to Section 6.14(d) below):

(i) grant a first-priority Lien ranking senior as to the Collateral relative to the First Lien Notes on such property to the Administrative Agent for the benefit of the Secured Parties and, to the extent such grant would require the execution and delivery of a Collateral Document, the Borrower or such other Loan Party shall execute and deliver a Collateral Document on substantially the same terms as the agreement or instrument executed and delivered to secure such other First-Priority Lien Obligations (but, subject to changes to make such new Collateral Document consistent with the Collateral Documents delivered on the Closing Date in respect of the Loan Obligations compared to those for the other First-Priority Lien Obligations);

(ii) cause the Lien granted in such Collateral Document to be duly perfected as a first-priority lien ranking senior as to the Collateral relative to the First Lien Notes in any manner permitted by law to the same extent as the Liens granted for the benefit of such other First-Priority Lien Obligations are perfected; and

(iii) instruct the Administrative Agent in writing to take all action necessary in connection with the foregoing provisions of this Section 6.14(b), including as necessary under the Collateral Documents and determining whether Collateral constitutes Mortgage Tax Collateral (as defined in the First Lien Intercreditor Agreement) for purposes of the First Lien Intercreditor Agreement or Amended and Restated Intercreditor Agreement. By their making of the Loans, the Lenders shall be deemed to have instructed and authorized the Administrative Agent to take such actions as instructed by Holdings or the Borrower or any other Guarantor.

(c) If the Borrower or any other Loan Party at any time after the Closing Date acquires any new property (other than Excluded Property) that is not automatically subject to a Lien under the Collateral Documents, or a non-Loan Party Restricted Subsidiary becomes a Loan Party, the Borrower will, or will cause such other Loan Party, subject to the requirements of the Collateral Documents, to as soon as practical after such property's acquisition or it no longer being Excluded Property (subject to Section 6.14(d) below):

(i) grant a first-priority Lien ranking senior as to the Collateral relative to the First Lien Notes on such property (or, in the case of a new Loan Party, all of its assets except Excluded Property) to the Administrative Agent for the benefit of the Secured Parties (and, to the extent such grant would require the execution and delivery of a Collateral Document, the Borrower or such other Loan Party shall execute and deliver a Collateral Document on substantially the same terms as the Collateral Documents executed and delivered on the Closing Date);

(ii) cause the Lien granted in such Collateral Document to be duly perfected in any manner permitted by law to the same extent as the Liens granted on the Closing Date are perfected; and

(iii) instruct the Administrative Agent in writing to take all action necessary in connection with the foregoing provisions of this Section 6.14(c) including as necessary under the Collateral Documents and determining whether Collateral constitutes Mortgage Tax Collateral (as defined in the First Lien Intercreditor Agreement) for purposes of the First Lien Intercreditor Agreement or Amended and Restated Intercreditor Agreement. By their making of the Loans, the Lenders shall be deemed to have instructed and authorized the Administrative Agent to take such actions as instructed by Holdings or the Borrower or any other Guarantor.

The Borrower or such other Loan Party shall deliver an Opinion of Counsel to the Administrative Agent in respect of any Lien grant referred to in this Section 6.14(c) by a new Loan Party or with respect to real property, addressing customary matters (and containing customary exceptions) consistent with the Opinion of Counsel (if any) delivered on the Closing Date in respect of such matters; provided, that, an Opinion of Counsel shall not be required with respect to any mortgage or similar instrument for real property located in a jurisdiction for which an Opinion of Counsel has been previously delivered to the Administrative Agent pursuant to this Agreement.

(d) Notwithstanding anything to the contrary set forth in this Section 6.14 or elsewhere in this Agreement or any Collateral Document:

(i) any mortgages, deeds of trust or similar instruments (and any related Collateral Documents) required to be granted pursuant to this Agreement or the Collateral Documents with respect to real property owned by the Borrower or a Loan Party on the Closing Date shall be granted, together with Opinions of Counsel delivered to the Administrative Agent in respect of the enforceability and validity of such mortgages, deeds of trust and similar instruments, addressing customary matters (and containing customary exceptions) (provided, that, an Opinion of Counsel shall not be required with respect to any mortgage or similar instrument for real property located in a jurisdiction for which an Opinion of Counsel has been previously delivered to the Administrative Agent pursuant to this Agreement), using reasonable best efforts following the Closing Date, but in no event later than (A) 90 days following the Closing Date with respect to real property to be pledged as Collateral with an aggregate book value of at least 40% of the aggregate book value of such real property owned on the Closing Date, (B) 120 days following the Closing Date with respect to real property to be pledged as Collateral with an aggregate book value of at least 50% of the aggregate book value of such real property owned on the Closing Date, (C) 150 days following the Closing Date with respect to real property to be pledged as Collateral with an aggregate book value of at least 60% of the aggregate book value of such real property owned on the Closing Date, (D) 180 days following the Closing Date with respect to real property to be pledged as Collateral with an aggregate book value of at least 75% of the aggregate book value of such real property owned on the Closing Date and (E) in any event, 210 days after the Closing Date with respect to all real property owned on the Closing Date to be pledged as Collateral;

(ii) any control, intercreditor or similar agreements or other Collateral Documents with respect to L/C Collateral (other than Excluded Property) and any deposit, checking and securities accounts required to be provided pursuant to this Agreement or the Collateral Documents on the Closing Date shall be provided as soon as commercially reasonable following the Closing Date, but in no event later than 90 days following the Closing Date;

(iii) [Reserved];

(iv) any control, intercreditor or similar agreements or other Collateral Documents required pursuant to this Agreement or the Collateral Documents with respect to L/C Collateral (other than Excluded Property) may provide that the Administrative Agent for the benefit of the Secured Parties has a security interest in such Collateral that is junior to the lien granted to the holders of the obligations secured by such L/C Collateral;

(v) in the case of personal property, the Borrower and the other Loan Parties will not be required to take any steps to perfect liens on personal property outside the United States; and

(vi) in the case of real property Collateral, the Borrower and the other Loan Parties will not be required to provide title insurance policies in respect thereof.

(e) The Borrower will bear and pay all legal expenses, collateral audit and valuation costs, filing fees, insurance premiums and other costs associated with the performance of the obligations of the Borrower and the other Loan Parties set forth in this Section 6.14 and will also pay or reimburse the Administrative Agent for all reasonable out-of-pocket expenses, disbursements and advances incurred or made by the Administrative Agent in connection therewith, including the reasonable compensation and expenses of the Administrative Agent and Administrative Agent's agents and counsel.

(f) Neither the Borrower nor any of the other Loan Parties will be permitted to take any action, or knowingly or negligently omit to take any action, which action or omission might or would have the result of materially impairing the security interest with respect to the Collateral for the benefit of the Administrative Agent and the Secured Parties.

(g) Holdings is required to deliver to the Administrative Agent, (i) on the Closing Date, a Perfection Certificate in substantially the form attached hereto as Exhibit H-2 and (ii) within 5 days after October 31 of each year, beginning October 31, 2017, a certificate in substantially the form attached hereto as Exhibit K (a "Collateral Perfection Officer's Certificate").

(h) Holdings shall make available (i) by January 31, 2017, a copy of the perfection certificate delivered on the Closing Date, (ii) promptly after the delivery to the Administrative Agent of a Collateral Perfection Officer's Certificate as required by clause (g) above, a copy of such Collateral Perfection Officer's Certificate and (iii) within 5 days after the end of each fiscal quarter of Holdings, beginning with the fiscal quarter ending on January 31, 2017, (w) copies of any control agreements entered into by the Borrower or any Guarantor, (x) copies of any possessory collateral delivered to, and in the possession of, the Administrative Agent, (y) acknowledgment copies of UCC-1 financing statements and UCC-3 amendments, and (z) copies of any other Collateral Documents (including copies of mortgages and mortgage amendments that have been recorded and returned to the Borrower or a Guarantor) that grant or evidence the perfection of Liens on the Collateral that have been entered into, delivered, filed and acknowledged or recorded and returned, as the case may be, during such fiscal quarter (or, in the case of the fiscal quarter ending January 31, 2017, prior to January 31, 2017) and which may be redacted to remove confidential or commercially-sensitive information (including but not limited to all but the last 4 digits of bank account numbers), to any Lender or any bona fide prospective Lender who, in each case, agrees to treat such information as confidential on customary confidentiality terms or accesses such information through a password-protected online data system, by posting such information on a website (which may be a non-public, password-protected online data system that requires a customary confidentiality acknowledgment and may be maintained by Holdings or a third party); provided that Holdings shall make available any password or other log-in information required to access such website to any such Lender or bona fide prospective Lender reasonably promptly following request therefor. Such website shall be accessible to Lenders and any bona fide prospective Lenders, subject to the customary confidentiality requirements described in the foregoing, from and after January 31, 2017 and for so long as any Loans are outstanding.

SECTION 6.15 Maintenance of Ratings. The Loan Parties shall use commercially reasonable efforts to maintain (i) a public corporate credit rating (but not any particular rating) from S&P and a public corporate family rating (but not any particular rating) from Moody's, in each case in respect of the Borrower or Holdings and (ii) a public rating (but not any particular rating) in respect of the Loans from each of S&P and Moody's.

SECTION 6.16 Change of Control Offers.

(a) Upon the occurrence of a Change of Control, each Lender shall have the right, at such Lender's option, to require Holdings to purchase (the "Change of Control Offer") all or any part of such Lender's Loans on a date (the "Change of Control Repurchase Date") that is no later than ten Business Days after notice of the Change of Control, at 100% of the principal amount of the Loans held by such Lender plus accrued and unpaid interest, if any, to the Change of Control Repurchase Date.

(b) Holdings or the Borrower shall, promptly upon the occurrence of a Change of Control, and in no event after one Business Day upon such occurrence, provide written notice to the Administrative Agent and the Lenders, regarding the Change of Control Offer. The notice shall state the Change of Control Repurchase Date, the date by which the Change of Control Offer must be accepted, and the procedure which the Lender must follow to exercise such right. To accept such Change of Control Offer, a Lender must deliver, at least two Business Days prior to the Change of Control Repurchase Date, written notice to Holdings and the Administrative Agent of the Lender's exercise of such right.

(c) Notices may be delivered prior to the occurrence of a Change of Control stating that the Change of Control Offer is conditional on the occurrence of such Change of Control, and, if applicable, shall state that, in Holding's discretion, the Change of Control Repurchase Date may be delayed until such time as the Change of Control shall occur, or that such repurchase may not occur and such notice may be rescinded in the event that the Borrower shall determine that such condition will not be satisfied by the Change of Control Repurchase Date, or by the Change of Control Repurchase Date as so delayed.

SECTION 6.17 Maintenance of Properties. Each of Holdings and the Borrower will, and will cause each Restricted Subsidiary to, keep and maintain all tangible property material to the conduct of its business in good working order and condition (subject to casualty, condemnation and ordinary wear and tear), except where the failure to do so could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

SECTION 6.18 Insurance.

(a) At any time on and after the Closing Date, each of Holdings and the Borrower will, and will cause each Restricted Subsidiary to, maintain, with insurance companies that Holdings believes (in the good faith judgment of the management of Holdings) are financially sound and responsible at the time the relevant coverage is placed or renewed, insurance in at least such amounts (after giving effect to any self-insurance which Holdings believes (in the good faith judgment of management of Holdings) is reasonable and prudent in light of the size and nature of its business) and against at least such risks (and with such risk retentions) as Holdings believes (in the good faith judgment or the management of Holdings) are reasonable and prudent in light of the size and nature of its business, and will furnish to the Lenders, upon written request from the Administrative Agent (acting at the direction of the Required Lenders), information presented in reasonable detail as to the insurance so carried. Each such general liability policy of insurance shall (i) name the Administrative Agent, on behalf of the Secured Parties, as an additional insured thereunder as its interests may appear and (ii) in the case of each casualty insurance policy, contain a loss payable clause or mortgagee endorsement that names the Administrative Agent, on behalf of the Lenders as the loss payee or mortgagee thereunder.

(b) If any portion of any Collateral upon which a "Building" (as defined in 12 CFR Chapter III, Section 339.2) is at any time located is situated in an area identified by the Federal Emergency Management Agency (or any successor agency) as a special flood hazard area with respect to which flood insurance has been made available under the Flood Insurance Laws, then the Borrower shall, or shall cause each Loan Party to (i) maintain, or cause to be maintained, with a financially sound and reputable insurer, flood insurance in an amount and otherwise sufficient to comply with all applicable rules and regulations promulgated pursuant to the Flood Insurance Laws and (ii) furnish to the Lenders, upon written request from the Administrative Agent, evidence of such compliance in form and substance reasonably acceptable to the Administrative Agent, including, without limitation evidence of annual renewals of such insurance.

SECTION 6.19 Compliance with Laws. Each of Holdings and the Borrower will, and will cause each Restricted Subsidiary to, comply with its charter, by-laws or other organizational documents, and with all applicable laws, orders, writs, injunctions and orders (including, but not limited to Environmental Laws, and ERISA), except to the extent that failure to do so would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

SECTION 6.20 Use of Proceeds. The proceeds of Initial Term Loans under this Agreement, together with the proceeds from the sale of the New Second Lien Notes under the New Second Lien Notes Indenture, will be used on the Closing Date to pay all amounts due to holders of the 2017 Notes in accordance with Section 4.02(j) and the Borrower shall deposit any remaining proceeds on the Closing Date into the Segregated Account to be used by the Borrower solely to purchase or redeem (including through a satisfaction and discharge of the relevant indenture) its 2017 Notes, or as expressly agreed in accordance with Section 9.01 between the Borrower, Holdings and the Lenders, any of the Borrower's Indebtedness.

SECTION 6.21 Books and Records. Each of Holdings and the Borrower will, and will cause each if the Restricted Subsidiaries to maintain proper books of record and account, in which entries that are full, true and correct in all material respects and are in conformity with GAAP consistently applied shall be made of all material financial transactions and matters involving the assets and business of Holdings, the Borrower or its Restricted Subsidiaries, as the case may be.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

SECTION 7.01 Events of Default. "Event of Default" means any one or more of the following events:

(i) the failure by Holdings, the Borrower and the other Loan Parties to pay interest on any Loan or any other amount payable hereunder or with respect to any other Loan Document when the same becomes due and payable and the continuance of any such failure for a period of five (5) Business Days;

(ii) the failure by Holdings, the Borrower and the other Loan Parties to pay the principal of any Loan when the same becomes due and payable at maturity, upon acceleration or otherwise;

(iii) the failure by Holdings, the Borrower or any Restricted Subsidiary to comply with any of its agreements or covenants in, or provisions of, this Agreement, the Collateral Documents or the Guarantees and such failure continues for the period and after the notice specified below (except in the case of a default under Section 6.11, which will constitute an Event of Default with notice but without passage of time);

(iv) any event or condition occurs that results in any Indebtedness (other than Non-Recourse Indebtedness) of Holdings, the Borrower or any Restricted Subsidiary that has an outstanding principal amount of $40.0 million or more, individually or in the aggregate, becoming due prior to its scheduled maturity or that enables or permits (with all applicable grace periods having expired) the holder or holders of any such Indebtedness or any trustee or agent on its or their behalf to cause such Indebtedness to become due, or to require the prepayment, redemption, repurchase or defeasance thereof, prior to its scheduled maturity, and such event or condition does not cease to exist, or such Indebtedness is not satisfied, prior to the acceleration of the Loans pursuant to Section 7.01, provided that this clause (iv) shall not apply to (x) Indebtedness that becomes due as a result of a Change of Control (to the extent Holdings or the Borrower has made and consummated a Change of Control Offer) or the sale, transfer or other disposition of property or assets, if such sale or transfer is permitted hereunder and under the documents providing for such Indebtedness or (y) termination events or similar events occurring under any Hedging Obligations described in the definition of "Permitted Indebtedness", it being understood that clause (v) of this Section 7.01 shall apply to any failure to make any payment required as a result of any such termination or similar event;

(v) the failure by Holdings, the Borrower or any Restricted Subsidiary to make any principal or interest payment in an amount of $40.0 million or more, individually or in the aggregate, in respect of Indebtedness (other than Non-Recourse Indebtedness) of Holdings, the Borrower or any Restricted Subsidiary after such principal or interest becomes due and payable (after giving effect to any applicable grace period set forth in the document governing such Indebtedness);

(vi) a final judgment or judgments that exceed $40.0 million or more, individually or in the aggregate, for the payment of money having been entered by a court or courts of competent jurisdiction against Holdings, the Borrower or any Restricted Subsidiaries and such judgment or judgments is not satisfied, stayed, annulled or rescinded within 60 days of being entered;

(vii) Holdings, the Borrower or any Restricted Subsidiary that is a Significant Subsidiary pursuant to or within the meaning of any Bankruptcy Law:

(A) commences a voluntary case,

(B) consents to the entry of an order for relief against it in an involuntary case,

(C) consents to the appointment of a Custodian of it or for all or substantially all of its property, or

(D) makes a general assignment for the benefit of its creditors;

(viii) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief against Holdings, the Borrower or any Restricted Subsidiary that is a Significant Subsidiary as debtor in an involuntary case,

(B) appoints a Custodian of Holdings, the Borrower or any Restricted Subsidiary that is a Significant Subsidiary or a Custodian for all or substantially all of the property of Holdings or any Restricted Subsidiary that is a Significant Subsidiary, or

(C) orders the liquidation of Holdings, the Borrower or any Restricted Subsidiary that is a Significant Subsidiary,

and the order or decree remains unstayed and in effect for 60 days;

(ix) any Guarantee of a Loan Party that is a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of this Agreement) or is declared null and void and unenforceable or found to be invalid or Holdings or any Subsidiary Guarantor denies its liability under its Guarantee (other than by reason of release of such Loan Party from its Guarantee in accordance with the terms of this Agreement);

(x) the Liens created by the Collateral Documents shall at any time not constitute valid and perfected Liens on any material portion of the Collateral intended to be covered thereby (to the extent perfection by filing, registration, recordation or possession is required by this Agreement or the Collateral Documents) other than in accordance with the terms of the relevant Collateral Document and this Agreement and other than the satisfaction in full of all Loan Obligations under this Agreement or the release or amendment of any such Lien in accordance with the terms of this Agreement or the Collateral Documents, or, except for expiration in accordance with its terms or amendment, modification, waiver, termination or release in accordance with the terms of this Agreement and the relevant Collateral Document, any of the Collateral Documents shall for whatever reason be terminated or cease to be in full force and effect, if in either case, such default continues for 30 days after notice, or the enforceability thereof shall be contested by the Borrower or any other Loan Party;

(xi) any representation, warranty or certification made or deemed made by or on behalf of the Borrower or any other Loan Party herein, in the Notes, or in any document required to be delivered in connection herewith or therewith shall be incorrect or misleading in any material respect (and in any respect if qualified by materiality) when made or deemed made;

(xii) unless Holdings or the Borrower has made and consummated a Change of Control Offer, the occurrence of a Change of Control; or

(xiii) any material provision of the Loan Documents (other than as described in subclause (viii) or subclause (ix) of this Section 7.01) shall for any reason be asserted by any Loan Party not to be a legal, valid and binding obligation of any Loan Party thereto other than as expressly permitted hereunder or thereunder.

A Default as described in subclause (iii) of this Section 7.01 will not be deemed an Event of Default until the Lenders of at least 25 percent in principal amount of the then outstanding Loans notify Holdings and the Administrative Agent, of the Default and (except in the case of a Default with respect to Section 6.11 hereof) Holdings does not cure the Default within 60 days after receipt of the notice. The notice must specify the Default, demand that it be remedied and state that the notice is a "Notice of Default." If such a Default is cured within such time period, it ceases to be a Default.

If an Event of Default (other than an Event of Default with respect to Holdings or the Borrower resulting from subclauses (vii) or (viii) of this Section 7.01), shall have occurred and be continuing under this Agreement, the Administrative Agent by notice to Holdings, or the Required Lenders by notice to Holdings and the Administrative Agent, may declare all Loans to be due and payable immediately. Upon such declaration of acceleration, the amounts due and payable on the Loans will be due and payable immediately. If an Event of Default with respect to Holdings or the Borrower specified in subclauses (vii) or (viii) of this Section 7.01 occurs, such an amount will *ipso facto* become and be immediately due and payable without any declaration, notice or other act on the part of the Administrative Agent and Holdings or any Lender. This provision, however, is subject to the condition that, if at any time after the unpaid principal amount (or such specified amount) of the Loans shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, the Borrower shall pay or shall deposit with the Administrative Agent a sum sufficient to pay all matured installments of interest, if any, upon all of the Loans and the principal of all the Loans, which shall have become due otherwise than by acceleration (with interest on overdue installments of interest, if any, to the extent that payment of such interest is enforceable under applicable law and on such principal at the rate borne by the Loans to the date of such payment or deposit) and the reasonable compensation, disbursements, expenses and advances of the Administrative Agent and all other amounts due to the Administrative Agent under Section 2.07 and Section 8.12 and any and all defaults under this Agreement, other than the nonpayment of such portion of the principal amount of and accrued interest, if any, on Loans which shall have become due by acceleration, shall have been cured or shall have been waived in accordance with Section 9.01 or provision deemed by the Administrative Agent to be adequate shall have been made therefor, then and in every such case the Required Lenders, by written notice to the Borrower and to the Administrative Agent, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair any right consequent thereon. Notwithstanding the previous sentence, no waiver shall be effective against any Lender for any Event of Default or event which with notice or lapse of time or both would be an Event of Default with respect to any covenant or provision which cannot be modified or amended without the consent of the Lender of each outstanding Loan affected thereby, unless all such affected Lenders agree, in writing, to waive such Event of Default or other event.

If the Administrative Agent shall have proceeded to enforce any right under this Agreement and such proceedings shall have been discontinued or abandoned because of such rescission or annulment or for any reason or shall have been determined to be adverse to the Administrative Agent, then and in every such case the Borrower, the Administrative Agent and the Lenders shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Borrower, the Administrative Agent and the Lenders shall continue as though no such proceeding had been taken.

Except with respect to an Event of Default pursuant to clauses (i) or (ii) of this Section 7.01, the Administrative Agent shall not be charged with knowledge of any Event of Default unless written notice thereof shall have been given to a Responsible Officer of the Administrative Agent by the Borrower or any Lender and such notice references the Loans and this Agreement.

SECTION 7.02 [Reserved].

SECTION 7.03 Application of Funds. After the exercise of remedies provided for in Section 7.02 (or after the Loans have automatically become immediately due and payable and the Term Commitments have automatically terminated as set forth in the proviso to Section 7.02), any amounts received on account of the Loan Obligations shall be applied by the Administrative Agent in the following order:

First, to payment of that portion of the Loan Obligations constituting fees, indemnities, expenses and other amounts (including amounts payable under Article 3, but not including principal of or interest on any Loan) payable to the Administrative Agent in its capacity as such;

Second, to payment of that portion of the Loan Obligations constituting fees, indemnities and other amounts (other than principal and interest) payable to the Lenders (including amounts payable under Article 3), ratably among them in proportion to the amounts described in this clause Second payable to them;

Third, to payment of that portion of the Loan Obligations constituting accrued and unpaid interest on the Loans, ratably among the Lenders in proportion to the respective amounts described in this clause Third payable to them;

Fourth, to payment of that portion of the Loan Obligations constituting unpaid principal of the Loans;

Fifth, to the payment of all other Loan Obligations of the Loan Parties that are due and payable to the Administrative Agent and the other Secured Parties on such date, ratably based upon the respective aggregate amounts of all such Loan Obligations owing to the Administrative Agent and the other Secured Parties on such date; and

Last, the balance, if any, after all of the Loan Obligations have been paid in full, to the Borrower or as otherwise required by Law.

ARTICLE VIII

ADMINISTRATIVE AGENT AND OTHER AGENTS

SECTION 8.01 Appointment and Authority.

(a) Each of the Lenders hereby irrevocably appoints Wilmington Trust, National Association to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers, rights and remedies as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. In performing its functions and duties hereunder, the Administrative Agent shall act solely as an agent of the Lenders and does not assume and shall not be deemed to have assumed any obligation towards or relationship of agency or trust with or for Holdings or any of its Subsidiaries.

(b) The Administrative Agent shall also act as the "collateral agent" under the Loan Documents, and each of the Lenders hereby irrevocably appoints and authorizes the Administrative Agent to act as the agent of (and to hold any security interest created by the Collateral Documents for and on behalf of or on trust for) such Agent or Lender (i) for purposes of the perfection of all Liens created by the Loan Documents and all other purposes stated therein, (ii) to manage, supervise and otherwise deal with the Collateral, (iii) to take such other action as is necessary or desirable to maintain the perfection and priority of the Liens created or purported to be created by the Loan Documents and (iv) except as may be otherwise specified in any Loan Document, to exercise all remedies given to the Administrative Agent and the other Secured Parties with respect to the Collateral, whether under the Loan Documents, applicable Law or otherwise, in each case, together with such powers and discretion as are reasonably incidental thereto. In this connection, the Administrative Agent, as "collateral agent" (and any sub-agents appointed by the Administrative Agent pursuant to Section 8.05 for purposes of holding or enforcing any Lien on the Collateral (or any portion thereof) granted under the Collateral Documents, or for exercising any rights and remedies thereunder at the direction of the Administrative Agent), shall be entitled to the benefits of all provisions of this Article 8 and Section 8.05 as though such sub-agents were the "collateral agent" under the Loan Documents and as if the term Administrative Agent included the "collateral agent" as if set forth in full herein with respect thereto.

(c) Each Lender irrevocably authorizes the Administrative Agent to enter into any and all of the Collateral Documents together with such other documents as shall be necessary to give effect to the Lien on the Collateral contemplated by the other Collateral Documents, on its behalf. The Administrative Agent shall have only those duties and responsibilities that are expressly specified herein and the other Loan Documents to which it is a party. The Administrative Agent may exercise such powers, rights and remedies and perform such duties by or through its agents or employees. The Administrative Agent's duties hereunder shall be entirely administrative in nature. The Administrative Agent (i) is not assuming any obligation under any Loan Document other than as expressly set forth therein and (ii) shall not have implied functions, responsibilities, duties, obligations or other liabilities under any Loan Document, and each Lender hereby waives and agrees not to assert any claim against the Administrative Agent based on the roles, duties and legal relationships expressly disclaimed in this or the immediately preceding sentence or in Section 8.03. The Administrative Agent shall not have, by reason hereof or any of the other Loan Documents, a fiduciary relationship in respect of any Lender; and nothing herein or any of the Loan Documents, expressed or implied, is intended to or shall be so construed as to impose upon the Administrative Agent any obligations in respect hereof or any of the other Loan Documents except as expressly set forth herein or therein. Any action taken by the Administrative Agent in reliance upon the instructions of the Required Lenders (or, where so required by Section 9.01, such greater proportion of Lenders) and the exercise by the Administrative Agent of the powers set forth herein or in the other Loan Documents, together with such other powers as are reasonably incidental thereto, shall be authorized and binding upon all of the Secured Parties.

SECTION 8.02 Rights as a Lender. The agency hereby created shall in no way impair or affect any of the rights and powers of, or impose any duties or obligations upon, the Administrative Agent in its individual capacity as a Lender hereunder. The Person serving as the Administrative Agent hereunder shall, if it is a Lender, have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, own securities of, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of banking, trust or other business with Holdings or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and may accept fees and other consideration from the Borrower for services in connection herewith and otherwise without any duty to account therefor to the Lenders. The Lenders acknowledge that pursuant to such activities, the Administrative Agent and its Related Parties may receive information regarding any Loan Party or any Affiliate of any Loan Party (including information that may be subject to confidentiality obligations in favor of such Loan Party or such Affiliate) and acknowledge that the Administrative Agent and its Related Parties shall be under no obligation to provide such information to them.

SECTION 8.03 Exculpatory Provisions. No Agent shall have any duties or obligations except those expressly set forth herein and in the other Loan Documents to which it is a party. Without limiting the generality of the foregoing, the Administrative Agent:

(a) shall not be subject to any fiduciary or other implied (or express) duties or obligations arising under the agency doctrine of any applicable Law or otherwise, regardless of whether a Default has occurred and is continuing;

(b) notwithstanding anything herein to the contrary, the Administrative Agent shall not be required to take any action (or omit to take any action) that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or applicable Laws or if the Administrative Agent is not indemnified to its satisfaction; and

(c) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any Agent-Related Person in any capacity.

The Administrative Agent and the Agent-Related Persons shall not be liable for any action taken or not taken by it or them (i)(A) under or in connection with any of the Loan Documents or (B) with the consent or at the request of the Required Lenders (or such other number or percentage of Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances provided in Section 7.02 and 9.01) or (ii) in the absence of its own gross negligence, or willful misconduct; provided, that the Administrative Agent shall be deemed not to have knowledge of any Default or Event of Default unless and until notice describing such Default or Event of Default and stating it is a "notice of default" is given to the Administrative Agent by the Borrower or a Lender; provided, further, that in the event the Administrative Agent shall receive such a notice, the Administrative Agent shall give notice thereof to the Lenders; it being understood that the failure to give such notice shall not result in any liability on the part of the Administrative Agent.

The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the representations, warranties, covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the execution, validity, enforceability, effectiveness, genuineness, collectability or sufficiency of this Agreement, any other Loan Document or any other agreement, instrument or document or the creation, perfection or priority of any Lien purported to be created by the Loan Documents, (v) the value or the sufficiency of any Collateral, (vi) the financial condition or business affairs of any Loan Party or any other Person liable for the payment of any Loan Obligations or as to the use of the proceeds of the Loans, (vii) the properties, books or records of any Loan Party, (viii) the existence or possible existence of any Event of Default or Default or (ix) the satisfaction of any condition set forth in Article 4 or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

The Administrative Agent shall not have any liability arising from confirmations of the amount of outstanding Loans or the component amounts thereof.

Administrative Agent shall not be required to exercise any discretion or take, or to omit to take, any action, including with respect to enforcement or collection unless Administrative Agent has received satisfactory instructions from the Required Lenders (or, where expressly required by the terms of this Agreement, a greater proportion of the Lenders, it being understood, however, that with regards to enforcement actions following an Event of Default, the Administrative Agent shall be entitled to act upon the direction of the Required Lenders), and, if necessary in the Administrative Agent's opinion, satisfactory indemnity and security. Phrases such as "satisfactory to the Administrative Agent", "approved by the Administrative Agent", "acceptable to the Administrative Agent", "as determined by the Administrative Agent", "in the Administrative Agent's discretion", "selected by the Administrative Agent", and phrases of similar import authorize and permit the Administrative Agent to approve, disapprove, determine, act or decline to act in its discretion, it being understood that the Administrative Agent in exercising such discretion under the Loan Documents shall be acting on the instructions of the Required Lenders (or Lenders to the extent required hereunder) and shall be fully protected in, and shall incur no liability in connection with, acting or failing to act (or failing to act while awaiting such direction) pursuant to such instructions.

The Administrative Agent shall never be required to use, risk or advance its own funds or otherwise incur financial liability in the performance of any of its duties or the exercise of any of its rights and powers hereunder (including, but not limited to, no obligation to grant any credit extension or to make any advance hereunder).

Neither the Administrative Agent nor any Agent-Related Person shall be responsible for delays or failures in performance resulting from acts beyond its control. Such acts shall include but not be limited to acts of God, strikes, lockouts, riots, acts of war, epidemics, governmental regulations superimposed after the fact, fire, communication line failures, computer viruses, power failures, earthquakes, terrorist attacks or other disasters

The permissive authorizations, entitlements, powers and rights (including the right to request that the Borrower take an action or deliver a document and the exercise of remedies following an Event of Default) granted to the Administrative Agent herein shall not be construed as duties. The Administrative Agent shall have no responsibility for interest or income on any funds held by it hereunder and any funds so held shall be held un-invested pending distribution thereof.

Notwithstanding anything herein to the contrary, the Administrative Agent shall not have any duty to (i) file or prepare any financing or continuation statements or record any documents or instruments in any public office for purposes of creating, perfecting or maintaining any Lien or security interest created under the Loan Documents; (ii) take any necessary steps to preserve rights against any parties with respect to any Collateral; or (iii) take any action to protect against any diminution in value of the Collateral.

SECTION 8.04 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan, that by its terms must be fulfilled to the satisfaction of a Lender, the Administrative Agent may presume that such condition is satisfactory to such Lender unless the Administrative Agent shall have received notice to the contrary from such Lender prior to the making of such Loan. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants, experts or professional advisors. No Lender shall have any right of action whatsoever against the Administrative Agent as a result of the Administrative Agent acting or refraining from acting hereunder or under any of the other Loan Documents in accordance with the instructions of Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents). If at any time the Administrative Agent is served with any judicial or administrative order, judgment, decree, writ or other form of judicial or administrative process which in any way affects the Collateral (including, but not limited to, orders of attachment or garnishment or other forms of levies or injunctions or stays relating to the transfer of the Collateral), the Administrative Agent is authorized to comply therewith in any manner as it or its legal counsel of its own choosing deems appropriate; and if the Administrative Agent complies with any such judicial or administrative order, judgment, decree, writ or other form of judicial or administrative process, the Administrative Agent shall not be liable to any of the parties hereto or to any other person or entity even though such order, judgment, decree, writ or process may be subsequently modified or vacated or otherwise determined to have been without legal force or effect.

SECTION 8.05 Delegation of Duties. The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent and shall not be responsible for the acts of any such party appointed with due care. The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory, indemnification and other provisions of this Article 8 shall apply to any such sub-agent and its Related Parties and to the Agent-Related Persons in any role or capacity, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent. All of the rights, benefits and privileges (including the exculpatory and indemnification provisions) of this Article 8 shall apply to any such sub-agent and to the Related Parties of any such sub-agent, and shall apply to their respective activities as sub-agent as if such sub-agent and Related Parties were named herein. Notwithstanding anything herein to the contrary, with respect to each sub-agent appointed by the Administrative Agent, (i) such sub-agent shall be a third party beneficiary under this Agreement with respect to all such rights, benefits and privileges (including exculpatory rights and rights to indemnification) and shall have all of the rights and benefits of a third party beneficiary, including an independent right of action to enforce such rights, benefits and privileges (including exculpatory rights and rights to indemnification) directly, without the consent or joinder of any other Person, against any or all of the Loan Parties and the Lenders, (ii) such rights, benefits and privileges (including exculpatory rights and rights to indemnification) shall not be modified or amended without the consent of such sub-agent and (iii) such sub-agent shall only have obligations to the Administrative Agent and not to any Loan Party, Lender or any other Person and no Loan Party, Lender or other Person shall have any rights, directly or indirectly, as a third party beneficiary or otherwise against such sub-agent.

SECTION 8.06 Resignation of Administrative Agent: Appointment of Successor. The Administrative Agent may at any time resign or, if it is a Defaulting Lender pursuant to clause (iv) of the definition thereof, be removed by the Borrower upon ten (10) days' prior written notice of such resignation or removal to the Lenders and the Borrower. Upon receipt of any such notice of resignation or removal, the Required Lenders shall have the right, with the consent of the Borrower (such consent not to be unreasonably withheld, conditioned or delayed and provided that no consent of the Borrower shall be required if an Event of Default has occurred and is continuing), to appoint a successor Administrative Agent which shall be a commercial bank or trust company with offices in the U.S. having combined capital and surplus in excess of $100,000,000. If no such successor shall have been so appointed by the Required Lenders and accepted such appointment within thirty (30) days after notice of the Administrative Agent's resignation or removal, then, (i) in the case of a resignation of the Administrative Agent, the resigning Administrative Agent with the consent of the Borrower (such consent not to be unreasonably withheld, or delayed; provided that no consent of the Borrower shall be required if an Event of Default has occurred and is continuing) or (ii) in the case of a removal of the Administrative Agent, the Borrower, may, with the consent of the Required Lenders, on behalf of the Lenders, appoint a successor Administrative Agent; provided that if no qualifying Person has accepted such appointment, then such resignation or removal shall nonetheless become effective after such thirty-day period and (1) the retiring or removed Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any possessory Collateral held by the Administrative Agent on behalf of the Lenders the retiring Administrative Agent shall continue to hold such Collateral until such time as a successor Administrative Agent is appointed) and (2) all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender directly (and each Lender will cooperate with the Borrower to enable the Borrower to take such actions), until such time as the Required Lenders appoint a successor Administrative Agent as provided for above in this paragraph. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or retired) or removed Administrative Agent, and the retiring (or retired) or removed Administrative Agent shall be discharged from all of its duties and obligations hereunder and under the other Loan Documents (if not already discharged therefrom as provided above in this paragraph) other than its obligations under Section 9.08. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the resignation or removal of the Administrative Agent hereunder and under the other Loan Documents, the provisions of this Article 8 and Section 9.05 shall continue in effect for the benefit of such retiring or removed Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring or removed Administrative Agent was acting as the Administrative Agent.

SECTION 8.07 Non-Reliance on Administrative Agent and Other Lenders. Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement, made its own independent investigation of the financial condition and affairs of Holdings and its Subsidiaries in connection with Borrowings hereunder, and made and shall continue to make its own appraisal of the creditworthiness of Holdings and its Subsidiaries. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder. The Administrative Agent shall not have any duty or responsibility, either initially or on a continuing basis, or otherwise, to make any such investigation or any such appraisal on behalf of the Lenders or to provide any Lender with any credit or other information with respect thereto, whether coming into its possession before the making of the Loans or at any time or times thereafter, and the Administrative Agent shall not have any responsibility with respect to the accuracy or completeness of any information provided to the Lenders. Except for documents expressly required by this Agreement to be transmitted by the Administrative Agent to the Lenders, the Administrative Agent shall not have any duty or responsibility to provide any Secured Party with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of any Loan Party or any Affiliate of any Loan Party that may come in to the possession of the Administrative Agent or any of its Related Parties.

SECTION 8.08 Collateral and Guarantee Matters. The Lenders irrevocably authorize the Administrative Agent to, and the Administrative Agent shall:

(a) release any Lien on any property granted to or held by the Administrative Agent under any Loan Document (i) on the date upon which all of the Loan Obligations (other than contingent obligations not yet accrued and payable) have been paid in full in cash, the Aggregate Commitments have expired or have been terminated (such date, the "Termination Date"), (ii) with respect to any property constituting Collateral that (x) is sold, transferred or otherwise disposed of by the Borrower, Holdings or any other Loan Party to any Person other than a Loan Party (but excluding any transaction where the recipient is required to become a Loan Party) in a transaction permitted by this Agreement and the Collateral Documents, at the time of such sale or disposition, to the extent of the interest sold or disposed of or (y) is owned or at any time acquired by a Restricted Subsidiary that has been released from its Guarantee, concurrently with the release of such Guarantee, (iii) subject to Section 9.01, if approved, authorized or ratified in writing by the Required Lenders or such other number or percentage of Lenders required by Section 9.01, (iv) owned by a Guarantor upon release of such Guarantor from its obligations under its Guarantee pursuant to clause (c) below or (v) as expressly provided in the Collateral Documents;

(b) [Reserved];

(c) execute any documents and instruments reasonably requested by the Borrower to evidence the release of any Guarantor from its obligations under the Guarantee if (i) all or substantially all of the assets of any Guarantor other than Holdings or all of the Capital Stock of any Guarantor other than Holdings is sold (including by consolidation, merger, issuance or otherwise) or disposed of (including by liquidation, dissolution or otherwise) by Holdings or any of its Subsidiaries, (ii) unless Holdings elects otherwise, any Guarantor other than Holdings is designated an Unrestricted Subsidiary in accordance with the terms of this Agreement, (iii) such Person ceases to be a Restricted Subsidiary or becomes an Excluded Subsidiary as a result of a transaction or designation permitted hereunder (it being understood that, in each case under this clause (c), any such Person shall be automatically and unconditionally released and discharged from all obligations under its Guarantee upon notice from Borrower to the Administrative Agent to such effect, without any further action required on the part of the Administrative Agent or any Lender), in each case, only to the extent such transaction is in compliance with the Loan Documents;

(d) upon receipt of an Officer's Certificate stating that such Indebtedness (or Liens securing such Indebtedness, if applicable) is permitted under the Loan Documents, enter into intercreditor agreements or arrangements (including any amendment, supplement or other modification of any Collateral Document to add or provide for additional secured parties) with respect to Indebtedness (or Liens securing such Indebtedness) that is required or permitted to be *pari passu* with or subordinated to the Loan Obligations (or the Liens securing the Loan Obligations) pursuant to Section 6.03; and

(e) release the Borrower from its obligations under the Loan Documents, without the consent of the Lenders, if: (1) Holdings or any successor to Holdings has assumed the obligations of the Borrower under the Loan Documents, by executing and delivering documentation that is reasonably satisfactory in form to the Administrative Agent and the Required Lenders, (2) the Borrower shall execute a Guarantee, (3) Holdings delivers an Opinion of Counsel to the Administrative Agent and the Required Lenders that such Guarantee is permitted by the terms of this Agreement, and has been duly authorized, executed and delivered by the Borrower and constitutes a valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with its terms (subject to customary exceptions), until such time, if any, such Guarantee may be released pursuant to the terms of this Agreement, and that all conditions precedent (if any) to the execution of such Guarantee provided for in this Agreement have been complied with and (3) any other Loan party shall provide any affirmation or Collateral Documents reasonably requested by the Administrative Agent or the Required Lenders.

In each case as specified in this Section 8.08, upon receipt of an Officer's Certificate, the Administrative Agent will (and each Lender hereby authorizes the Administrative Agent to), at the Borrower's expense, deliver, upon the request of the applicable Loan Party, to such Loan Party or any designee of such Loan Party any certificates, powers or other physical collateral held by it and relating to such item of Collateral (but subject to the requirements of any applicable intercreditor agreement) and execute and deliver to the applicable Loan Party such documents as such Loan Party may reasonably request to evidence the release of such item of Collateral from the assignment and security interest granted under the Collateral Documents, release such Guarantor from its obligations under the Guarantee or execute and deliver the agreements described in clause (d) above, in each case, in accordance with the terms of the Loan Documents and this Section 8.08; provided that the Borrower shall have delivered to the Administrative Agent (i) a certificate of a Responsible Officer of the Borrower certifying that any such transaction has been consummated in compliance with this Agreement and the other Loan Documents as the Administrative Agent shall reasonably request and (ii) an Opinion of Counsel confirming that such release is permitted by Section 8.08.

Each Secured Party hereby further authorizes the Administrative Agent on behalf of and for the benefit of the Secured Parties, (a) to be the agent for and representative of the Secured Parties with respect to the Collateral and the Collateral Documents, (b) to enter into any applicable intercreditor agreement contemplated hereby and (c) to take any actions thereunder as determined by the Administrative Agent to be necessary or advisable. Each Secured Party hereby further authorizes the Administrative Agent on behalf of and for the benefit of the Secured Parties to enter into any other intercreditor agreement reasonably required by the Loan Documents, and each Secured Party agrees to be bound by the terms of such intercreditor agreement.

Anything contained in any of the Loan Documents to the contrary notwithstanding, the Borrower, the Administrative Agent and each Secured Party hereby agree that (i) unless the Administrative Agent consents thereto, no Secured Party shall have any right individually to realize upon any of the Collateral or to enforce the Loan Documents, it being understood and agreed that all powers, rights and remedies hereunder may be exercised solely by the Administrative Agent on behalf of itself and the Lenders in accordance with the terms hereof and all powers, rights and remedies under the Collateral Documents may be exercised solely by the Administrative Agent on behalf of the Secured Parties, and (ii) in the event of a foreclosure by the Administrative Agent on any of the Collateral pursuant to a public or private sale or other disposition, the Administrative Agent or any Lender may be the purchaser or licensor of any or all of such Collateral at any such sale or other disposition and the Administrative Agent, as agent for and representative of the Secured Parties (but not any Lender or Lenders in its or their respective individual capacities unless the Administrative Agent shall otherwise agree in writing) shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Collateral sold at any such public sale, to use and apply any of the Loan Obligations as a credit on account of the purchase price for any collateral payable by the Administrative Agent at such sale or other disposition.

SECTION 8.09 [Reserved]

SECTION 8.10 Appointment of Supplemental Administrative Agents.

(a) It is the purpose of this Agreement and the other Loan Documents that there shall be no violation of any Law of any jurisdiction denying or restricting the right of banking corporations or associations to transact business as agent or trustee in such jurisdiction. It is recognized that in case of litigation under this Agreement or any of the other Loan Documents, and in particular in case of the enforcement of any of the Loan Documents, or in case the Administrative Agent deems that by reason of any present or future Law of any jurisdiction it may not exercise any of the rights, powers or remedies granted herein or in any of the other Loan Documents or take any other action which may be desirable or necessary in connection therewith, the Administrative Agent is hereby authorized to appoint an additional individual or institution selected by the Administrative Agent in its sole discretion as a separate trustee, co-trustee, administrative agent, collateral agent, administrative sub-agent or administrative co-agent (any such additional individual or institution being referred to herein individually as a "Supplemental Administrative Agent" and collectively as "Supplemental Administrative Agents").

(b) In the event that the Administrative Agent appoints a Supplemental Administrative Agent with respect to any Collateral, (i) each and every right, power, privilege or duty expressed or intended by this Agreement or any of the other Loan Documents to be exercised by or vested in or conveyed to the Administrative Agent with respect to such Collateral shall be exercisable by and vest in such Supplemental Administrative Agent to the extent, and only to the extent, necessary to enable such Supplemental Administrative Agent to exercise such rights, powers and privileges with respect to such Collateral and to perform such duties with respect to such Collateral, and every covenant and obligation contained in the Loan Documents and necessary to the exercise or performance thereof by such Supplemental Administrative Agent shall run to and be enforceable by either the Administrative Agent or such Supplemental Administrative Agent, and (ii) the provisions of this Article 8 and of Section 9.05 (obligating the Borrower to pay the Administrative Agent's expenses and to indemnify the Administrative Agent) that refer to the Administrative Agent shall inure to the benefit of such Supplemental Administrative Agent and all references therein to the Administrative Agent shall be deemed to be references to the Administrative Agent and/or such Supplemental Administrative Agent, as the context may require.

(c) Should any instrument in writing from the Borrower or any other Loan Party be required by any Supplemental Administrative Agent so appointed by the Administrative Agent for more fully and certainly vesting in and confirming to it such rights, powers, privileges and duties, the Borrower shall, or shall cause such Loan Party to, execute, acknowledge and deliver any and all such instruments promptly upon request by the Administrative Agent. In case any Supplemental Administrative Agent, or a successor thereto, shall die, become incapable of acting, resign or be removed, all the rights, powers, privileges and duties of such Supplemental Administrative Agent, to the extent permitted by Law, shall vest in and be exercised by the Administrative Agent until the appointment of a new Supplemental Administrative Agent.

(d) No Administrative Agent shall be responsible for the actions of any other administrative agent appointed pursuant to this Section 8.10.

SECTION 8.11 Administrative Agent May File Proofs of Claim. In case of the pendency of any proceeding under any Debtor Relief Law or any other judicial proceeding relative to any Loan Party, the Administrative Agent (irrespective of whether the principal of any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans and all other Loan Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under Section 2.07) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, if the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Section 2.07.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Loan Obligations or the rights of any Lender to authorize the Administrative Agent to vote in respect of the claim of any Lender or in any such proceeding.

SECTION 8.12 Indemnification of Administrative Agent. Each Lender, on a pro rata basis, based on its Aggregate Exposure Percentage, severally (but not jointly) agrees to indemnify the Administrative Agent and its Related Parties, to the extent that the Administrative Agent or its Related Parties shall not have been reimbursed by any Loan Party, for and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including Attorney Costs (which shall be limited to one (1) counsel, at any given time, to the Administrative Agent, and if reasonably necessary, one (1) local counsel, at any given time, to the Administrative Agent in each relevant jurisdiction)) or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or on behalf of or asserted against the Administrative Agent or its Related Parties (solely to the extent such Related Party was performing services on behalf of the Administrative Agent) in exercising its powers, rights and remedies or performing its duties hereunder or under the other Loan Documents or otherwise in its capacity as the Administrative Agent in any way relating to or arising out of this Agreement or the other Loan Documents; provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Administrative Agent's or its Related Parties', as applicable, gross negligence or willful misconduct, as determined by a court of competent jurisdiction in a final and non-appealable judgment.

In addition, each Lender hereby severally (but not jointly) agrees to reimburse the Administrative Agent and each of its Related Parties promptly upon demand for such Lender's pro rata share based on its Aggregate Exposure Percentage of any costs and expenses (including Attorney Costs (which shall be limited to one (1) counsel, at any given time, to the Administrative Agent, and if reasonably necessary, one (1) local counsel, at any given time, to the Administrative Agent in each relevant jurisdiction)) that may be incurred by the Administrative Agent or any of its Related Parties, to the extent not reimbursed by a Loan Party, in connection with the preparation, syndication, execution, delivery, administration, modification, consent, waiver or enforcement (whether through negotiations, through any work-out, bankruptcy, restructuring or other legal or other proceeding or otherwise) of, or legal advice in respect of its rights or responsibilities under, any Loan Document.

SECTION 8.13 Agency for Perfection. The Administrative Agent hereby appoints, authorizes and directs each Secured Party to act as collateral sub-agent for the Administrative Agent and the other Secured Parties for purposes of the perfection of all Liens with respect to the Collateral, including any deposit account maintained by a Loan Party with, and cash and Cash Equivalents held by, such Secured Party, and may further authorize and direct such Secured Party to take further actions as collateral sub-agents for purposes of enforcing such Liens or otherwise to transfer the Collateral subject thereto to the Administrative Agent, and each Secured Party hereby agrees to take such further actions to the extent, and only to the extent, so authorized and directed. For the avoidance of doubt, nothing in this Section 8.13 is intended to require the parties hereto to enter into any account control agreements not otherwise required hereunder. For the avoidance of doubt, any Secured Party that is appointed as a collateral sub-agent for the Administrative Agent shall be entitled to the benefits set forth in Section 8.05.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01 Amendments, Etc.. No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by the Borrower or any other Loan Party therefrom, shall be effective unless in writing signed by the Required Lenders (or by the Administrative Agent with the consent of the Required Lenders) and the Borrower or the applicable Loan Party, as the case may be, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided that no such amendment, waiver or consent shall:

(a) extend or increase the Term Commitment of any Lender without the written consent of such Lender (it being understood that a waiver of any condition precedent set forth in Section 4.02, or the waiver of any non-monetary Default or Event of Default shall not constitute an extension or increase of any Term Commitment of any Lender);

(b) postpone any date scheduled for any payment of principal, premium, interest or fees, without the written consent of each Lender directly and adversely affected thereby (it being understood that a waiver of any non-monetary Default or Event of Default shall not constitute a postponement of any date scheduled for any payment of principal, premium, interest or fees);

(c) reduce or forgive the principal of, or the rate of interest specified herein on, any Loan or (subject to clause (iii) of the second proviso to this Section 9.01) reduce or forgive any fees or premium payable hereunder or under any other Loan Document without the written consent of each Lender directly and adversely affected thereby; provided that only the consent of the Required Lenders shall be necessary to amend the definition of "Default Rate" or to waive any obligation of the Borrower to pay interest at the Default Rate;

(d) change any provision of this Section 9.01 without the written consent of each Lender directly and adversely affected thereby; provided that the consent of each Lender shall be required to reduce the voting percentage set forth in the definition of "Required Lenders" or Section 9.07(a) (solely with regard to the ability of the Borrower to assign or otherwise transfer any of its rights or obligations hereunder);

(e) release all or substantially all of the Collateral in any transaction or series of related transactions (it being understood that a transaction permitted under Section 6.07 or Section 6.11 shall not constitute the release of all or substantially all of the Collateral); *provided* that the unused Term Commitment and the portion of the Total Outstandings held or deemed held by any Defaulting Lender shall be excluded for purposes of making such determination;

(f) other than in connection with a transaction permitted under Section 6.07 or Section 6.11, release all or substantially all of the aggregate value of the Guarantees; *provided* that the unused Term Commitment and the portion of the Total Outstandings held or deemed held by any Defaulting Lender shall be excluded for purposes of making such determination;

(g) except as necessary or advisable to carry out the express intent of sections of this Agreement (including, without limitation, Section 2.13, Section 2.14 and Section 9.01) permitting the addition of Classes of Loans or Term Commitments that may be incurred on a pari passu or junior basis in right of payment and/or Lien priority to the then-existing Loans and/or Term Commitments, or amend Section 7.03 or Section 2.10(f) in a manner that directly and adversely affects any Class without the consent of Lenders of such Class; and

(h) except as expressly set forth herein (including, without limitation, Section 2.13, Section 2.14 or this Section 9.01), amend Section 2.10(a) or Section 2.11 without the consent of each Lender directly and adversely affected thereby (it being understood that Section 2.13, Section 2.14 and Section 9.07 may be amended with the consent of the Required Lenders only).

and provided further that no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above, affect the rights or duties of, or any fees or other amounts payable to, the Administrative Agent under this Agreement or any other Loan Document (it being understood that the Required Lenders may agree to grant forbearance without the consent of the Administrative Agent, so long as such forbearance is not related to any rights of the Administrative Agent). Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, except that (x) the Term Commitment of such Lender may not be increased or extended without the consent of such Lender and (y) the principal and accrued and unpaid interest of such Lender's Loans shall not be reduced or forgiven without the consent of such Lender.

Notwithstanding the foregoing, this Agreement may be amended (or amended and restated) with the written consent of the Required Lenders, the Administrative Agent and the Borrower (a) to add one or more additional credit facilities to this Agreement and to permit the extensions of credit from time to time outstanding thereunder and the accrued interest and fees in respect thereof to share ratably in the benefits of this Agreement and the other Loan Documents with any Term Loans and the accrued interest and fees in respect thereof and (b) to include appropriately the Lenders holding such credit facilities in any determination of the Required Lenders.

In addition, notwithstanding the foregoing, this Agreement may be amended with the written consent of the Administrative Agent, the Borrower and the Refinancing Term Lenders (and no other Lenders) of the applicable Refinancing Term Loan Series providing such Refinancing Term Loans in connection with any refinancing facilities permitted pursuant to Section 2.14.

In addition, notwithstanding anything to the contrary contained in this Section 9.01 or any Loan Document, (a) the Borrower and the Administrative Agent may, without the input or consent of any other Lender, (i) effect amendments to this Agreement and the other Loan Documents as may be necessary in the reasonable opinion of the Borrower and the Administrative Agent to effect the provisions of Sections 2.13 or 2.14 (provided, that the consents of any applicable Lender shall be required, to the extent specified in Sections 2.13, or 2.14), (ii) evidence the succession of another Person to the Borrower or Holdings or successive successions, and the assumption by the successor Person of the covenants, agreements and obligations of the Borrower or Holdings herein, (iii) add to the covenants of the Borrower or Holdings such further covenants, restrictions, conditions or provisions for the protection of the Lenders, or to surrender any right or power herein conferred upon the Borrower or Holdings, and to make the occurrence, or the occurrence and continuance, of a default in any such additional covenants, restrictions, conditions or provisions an Event of Default permitting the enforcement of all or any of the several remedies provided in this Indenture as herein set forth; provided, however, that in respect of any such additional covenants, restrictions, conditions or provisions such amendment, supplemented Agreement or waiver may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such an Event of Default or may limit the remedies available to the Administrative Agent upon such an Event of Default or may limit the right of Required Lenders to waive such an Event of Default, (iv) evidence and provide for the acceptance of appointment hereunder by a successor or replacement Administrative Agent or under the Collateral Documents, (v) to provide for any Guarantee, (vi) to add security to or for the benefit of the Loans and, in the case of the Collateral Documents, to or for the benefit of the other secured parties named therein, or to confirm and evidence the release, termination or discharge of any Guarantee of the Loans or Lien securing the Loans or any Guarantee when such release, termination or discharge is permitted by this Agreement and the Collateral Documents, (vi) [reserved], (b) if the Administrative Agent and the Borrower have jointly identified an obvious error, ambiguity, defect, inconsistency or any error or omission of a technical nature, in each case, in any provision of the Loan Documents, then the Administrative Agent and the Borrower shall be permitted to amend such provision and (c) guarantees, collateral security documents and related documents executed by Subsidiaries in connection with this Agreement may be in a form reasonably determined by the Administrative Agent and may be amended, supplemented or waived without the consent of any Lender if such amendment, supplement or waiver is delivered in order to (x) comply with local Law, (y) cure ambiguities, omissions, mistakes or defects or (z) cause such guarantee, collateral security document or other document to be consistent with this Agreement and the other Loan Documents.

SECTION 9.02 Notices and Other Communications; Facsimile Copies.

(a) *General*. Unless otherwise expressly provided herein, all notices and other communications provided for hereunder or any other Loan Document shall be in writing (including by facsimile or other electronic transmission). All such written notices shall be mailed, faxed or delivered (including electronically) to the applicable address, facsimile number or electronic mail address, as follows:

(i) if to the Borrower or the Administrative Agent, to the address, facsimile number or electronic mail address specified for such Person on Schedule 9.02 or to such other address, facsimile number or electronic mail address as shall be designated by such party in a notice to the other parties; and

(ii) if to any other Lender, to the address, facsimile number or electronic mail address specified in its Administrative Questionnaire or to such other address, facsimile number or electronic mail address as shall be designated by such party in a notice to the Borrower and the Administrative Agent.

All such notices and other communications shall be deemed to be given or made upon the earlier to occur of (i) actual receipt by the relevant party hereto and (ii) (A) if delivered by hand or by courier, when signed for by or on behalf of the relevant party hereto, (B) if delivered by mail, four (4) Business Days after deposit in the mail, postage prepaid, (C) if delivered by facsimile, when sent and receipt has been confirmed, and (D) if delivered by electronic mail, when delivered; provided that notices and other communications to the Administrative Agent pursuant to Article 2 shall not be effective until actually received by such Person. In no event shall a telephone or voice-mail message be effective as a notice, communication or confirmation hereunder; provided, however, this sentence shall not limit Section 8.04.

(b) *Effectiveness of Facsimile or Other Electronic Documents and Signatures*. Loan Documents may be transmitted and/or signed by facsimile or other electronic transmission (including portable document format). The effectiveness of any such documents and signatures shall, subject to applicable Law, have the same force and effect as manually signed originals and shall be binding on all Loan Parties, the Agents and the Lenders. The Administrative Agent may also require that any such documents and signatures be confirmed by a manually signed original thereof; provided that the failure to request or deliver the same shall not limit the effectiveness of any facsimile or other electronic document or signature.

(c) *Reliance by Agents and Lenders*. The Administrative Agent and the Lenders shall be entitled to rely and act upon any notices (including telephonic Loan Notices) purportedly given by or on behalf of the Borrower even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Borrower shall indemnify each Agent-Related Person and each Lender from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Borrower in accordance with Section 9.05.

SECTION 9.03 No Waiver; Cumulative Remedies. No failure by any Lender or the Administrative Agent to exercise, and no delay by any such Person in exercising, any right, remedy, power or privilege hereunder or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided, and provided under each other Loan Document, are cumulative and not exclusive of any rights, remedies, powers and privileges provided by Law.

SECTION 9.04 Expenses. Holdings and the Borrower, jointly and severally, agree to reimburse (a) the Administrative Agent in accordance with a separately agreed to fee letter and (b) the Initial Term Lenders (i) promptly after the date of this Agreement for all reasonable and documented costs and expenses (including reasonable fees and expenses of one counsel and, if reasonably required by the Initial Term Lenders, one local counsel in a jurisdiction) incurred by the Initial Term Lenders in connection with the transactions contemplated by this Agreement; provided that all costs, fees and expenses payable by Holdings and the Borrower pursuant to this Section 9.04(b)(i), Section 9.01(a) of the Note Purchase Agreement and Section 9.01(a) of the Exchange Agreement shall not exceed, in the aggregate, $750,000, and (ii) within ten (10) Business Days after written demand therefor all reasonable and documented legal fees and expenses of one counsel (and, if reasonably required by the Initial Term Lenders, one local counsel in a jurisdiction) incurred in respect of post-closing collateral matters; provided that all fees and expenses payable by Holdings and the Borrower pursuant to this Section 9.04(b)(ii), Section 9.01(b) of the Note Purchase Agreement and Section 9.01(b) of the Exchange Agreement shall not exceed, in the aggregate, $250,000.

SECTION 9.05 Indemnification by the Borrower. The Borrower shall indemnify and hold harmless the Administrative Agent, each Lender and their respective Affiliates and their and their respective Affiliates' directors, officers, employees, controlling persons, counsel, agents, attorneys-in-fact, trustees and advisors (collectively the "Indemnitees") from and against any and all liabilities, losses, damages, claims and expenses (including Attorney Costs (which shall be limited to one (1) counsel, at any given time, to the Administrative Agent and one (1) additional counsel for all other Indemnitees taken as a whole and solely in the case of a conflict of interest among or between Indemnitees, one (1) additional counsel to all similarly affected Indemnitees taken as a whole, and if reasonably necessary, one (1) local counsel, at any given time, to the Administrative Agent in each relevant jurisdiction and one (1) additional local counsel for all other Indemnitees taken as a whole in each relevant jurisdiction (which may include a single special counsel acting in multiple jurisdictions), and solely in the case of a conflict of interest, one (1) additional local counsel to all similarly affected Person, taken as a whole)) of any kind or nature whatsoever which may at any time be imposed on, incurred by or asserted against any such Indemnitee, in each case, in any way relating to or arising out of or in connection with (a) the execution, delivery, enforcement, performance or administration of any Loan Document or any other agreement, letter or instrument delivered in connection with the transactions contemplated thereby or the consummation of the transactions contemplated thereby (including the Tender Offer and Consent Solicitation), (b) any Term Commitment or Loan or the use or proposed use of the proceeds therefrom, or (c) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory (including any investigation of, preparation for, or defense of any pending or threatened claim, investigation, litigation or proceeding) and regardless of whether any Indemnitee is a party thereto (and regardless of whether such matter is instituted by a third party or by the Borrower or any other Loan Party) (all the foregoing, collectively, the "Indemnified Liabilities"), in all cases, whether or not caused by or arising, in whole or in part, out of the negligence of the Indemnitee; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such liabilities, obligations, losses, damages, penalties, claims, actions, judgments, suits, costs, expenses or disbursements (x) have been determined in the final, non-appealable judgment of a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of such Indemnitee (or any of its Related Indemnitees) or (y) arise from claims of any of the Indemnitees solely against one (1) or more Indemnitees (other than claims against an Indemnitee in its capacity as Administrative Agent) that have not resulted from the action, inaction, participation or contribution of the Borrower, Holdings or any Affiliates of the foregoing or any of their respective officers, directors, stockholders, partners, members, employees, agents, representatives or advisors; provided further that Section 3.01 (instead of this Section 9.05) shall govern indemnities with respect to Taxes, except that Taxes representing losses, claims, damages, etc., with respect to a non-Tax claim shall be governed by this Section 9.05 (without duplication of Section 3.01). No Indemnitee shall be liable for any damages arising from the use by others of any information or other materials obtained through Syndtrak, IntraLinks, the internet, email or other similar information transmission systems in connection with this Agreement, in each case, except to the extent any such damages are found in a final non-appealable judgment of a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of such Indemnitee nor shall any Indemnitee or any Loan Party have any liability for any special, punitive, indirect or consequential damages relating to this Agreement or any other Loan Document or arising out of its activities in connection herewith or therewith (whether before or after the Closing Date); provided that nothing contained in this sentence shall limit the Borrower's indemnification and reimbursement obligations under this Agreement. The Borrower shall not be liable for any settlement in respect of any Indemnified Liabilities effected without the Borrower's consent (which consent shall not be unreasonably withheld), but if settled with the Borrower's written consent, or (without limitation of the Borrower's obligations set forth above) if there is a final judgment against an Indemnitee, the Borrower agrees to indemnify and hold harmless each Indemnitee in the manner set forth above. The Borrower shall not, without the prior written consent of the affected Indemnitee (which consent shall not be unreasonably withheld or delayed), effect any settlement of any pending or threatened Indemnified Liability against such Indemnitee in respect of which indemnity could have been sought hereunder by such Indemnitee unless such settlement (a) includes an unconditional release of such Indemnitee from all liability or claims that are the subject matter of such claimed or threatened Indemnified Liability, (b) does not include any statement as to any admission of fault, culpability or failure to act by or on behalf of such Indemnitee and (c) includes customary confidentiality provisions reasonably acceptable to such Indemnitee. In the case of an investigation, litigation or other proceeding to which the indemnity in this Section 9.05 applies, such indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by any Loan Party, its directors, shareholders or creditors or an Indemnitee or any other Person, whether or not any Indemnitee is otherwise a party thereto and whether or not any of the transactions contemplated hereunder or under any of the other Loan Documents is consummated. All amounts due under this Section 9.05 shall be reimbursed within ten (10) Business Days of written demand therefor (together with reasonable backup documentation). The agreements in this Section 9.05 shall survive the resignation of the Administrative Agent, the replacement of any Lender and the Termination Date. For purposes hereof, "Related Indemnitee" of an Indemnitee means (1) any Controlling Person or Controlled affiliate of such Indemnitee, (2) the respective partners, directors, officers, or employees of such Indemnitee or any of its Controlling Persons or Controlled affiliates and (3) the respective agents, advisors or other representatives of such Indemnitee or any of its Controlling Persons or Controlled affiliates, in the case of this clause (3), acting on behalf of or at the instructions of such Indemnitee, Controlling Person or such Controlled affiliate; provided that each reference to a Related Indemnitee in this sentence pertains to a Related Indemnitee involved in performing services under this Agreement and the Facilities. Notwithstanding the foregoing, if it is found by a final, non-appealable judgment of a court of competent jurisdiction in any such action, proceeding or investigation that any loss, claim, damage or liability of any Indemnitee has resulted from the gross negligence or willful misconduct of such Indemnitee (or any of its Related Indemnitees), such Indemnitee will repay such portion of the reimbursed amounts previously paid to such Indemnitee under this Section that is attributable to expenses incurred in relation to the act or omission of such Indemnitee which is the subject of such finding.

SECTION 9.06 Marshalling; Payments Set Aside. Neither the Administrative Agent nor any Lender shall be under any obligation to marshal any assets in favor of any Loan Party or any other Person or against or in payment of any or all of the Loan Obligations. To the extent that any payment by or on behalf of the Borrower is made to any Agent or any Lender, or any Agent or any Lender exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by such Agent or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied, and all Liens, rights and remedies therefor or related thereto, shall be revived and continued in full force and effect as if such payment or payments had not been made or such enforcement or setoff had not occurred, and (b) each Lender severally agrees to pay to the Administrative Agent upon demand its applicable share of any amount so recovered from or repaid by any Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the applicable Federal Funds Rate from time to time in effect.

SECTION 9.07 Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender and the acknowledgement of the Administrative Agent, and any such assignment without such consent shall be null and void (for the avoidance of doubt, any such transfer that occurs pursuant to a transaction permitted under Section 6.11 is permitted hereunder without any such consent), and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee in accordance with the provisions of Section 9.07(b), or (ii) by way of pledge or assignment of a security interest subject to the restrictions of Section 9.07(g) or Section 9.07(i), as the case may be. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in Section 9.07(e) and, to the extent expressly contemplated hereby, the Indemnitees) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement; provided that (i) except in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund with respect to a Lender, the aggregate amount of such assignment, determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent shall not be less than $1,000,000, in the case of any assignment in respect of any Term Loans (provided, however, that concurrent assignments to or by Approved Funds will be treated as a single assignment for the purpose of meeting the minimum transfer requirements), (ii) except in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund (but subject to clause (iv) below), each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower consents to such assignment (such consent not to be unreasonably withheld, conditioned or delayed), (iii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans or the Term Commitment assigned, except that this clause (iii) shall not prohibit any Lender from assigning all or a portion of its rights and obligations among separate Facilities on a non-pro rata basis, (iv) the parties (other than the Borrower unless its consent to such assignment is required hereunder) to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption together with a processing and recordation fee of $3,500 (which fee (x) the Borrower shall not have an obligation to pay except as required in Section 3.07 and (y) may be waived or reduced by the Administrative Agent in its discretion) and (v) the assigning Lender shall deliver any Notes evidencing such Loans to the Borrower or the Administrative Agent.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to Section 9.07(c), from and after the effective date specified in each Assignment and Assumption, the Eligible Assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Section 3.01, Section 3.04, Section 3.05 and Section 9.05 with respect to facts and circumstances occurring prior to the effective date of such assignment and shall continue to be bound by Section 9.08). Upon request, the Borrower (at its expense) shall execute and deliver a Note to the assignee Lender; provided that if the Borrower has previously issued an assigning Lender a Note, then the Borrower shall have no obligation to deliver a Note to the assignee Lender except upon the surrender by the assigning Lender of its Note (or receipt by the Borrower of a certificate of loss including reasonably satisfactory indemnification provisions).

(c) The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at the Administrative Agent's Office a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Term Commitments of, and principal amounts (and stated interest amounts) of the Loans, owing to each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, absent manifest error, and the Borrower, the Agents and the Lenders shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as the owner of its interests in the Loans and amounts due under the Loan Documents as set forth in the Register and as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower, any Agent, any Lender (solely with respect to such Lender's interest), at any reasonable time and from time to time upon reasonable prior notice. Notwithstanding anything to the contrary contained in this Agreement, the Loans and Loan Obligations are intended to be treated as registered obligations for U.S. federal income Tax purposes. Any right or title in or to any Loans and Loan Obligations (including with respect to the principal amount and any interest thereon) may only be assigned or otherwise transferred through the Register. This Section 9.07 shall be construed so that the Loans and Loan Obligations are at all times maintained in "registered form" within the meaning of Sections 163(f), 871(h)(2) and 881(c)(2) of the Code, Treasury Regulation Section 5f.103-1(c) and any other related regulations (or any successor provisions of the Code or such regulations).

(d) The words "execution," "signed," "signature" and words of like import in any Assignment and Assumption shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act or any other similar state laws based on the Uniform Electronic Transactions Act.

(e) Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural person, the Borrower, Holdings or any Affiliate of the Borrower or Holdings or (unless a Default or Event of Default has occurred and is continuing) a Competitor) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Term Commitment and/or the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Agents and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and the other Loan Documents and to approve any amendment, modification or waiver of any provision of this Agreement or the other Loan Documents; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification described in the clauses (a) through (i) of the first proviso to Section 9.01 that directly and adversely affects such Participant. Subject to Section 9.07(f), the Borrower agrees that each Participant shall be entitled to the benefits of Section 3.01, Section 3.04 and Section 3.05 (subject to the requirements and limitations therein, including the requirements under Section 3.01(f) and the requirements in Sections 3.06 read as if a Participant was a Lender (it being understood that the documentation required thereunder shall be delivered to the participating Lender and the Administrative Agent)) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 9.07(b); provided that such Participant agrees to bound by such Sections, including for the avoidance of doubt to be subject to the provisions of Sections 3.01(f) and 3.06 as if it were an assignee under paragraph (b) of this Section. To the extent permitted by Law, each Participant also shall be entitled to the benefits of Section 9.09 as though it were a Lender; provided that such Participant agrees to be subject to Section 2.11 as though it were a Lender. Each Lender that sells a participation shall, acting solely for this purpose as an non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any Term Commitments or any Loans or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such Term Commitment or Loan or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender (and the Borrower, to the extent that the Participant requests payment from the Borrower) shall treat each person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary.

(f) A Participant shall not be entitled to receive any greater payment under Section 3.01, Section 3.04 or Section 3.05 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant.

(g) Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Note, if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank or any central bank having jurisdiction over such Lender; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(h) [Reserved].

(i) Notwithstanding anything to the contrary contained herein, any Lender shall have the right from time to time in its discretion and without the consent of Borrower to pledge, securitize, encumber, hypothecate, or otherwise transfer (a "Pledge") all or any portion of its interest in the Loan to an Eligible Assignee (each, a "Pledgee"); provided that unless and until the applicable Pledgee actually becomes a Lender in compliance with the other provisions of this Section 9.07, (i) no such Pledge shall release the Pledging Lender from any of its obligations under the Loan Documents and, (ii) such Pledgee shall not be entitled to exercise any of the rights of a Lender under the Loan Documents even though such Pledgee may have acquired ownership rights with respect to the Pledged interest through foreclosure or otherwise (unless such Pledgee is an Eligible Assignee which has complied with the requirements of Section 9.07(b)).

(j) [Reserved].

(k) Assignments of Term Loans to any Purchasing Borrower Party shall be permitted through open market purchases and/or "Dutch auctions", so long as any offer to purchase or take by assignment (other than through open market purchases) by such Purchasing Borrower Party shall have been made to all Term Lenders, so long as (i) no Default or an Event of Default has occurred and is continuing and (ii) the Term Loans purchased are immediately cancelled pursuant to Section 9.08(l).

(l) Upon any purchase of Loans by a Purchasing Borrower Party, such Loans shall be immediately contributed to the Borrower, whereupon, (i) the aggregate principal amount (calculated on the face amount thereof) of such Loans shall automatically be cancelled and retired by the Borrower on the date of such contribution or purchase (and, if requested by the Administrative Agent, with respect to a contribution of Loans, any applicable contributing Lender shall execute and deliver to the applicable Agent an Assignment and Assumption, or such other form as may be reasonably requested by the Administrative Agent, in respect thereof pursuant to which the respective Lender assigns its interest in such Loans to the Borrower for immediate cancellation) and (ii) the applicable Agent shall record such cancellation or retirement in the Register.

SECTION 9.08 [Reserved].

SECTION 9.09 Setoff. In addition to any rights and remedies of the Lenders provided by Law, upon the occurrence and during the continuance of any Event of Default, after obtaining the prior written consent of the Administrative Agent, each Lender is authorized at any time and from time to time, without prior notice to the Borrower or any other Loan Party, any such notice being waived by the Borrower (on its own behalf and on behalf of each other Loan Party) to the fullest extent permitted by Law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held by, and other Indebtedness at any time owing by, such Lender to or for the credit or the account of the respective Loan Parties against any and all Loan Obligations owing to such Lender hereunder or under any other Loan Document, now or hereafter existing, irrespective of whether or not such Lender shall have made demand under this Agreement or any other Loan Document and although such Loan Obligations may be contingent or unmatured or denominated in a currency different from that of the applicable deposit or Indebtedness; provided that in the event that any Defaulting Lender shall exercise any such right of setoff, (x) all amounts so set off shall be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 2.15 and, pending such payment, shall be segregated by such Defaulting Lender from its other funds and deemed held in trust for the benefit of the Administrative Agent and the Lenders and (y) the Defaulting Lender shall provide promptly to the Administrative Agent a statement describing in reasonable detail the Loan Obligations owing to such Defaulting Lender as to which it exercised such right of setoff. Each Lender agrees promptly to notify the Borrower and the Administrative Agent after any such set off and application made by such Lender; provided that the failure to give such notice shall not affect the validity of such setoff and application. The rights of the Administrative Agent and each Lender under this Section 9.09 are in addition to other rights and remedies (including, without limitation, other rights of setoff) that the Administrative Agent and such Lender may have.

SECTION 9.10 Interest Rate Limitation. Notwithstanding anything to the contrary contained in any Loan Document, the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable Law (the "Maximum Rate"). If any Agent or any Lender shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Loans or, if it exceeds such unpaid principal, refunded to the Borrower. In determining whether the interest contracted for, charged, or received by an Agent or a Lender exceeds the Maximum Rate, such Person may, to the extent permitted by applicable Law, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Loan Obligations hereunder.

SECTION 9.11 Counterparts. This Agreement and each other Loan Document may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery by telecopier or other electronic transmission (including portable document format) of an executed counterpart of a signature page to this Agreement and each other Loan Document shall be effective as delivery of an original executed counterpart of this Agreement and such other Loan Document. The Agents may also require that any such documents and signatures delivered by telecopier or other electronic means be confirmed by a manually signed original thereof; provided that the failure to request or deliver the same shall not limit the effectiveness of any document or signature delivered by telecopier or other electronic transmission.

SECTION 9.12 Integration. This Agreement, together with the other Loan Documents, comprises the complete and integrated agreement of the parties on the subject matter hereof and thereof and supersedes all prior agreements, written or oral, on such subject matter. In the event of any conflict between the provisions of this Agreement and those of any other Loan Document, the provisions of this Agreement shall control; provided that the inclusion of supplemental rights or remedies in favor of the Agents or the Lenders in any other Loan Document shall not be deemed to be a conflict with this Agreement. Each Loan Document was drafted with the joint participation of the respective parties thereto and shall be construed neither against nor in favor of any party, but rather in accordance with the fair meaning thereof.

SECTION 9.13 Survival. All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by each Agent and each Lender, regardless of any investigation made by any Agent or any Lender or on their behalf and notwithstanding that any Agent or any Lender may have had notice or knowledge of any Default at the time of any Borrowing, and shall continue in full force and effect until the Termination Date. The provisions of Article 3 and Article 8 and Sections 9.05, 9.08, 9.15 and 9.16 shall survive and remain in full force and effect following the Termination Date.

SECTION 9.14 Severability. If any provision of this Agreement or the other Loan Documents is held to be illegal, invalid or unenforceable, the legality, validity and enforceability of the remaining provisions of this Agreement and the other Loan Documents shall not be affected or impaired thereby. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Without limiting the foregoing provisions of this Section 9.14, if and to the extent that the enforceability of any provisions in this Agreement relating to Defaulting Lenders shall be limited by Debtor Relief Laws, as determined in good faith by the Administrative Agent, then such provisions shall be deemed to be in effect only to the extent not so limited.

SECTION 9.15 GOVERNING LAW.

(a) THIS AGREEMENT AND EACH OTHER LOAN DOCUMENT (OTHER THAN ANY LOAN DOCUMENT EXPRESSLY GOVERNED BY THE LAWS OF ANOTHER JURISDICTION) SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT SHALL BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK CITY IN THE BOROUGH OF MANHATTAN OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF SUCH STATE, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF THE BORROWER, EACH AGENT AND EACH LENDER CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE EXCLUSIVE JURISDICTION OF THOSE COURTS AND APPELLATE COURTS FROM ANY THEREOF (OTHER THAN WITH RESPECT TO ACTIONS BY ANY AGENT OR ANY LENDER IN RESPECT OF RIGHTS UNDER ANY COLLATERAL DOCUMENT GOVERNED BY A LAW OTHER THAN THE LAWS OF THE STATE OF NEW YORK OR WITH RESPECT TO ANY COLLATERAL SUBJECT THERETO). EACH OF THE BORROWER, EACH AGENT AND EACH LENDER IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF ANY LOAN DOCUMENT OR OTHER DOCUMENT RELATED THERETO.

SECTION 9.16 WAIVER OF RIGHT TO TRIAL BY JURY. EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER ANY LOAN DOCUMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO ANY LOAN DOCUMENT, OR THE TRANSACTIONS RELATED THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER FOUNDED IN CONTRACT OR TORT OR OTHERWISE; AND EACH PARTY HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION 9.16 WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE SIGNATORIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

SECTION 9.17 Binding Effect. This Agreement shall become effective when it shall have been executed by the Borrower and the Administrative Agent shall have been notified by each Lender that each such Lender has executed it and thereafter shall be binding upon and inure to the benefit of the Borrower, each Agent and each Lender and their respective successors and permitted assigns.

SECTION 9.18 USA PATRIOT Act Notice. Each Lender that is subject to the PATRIOT Act and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower that pursuant to the requirements of the PATRIOT Act, it is required to obtain, verify and record information that identifies the Borrower and each other Loan Party, which information includes the name and address of the Borrower and each other Loan Party and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Borrower and each other Loan Party in accordance with the Act.

SECTION 9.19 No Advisory or Fiduciary Relationship. In connection with all aspects of each transaction contemplated hereby, each of Holdings and the Borrower acknowledge and agrees that (a) the Facilities provided for hereunder and any related arranging or other services in connection therewith (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document) are an arm's-length commercial transaction between Holdings and the Borrower, on the one hand, and the Agents and the Lenders, on the other hand, and Holdings and the Borrower are capable of evaluating and understanding and understand and accept the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents (including any amendment, waiver or other modification hereof or thereof); (b) in connection with the process leading to such transaction, each of the Agents and the Lenders is and has been acting solely as a principal and is not the agent or fiduciary, for the Borrower; and (c) the Agents and the Lenders have not provided and will not provide any legal, accounting, regulatory or tax advice with respect to any of the transactions contemplated hereby (including any amendment, waiver or other modification hereof or of any other Loan Document) and Holdings and the Borrower have consulted their own legal, accounting, regulatory and tax advisors to the extent they have deemed appropriate.

ARTICLE X

GUARANTEES; RELEASE OF GUARANTOR

SECTION 10.01 Guarantee. Each of the Guarantors hereby unconditionally guarantees, jointly and severally with each other Guarantor, to each Lender and to the Administrative Agent and its successors and assigns, irrespective of the validity and enforceability of this Agreement, any other Loan Document or the obligations of the Borrower hereunder or thereunder, that: (i) the due and punctual payment of the principal of, premium, if any, and interest on the Loans, whether at maturity or on an interest payment date, by acceleration, pursuant to any prepayment pursuant to Section 2.03, Change of Control Offer or otherwise, to the extent lawful, and all other obligations of the Borrower to the Lenders or the Administrative Agent hereunder or thereunder shall be promptly paid in full when due, all in accordance with the terms hereof and thereof, including all amounts payable to the Administrative Agent under Section 9.05 hereof, and (ii) in case of any extension of time of payment or renewal of any Loans or any of such other obligations, the same shall be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise.

If the Borrower fails to make any payment when due of any amount so guaranteed for whatever reason, each Guarantor shall be obligated, jointly and severally with each other Guarantor, to pay the same immediately. Each Guarantor hereby agrees that its obligations hereunder shall be continuing, absolute and unconditional, irrespective of, and shall be unaffected by, the validity, regularity or enforceability of the Loans, this Agreement, the Collateral Documents, the absence of any action to enforce the same, any waiver or consent by any Lender or the Administrative Agent with respect to any provisions hereof or thereof, the recovery of any judgment against the Borrower, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of such Guarantor. If any Lender or the Administrative Agent is required by any court or otherwise to return to the Borrower or any Guarantor, or any custodian, trustee, liquidator or other similar official acting in relation to the Borrower or such Guarantor, any amount paid by the Borrower or any Guarantor to the Administrative Agent or such Lender, this Article X, to the extent theretofore discharged with respect to any Guarantee, shall be reinstated in full force and effect. Each Guarantor agrees that it shall not be entitled to any right of subrogation in relation to the Lenders in respect of any obligations guaranteed hereby by such Guarantor until payment in full of all such obligations. Each Guarantor further agrees that, as between such Guarantor, on the one hand, and the Lenders of Loans and the Administrative Agent on the other hand, (i) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article VII hereof for the purposes of such Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby and (ii) in the event of any acceleration of such obligations as provided in Article VII hereof such obligations (whether or not due and payable) shall forthwith become due and payable by such Guarantor, jointly and severally with each other Guarantor, for the purpose of this Article X. In addition, without limiting the foregoing, upon the effectiveness of an acceleration under Article VII, the Administrative Agent may make a demand for payment on the Loans under any Guarantee provided hereunder and not discharged.

SECTION 10.02 Obligations of each Guarantor Unconditional. Nothing contained in this Article X or elsewhere in this Agreement or in any other Loan Document is intended to or shall impair, as between each Guarantor and the Lenders, the obligations of such Guarantor which are absolute and unconditional, to pay to the Lenders the principal of, premium, if any, and interest on the Loans as and when the same shall become due and payable in accordance with the provisions of their Guarantee or is intended to or shall affect the relative rights of the Lenders and creditors of such Guarantor, nor shall anything herein or therein prevent the Administrative Agent or any Lender from exercising all remedies otherwise permitted by applicable law upon any Default under this Agreement in respect of cash, property or securities of such Guarantor received upon the exercise of any such remedy.

Upon any distribution of assets of a Guarantor referred to in this Article X, the Administrative Agent, subject to the provisions of Article VIII, and the Lenders shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which such dissolution, winding up, liquidation or reorganization proceedings are pending, or a certificate of the liquidating trustee or agent or other person making any distribution to the Administrative Agent or to such Lenders for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of other indebtedness of such Guarantor, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article X.

SECTION 10.03 Release of a Guarantor. (a) If (i) all or substantially all of the assets of any Guarantor other than Holdings or all of the Capital Stock of any Guarantor other than Holdings is sold (including by consolidation, merger, issuance or otherwise) or disposed of (including by liquidation, dissolution or otherwise) by Holdings or any of its Subsidiaries, (ii) unless Holdings elects otherwise, any Guarantor other than Holdings is designated an Unrestricted Subsidiary in accordance with the terms of this Agreement or becomes an Excluded Subsidiary, (iii) the Termination Date shall have occurred, or (iv) in accordance with Section 9.01, then in each case such Guarantor or the Person acquiring such assets (in the event of a sale or other disposition of all or substantially all of the assets of a Guarantor), as the case may be, shall be deemed automatically and unconditionally released and discharged from any of its obligations under this Agreement without any further action on the part of the Administrative Agent or any Lender.

SECTION 10.04 Execution and Delivery of Guarantee. The execution by each Guarantor of this Agreement (or a joinder to this Agreement) together with an executed guarantee substantially in the form included in Exhibit I evidences the Guarantee of such Guarantor.

SECTION 10.05 Limitation on Guarantor Liability. Notwithstanding anything to the contrary in this Article X, each Guarantor, the Administrative Agent and each Lender hereby confirms that it is the intention of all such parties that the Guarantee of such Guarantor not constitute a fraudulent conveyance under applicable fraudulent conveyance provisions of the Bankruptcy Law or any comparable provision of state law. To effectuate that intention, the Administrative Agent, the Lenders and the Guarantors hereby irrevocably agree that the obligations of each Guarantor under its Guarantee are limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the Bankruptcy Law or any comparable provision of state law.

SECTION 10.06 Article X not to Prevent Events of Default. The failure to make a payment on account of principal, premium, if any, or interest, if any, on the Loans by reason of any provision in this Article X shall not be construed as preventing the occurrence of any Event of Default under Section 7.01 hereof.

SECTION 10.07 Waiver by the Guarantors. To the extent permitted by applicable law, each Guarantor hereby irrevocably waives diligence, presentment, demand of payment, demand of performance, filing of claims with a court in the event of insolvency of bankruptcy of the Borrower, any right to require a proceeding first against the Borrower, the benefit of discussion, protest, notice and all demand whatsoever and covenants that this Guarantee shall not be discharged except by complete performance of the obligations contained in this Agreement, any other Loan Document and in this Article X.

SECTION 10.08 Subrogation and Contribution. Upon making any payment with respect to any obligation of the Borrower under this Article, the Guarantor making such payment shall be subrogated to the rights of the payee against the Borrower with respect to such obligation; *provided*, that the Guarantor may not enforce either any right of subrogation, or any right to receive payment in the nature of contribution, or otherwise, from any other Guarantor, with respect to such payment so long as any amount payable by the Borrower hereunder or under any other Loan Document remains unpaid.

Each Guarantor that makes a payment under its Guarantee shall be entitled, upon payment in full of all guaranteed obligations under this Agreement, to seek and receive contribution from and against each other Guarantor in an amount equal to such other Guarantor's pro rata portion of such payment based on the respective net assets of all the Guarantors at the time of such payment determined in accordance with GAAP.

SECTION 10.09 Stay of Acceleration. If acceleration of the time for payment of any amount payable by the Borrower under this Agreement or any other Loan Document is stayed upon the insolvency, bankruptcy or reorganization of the Borrower, all such amounts otherwise subject to acceleration under the terms of this Agreement are nonetheless payable by the Guarantors hereunder forthwith on demand by the Administrative Agent or the Lenders.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

HOVNANIAN ENTERPRISES, INC., as Holdings

By: /s/ J. Larry Sorsby
Name: J. Larry Sorsby
Title: Executive Vice President and Chief Financial Officer

K. HOVNANIAN ENTERPRISES, INC., as Borrower

By: /s/ J. Larry Sorsby
Name: J. Larry Sorsby
Title: Executive Vice President and Chief Financial Officer

K. HOV IP, II, INC.

By: /s/ Michael Discafani
Name: Michael Discafani
Title: Vice President

On behalf of each other entity named in Schedule 10.01 hereto

By: /s/ J. Larry Sorsby
Name: J. Larry Sorsby
Title: Executive Vice President and Chief Financial Officer

WILMINGTON TRUST, NATIONAL ASSOCIATION,
not in its individual capacity, but solely in its capacity as Administrative Agent
By: /s/ Jeffrey Rose
Name: Jeffrey Rose
Title: Vice President

On behalf of each of the Lenders named on Schedule I hereto

By: /s/ Spencer B. Haber
Name: Spencer B. Haber
Title: Authorized Signatory

EXHIBIT A-1

FORM OF LOAN NOTICE

Date: [●]

To: Wilmington Trust, National Association, as Administrative Agent
[●]
[●][1]

[With a copy to: [●]][2]

Ladies and Gentlemen:

Reference is made to the Credit Agreement dated as of July 29, 2016 (as amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time, the "**Credit Agreement**"; the terms defined therein being used herein as therein defined), among Hovnanian Enterprises, Inc., a Delaware corporation ("**Holdings**"), K. Hovnanian Enterprises, Inc., a California corporation (the "**Borrower**"), each lender from time to time party thereto, and Wilmington Trust, National Association, as Administrative Agent.

The Borrower hereby requests (select one):

A Borrowing of:

☐ Term Loans

OR

☐ A conversion or continuation of Term Loans

1. On _____ (a Business Day).

2. In the amount of $ _____.

3. Comprised of _____.

(Class and Type of Loan requested)

4. For Eurodollar Rate Loans: with an Interest Period of 1 month.

5. To the account designated below:

Bank to be Credited:

Bank Address:

Account No.:

---

1 NTD: Admin Agent to provide address.
2 NTD: Admin Agent to provide.

ABA No.:

Reference Information:

[Signature Page Follows]

K. HOVNANIAN ENTERPRISES, INC.,
as Borrower

By:_____
Name:
Title:

EXHIBIT A-2

FORM OF PREPAYMENT NOTICE

To: Wilmington Trust, National Association, as Administrative Agent
[●]
[●][3]

With a copy to: [●][4]

Re: Hovnanian Credit Agreement

Date: [●]

Ladies and Gentlemen:

Reference is made to the Credit Agreement dated as of July 29, 2016 (as amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time, the "**Credit Agreement**"; the terms defined therein being used herein as therein defined), among Hovnanian Enterprises, Inc., a Delaware corporation ("**Holdings**"), K. Hovnanian Enterprises, Inc., a California corporation (the "**Borrower**"), each lender from time to time party thereto, and Wilmington Trust, National Association, as Administrative Agent.

The Borrower hereby gives you notice pursuant to Section 2.03(a)(i) of the Credit Agreement that it shall be making a prepayment under the Credit Agreement:

(A)	Type of Loans being repaid:	[Base Rate Loans] [Eurodollar Rate Loans]
(B)	Class of Loans being prepaid:	[Initial Term Loans] [Refinancing Term Loans] [Extended Term Loans]
(C)	Principal amount of Borrowing being prepaid:	$ _____
(D)	Date of prepayment:	_____

[This prepayment notice and the obligation to make a prepayment pursuant to this notice shall be conditioned upon the occurrence of [_].]

[Signature Page Follows]

3 NTD: Admin Agent to provide address.
4 NTD: Admin Agent to provide.

K. HOVNANIAN ENTERPRISES, INC.,
as Borrower

By:_____
Name:
Title:

EXHIBIT B

FORM OF TERM NOTE

Date: [●]

FOR VALUE RECEIVED, the undersigned, hereby promises to pay to _____ or its registered assigns (the "**Term Lender**"), in accordance with the provisions of the Credit Agreement (as hereinafter defined), the aggregate unpaid principal amount of each Term Loan made by the Term Lender to the Borrower (as defined below) on the Maturity Date or at such times as provided under that certain Credit Agreement dated as of July 29, 2016 (as amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time, the "**Credit Agreement**"; the terms defined therein being used herein as therein defined), among Hovnanian Enterprises, Inc., a Delaware corporation ("**Holdings**"), K. Hovnanian Enterprises, Inc., a California corporation (the "**Borrower**"), each lender from time to time party thereto, and Wilmington Trust, National Association, as Administrative Agent.

The Borrower promises to pay interest on the aggregate unpaid principal amount of each Term Loan made by the Term Lender to the Borrower under the Credit Agreement from the date of such Term Loan until such principal amount is paid in full, at such interest rates and at such times as provided in the Credit Agreement. All payments of principal and interest shall be made to the Administrative Agent for the account of the Term Lender in Dollars and in immediately available funds. While any Event of Default set forth in Section 7.01 of the Credit Agreement exists, with respect to the payment of any principal, interest or fees, the applicable unpaid amount shall bear interest, to be paid upon demand, from the due date thereof until the date of actual payment (and before as well as after judgment) computed at the per annum rate or rates set forth in the Credit Agreement.

This Term Note (this "**Term Note**") is one of the Term Notes referred to in the Credit Agreement, is entitled to the benefits thereof and under the Loan Documents, and may be prepaid in whole or in part subject to the terms and conditions provided therein. This Term Note is also entitled to the benefits of the Guarantee and is secured by the Collateral granted under the Collateral Documents. Upon the occurrence and continuation of one or more of the Events of Default specified in the Credit Agreement, all amounts then remaining unpaid on this Term Note may become, or may be declared to be, as applicable, immediately due and payable all as provided in the Credit Agreement.

Term Loans made by the Term Lender shall be evidenced by one or more loan accounts or records maintained by the Term Lender in the ordinary course of business, and the Term Lender may also attach schedules to this Term Note and endorse thereon the date, amount and maturity of its Term Loans and payments with respect thereto; provided, however, that the failure of any Term Lender to make such endorsement, notation or record or any error in such endorsement, notation or record shall not affect the obligation of the Borrower under this Term Note.

The Borrower, for itself and its successors and assigns, hereby waives diligence, presentment, protest and demand and notice of protest, demand, dishonor and non-payment of this Term Note.

THIS TERM NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

[Signature Page Follows]

K. HOVNANIAN ENTERPRISES, INC.,
as Borrower

By:_____
Name:
Title:

TERM LOANS AND PAYMENTS WITH RESPECT THERETO

Date	Type of Term Loan Made	Amount of Term Loan Made	End of Interest Period	Amount of Principal or Interest Paid This Date	Outstanding Principal Balance This Date	Notation Made By

FORM OF
ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (the "**Assignment and Assumption**") is dated as of the Effective Date set forth below and is entered into by and between [*Insert name of Assignor*] (the "**Assignor**") and [*Insert name of Assignee*] (the "**Assignee**"). It is understood and agreed that the rights and obligations of the Assignor and the Assignee hereunder are several and not joint. Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement defined below, receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below, (i) all of the Assignor's rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the facility identified below and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity, in each case related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as, the "**Assigned Interest**"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1. Assignor: _____

2. Assignee: _____
[and is a Lender, an Affiliate/Approved Fund of [*identify Lender*]][5]

3. Borrower: K. Hovnanian Enterprises, Inc.

4. Administrative Agent: Wilmington Trust, National Association, as the administrative agent under the Credit Agreement

5. Credit Agreement: Credit Agreement dated as of July 29, 2016 (as amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time, the "**Credit Agreement**"; the terms defined therein being used herein as therein defined), among Hovnanian Enterprises, Inc., a Delaware corporation ("**Holdings**"), K. Hovnanian Enterprises, Inc., a California corporation (the "**Borrower**"), each lender from time to time party thereto, and Wilmington Trust, National Association, as Administrative Agent.

---

5 Select as applicable.

6. Assigned Interest:

Facility Assigned	Aggregate Amount of Commitment/Loans for all Lenders	Amount of Commitment/Loans Assigned	Percentage Assigned of Commitment/Loans[6]
Term Loan Facility	$	$	%

[7. Trade Date: _____][7]

Effective Date: _____ ___, 20___ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

[Signature Page Follows]

---

6 Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.

7 To be completed if the Assignor and the Assignee intend that the minimum assignment amount is to be determined as of the Trade Date.

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR
[NAME OF ASSIGNOR]

By: _____
Title:

ASSIGNEE
[NAME OF ASSIGNEE]

By: _____
Title:

[Consented to and][8] Accepted:

K. HOVNANIAN ENTERPRISES, INC.,
as Borrower

By: _____
Name:
Title:

[WILMINGTON TRUST, NATIONAL ASSOCIATION, as Administrative Agent

By: _____
Name:
Title:][9]

8 To be included to the extent consent is required.
9 To be completed to the extent consent is otherwise required.

STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1 Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of Holdings, the Borrower, any of their Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by Holdings, the Borrower, any of their Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) meets all requirements of an Eligible Assignee under the Credit Agreement (subject to receipt of such consents as may be required under the Credit Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it is sophisticated with respect to decisions to acquire assets of the type represented by the Assigned Interest and either it, or the Person exercising discretion in making its decision to acquire the Assigned Interest, is experienced in acquiring assets of such type, (v) it has received a copy of the Credit Agreement, and has received or has been accorded the opportunity to receive copies of the most recent financial statements referred to in Section 5.15 or delivered pursuant to Section 6.12 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent or any other Lender, (vi) if it is not already a Lender under the Credit Agreement, attached to the Assignment and Assumption an Administrative Questionnaire in the form of Exhibit D to the Credit Agreement, and (vii) attached to the Assignment and Assumption is any documentation required to be delivered by it pursuant to Section 3.01 of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations that by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date referred to in this Assignment and Assumption, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts that have accrued to but excluding the Effective Date and to the Assignee for amounts that have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and permitted assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by facsimile or electronic transmission shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be construed in accordance with and governed by the law of the State of New York.

EXHIBIT D

ADMINISTRATIVE QUESTIONNAIRE

Deal Name:	**Hovnanian Enterprises, Inc. and K. Hovnanian Enterprises, Inc. – Term Loan**		
Agent Address:	Wilmington Trust, N.A	**Return To:**	Loan Agency Middle Admin
	50 South Sixth Street	**Phone:**	612-217-5649
	Suite 1290	**Fax:**	612-217-5651
	Minneapolis, MN 55402	**E-mail:**	LoanAgency@WilmingtonTrust.com

LENDER INFORMATION:

Legal Name of Lender:

Legal Address:

Fund Manager:

ADMINISTRATIVE/OPERATIONS/NOTICES CONTACTS:

	Primary Contact	**Secondary Contact**
Name:		
Company:		
Title:		
Address:		
Phone:		
Fax:		
E-Mail Address:		

CREDIT CONTACTS:

	Primary Contact	**Secondary Contact**
Name:		
Company:		
Title:		
Address:		
Phone:		
Fax:		
E-Mail Address:		

INTRALINKS CONTACTS:

Name:
Phone:
E-mail Address:

Name:
Phone:
E-mail Address:

Name:
Phone:
E-mail Address:

DOMESTIC WIRE INSTRUCTIONS:

Currency:
Bank Name:
Swift/Routing No.:
Account Name:
Account No.:
FCC Account Name:
FCC Account No.:
Attention:

FOREIGN WIRE INSTRUCTIONS:

Currency:
Bank Name:
Swift/Routing No.:
Account Name:
Account No.:
FCC Account Name:
FCC Account No.:
Attention:
Reference:

Currency:
Bank Name:
Swift/Routing No.:
Account Name:
Account No.:
FCC Account Name:
FCC Account No.:
Attention:
Reference:

Currency:
Bank Name:
Swift/Routing No.:
Account Name:
Account No.:
FCC Account Name:
FCC Account No.:
Attention:
Reference:

TAX FORM PROVIDED:

W-9 ☐
W-8BEN ☐
W-8IMY ☐
W-8ECI ☐
W-8EXP ☐
Other ☐

FORM OF
SECTION 3.01(f) US TAX CERTIFICATE
(For Non-US Lenders That Are Not Partnerships For U.S. Federal Income Tax Purposes)

Reference is made to the Credit Agreement dated as of July 29, 2016 (as amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time, the "**Credit Agreement**"; the terms defined therein being used herein as therein defined), among Hovnanian Enterprises, Inc., a Delaware corporation ("**Holdings**"), K. Hovnanian Enterprises, Inc., a California corporation (the "**Borrower**"), each lender from time to time party thereto, and Wilmington Trust, National Association, as Administrative Agent.

Pursuant to the provisions of Section 3.01(f) of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a 10-percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) or 881(c)(3)(B) of the Code and (iv) it is not a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Administrative Agent and the Borrower with a certificate of its non-U.S. person status on IRS Form W-8BEN or W-8BEN-E. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent in writing and (2) the undersigned shall have at all times furnished the Borrower and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each applicable payment is to be made to the undersigned, or in either of the two calendar years preceding any such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF LENDER]

By:_____
Name:
Title:

Dated: _____

EXHIBIT E-2

FORM OF
SECTION 3.01(f) US TAX CERTIFICATE
(For Non-US Participants That Are Partnerships For U.S. Federal Income Tax Purposes)

Reference is made to the Credit Agreement dated as of July 29, 2016 (as amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time, the "**Credit Agreement**"; the terms defined therein being used herein as therein defined), among Hovnanian Enterprises, Inc., a Delaware corporation ("**Holdings**"), K. Hovnanian Enterprises, Inc., a California corporation (the "**Borrower**"), each lender from time to time party thereto, and Wilmington Trust, National Association, as Administrative Agent.

Pursuant to the provisions of Section 3.01(f) of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the participation in respect of which it is providing this certificate, (ii) its direct or indirect partners/members are the sole beneficial owners of such participation, (iii) with respect to such participation, neither the undersigned nor any of its direct or indirect partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its direct or indirect partners/members is a 10-percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) or 881(c)(3)(B) of the Code and (v) none of its direct or indirect partners/members is a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished its participating Lender with IRS Form W-8IMY accompanied by one of the following forms from each of its partners/members claiming the portfolio interest exemption: (i) an IRS Form W-8BEN or W-8BEN-E or (ii) an IRS Form W-8IMY accompanied by an IRS Form W-8BEN or W-8BEN-E from each of such partner's/member's beneficial owners that is claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender in writing and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each applicable payment is to be made to the undersigned, or in either of the two calendar years preceding any such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF PARTICIPANT]

By:_____
Name:
Title:

Dated: _____

EXHIBIT E-3

FORM OF
SECTION 3.01(f) US TAX CERTIFICATE
(For Non-US Participants That Are Not Partnerships For U.S. Federal Income Tax Purposes)

Reference is made to the Credit Agreement dated as of July 29, 2016 (as amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time, the "**Credit Agreement**"; the terms defined therein being used herein as therein defined), among Hovnanian Enterprises, Inc., a Delaware corporation ("**Holdings**"), K. Hovnanian Enterprises, Inc., a California corporation (the "**Borrower**"), each lender from time to time party thereto, and Wilmington Trust, National Association, as Administrative Agent.

Pursuant to the provisions of Section 3.01(f) of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the participation in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a 10-percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) or 881(c)(3)(B) of the Code and (iv) it is not a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished its participating Lender with a certificate of its non-U.S. person status on IRS Form W-8BEN or W-8BEN-E. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender in writing and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each applicable payment is to be made to the undersigned, or in either of the two calendar years preceding any such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF PARTICIPANT]

By:_____
Name:
Title:

Dated: _____

FORM OF
SECTION 3.01(F) US TAX CERTIFICATE
(For Non-US Lenders That Are Partnerships For U.S. Federal Income Tax Purposes)

Reference is made to the Credit Agreement dated as of July 29, 2016 (as amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time, the "**Credit Agreement**"; the terms defined therein being used herein as therein defined), among Hovnanian Enterprises, Inc., a Delaware corporation ("**Holdings**"), K. Hovnanian Enterprises, Inc., a California corporation (the "**Borrower**"), each lender from time to time party thereto, and Wilmington Trust, National Association, as Administrative Agent.

Pursuant to the provisions of Section 3.01(f) of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) its direct or indirect partners/members are the sole beneficial owners of such Loan(s) (as well as any Note(s) evidencing such Loan(s)), (iii) with respect to the extension of credit pursuant to this Credit Agreement or any other Loan Document, neither the undersigned nor any of its direct or indirect partners/members claiming the portfolio interest exemption is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its direct or indirect partners/members claiming the portfolio interest exemption is a 10-percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) or 881(c)(3)(B) of the Code and (v) none of its direct or indirect partners/members claiming the portfolio interest exemption is a "controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Administrative Agent and the Borrower with IRS Form W-8IMY accompanied by one of the following forms from each of its partners/members claiming the portfolio interest exemption: (i) an IRS Form W-8BEN or W-8BEN-E or (ii) an IRS Form W-8IMY accompanied by an IRS Form W-8BEN or W-8BEN-E from each of such partner's/member's beneficial owners that is claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent in writing and (2) the undersigned shall have at all times furnished the Borrower and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each applicable payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF LENDER]

By:_____
Name:
Title:

Dated: _____

EXHIBIT F-1

FORM OF FIRST LIEN INTERCREDITOR AGREEMENT

[See attached.]

EXHIBIT F-2

FORM OF AMENDED AND RESTATED INTERCREDITOR AGREEMENT

[See attached.]

EXHIBIT F-3

FORM OF AMENDED AND RESTATED COLLATERAL AGENCY AGREEMENT

[See attached.]

EXHIBIT G-1

FORM OF SECRETARY'S CERTIFICATE FOR THE BORROWER

K. HOVNANIAN ENTERPRISES, INC.

Secretary's Certificate

The undersigned hereby certifies that he is the Secretary of K. Hovnanian Enterprises, Inc., a California corporation (the "**Borrower**"), and that as such he is authorized to execute and deliver this certificate in connection with that certain Credit Agreement dated as of July 29, 2016 (the "**Credit Agreement**"; the terms defined therein being used herein as therein defined), among Hovnanian Enterprises, Inc., a Delaware corporation ("**Holdings**"), the Borrower, the Subsidiary Guarantors party thereto, each lender from time to time party thereto, and Wilmington Trust, National Association, as Administrative Agent, and further certifies in his capacity as Secretary of the Borrower, and not in his individual capacity, as follows:

1. Attached hereto as Exhibit A is a true, correct and complete copy of the Articles of Incorporation of the Borrower, and such Articles of Incorporation are in full force and effect as of the date hereof, there having been no amendments or other documents filed affecting such Articles of Incorporation and no such amendment has been authorized.

2. Attached hereto as Exhibit B are true, correct and complete copies of the By-Laws of the Borrower and such By-Laws are in full force and effect as of the date hereof, there having been no amendments affecting such By-Laws and no such amendment has been authorized.

3. Attached hereto as Exhibit C is a true and correct copy of the certificate of good standing or its equivalent, dated as of a recent date, as issued by the competent authority of the State of California, certifying that the Borrower is, as of the day of the date of issuance thereof, a valid and subsisting legal entity.

4. No action or proceeding for the dissolution, merger, sale, consolidation or liquidation of the Borrower, or for the sale of all or substantially all of its assets, is pending or, to the best of my knowledge, contemplated, and neither the Board of Directors of the Borrower nor the stockholders of the Borrower have taken any action in preparation for any such proceeding or action.

5. Attached hereto as Exhibit D is a true, correct and complete copy of the resolutions of the Board of Directors of the Borrower, from the meeting held on June 28, 2016 authorizing the execution, delivery and performance of the Credit Agreement and the other Loan Documents to which the Borrower is a party, with the terms approved by officers authorized by the Board of Directors (each, an "**Authorized Officer**"), and all other transactions and documents contemplated thereby and all other necessary transactions of the Borrower in connection therewith. Such resolutions are in full force and have not been amended or modified, revoked or rescinded as of the date hereof and constitute the only resolutions adopted by the Board of Directors of the Borrower with respect to the Credit Agreement.

6. Schedule A to this certificate sets forth each entity that is required under the terms of the Credit Agreement to be a Guarantor of the Loans.

7. Each person who, as an Authorized Officer of the Borrower signed, as applicable, the Credit Agreement, the Collateral Documents and any other Loan Document delivered prior to or on the date of this Certificate in connection with the Credit Agreement (including any amendments, agreements, undertakings or certificates delivered pursuant thereto) was, at the respective times of such signing and the delivery of such documents and is now, duly elected or appointed, qualified and acting as such officer, and the signatures of such persons appearing on such documents are their genuine signatures; and each person named below has been duly elected and now holds the office set forth opposite his or her name. Attached hereto as Exhibit E is a true, complete and correct copy of the incumbency certificate of the each Authorized Officer that has signed any of the documents referred to above.

Name	Title
Ara K. Hovnanian	Chief Executive Officer and President
J. Larry Sorsby	Executive Vice President. and Chief Financial Officer
Michael Discafani	Vice President, Corporate Counsel and Secretary
Brad O'Connor	Vice President, Chief Accounting Officer and Corporate Controller
David Bachstetter	Vice President Finance and Treasurer

Capitalized terms used herein and not otherwise defined herein are used as defined in the Credit Agreement.

IN WITNESS WHEREOF, I have signed this certificate.

Dated: [●], 2016

K. HOVNANIAN ENTERPRISES, INC.

By: _____
Name: Michael Discafani
Title: Vice President, Corporate Counsel and Secretary

I, [●], [●] of K. Hovnanian Enterprises, Inc., certify that Michael Discafani is the Vice President, Corporate Counsel and Secretary of K. Hovnanian Enterprises, Inc., and that the signature appearing above is his genuine signature.

IN WITNESS WHEREOF, I have hereunto set my hand as of [●], 2016.

By: _____
Name:
Title:

FORM OF SECRETARY'S CERTIFICATE
FOR THE OTHER LOAN PARTIES

HOVNANIAN ENTERPRISES, INC.

Secretary's Certificate

The undersigned hereby certifies that he is the Secretary of Hovnanian Enterprises, Inc., a Delaware corporation ("**Holdings**"), and each of the subsidiary guarantors listed on Schedule 10.01 to the Credit Agreement (as defined below) (the "**Subsidiary Guarantors**", and together with Holdings, the "**Guarantors**"), and that as such he is authorized to execute and deliver this certificate in connection with that certain Credit Agreement dated as of July 29, 2016 (the "**Credit Agreement**"; the terms defined therein being used herein as therein defined), among Holdings, K. Hovnanian Enterprises, Inc., a California corporation (the "**Borrower**"), the Subsidiary Guarantors party thereto, each lender from time to time party thereto, and Wilmington Trust, National Association, as Administrative Agent, and further certifies in his capacity as Secretary of Holdings and the Subsidiary Guarantors, and not in his individual capacity, as follows:

1. Attached hereto as Exhibit A are true, correct and complete copies of the Certificate of Incorporation, Articles of Incorporation or Articles of Organization, as applicable, for each of Holdings and the Subsidiary Guarantors listed on Schedule A hereto (which includes all of Holdings' significant subsidiaries within the meaning set forth in Rule 1-02 of Regulation S-X under the Exchange Act) (the "**Significant Subsidiaries**") and each such Certificate of Incorporation, Articles of Incorporation and Certificate of Formation is in full force and effect as of the date hereof, there having been no amendments or other documents filed affecting any such Certificate of Incorporation, Articles of Incorporation or Articles of Organization of Holdings or the Significant Subsidiaries and no such amendment has been authorized.

2. Attached hereto as Exhibit B are true, correct and complete copies of the By-Laws or the Limited Liability Company Agreements, as applicable, of Holdings and the Significant Subsidiaries, and each such By-Laws and Limited Liability Company Agreements is in full force and effect as of the date hereof, there having been no amendments affecting any such By-Laws or Limited Liability Company Agreements and no such amendment has been authorized.

3. Attached hereto as Exhibit C are true and correct copies of the certificates of good standing, or its equivalent, dated as of a recent date, as issued by the competent authorities of the state of incorporation of Holdings and each Significant Subsidiary, the Guarantors identified on Schedule B hereto and certain other Guarantors identified by the Lenders on Schedule C hereto (collectively, the "**Specified Guarantors**"), certifying that each of Holdings or the Specified Guarantors, as applicable, is, as of the day of the date of issuance, a valid and subsisting legal entity.

4. No action or proceeding for the dissolution, merger, sale, consolidation or liquidation of Holdings or the Specified Guarantors, or for the sale of all or substantially all of its assets, is pending or, to the best of my knowledge, contemplated, and neither the Board of Directors of Holdings or the Specified Guarantors nor the stockholders of Holdings or the Specified Guarantors have taken any action in preparation for any such proceeding or action.

5. Attached hereto as Exhibit D-1, D-2 and D-3, respectively, are true, correct and complete copies of (a) the resolutions of the Board of Directors of Holdings, dated June 28, 2016, (b) the resolutions of the Board of Directors of certain of the Subsidiary Guarantors (or such Subsidiary Guarantors' ultimate managing member or sole member, as applicable), dated June 28, 2016 and (c) the resolutions of K. HOV IP II, Inc., dated [●], 2016, in each case authorizing the Guarantees of the Loan Obligations and the terms of the Guarantees, the execution, delivery and performance of the Credit Agreement and the other Loan Documents to which each applicable Guarantor is a party and all other transactions and documents contemplated thereby, and all other necessary transactions of Holdings and the Subsidiary Guarantors in connection therewith. Such resolutions are in full force and have not been amended or modified, revoked or rescinded as of the date hereof and constitute the only resolutions adopted by the Board of Directors of Holdings and of such Subsidiary Guarantors (or such Subsidiary Guarantors' ultimate managing member or sole member, as applicable), with respect to Guarantee of Loan Obligations under the Credit Agreement.

6. Each person who, as an authorized officer of Holdings and the Subsidiary Guarantors signed, as applicable, the Credit Agreement, the Collateral Documents and any other Loan Document delivered prior to or on the date of this Certificate in connection with the Credit Agreement (including any amendments, agreements, undertakings or certificates delivered pursuant thereto) (each, an "**Authorized Officer**") was, at the respective times of such signing and the delivery of such documents and is now, duly elected or appointed, qualified and acting as such officer, and the signatures of such persons appearing on such documents are their genuine signatures; and each person named below has been duly elected and now holds the office set forth opposite his or her name. Attached hereto as Exhibit E is a true, complete and correct copy of the incumbency certificate of each Authorized Officer that has signed any of the documents referred to above.

Name	Title
Ara K. Hovnanian	Chief Executive Officer and President
J. Larry Sorsby	Executive Vice President. and Chief Financial Officer
Michael Discafani	Vice President, Corporate Counsel and Secretary
Brad O'Connor	Vice President, Chief Accounting Officer and Corporate Controller
David Bachstetter	Vice President Finance and Treasurer

Capitalized terms used herein and not otherwise defined herein are used as defined in the Credit Agreement.

IN WITNESS WHEREOF, I have signed this certificate.

Dated: [●], 2016

HOVNANIAN ENTERPRISES, INC.

By: _____
Name: Michael Discafani
Title: Vice President, Corporate
Counsel and Secretary

SUBSIDIARY GUARANTORS

By: _____
Name: Michael Discafani
Title: Vice President, Corporate
Counsel and Secretary

I, [●], [●] of Hovnanian Enterprises, Inc. and the Subsidiary Guarantors, certify that Michael Discafani is the Vice President, Corporate Counsel and Secretary of K. Hovnanian Enterprises, Inc., and that the signature appearing above is his genuine signature.

IN WITNESS WHEREOF, I have hereunto set my hand as of [●], 2016.

By: _____
Name:
Title:

EXHIBIT H-1

FORM OF RESPONSIBLE OFFICER'S CERTIFICATE

K. HOVNANIAN ENTERPRISES, INC.

Responsible Officer's Certificate

The undersigned hereby certifies that he is a Responsible Officer of K. Hovnanian Enterprises, Inc., a California corporation (the "**Borrower**"), and that as such he is authorized to execute and deliver this certificate in connection with Section 4.02(b) of that certain Credit Agreement dated as of July 29, 2016 (as amended, restated, amended and restated, extended, supplemented or otherwise modified in writing from time to time, the "**Credit Agreement**"; the terms defined therein being used herein as therein defined), among Hovnanian Enterprises, Inc., a Delaware corporation ("**Holdings**"), the Borrower, each lender from time to time party thereto, and Wilmington Trust, National Association, as Administrative Agent, and further certifies in his capacity as Responsible Officer of the Borrower, and not in his individual capacity, as follows:

1. (A) All representations and warranties in the Loan Documents are true and correct in all material respects as of the Closing Date; provided that to the extent any such representations and warranties are qualified by "materiality," "Material Adverse Effect" or similar language, such representations and warranties (after giving effect to any qualification therein) are true and correct in all respects as of the Closing Date, and (B) upon consummation of the transactions contemplated by the Loan Documents, the Note Purchase Agreement and the Exchange Agreement (and the application of the proceeds thereof), no Default or Event of Default has occurred.

2. Concurrently with the making of Loans on the Closing Date, (i) the Borrower has issued the New Second Lien Notes in an aggregate principal amount of $75,000,000 and (ii) the Borrower has issued to the purchasers under the Exchange Agreement $75,000,000 aggregate principal amount of First Lien Exchange Notes in exchange for $75,000,000 aggregate principal amount of such purchasers' Existing Second Lien Notes, in each case subject to the terms and conditions set forth in the Note Purchase Agreement and the Exchange Agreement, respectively.

3. Concurrently with the borrowing of Initial Term Loans, either (i) the Tender Offer has been consummated and the Borrower has accepted for purchase, in each case on the terms of the Offer to Purchase Statement (subject to the right of the Purchasers (as defined in the Note Purchase Agreement) to consent to certain changes to such terms in accordance with Section 7.01 of the Note Purchase Agreement), all January 2017 Notes validly tendered and not withdrawn; provided that (x) at least 90% of the aggregate principal amount of the January 2017 Notes outstanding as of the date of this Agreement has been accepted for purchase by the Borrower pursuant to the Tender Offer and (y) the Borrower has received the Required Consents (as defined in the Offer to Purchase Statement), or (ii) the Borrower has otherwise purchased or irrevocably called for redemption, together with any January 2017 Notes accepted for purchase pursuant to the terms of the Tender Offer and Consent Solicitation (subject to the right of the Purchasers (as defined in the Note Purchase Agreement) to consent to certain changes to such terms in accordance with Section 7.01 of the Note Purchase Agreement), at least 90% of the aggregate principal amount of the January 2017 Notes outstanding as of the date of this Agreement, provided that either (i) the Borrower has received the Required Consents (as defined in the Offer to Purchase Statement) or (ii) the liens covenant contained in the January 2017 Notes Indenture permit the incurrence of the liens securing the New Second Lien Notes or are no longer operative.

[Remainder of page intentionally left blank; signature page to follow]

IN WITNESS WHEREOF, I have signed this certificate.

Dated: [●], 2016

K. HOVNANIAN ENTERPRISES, INC.

By: _____
Name:
Title:

EXHIBIT H-2

FORM OF PERFECTION CERTIFICATE

[See attached.]

EXHIBIT H-3

FORM OF SOLVENCY CERTIFICATE

SOLVENCY CERTIFICATE
[ ], 2016

Reference is made to that certain Credit Agreement (the "Credit Agreement"), dated as of July 29, 2016, among K. Hovnanian Enterprises, Inc., a California corporation (the "Borrower"), Hovnanian Enterprises, Inc., a Delaware Corporation ("Holdings"), the other guarantors listed on Schedule 10.01 thereto (each a "Subsidiary Guarantor" and, together with Holdings, the "Guarantors"), Wilmington Trust, National Association, as administrative agent (the "Administrative Agent") and each lender party thereto (each a "Lender" and together, the "Lenders"). Unless otherwise defined herein, capitalized terms used in this Certificate shall have the meanings set forth in the Credit Agreement.

I, J. Larry Sorsby, solely in my capacity as the Chief Financial Officer of Holdings and not in my individual capacity, do hereby certify on behalf of Holdings that as of the date hereof and based upon facts and circumstances as they exist as of the date hereof, after giving effect to the consummation of the transactions contemplated by the Credit Agreement, the Exchange Agreement and the Note Purchase Agreement:

1. The present fair saleable value of the properties and assets of Holdings and its Subsidiaries, on a consolidated basis, is not less than the total amount that would be required to pay the probable liability of Holdings and its subsidiaries, on a consolidated basis, on their total debts and liabilities (including contingent liabilities) as they become absolute and matured.

2. Holdings and its subsidiaries, on a consolidated basis, are able to realize upon their properties and assets and generally pay their debts and other liabilities, contingent obligations and commitments as they mature and become due in the normal course of business.

3. Holdings and its subsidiaries, on a consolidated basis, do not intend to and do not believe that they will, incur debts or liabilities beyond their ability to pay such debts and liabilities as they mature.

4. Holdings and its subsidiaries, on a consolidated basis, are not engaged in any business or transaction, and do not propose to engage in any business or transaction, for which their properties and assets would constitute unreasonably small capital after giving due consideration to the prevailing practices in the industry in which they are engaged.

4. For purposes of this Certificate, the amount of any contingent liability has been computed in accordance with GAAP.

5. In reaching the conclusions set forth in this Certificate, I have made such investigations and inquiries as I have deemed appropriate, having taken into account the nature of the particular business anticipated to be conducted by Hovnanian and its subsidiaries after consummation of the transactions contemplated by the Note Purchase Agreement, the Exchange Agreement and the Term Loan Credit Agreement.

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, I HAVE EXECUTED THIS Certificate as of the date first written above.

HOVNANIAN ENTERPRISES, INC.

By: _____
Name: J. Larry Sorsby
Title: Chief Financial Officer

EXHIBIT I

SUPPLEMENTAL GUARANTEE

dated as of _____, ____

among

K. HOVNANIAN ENTERPRISES, INC.,

HOVNANIAN ENTERPRISES, INC.,

The Other Guarantors Party Hereto

and

WILMINGTON TRUST, NATIONAL ASSOCIATION

as Administrative Agent

THIS [ ] SUPPLEMENTAL GUARANTEE (this "[ ] **Supplemental Guarantee**"), entered into as of _____, ____, among K. Hovnanian Enterprises, Inc., a California corporation (the "**Borrower**"), Hovnanian Enterprises, Inc., a Delaware corporation ("**Holdings**"), [list each new guarantor and its jurisdiction of incorporation] (each an "**Undersigned**") and Wilmington Trust, National Association, a national banking association, as Administrative Agent (the "**Administrative Agent**").

RECITALS

WHEREAS, the Borrower, Holdings, the other Guarantors party thereto and the Administrative Agent entered into a credit agreement, dated as of July 29, 2016 (the "**Credit Agreement**");

WHEREAS, in consideration of the extensions of credit made pursuant to the Credit Agreement, Holdings agreed pursuant to the Credit Agreement to cause any newly acquired or created Restricted Subsidiaries (other than any Excluded Subsidiary) to provide Guarantees.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained and intending to be legally bound, the parties hereto hereby agree as follows:

SECTION 1. Capitalized terms used herein and not otherwise defined herein are used as defined in the Credit Agreement.

SECTION 2. Each Undersigned, by its execution of this [ ] Supplemental Guarantee, agrees to be a Guarantor under the Credit Agreement and to be bound by the terms of the Credit Agreement applicable to Guarantors, including, but not limited to, Article X thereof.

SECTION 3. This [ ] Supplemental Guarantee shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 4. This [ ] Supplemental Guarantee may be signed in various counterparts which together shall constitute one and the same instrument.

SECTION 5. This [ ] Supplemental Guarantee is an amendment supplemental to the Credit Agreement and the Credit Agreement and this [ ] Supplemental Guarantee shall henceforth be read together.

SECTION 6. The Administrative Agent shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Guarantee or for or in respect of the Recitals contained herein, all of which are made solely by the Borrower, Holdings and each of the undersigned.

IN WITNESS WHEREOF, the parties hereto have caused this [ ] Supplemental Guarantee to be duly executed as of the date first above written.

K. HOVNANIAN ENTERPRISES, INC., as Issuer

By: _____
Name:
Title:

HOVNANIAN ENTERPRISES, INC.

By: _____
Name:
Title:

[GUARANTOR]

By: _____
Name:
Title:

WILMINGTON TRUST, NATIONAL ASSOCIATION, as Administrative Agent

By: _____
Name:
Title:

EXHIBIT J

FORM OF OFFER TO PURCHASE STATEMENT

[See attached.]

EXHIBIT K

FORM OF COLLATERAL PERFECTION OFFICER'S CERTIFICATE

[See attached.]

Exhibit 10(m)

EXECUTION VERSION

FIRST LIEN INTERCREDITOR AGREEMENT

This FIRST LIEN INTERCREDITOR AGREEMENT, dated as of September 8, 2016, and entered into by and among HOVNANIAN ENTERPRISES, INC., K. HOVNANIAN ENTERPRISES, INC. each other Grantor (as defined below) from time to time party hereto, WILMINGTON TRUST, NATIONAL ASSOCIATION, in its capacity as administrative agent (in such capacity, together with its successors and assigns, the "Super Priority Administrative Agent") under the Super Priority Credit Agreement Documents (as defined below), WILMINGTON TRUST, NATIONAL ASSOCIATION, in its capacity as collateral agent for the Mortgage Tax Collateral (as defined below) (together with its successor and assigns, the "Mortgage Tax Collateral Agent"), and WILMINGTON TRUST, NATIONAL ASSOCIATION, in its capacities as trustee (in such capacity, together with its successors and assigns, the "First Lien Trustee") and as collateral agent (in such capacity, together with its successors and assigns, the "First Lien Collateral Agent") under the First Lien Noteholder Documents (as defined below).

RECITALS

WHEREAS, the Company, Hovnanian (each, as defined below) and certain of their Subsidiaries (as defined below) and the Super Priority Administrative Agent are entering into the Credit Agreement dated as of July 29, 2016 (as amended, supplemented or otherwise modified from time to time, the "Super Priority Credit Agreement"), pursuant to which the Super Priority Loans (as defined below) shall be made and the obligations under which shall be secured by various assets of the Grantors;

WHEREAS, the Company, Hovnanian and certain of their Subsidiaries, the First Lien Trustee and the First Lien Collateral Agent have entered into the Indenture dated as of October 2, 2012 (as amended, supplemented or otherwise modified from time to time, the "First Lien Indenture"), pursuant to which the First Lien Notes (as defined below) are governed and the obligations under which are secured by various assets of the Grantors;

WHEREAS, in connection with the issuance of the First Lien Notes, the Company, Hovnanian and certain of their Subsidiaries entered into an Intercreditor Agreement, dated as of October 2, 2012 (as amended, supplemented or otherwise modified from time to time, the "Existing Intercreditor Agreement"), with the First Lien Trustee, the First Lien Collateral Agent, the Mortgage Tax Collateral Agent and Wilmington Trust, National Association, in its capacity as trustee and as collateral agent under certain Junior Noteholder Documents (as defined in the Existing Intercreditor Agreement);

WHEREAS, in connection with the execution of the Super Priority Credit Agreement, the Super Priority Administrative Agent and the Super Priority Collateral Agent, on behalf of the Super Priority Creditors (as defined below), are joining the Existing Intercreditor Agreement pursuant to Section 8.2(b) thereof as parties holding "Future First Lien Indebtedness" (as defined in the Existing Intercreditor Agreement) pursuant to an amendment and restatement of the Existing Intercreditor Agreement;

WHEREAS, Section 8.2(b) of the Existing Intercreditor Agreement permits the entry into a separate intercreditor agreement with the agent or trustee in respect of a Credit Facility that provides that the Liens on the Common Collateral securing such Credit Facility are superior in all respects to the Liens on the Common Collateral securing the Senior Noteholder Claims (each capitalized term used in this recital and not otherwise defined in this Agreement shall have the meaning ascribed thereto in the Existing Intercreditor Agreement); and

WHEREAS, the parties hereto desire to order the priorities of their respective Liens (as defined below) on the assets of the Grantors and address other related matters set forth below.

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants and obligations herein set forth and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

Section 1. (a) Definitions. As used in this Agreement, the definitions set forth above are incorporated herein and the following terms have the meanings specified below:

"Agreement" means this First Lien Intercreditor Agreement, as amended, renewed, extended, supplemented or otherwise modified from time to time in accordance with the terms hereof.

"Bankruptcy Code" means Title 11 of the United States Code, as amended and codified as 11 U.S.C. §§101 et seq.

"Bankruptcy Law" means the Bankruptcy Code and any similar Federal, state or foreign law for the relief of debtors.

"Business Day" means any day other than a Saturday, a Sunday or other day on which commercial banks in New York City or in the city where the Corporate Trust Office of either the Super Priority Administrative Agent or the First Lien Trustee is located are authorized or required by law or regulation to close.

"Common Collateral" means all of the assets of any Grantor, whether real, personal or mixed, constituting both Super Priority Collateral and First Lien Collateral. As of the date hereof, the First Lien Claims are secured by Liens upon the same Common Collateral as the Super Priority Claims.

"Company" means K. Hovnanian Enterprises, Inc., a corporation organized and existing under the laws of the State of California and wholly-owned by Hovnanian.

"Comparable First Lien Collateral Document" means, in relation to any Common Collateral subject to any Lien created under any Super Priority Collateral Document, that First Lien Collateral Document that creates a Lien on the same Common Collateral, granted by the same Grantor.

"Controlling Senior Collateral Agent" means (a) prior to the Termination Date (as defined in the Super Priority Credit Agreement), the Super Priority Collateral Agent, and (b) at any time thereafter, the First Lien Collateral Agent.

"Deposit Account" has the meaning set forth in the Uniform Commercial Code.

"Deposit Account Collateral" means that part of the Common Collateral comprised of Deposit Accounts, Financial Assets and Investment Property.

"DIP Financing" has the meaning set forth in Section 6.1.

"Discharge of Super Priority Claims" means payment in full in cash of (a) all Obligations in respect of all outstanding Super Priority Indebtedness or, with respect to any letters of credit outstanding thereunder, delivery of cash collateral in an amount required by the applicable letter of credit, and termination of all commitments to extend credit thereunder and (b) any other Super Priority Claims that are due and payable or otherwise accrued and owing at or prior to the time such principal and interest are paid, excluding, in any case, Unasserted Contingent Obligations.

"Existing Intercreditor Agreement" has the meaning set forth in the recitals.

"Financial Assets" has the meaning set forth in the Uniform Commercial Code.

"First Lien Agreement" means the First Lien Indenture and any other agreement governing First Lien Indebtedness.

"First Lien Claims" means all First Lien Indebtedness outstanding, including any Future First Lien Indebtedness, and all Obligations in respect thereof. First Lien Claims include, for the avoidance of doubt, all First Lien Noteholder Claims.

"First Lien Collateral" means all of the assets of any Grantor, whether real, personal or mixed, with respect to which a Lien is granted as security for any First Lien Claim. First Lien Collateral includes, for the avoidance of doubt, all First Lien Noteholder Collateral.

"First Lien Collateral Agent" has the meaning set forth in the recitals.

"First Lien Collateral Documents" means any agreement, document or instrument pursuant to which a Lien is granted securing any First Lien Claims or under which rights or remedies with respect to such Liens are governed, as the same may be amended, restated or otherwise modified from time to time. First Lien Collateral Documents include, for the avoidance of doubt, the First Lien Noteholder Collateral Documents.

"First Lien Creditors" means the Persons holding First Lien Claims, including all First Lien Noteholders, the First Lien Trustee and the First Lien Collateral Agent.

"First Lien Documents" mean the First Lien Agreements, the First Lien Collateral Documents, and each of the other agreements, documents and instruments providing for or evidencing any other Obligation under any First Lien Document and any other related document or instrument executed or delivered pursuant to any First Lien Document at any time or otherwise evidencing any First Lien Indebtedness. First Lien Documents include, for the avoidance of doubt, the First Lien Noteholder Documents.

"First Lien Indebtedness" means (a) Indebtedness incurred pursuant to the First Lien Noteholder Documents, (b) all other Indebtedness secured by Liens on all or a portion of the Common Collateral that are equal in priority to the Liens on the Common Collateral securing the First Lien Noteholder Claims in an aggregate principal amount not to exceed the amount permitted to be secured on a first-Lien basis (or, relative to the Super Priority Claims, on a junior-Lien basis) pursuant to the Super Priority Credit Agreement and the First Lien Indenture and (c) Refinancing Indebtedness (as defined in the First Lien Indenture) in respect of Indebtedness covered by clause (a) or clause (b) above, and, in each case, all other Obligations in respect of such Indebtedness.

"First Lien Indenture" has the meaning set forth in the recitals.

"First Lien Noteholder Claims" means all First Lien Indebtedness and all Obligations with respect thereto.

"First Lien Noteholder Collateral" means all of the assets of any Grantor, whether real, personal or mixed, with respect to which a Lien is granted as security for any First Lien Noteholder Claim.

"First Lien Noteholder Collateral Documents" means any agreement, document or instrument pursuant to which a Lien is granted by any Grantor to secure any First Lien Noteholder Claims or under which rights or remedies with respect to any such Lien are governed as the same may be amended, restated or otherwise modified from time to time as permitted by this Agreement.

"First Lien Noteholder Documents" means collectively (a) the First Lien Indenture, the First Lien Notes and the First Lien Noteholder Collateral Documents and (b) any other related document or instrument executed and delivered pursuant to any First Lien Noteholder Document described in clause (a) above evidencing or governing any Obligations thereunder as the same may be amended, restated or otherwise modified from time to time.

"First Lien Noteholders" means the Persons holding First Lien Notes.

"First Lien Notes" means the $577.0 million principal amount of 7.25% Senior Secured First Lien Notes due 2020 issued by the Company pursuant to the First Lien Indenture.

"First Lien Pledge Agreement" means the First Lien Pledge Agreement, dated as of October 2, 2012, among the Company, Hovnanian, the other Grantors and the First Lien Collateral Agent as the same may be amended, restated or otherwise modified from time to time.

"First Lien Security Agreement" means the First Lien Security Agreement, dated as of October 2, 2012, among the Company, Hovnanian, the other Grantors and the First Lien Collateral Agent as the same may be amended, restated or otherwise modified from time to time.

"First Lien Trustee" has the meaning set forth in the recitals.

"Future First Lien Indebtedness" means any First Lien Indebtedness, other than Indebtedness that is incurred pursuant to the First Lien Noteholder Documents, which is permitted to be secured on a first-Lien basis on the Common Collateral (or, relative to the Super Priority Liens, on a junior-Lien basis) for purposes of the Super Priority Credit Agreement and the First Lien Indenture or any other Super Priority Document or First Lien Document.

"Future Super Priority Indebtedness" means any Super Priority Indebtedness, other than Indebtedness that is incurred pursuant to the Super Priority Credit Agreement Documents, which is permitted to be secured on a super priority Lien on the Common Collateral (or, relative to the Super Priority Liens, on a pari passu basis) for purposes of the Super Priority Credit Agreement and the First Lien Indenture or any other Super Priority Document or First Lien Document.

"Grantors" means the Company, Hovnanian and each of its Subsidiaries that has or will have executed and delivered a Super Priority Collateral Document or a First Lien Collateral Document.

"Hovnanian" means Hovnanian Enterprises, Inc., a Delaware corporation.

"Indebtedness" means and includes all obligations that constitute "Indebtedness" within the definition of "Indebtedness" set forth in the First Lien Indenture or the Super Priority Credit Agreement, as applicable.

"Insolvency or Liquidation Proceeding" means (a) any voluntary or involuntary case or proceeding under any Bankruptcy Law with respect to any Grantor as a debtor, (b) any other voluntary or involuntary insolvency, reorganization or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding with respect to any Grantor or with respect to any material part of their respective assets, (c) any liquidation, dissolution, reorganization or winding up of any Grantor whether voluntary or involuntary and whether or not involving insolvency or bankruptcy or (d) any assignment for the benefit of creditors or any other marshalling of assets and liabilities of any Grantor.

"Investment Property" has the meaning set forth in the Uniform Commercial Code.

"Lien" means, with respect to any asset, any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset.

"Mortgage Tax Collateral" has the meaning set forth in Section 5.7(a).

"Mortgage Tax Collateral Agent" has the meaning set forth in the recitals.

"Mortgage Tax States" means the states of Florida, Maryland, Washington, D.C., Minnesota, Virginia, New York and Georgia, and any other state(s) identified to the Mortgage Tax Collateral Agent by the Company and the Controlling Senior Collateral Agent which requires a significant payment of mortgage recording taxes or other fees or taxes of a comparable nature and magnitude as that of any of the foregoing Mortgage Tax States.

"Mortgaged Collateral" means any real property collateral, with respect to which a lien on and security interest in is required to be granted to (a) the Super Priority Collateral Agent pursuant to Section 6.13 of the Super Priority Credit Agreement, (b) the First Lien Collateral Agent pursuant to Section 4.18 of the First Lien Indenture or (c) any other holder of Super Priority Claims or First Lien Claims (or any agent or trustee on their behalf) pursuant to the terms of any Super Priority Document or First Lien Document, as applicable.

"Obligations" means and includes all obligations that constitute "Obligations" within the definition of "Obligations" set forth in the First Lien Indenture or the Super Priority Credit Agreement, as applicable.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, entity or other party, including any government and any political subdivision, agency or instrumentality thereof.

"Pledged Collateral" means (a) the "Pledged Collateral" under, and as defined in, the Super Priority Credit Agreement Collateral Documents, (b) the "Pledged Collateral" under, and as defined in, the First Lien Pledge Agreement and (c) any other Super Priority Collateral or First Lien Collateral at any time assigned, pledged or delivered to the Super Priority Collateral Agent or First Lien Collateral Agent, respectively, pursuant to the applicable Security Documents.

"Proceeds" means the following property (a) whatever is acquired upon the sale, lease, license, exchange or other disposition of Common Collateral, whether such sale, lease, license or other disposition is made by or on behalf of a Grantor, the Super Priority Administrative Agent, the Super Priority Collateral Agent, the First Lien Trustee, the First Lien Collateral Agent, the Mortgage Tax Collateral Agent or any other person, (b) whatever is collected on, or distributed on account of, Common Collateral, (c) rights arising out of the loss, nonconformity, or interference with the use of, defects or infringements of rights in, or damage to, the Common Collateral, (d) rights arising out of the Common Collateral, or (e) to the extent of the value of the Common Collateral, and to the extent payable to any Grantor or any secured party under the Security Documents, insurance payable by reason of the loss or nonconformity of, defects or infringement of rights in, or damage to, the Common Collateral.

"Recovery" has the meaning set forth in Section 6.5.

"Security Documents" means, collectively, the Super Priority Collateral Documents and the First Lien Collateral Documents.

"Super Priority Administrative Agent" has the meaning set forth in the recitals.

"Super Priority Agreements" means the Super Priority Credit Agreement and any other agreement governing Super Priority Indebtedness.

"Super Priority Claims" means all Super Priority Indebtedness outstanding, including any Future Super Priority Indebtedness, and all Obligations in respect thereof. Super Priority Claims shall include all interest and expenses accrued or accruing (or that would, absent the commencement of any Insolvency or Liquidation Proceeding, accrue) after the commencement of an Insolvency or Liquidation Proceeding in accordance with and at the rate specified in the relevant Super Priority Document whether or not the claim for such interest or expenses is allowed as a claim in such Insolvency or Liquidation Proceeding. Super Priority Claims include, for the avoidance of doubt, all Super Priority Credit Agreement Claims.

"Super Priority Collateral" means all of the assets of any Grantor, whether real, personal or mixed, with respect to which a Lien is granted as security for any Super Priority Claim. Super Priority Collateral includes, for the avoidance of doubt, all Super Priority Credit Agreement Collateral.

"Super Priority Collateral Agent" means the Super Priority Administrative Agent acting in such capacity as collateral agent pursuant to the Super Priority Credit Agreement.

"Super Priority Collateral Documents" means any agreement, document or instrument pursuant to which a Lien is granted securing any Super Priority Claims or under which rights or remedies with respect to such Liens are governed, as the same may be amended, restated or otherwise modified from time to time. Super Priority Collateral Documents include, for the avoidance of doubt, the Super Priority Credit Agreement Collateral Documents.

"Super Priority Credit Agreement" has the meaning set forth in the recitals.

"Super Priority Credit Agreement Claimholders" means the Persons holding Super Priority Credit Agreement Claims, including the Super Priority Administrative Agent, the Super Priority Collateral Agent and the Mortgage Tax Collateral Agent, solely in respect of the Super Priority Credit Agreement Claims.

"Super Priority Credit Agreement Claims" means all Indebtedness incurred pursuant to the Super Priority Credit Agreement and all Obligations with respect thereto.

"Super Priority Credit Agreement Collateral" means all of the assets of any Grantor, whether real, personal or mixed, with respect to which a Lien is granted as security for any Super Priority Credit Agreement Claim.

"Super Priority Credit Agreement Collateral Documents" means any agreement, document or instrument pursuant to which a Lien is granted by any Grantor to secure any Super Priority Credit Agreement Claims or under which rights or remedies with respect to any such Lien are governed, as the same may be amended, restated or otherwise modified from time to time as permitted by this Agreement.

"Super Priority Credit Agreement Documents" means collectively (a) the Super Priority Credit Agreement, any notes issued thereunder and the Super Priority Credit Agreement Collateral Documents and (b) any other related document or instrument executed and delivered pursuant to any Super Priority Credit Agreement Document described in clause (a) above evidencing or governing any Obligations thereunder as the same may be amended, restated or otherwise modified from time to time.

"Super Priority Creditors" means the Persons holding Super Priority Claims, including all Super Priority Credit Agreement Claimholders.

"Super Priority Documents" means the Super Priority Agreements, the Super Priority Collateral Documents, and each of the other agreements, documents and instruments providing for or evidencing any other Obligation under any Super Priority Document and any other related document or instrument executed or delivered pursuant to any Super Priority Document at any time or otherwise evidencing any Super Priority Indebtedness. Super Priority Documents include, for the avoidance of doubt, the Super Priority Credit Agreement Documents.

"Super Priority Indebtedness" means (a) Indebtedness incurred pursuant to the Super Priority Credit Agreement Documents, (b) all other Indebtedness secured by Liens on all or a portion of the Common Collateral that are equal in priority to the Liens on the Common Collateral securing the Super Priority Credit Agreement Claims in an aggregate principal amount not to exceed the amount permitted to be secured on a super priority first-Lien basis pursuant to the Super Priority Credit Agreement and the First Lien Indenture and (c) Refinancing Indebtedness (as defined in the Super Priority Credit Agreement or the First Lien Indenture) in respect of Indebtedness covered by clause (a) or clause (b) above, in each case plus interest, advances reasonably necessary to preserve the value of the Common Collateral or to protect the Common Collateral, costs and fees, including legal fees, expenses, and reimbursements, to the extent authorized under the Super Priority Collateral Documents or UCC § 9-607(d), and, in each case, all other Obligations in respect of such Indebtedness.

"Super Priority Liens" means the Liens securing the Super Priority Claims.

"Subsidiary" means any "Subsidiary" (as defined in the Super Priority Credit Agreement) of Hovnanian.

"Unasserted Contingent Obligations" means at any time, Obligations for taxes, costs, indemnifications, reimbursements, damages and other liabilities (except for (i) the principal of and interest and premium (if any) on, and fees relating to, any Indebtedness and (ii) contingent reimbursement obligations in respect of amounts that may be drawn under letters of credit) in respect of which no claim or demand for payment has been made (or, in the case of Obligations for indemnification, no notice for indemnification has been issued by the indemnitee) at such time.

"Uniform Commercial Code" or "UCC" means the Uniform Commercial Code as from time to time in effect in the State of New York.

(a) Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified in accordance with this Agreement, (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Sections shall be construed to refer to Sections of this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

Section 2. Lien Priorities.

2.1 *Subordination.* Notwithstanding the date, time, manner or order of filing or recordation of any document or instrument or grant, attachment or perfection of any Liens granted to the First Lien Trustee, the First Lien Collateral Agent, the Mortgage Tax Collateral Agent or the First Lien Creditors on the Common Collateral or of any Liens granted to the Super Priority Administrative Agent, the Super Priority Collateral Agent or the Super Priority Creditors on the Common Collateral and notwithstanding any provision of the UCC, or any applicable law or the First Lien Documents or the Super Priority Documents or any other circumstance whatsoever (including any non-perfection of any Lien purporting to secure the Super Priority Indebtedness and/or the First Lien Indebtedness, for example, the circumstance of non-perfection of the Lien purporting to secure the Super Priority Claims and perfection of the Lien purporting to secure the First Lien Claims), the First Lien Trustee, the First Lien Collateral Agent and the Mortgage Tax Collateral Agent, on behalf of themselves and the First Lien Creditors, hereby agree that: (a) any Lien on the Common Collateral securing any Super Priority Claims now or hereafter held by or on behalf of the Super Priority Administrative Agent, the Super Priority Collateral Agent or any other Super Priority Creditors or any agent or trustee therefor regardless of how acquired, whether by grant, statute, operation of law, subrogation or otherwise, shall have priority over and be senior in all respects and prior to any Lien on the Common Collateral securing any of the First Lien Claims and (b) any Lien on the Common Collateral securing any First Lien Claims now or hereafter held by or on behalf of the First Lien Trustee, the First Lien Collateral Agent, the Mortgage Tax Collateral Agent or any First Lien Creditors or any agent or trustee therefor regardless of how acquired, whether by grant, statute, operation of law, subrogation or otherwise, shall be junior and subordinate in all respects to all Liens on the Common Collateral securing any Super Priority Claims. All Liens on the Common Collateral securing any Super Priority Claims shall be and remain senior in all respects and prior to all Liens on the Common Collateral securing any First Lien Claims for all purposes, whether or not such Liens securing any Super Priority Claims are subordinated to any Lien securing any other obligation of the Company, any other Grantor or any other Person.

2.2 *Prohibition on Contesting Liens.* Each of the First Lien Trustee, the First Lien Collateral Agent and the Mortgage Tax Collateral Agent for itself and on behalf of each First Lien Creditor, and each of the Super Priority Administrative Agent, the Mortgage Tax Collateral Agent and the Super Priority Collateral Agent, for itself and on behalf of each Super Priority Creditor, agrees that it shall not (and hereby waives any right to) contest or support any other Person in contesting, in any proceeding (including any Insolvency or Liquidation Proceeding), the perfection, priority, validity or enforceability of (a) a Lien securing any Super Priority Claims held by or on behalf of any of the Super Priority Creditors in the Common Collateral or (b) a Lien securing any First Lien Claims held by or on behalf of any of the First Lien Creditors in the Common Collateral, as the case may be; provided that nothing in this Agreement shall be construed to prevent or impair the rights of the Super Priority Administrative Agent, the Super Priority Collateral Agent or any other Super Priority Creditor to enforce this Agreement, including the priority of the Liens securing the Super Priority Claims as provided in Section 2.1 and 3.1.

2.3 *No New Liens.* So long as the Discharge of Super Priority Claims has not occurred, the parties hereto agree that, after the date hereof, if the First Lien Trustee, the First Lien Collateral Agent, the Mortgage Tax Collateral Agent and/or any other First Lien Creditor shall hold any Lien on any assets of the Company or any other Grantor securing any First Lien Claims that are not also subject to the super-priority first Lien in respect of the Super Priority Claims under the Super Priority Documents, the First Lien Trustee, the First Lien Collateral Agent and/or the relevant First Lien Creditor, upon demand by the Super Priority Administrative Agent, the Super Priority Collateral Agent or the Company, will assign such Lien to the Super Priority Collateral Agent or the Mortgage Tax Collateral Agent as the case may be as security for the Super Priority Claims (in which case the First Lien Trustee, the First Lien Collateral Agent and/or the relevant First Lien Creditor may retain a junior lien on such assets subject to the terms hereof and the terms of the Existing Intercreditor Agreement).

2.4 *Perfection of Liens.* Except as provided in Section 5.5 and 5.7, none of the Super Priority Administrative Agent or the Super Priority Collateral Agent, the Mortgage Tax Collateral Agent nor the Super Priority Creditors shall be responsible for perfecting and maintaining the perfection of Liens with respect to the Common Collateral for the benefit of the First Lien Trustee, the First Lien Collateral Agent and the First Lien Creditors. The provisions of this Agreement are intended solely to govern the respective Lien priorities as between the respective Super Priority Creditors and the First Lien Creditors and shall not impose on the Super Priority Administrative Agent, the Super Priority Collateral Agent, the First Lien Trustee, the Mortgage Tax Collateral Agent, the First Lien Collateral Agent, the First Lien Creditors or the Super Priority Creditors any obligations in respect of the disposition of Proceeds of any Common Collateral which would conflict with prior perfected claims therein in favor of any other Person or any order or decree of any court or governmental authority or any applicable law.

Section 3. Enforcement.

3.1 *Exercise of Remedies.*

(a) So long as the Discharge of Super Priority Claims has not occurred, even if an event of default has occurred and remains uncured under the First Lien Documents, and whether or not any Insolvency or Liquidation Proceeding has been commenced by or against the Company or any other Grantor, (i) the First Lien Trustee, the First Lien Collateral Agent, and the Mortgage Tax Collateral Agent, to the extent of any interest of the First Lien Creditors, and the First Lien Creditors will not exercise or seek to exercise any rights or remedies as a secured creditor (including set-off) with respect to any Common Collateral on account of any First Lien Claims, institute any action or proceeding with respect to the Common Collateral, or exercise any remedies against the Common Collateral (including any action of foreclosure), or contest, protest or object to any foreclosure proceeding or action brought with respect to the Common Collateral by the Super Priority Administrative Agent, Super Priority Collateral Agent or any other Super Priority Creditor in respect of Super Priority Claims, any exercise of any right under any lockbox agreement, control agreement, landlord waiver or bailee's letter or similar agreement or arrangement to which the First Lien Trustee, the First Lien Collateral Agent, the Mortgage Tax Collateral Agent or any First Lien Creditor is a party, or any other exercise by any such party, of any rights and remedies as a secured creditor relating to the Common Collateral under the Super Priority Documents or otherwise in respect of Super Priority Claims, or object to the forbearance by or on behalf of the Super Priority Creditors from bringing or pursuing any foreclosure proceeding or action or any other exercise of any rights or remedies relating to the Common Collateral in respect of Super Priority Claims, provided that notwithstanding anything to the contrary in this Section 3.1(a), the Mortgage Tax Collateral Agent shall not be restricted from exercising or seeking to exercise the rights and remedies of a secured creditor with respect to any Common Collateral in respect of Super Priority Claims, and (ii) the Super Priority Administrative Agent, the Super Priority Collateral Agent, the Mortgage Tax Collateral Agent and the Super Priority Creditors shall have the exclusive right to enforce rights, exercise remedies (including set-off and the right to credit bid their debt) and make determinations regarding the sale, release, disposition, or restrictions with respect to the Common Collateral as a secured creditor without any consultation with or the consent of the First Lien Trustee, the First Lien Collateral Agent or any First Lien Creditor; provided that (A) in any Insolvency or Liquidation Proceeding commenced by or against any Grantor, the First Lien Trustee, the First Lien Collateral Agent or any First Lien Creditor may file a claim or statement of interest with respect to the First Lien Claims, (B) to the extent it would not prevent, restrict or otherwise limit any rights granted or created hereunder or under any Super Priority Collateral Documents in favor of the Super Priority Administrative Agent, the Super Priority Collateral Agent or any other Super Priority Creditor in respect of the Common Collateral, the First Lien Trustee, the First Lien Collateral Agent or any First Lien Creditor may take any action not adverse to the Liens on the Common Collateral securing the Super Priority Claims in order to preserve, perfect or protect its rights in the Common Collateral, (C) to the extent it would not prevent, restrict or otherwise limit any rights granted or created hereunder or under any Super Priority Collateral Documents in favor of the Super Priority Administrative Agent, the Super Priority Collateral Agent or any other Super Priority Creditor in respect of the Common Collateral, the First Lien Trustee, the First Lien Collateral Agent or any First Lien Creditor shall be entitled to file any necessary responsive or defensive pleadings in opposition to any motion, claim, adversary proceeding or other pleadings made by any person objecting to or otherwise seeking the disallowance of the First Lien Claims, including without limitation any claims secured by the Common Collateral, if any, in each case in accordance with the terms of this Agreement, or (D) the First Lien Trustee, the First Lien Collateral Agent or any First Lien Creditor shall be entitled to file any pleadings, objections, motions or agreements which assert rights or interests available to unsecured creditors of the Grantors arising under either Bankruptcy Law or applicable non-bankruptcy law, in each case in accordance with the terms of this Agreement. In exercising rights and remedies with respect to the Common Collateral, the Super Priority Administrative Agent, the Super Priority Collateral Agent and the other Super Priority Creditors may enforce the provisions of the Super Priority Documents and exercise remedies thereunder, all in such order and in such manner as they may determine in the exercise of their sole discretion. Such exercise and enforcement shall include the rights of an agent appointed by them to sell or otherwise dispose of Common Collateral upon foreclosure, to cause the Grantors to deliver a transfer document in lieu of foreclosure to the Super Priority Creditors or any nominee of the Super Priority Creditors, to incur expenses in connection with such sale or disposition, and to exercise all the rights and remedies of a mortgagee in any applicable jurisdiction and a secured lender under the Uniform Commercial Code of any applicable jurisdiction and of a secured creditor under Bankruptcy Laws of any applicable jurisdiction. Upon the Discharge of Super Priority Claims, the First Lien Trustee, the First Lien Collateral Agent and the Mortgage Tax Collateral Agent, on behalf of themselves and the First Lien Creditors, will not be required to release their claims on any Common Collateral that has not been sold or otherwise disposed of in connection with the Discharge of Super Priority Claims.

(b) The First Lien Trustee, the First Lien Collateral Agent and the Mortgage Tax Collateral Agent (solely to the extent of any interest of the First Lien Creditors in the Common Collateral) on behalf of themselves and the First Lien Creditors, agree that solely as to the Common Collateral, they and each of them will not, in connection with the exercise of any right or remedy with respect to the Common Collateral, receive any Common Collateral or Proceeds of any Common Collateral in respect of First Lien Claims, or, upon or in any Insolvency or Liquidation Proceeding (except under any plan of reorganization approved by the Super Priority Creditors or as provided in section 6.6) with respect to any Grantor as debtor, take or receive any Common Collateral or any Proceeds of Common Collateral in respect of First Lien Claims, unless and until the Discharge of Super Priority Claims has occurred. Without limiting the generality of the foregoing, unless and until the Discharge of Super Priority Claims has occurred, except as expressly provided in the proviso in clause (ii) of Section 3.1(a) or Section 6.3, the sole right of the First Lien Trustee, the First Lien Collateral Agent, the Mortgage Tax Collateral Agent, to the extent of any interest of the First Lien Creditors, and the First Lien Creditors with respect to the Common Collateral is to hold a Lien on the Common Collateral in respect of First Lien Claims pursuant to the First Lien Documents for the period and to the extent granted therein and to receive a share of the Proceeds thereof, if any, after the Discharge of Super Priority Claims has occurred.

(c) Subject to the proviso in clause (ii) of Section 3.1(a), the First Lien Trustee and the First Lien Collateral Agent, for themselves and on behalf of the First Lien Creditors, agree that the First Lien Trustee, the First Lien Collateral Agent and the First Lien Creditors will not take any action that would hinder any exercise of remedies undertaken by the Super Priority Administrative Agent, the Super Priority Collateral Agent or the other Super Priority Creditors with respect to the Common Collateral under the Super Priority Documents, including any sale, lease, exchange, transfer or other disposition of the Common Collateral, whether by foreclosure or otherwise and shall release any and all claims in respect of such Common Collateral (except for the right to receive the balance of Proceeds and to be secured by the Common Collateral after Discharge of Super Priority Claims as described in Section 4.1 and 5.1) so that it may be sold free and clear of the Liens of the First Lien Creditors, the First Lien Collateral Agent, the Mortgage Tax Collateral Agent and of the First Lien Trustee, on behalf of the First Lien Creditors, and the First Lien Trustee and the First Lien Collateral Agent, for themselves and on behalf of any such First Lien Creditors, shall, within ten (10) Business Days of written request by the Super Priority Collateral Agent, the Super Priority Administrative Agent or the Mortgage Tax Collateral Agent (in its capacity as agent for the Super Priority Creditors), execute and deliver to the Super Priority Collateral Agent such termination statements, releases and other documents as the Super Priority Collateral Agent, the Super Priority Administrative Agent or the Mortgage Tax Collateral Agent (in its capacity as agent for the Super Priority Creditors) may request to effectively confirm such release and the First Lien Trustee, the First Lien Collateral Agent and the Mortgage Tax Collateral Agent, for themselves and on behalf of the First Lien Creditors, hereby irrevocably constitute and appoint the Super Priority Administrative Agent or the Super Priority Collateral Agent and any officer or agent of the Super Priority Administrative Agent or the Super Priority Collateral Agent, with full power of substitution, as their true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of the First Lien Trustee, the First Lien Collateral Agent, the Mortgage Tax Collateral Agent or such First Lien Creditor or in the Super Priority Administrative Agent's or the Super Priority Collateral Agent's own name, from time to time in the Super Priority Administrative Agent's or the Super Priority Collateral Agent's discretion, for the purpose of carrying out the terms of this Section 3.1(c), to take any and all appropriate action and to execute any and all documents and instruments that may be necessary to accomplish the purposes of this Section 3.1(c), including any termination statements, endorsements or other instruments of transfer or release. In exercising rights and remedies with respect to the Common Collateral, the Super Priority Administrative Agent, the Super Priority Collateral Agent and the other Super Priority Creditors may enforce the provisions of the Super Priority Documents and exercise remedies thereunder, all in such order and in such manner as they may determine in the exercise of their sole discretion. Such exercise and enforcement shall include the rights of an agent appointed by them to sell or otherwise dispose of Common Collateral upon foreclosure, to cause the Grantors to deliver a transfer document in lieu of foreclosure to the Super Priority Creditors or any nominee of the Super Priority Creditors, to incur expenses in connection with such sale or disposition, and to exercise all the rights and remedies of a mortgagee in any applicable jurisdiction and a secured creditor under the Uniform Commercial Code or other laws of any applicable jurisdiction and of a secured creditor under Bankruptcy Laws of any applicable jurisdiction. The First Lien Trustee, the Mortgage Tax Collateral Agent and the First Lien Collateral Agent for themselves and on behalf of the First Lien Creditors, hereby waive any and all rights they or the First Lien Creditors may have as a junior lien creditor or otherwise to object to the manner in which the Super Priority Administrative Agent, the Super Priority Collateral Agent or the other Super Priority Creditors seek to enforce or collect the Super Priority Claims or the Liens granted in any of the Common Collateral in respect of Super Priority Claims, regardless of whether any action or failure to act by or on behalf of the Super Priority Administrative Agent, the Super Priority Collateral Agent, the Mortgage Tax Collateral Agent or Super Priority Creditors is adverse to the interest of the First Lien Creditors. The First Lien Trustee and the First Lien Collateral Agent, for themselves and on behalf of the First Lien Creditors, waive the right to commence any legal action or assert in any legal action or in any Insolvency or Liquidation Proceeding any claim against the Super Priority Creditors seeking damages from the Super Priority Creditors or other relief, by way of specific performance, injunction or otherwise, with respect to any action taken or omitted by the Super Priority Creditors as permitted by this Agreement.

(d) The First Lien Trustee and the First Lien Collateral Agent hereby acknowledge and agree that no covenant, agreement or restriction contained in any First Lien Document shall be deemed to restrict in any way the rights and remedies of the Super Priority Administrative Agent, the Super Priority Collateral Agent or the other Super Priority Creditors with respect to the Common Collateral as set forth in this Agreement and the Super Priority Documents, to the extent consistent with this Agreement.

3.2 *Cooperation.* Subject to the proviso in clause (ii) of Section 3.1(a), the First Lien Trustee and the First Lien Collateral Agent, on behalf of themselves and the First Lien Creditors, agree that, unless and until the Discharge of Super Priority Claims has occurred, they will not commence, or join with any Person (other than the Super Priority Administrative Agent, the Super Priority Creditors, the Mortgage Tax Collateral Agent (in its capacity as agent for the Super Priority Creditors) and the Super Priority Collateral Agent upon the written request thereof) in commencing any enforcement, collection, execution, levy or foreclosure action or proceeding with respect to any Lien held by it in the Common Collateral under any of the First Lien Documents or otherwise in respect of the First Lien Claims.

Section 4. Payments.

4.1 *Application of Proceeds.* So long as the Discharge of Super Priority Claims has not occurred, any Proceeds of any Common Collateral paid or payable to the Super Priority Administrative Agent, the Mortgage Tax Collateral Agent (solely in respect of Super Priority Claims) or the Super Priority Collateral Agent as provided in section 3.1(b) or pursuant to the enforcement of any Security Document or the exercise of any right or remedy with respect to the Common Collateral under the Super Priority Documents, together with all other Proceeds received by any Person (including all funds received in respect of post-petition interest or fees and expenses) as a result of any such enforcement or the exercise of any such remedial provision or as a result of any distribution of or in respect of any Common Collateral (or the Proceeds thereof whether or not expressly characterized as such) upon or in any Insolvency or Liquidation Proceeding (except under any plan of reorganization approved by the Super Priority Creditors or as provided in section 6.6) with respect to any Grantor as debtor, shall be applied by the Super Priority Administrative Agent or the Super Priority Collateral Agent to the Super Priority Claims in such order as specified in the relevant Super Priority Document. Upon the Discharge of Super Priority Claims, the Super Priority Administrative Agent and/or the Super Priority Collateral Agent shall deliver to the First Lien Trustee any Proceeds of Common Collateral held by it in the same form as received, with any necessary endorsements or as a court of competent jurisdiction may otherwise direct, to be applied by the First Lien Trustee to the First Lien Noteholder Claims in such order as specified in the First Lien Documents.

4.2 *Payments Over.* So long as the Discharge of Super Priority Claims has not occurred, any Common Collateral or Proceeds thereof received by the First Lien Trustee, the First Lien Collateral Agent or any First Lien Creditor in connection with the exercise of any right or remedy (including set-off) relating to the Common Collateral in contravention of this Agreement shall be segregated and held in trust and forthwith paid over to the Super Priority Collateral Agent for the benefit of the Super Priority Creditors in the same form as received, with any necessary endorsements or as a court of competent jurisdiction may otherwise direct. If any Lien on Common Collateral for Super Priority Indebtedness is void or voidable and the Lien on the same Common Collateral of the First Lien Trustee, the First Lien Collateral Agent or any First Lien Creditor is not void or voidable, the Proceeds of such Lien received by the First Lien Trustee, the First Lien Collateral Agent or any First Lien Creditor shall be segregated and held in trust and forthwith paid over to the Super Priority Collateral Agent for the benefit of the Super Priority Creditors in the same form as received, with any necessary endorsements or as a court of competent jurisdiction may otherwise direct. The Super Priority Collateral Agent is hereby authorized to make any such endorsements as agent for the First Lien Trustee, the First Lien Collateral Agent or any such First Lien Creditor. This authorization is coupled with an interest and is irrevocable.

Section 5. Other Agreements.

5.1 *Reserved.*

5.2 *Insurance.* Unless and until the Discharge of Super Priority Claims has occurred, the Super Priority Administrative Agent, the Super Priority Collateral Agent and the other Super Priority Creditors shall have the sole and exclusive right, subject to the rights of the Grantors under the Super Priority Documents, to adjust settlement for any insurance policy covering the Common Collateral in the event of any loss thereunder and to approve any award granted in any condemnation or similar proceeding affecting the Common Collateral. Unless and until the Discharge of Super Priority Claims has occurred, all proceeds of any such policy and any such award if in respect of the Common Collateral shall be paid to the Super Priority Administrative Agent, the Super Priority Collateral Agent or the Mortgage Tax Collateral Agent for the benefit of the Super Priority Creditors to the extent required under the Super Priority Documents in respect of the Super Priority Claims and thereafter to the First Lien Trustee for the benefit of the First Lien Creditors to the extent required under the applicable First Lien Documents and then in accordance with the Existing Intercreditor Agreement. Subject to Section 5.4, if the First Lien Trustee, the First Lien Collateral Agent or any other First Lien Creditor shall, at any time, receive any proceeds of any such insurance policy or any such award in contravention of this Agreement, it shall pay such proceeds over to the Super Priority Administrative Agent in accordance with the terms of Section 4.2.

5.3 *Designation of Subordination; Amendments to First Lien Collateral Documents.*

(a) The First Lien Trustee and the First Lien Collateral Agent agree that each First Lien Collateral Document entered into on or after the date hereof shall include the following language (or language to similar effect approved by the Super Priority Administrative Agent):

"Notwithstanding anything herein to the contrary, the lien and security interest granted to the First Lien Collateral Agent pursuant to this Agreement and the exercise of any right or remedy by the First Lien Collateral Agent hereunder are subject to the provisions of the First Lien Intercreditor Agreement, dated as of September 8, 2016 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "First Lien Intercreditor Agreement"), among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., certain subsidiaries of Hovnanian Enterprises, Inc. party thereto, Wilmington Trust, National Association, as Super Priority Administrative Agent and Super Priority Collateral Agent, Wilmington Trust, National Association, as Mortgage Tax Collateral Agent and Wilmington Trust, National Association, as First Lien Trustee and First Lien Collateral Agent. In the event of any conflict between the terms of the First Lien Intercreditor Agreement and this Agreement, the terms of the First Lien Intercreditor Agreement shall govern."

(b) Unless and until the Discharge of Super Priority Claims has occurred, without the prior written consent of the Super Priority Administrative Agent, no First Lien Collateral Document may be amended, supplemented or otherwise modified or entered into to the extent such amendment, supplement or modification, or the terms of any new First Lien Collateral Document, would be prohibited by or inconsistent with any of the terms of this Agreement.

5.4 *Rights As Unsecured Creditors.* Notwithstanding anything to the contrary in this Agreement, the First Lien Trustee, the First Lien Collateral Agent and the other First Lien Creditors may exercise rights and remedies as unsecured creditors against the Company, Hovnanian or any Subsidiary that has guaranteed the First Lien Claims in accordance with the terms of the First Lien Documents and applicable law. Nothing in this Agreement shall prohibit the receipt by the First Lien Trustee, the First Lien Collateral Agent or any First Lien Creditors of the required payments of interest and principal so long as such receipt is not (i) the direct or indirect result of the exercise by the First Lien Trustee, the First Lien Collateral Agent, the Mortgage Tax Collateral Agent (in its capacity as agent for the First Lien Creditors) or any other First Lien Creditor of rights or remedies as a secured creditor in respect of Common Collateral or (ii) in violation of Section 3.1, 4.1, 5.2 or 6.3 of this Agreement. In the event that the First Lien Trustee, the First Lien Collateral Agent or any First Lien Creditor becomes a judgment lien creditor in respect of Common Collateral as a result of its enforcement of its rights as an unsecured creditor in respect of First Lien Claims, such judgment lien shall be subordinated to the Liens securing Super Priority Claims on the same basis as the other Liens securing the First Lien Claims are so subordinated to such Liens securing Super Priority Claims under this Agreement. Nothing in this Agreement impairs or otherwise adversely affects any rights or remedies the Super Priority Administrative Agent, the Super Priority Collateral Agent or the other Super Priority Creditors may have with respect to the Common Collateral.

5.5 *Bailee for Perfection*.

(a) Immediately upon the effectiveness of this Agreement and without further action being required, the First Lien Collateral Agent is hereby instructed to deliver to the Super Priority Collateral Agent all Pledged Collateral that is a part of the Common Collateral in its possession or control (or in the possession or control of its agents or bailees) and thereafter, the Super Priority Collateral Agent agrees to hold and shall hold the Pledged Collateral that is part of the Common Collateral in its possession or control (or in the possession or control of its agents or bailees) as bailee for and on behalf of the First Lien Collateral Agent and any assignee solely for the purpose of perfecting the security interest granted in such Pledged Collateral pursuant to the First Lien Security Agreement and/or the First Lien Pledge Agreement, subject to the terms and conditions of this Section 5.5.

(b) Prior to the date the Super Priority Collateral Agent obtains control of the Deposit Account Collateral that is part of the Common Collateral and controlled by the First Lien Collateral Agent, the First Lien Collateral Agent acknowledges that the First Lien Collateral Agent has control of the Deposit Account Collateral that is part of the Common Collateral and controlled by the First Lien Collateral Agent, for the Super Priority Collateral Agent and any assignee solely for the purpose of perfecting the security interest granted in such Deposit Account Collateral pursuant to the Super Priority Collateral Documents, and after such date, the Super Priority Collateral Agent acknowledges that is has control of the Deposit Account Collateral that is part of the Common Collateral and controlled by the Super Priority Collateral Agent for the First Lien Collateral Agent and any assignee solely for the purpose of perfecting the security interest granted in such Deposit Account Collateral pursuant to the First Lien Security Agreement, in each case, subject to the terms and conditions of this Section 5.5. Upon Discharge of Super Priority Claims, the Super Priority Collateral Agent shall continue to hold Deposit Account Collateral that is part of the Common Collateral and controlled by the Super Priority Collateral Agent pursuant to this clause (b) until the First Lien Collateral Agent has obtained control thereof for the purpose of perfecting its security interest.

(c) Except as otherwise specifically provided herein (including, without limitation, Sections 3.1 and 4.1), until the Discharge of Super Priority Claims has occurred, the Super Priority Collateral Agent shall be entitled to deal with the Pledged Collateral in accordance with the terms of the Super Priority Documents as if the Liens under the First Lien Collateral Documents did not exist. The rights of the First Lien Trustee, the First Lien Collateral Agent and the other First Lien Creditors with respect to such Pledged Collateral shall at all times be subject to the terms of this Agreement.

(d) The Super Priority Collateral Agent shall have no obligation whatsoever to the First Lien Trustee, the First Lien Collateral Agent or any other First Lien Creditor to assure that the Pledged Collateral is genuine or owned by any of the Grantors or to protect or preserve rights or benefits of any Person or any rights pertaining to the Common Collateral except as expressly set forth in this Section 5.5. The duties or responsibilities of the Super Priority Collateral Agent under this Section 5.5 shall be limited solely to holding the Pledged Collateral as bailee for the First Lien Collateral Agent for purposes of perfecting the Lien held by the First Lien Collateral Agent.

(e) The Super Priority Collateral Agent shall not have by reason of the First Lien Collateral Documents or this Agreement or any other document a fiduciary relationship in respect of the First Lien Trustee, the First Lien Collateral Agent or any First Lien Creditor and the First Lien Trustee, the First Lien Collateral Agent and the First Lien Creditors hereby waive and release the Super Priority Collateral Agent from all claims and liabilities arising pursuant to the Super Priority Collateral Agent's role under this Section 5.5, as agent and bailee with respect to the Common Collateral (other than its obligation to exercise reasonable care in connection with any Common Collateral actually in its possession).

(f) Upon Discharge of Super Priority Claims, the Super Priority Collateral Agent shall deliver to the First Lien Collateral Agent, to the extent that it is legally permitted to do so, the remaining Pledged Collateral (if any) together with any necessary endorsements (or otherwise allow the First Lien Collateral Agent to obtain control of such Pledged Collateral) or as a court of competent jurisdiction may otherwise direct. The Company shall take such further action as is required to effectuate the transfer contemplated hereunder. The Super Priority Collateral Agent has no obligation to follow instructions from the First Lien Collateral Agent in contravention of this Agreement. Without limiting the foregoing, upon Discharge of Super Priority Claims, the Super Priority Administrative Agent will use commercially reasonable efforts to promptly deliver an appropriate termination or other notice confirming such Discharge of Super Priority Claims to the applicable depositary bank, issuer of uncertificated securities or securities intermediary, if any, with respect to the Deposit Account Collateral, money market mutual fund or similar collateral, or securities account collateral.

(g) Neither the Super Priority Administrative Agent, the Super Priority Collateral Agent nor the Super Priority Creditors shall be required to marshal any present or future collateral security for the Company's or its Subsidiaries' obligations to the Super Priority Collateral Agent or the Super Priority Creditors under the Super Priority Agreements or the Super Priority Collateral Documents or to resort to such collateral security or other assurances of payment in any particular order, and all of their rights in respect of such collateral security shall be cumulative and in addition to all other rights, however existing or arising.

5.6 *Additional Collateral*. If any Lien is granted by any Grantor in favor of the Super Priority Creditors or the First Lien Creditors on any additional collateral (other than Common Collateral identified as Mortgage Tax Collateral which shall be subject to the Liens of the Mortgage Tax Collateral Agent), such additional collateral shall also be subject to a Lien in favor of the Super Priority Creditors and the First Lien Creditors in the relative lien priority scheme set forth in Section 2.1.

5.7 *Collateral Agents; Collateral Documents*.

(a) The Mortgage Tax Collateral Agent shall act as collateral agent for the Super Priority Creditors and the First Lien Creditors with respect to the Liens granted on Mortgaged Collateral located in the Mortgage Tax States (the "Mortgage Tax Collateral").

(b) With respect to any and all Super Priority Collateral other than the Mortgage Tax Collateral, the Super Priority Collateral Agent shall act as collateral agent on behalf of the Super Priority Creditors. The Company shall separately document the Super Priority Collateral Agent's Liens on any and all Super Priority Collateral other than the Mortgage Tax Collateral. With respect to any and all First Lien Noteholder Collateral other than the Mortgage Tax Collateral, the First Lien Collateral Agent shall act as collateral agent on behalf of the First Lien Creditors. The Company shall separately document the First Lien Collateral Agent's Liens on any and all First Lien Collateral other than the Mortgage Tax Collateral.

(c) *Determination of Status of Mortgage Tax Collateral; Reliance by Mortgage Tax Collateral Agent.* The determination of whether Liens to be granted on Mortgaged Collateral would constitute Mortgage Tax Collateral under the Super Priority Credit Agreement shall be made by the Company in the reasonable exercise of its discretion, and the Company shall so notify the Mortgage Tax Collateral Agent in a written certificate of such determination with a copy of such certificate to be contemporaneously provided to the Super Priority Administrative Agent and the First Lien Trustee. The Mortgage Tax Collateral Agent shall not be responsible for determining the status of any Mortgaged Collateral as Mortgage Tax Collateral and shall be entitled to rely on such certificate(s) of the Company identifying that any Mortgaged Collateral constitutes Mortgage Tax Collateral and shall be under no obligation to treat any Mortgaged Collateral not so identified as Mortgage Tax Collateral. Upon receipt of such certificate(s) from the Company identifying any Mortgaged Collateral as Mortgage Tax Collateral, the Mortgage Tax Collateral Agent shall be entitled to treat such Mortgaged Collateral as Mortgage Tax Collateral for all purposes under this Agreement. Any designation by the Company that any Mortgaged Collateral is Mortgage Tax Collateral shall be irrevocable. Any such certificates shall be full warrant to the Mortgage Tax Collateral Agent for any action taken, suffered or omitted in reliance thereof. The parties hereto agree that all Mortgaged Collateral located in Florida, Maryland, Washington, D.C., Minnesota, Virginia, New York and Georgia shall constitute Mortgage Tax Collateral without further action by the Company.

5.8 *Application of the Proceeds of the Mortgage Tax Collateral.*

(a) *Reserved.*

(b) Proceeds of the Mortgage Tax Collateral shall be applied as set forth in Section 4.1 so long as the Discharge of Super Priority Claims has not occurred. Unless and until the Discharge of Super Priority Claims has occurred, except as expressly provided in the proviso in clause (ii) of Section 3.1(a) and Section 6.3, the sole right of the First Lien Creditors with respect to the Mortgage Tax Collateral is to hold a shared Lien on the Mortgage Tax Collateral in respect of First Lien Claims pursuant to the First Lien Documents for the period and to the extent granted therein and to receive a share of the Proceeds thereof, if any, after the Discharge of the Super Priority Claims has occurred.

(c) Except as otherwise specifically provided in Sections 3.1 and 4.1, until the Discharge of Super Priority Claims has occurred, the Mortgage Tax Collateral Agent shall be entitled to deal with the Mortgage Tax Collateral in accordance with the terms of the Super Priority Documents as if the Liens under the First Lien Collateral Documents did not exist. The rights of the First Lien Trustee, the First Lien Collateral Agent and the other First Lien Creditors with respect to such Pledged Collateral shall at all times be subject to the terms of this Agreement.

(d) Until the Discharge of Super Priority Claims has occurred, the Mortgage Tax Collateral Agent shall have no obligation whatsoever to the First Lien Trustee, the First Lien Collateral Agent or any First Lien Creditor to assure that the Mortgage Tax Collateral is genuine or owned by any of the Grantors or to protect or preserve rights or benefits of any Person or any rights pertaining to the Common Collateral except as expressly set forth in this Section 5.8.

(e) Neither the Mortgage Tax Collateral Agent, the Super Priority Administrative Agent, the Super Priority Collateral Agent nor the Super Priority Creditors shall be required to marshal any present or future collateral security for the Company's or its Subsidiaries' obligations to the Super Priority Administrative Agent, the Super Priority Collateral Agent or the Super Priority Creditors under the Super Priority Agreements or the Super Priority Documents or to resort to such collateral security or other assurances of payment in any particular order, and all of their rights in respect of such collateral security shall be cumulative and in addition to all other rights, however existing or arising.

5.9 *No Fiduciary Duty*. The First Lien Trustee and the First Lien Collateral Agent agree, on behalf of themselves and the other First Lien Creditors, that the Super Priority Creditors, the Mortgage Tax Collateral Agent, the Super Priority Administrative Agent and the Super Priority Collateral Agent shall not have by reason of the First Lien Collateral Documents or this Agreement or any other document, a fiduciary relationship in respect of the First Lien Trustee, the First Lien Collateral Agent or any First Lien Creditor. The Super Priority Administrative Agent and the Super Priority Collateral Agent agree, on behalf of themselves and the Super Priority Creditors, that the First Lien Creditors, Mortgage Tax Collateral Agent, the First Lien Trustee and the First Lien Collateral Agent shall not have by reason of the Super Priority Collateral Documents or this Agreement or any other document, a fiduciary relationship in respect of the Super Priority Administrative Agent, the Super Priority Collateral Agent or any Super Priority Creditor.

Section 6. Insolvency or Liquidation Proceedings.

6.1 *Financing and Sale Issues.*

(a) If the Company or any other Grantor shall be subject to any Insolvency or Liquidation Proceeding and the Super Priority Administrative Agent shall desire to permit the use of cash collateral or to permit the Company or any other Grantor to obtain financing under Section 363 or Section 364 of Title 11 of the United States Code or any similar Bankruptcy Law ("DIP Financing"), then the First Lien Trustee, the First Lien Collateral Agent and the Mortgage Tax Collateral Agent, on behalf of themselves and the First Lien Creditors agree that (i) if the Super Priority Creditors consent to such use of cash collateral, the First Lien Trustee, the First Lien Collateral Agent and the Mortgage Tax Collateral Agent, on behalf of themselves and the First Lien Creditors, shall be deemed to have consented to such use of cash collateral so long as the First Lien Creditors receive (if requested) adequate protection in the manner permitted in Section 6.3 and (ii) if the Super Priority Creditors consent to DIP Financing that provides for priming of or *pari passu* treatment with the Super Priority Liens, the First Lien Trustee, the First Lien Collateral Agent and the Mortgage Tax Collateral Agent, on behalf of themselves and the First Lien Creditors, will not raise any objection to and shall be deemed to have consented to such DIP Financing, and to the extent the Liens securing the Super Priority Claims under the Super Priority Collateral Documents are subordinated or *pari passu* with such DIP Financing, they will subordinate their Liens in the Common Collateral to such DIP Financing (and all Obligations relating thereto) and the Super Priority Claims on the same basis as the other Liens securing the First Lien Claims are subordinated to Liens securing Super Priority Claims under this Agreement.

(b) The First Lien Trustee, the First Lien Collateral Agent and the Mortgage Tax Collateral Agent, on behalf of themselves and the First Lien Creditors, agree that they will not raise any objection to or oppose a sale of or other disposition of any Common Collateral free and clear of its Liens or other claims under Section 363 of the Bankruptcy Code if the Super Priority Creditors have consented to such sale or disposition of such assets so long as the interests of the First Lien Trustee, the First Lien Collateral Agent and the First Lien Creditors in the Common Collateral attach to the Proceeds in the relative priority scheme set forth in Section 2.1 and subject to the terms of this Agreement.

6.2 *Relief from the Automatic Stay.* Until the Discharge of Super Priority Claims has occurred, the First Lien Trustee, the First Lien Collateral Agent and the Mortgage Tax Collateral Agent, on behalf of themselves and the First Lien Creditors, agree that none of them shall seek relief from the automatic stay or any other stay in any Insolvency or Liquidation Proceeding in respect of the Common Collateral, without the prior written consent of the Super Priority Administrative Agent, acting at the direction of the required Super Priority Lenders.

6.3 *Adequate Protection.* The First Lien Trustee, the First Lien Collateral Agent and the Mortgage Tax Collateral Agent, on behalf of themselves and the First Lien Creditors, agree that none of them shall contest (or support any other Person contesting) (a) any request by the Super Priority Administrative Agent, the Super Priority Collateral Agent or the Super Priority Creditors for adequate protection or (b) any objection by the Super Priority Administrative Agent, the Super Priority Collateral Agent or the Super Priority Creditors to any motion, relief, action or proceeding based on Super Priority Administrative Agent's, the Super Priority Collateral Agent's or the Super Priority Creditors' claiming a lack of adequate protection. Notwithstanding the foregoing, in any Insolvency or Liquidation Proceeding, (i) the First Lien Trustee on behalf of itself and the First Lien Creditors, may seek or request adequate protection in the form of a replacement Lien on collateral, provided that the Super Priority Creditors are granted a Lien on such collateral before or at the same time the First Lien Creditors are granted a Lien on such collateral and that such Lien of the First Lien Collateral Agent shall be subordinated to the Super Priority Liens and any DIP Financing permitted under Section 6.1 (and all Obligations relating thereto) on the same basis as the other Liens securing the First Lien Claims are so subordinated to the Liens securing the Super Priority Indebtedness under this Agreement and (ii) in the event that the First Lien Trustee, on behalf of itself or any First Lien Creditor, seeks or requests adequate protection and such adequate protection is granted in the form of collateral securing the First Lien Claims, such Liens shall be subordinated to the Liens on such collateral securing the Super Priority Indebtedness and any such DIP Financing (and all Obligations relating thereto) and any other Liens granted to the Super Priority Creditors as adequate protection on the same basis as the other Liens securing the First Lien Claims are so subordinated to such Liens securing the Super Priority Claims under this Agreement and such collateral shall be included in and be part of the Common Collateral. Except as provided in this Section, the First Lien Trustee and the First Lien Collateral Agent, on behalf of themselves and the First Lien Creditors, further agree that they will not seek or accept any payments of adequate protection or any payments under Bankruptcy Code Section 362(d)(3)(B).

6.4 *No Waiver; Voting Restrictions.* Nothing contained herein shall prohibit or in any way limit the Super Priority Administrative Agent, the Super Priority Collateral Agent or any other Super Priority Creditor from objecting in any Insolvency or Liquidation Proceeding or otherwise to any action taken by the First Lien Trustee, the First Lien Collateral Agent or any of the First Lien Creditors, including the seeking by the First Lien Trustee, the First Lien Collateral Agent or any First Lien Creditor of adequate protection or the asserting by the First Lien Trustee, the First Lien Collateral Agent or any First Lien Creditor of any of its rights and remedies under the First Lien Documents or otherwise. In any Insolvency or Liquidation Proceeding, neither the First Lien Trustee, the First Lien Collateral Agent nor any First Lien Creditor shall vote any First Lien Claims in favor of any plan of reorganization (of any Grantor) unless (i) such plan provides for payment in full in cash of the Super Priority Indebtedness, (ii) such plan provides for the treatment of the Super Priority Claims in a manner that preserves the relative lien priority of the Super Priority Claims over the First Lien Claims to at least the same extent as set forth in this Agreement or (iii) such plan is approved by the Super Priority Creditors (to the extent such approval is required from the Super Priority Administrative Agent, or the Super Priority Collateral Agent, acting at the direction of the required Super Priority Creditors).

6.5 *Preference Issues; Recovery.* If any Super Priority Creditor is required in any Insolvency or Liquidation Proceeding or otherwise to turn over or otherwise pay to the estate of the Company or any other Grantor (or any trustee, receiver or similar person therefor), because the payment of such amount was declared to be fraudulent or preferential in any respect or for any other reason, any amount, whether received as proceeds of security, enforcement of any right of set-off or otherwise (a "Recovery"), then the Super Priority Claims shall be reinstated to the extent of such Recovery and deemed to be outstanding as if such payment had not occurred and the Super Priority Creditors shall be entitled to a Discharge of Super Priority Claims with respect to all such recovered amounts. If this Agreement shall have been terminated prior to such Recovery, this Agreement shall be reinstated in full force and effect, and such prior termination shall not diminish, release, discharge, impair or otherwise affect the obligations of the parties hereto.

6.6 *Reorganization Securities*. If, in any Insolvency or Liquidation Proceeding, debt obligations of the reorganized debtor secured by Liens upon any property of the reorganized debtor are distributed, pursuant to a plan of reorganization or similar dispositive restructuring plan, both on account of Super Priority Claims and on account of First Lien Claims, then, to the extent the debt obligations distributed on account of the Super Priority Claims and on account of the First Lien Claims are secured by Liens upon the same property, the provisions of this Agreement will survive the distribution of such debt obligations pursuant to such plan and will apply with like effect to the Liens securing such debt obligations.

6.7 *Application.* This Agreement shall be applicable and the terms hereof shall survive and shall continue in full force and effect prior to or after the commencement of any Insolvency or Liquidation Proceeding. All references herein to any Grantor shall apply to any trustee for such Person and such Person as debtor in possession. The relative rights as to the Common Collateral and Proceeds thereof shall continue after the filing thereof on the same basis as prior to the date of the petition, subject to any court order approving the financing of, or use of cash collateral by, any Grantor.

6.8 *Expense Claims.* None of the First Lien Collateral Agent, the First Lien Trustee or any other First Lien Creditor will assert or enforce, at any time prior to the Discharge of Super Priority Claims, any claim under §506(c) of the Bankruptcy Law senior to or on a parity with the Liens in favor of the Super Priority Administrative Agent, the Super Priority Collateral Agent and the other Super Priority Creditors for costs or expenses of preserving or disposing of any Common Collateral.

6.9 *Post-Petition Claims*. (a) None of the First Lien Collateral Agent, the First Lien Trustee or any First Lien Creditor shall oppose or seek to challenge any claim by the Super Priority Administrative Agent, the Super Priority Collateral Agent or any Super Priority Creditor for allowance in any Insolvency or Liquidation Proceeding of Super Priority Claims consisting of post-petition interest, fees, including legal fees, expenses or indemnities to the extent of the value of the Lien in favor of the Super Priority Administrative Agent, the Super Priority Collateral Agent and the Super Priority Creditors, without regard to the existence of the Lien of the First Lien Trustee or the First Lien Collateral Agent, on behalf of the First Lien Creditors, on the Common Collateral.

(b) None of the Super Priority Administrative Agent, the Super Priority Collateral Agent or any other Super Priority Creditor shall oppose or seek to challenge any claim by the First Lien Trustee or any First Lien Creditor for allowance in any Insolvency or Liquidation Proceeding of First Lien Claims consisting of post-petition interest, fees, including legal fees, expenses or indemnities to the extent of the value of the Lien of the First Lien Trustee on behalf of the First Lien Creditors on the Common Collateral (after taking into account the Liens in favor of the Super Priority Administrative Agent, the Super Priority Collateral Agent and the other Super Priority Creditors).

Section 7. Reliance; Waivers; etc.

7.1 *[Reserved]*.

7.2 *No Warranties or Liability.* The First Lien Trustee and the First Lien Collateral Agent, on behalf of themselves and the First Lien Creditors, acknowledge and agree that each of the Super Priority Administrative Agent, the Super Priority Collateral Agent, the Super Priority Creditors and the Mortgage Tax Collateral Agent have made no express or implied representation or warranty, including with respect to the execution, validity, legality, completeness, collectability or enforceability of any of the Super Priority Documents, the ownership of any Common Collateral or the perfection or priority of any Liens thereon. The Super Priority Creditors will be entitled to manage and supervise their respective loans, securities and extensions of credit under the Super Priority Documents in accordance with law and as they may otherwise, in their sole discretion, deem appropriate, and the Super Priority Creditors (including the Super Priority Credit Agreement Claimholders) may manage their loans, securities and extensions of credit without regard to any rights or interests that the First Lien Trustee or any of the First Lien Creditors have in the Common Collateral or otherwise, except as otherwise provided in this Agreement. None of the Super Priority Administrative Agent, the Super Priority Collateral Agent nor any other Super Priority Creditor shall have any duty to the First Lien Trustee, the First Lien Collateral Agent or any of the First Lien Creditors to act or refrain from acting in a manner that allows, or results in, the occurrence or continuance of an event of default or default under any agreements with the Company or any Subsidiary thereof (including the First Lien Documents), regardless of any knowledge thereof that they may have or be charged with. Except as expressly set forth in this Agreement, the Super Priority Administrative Agent, the Super Priority Collateral Agent, the Mortgage Tax Collateral Agent, the Super Priority Creditors, the First Lien Trustee, the First Lien Collateral Agent and the First Lien Creditors have not otherwise made to each other nor do they hereby make to each other any warranties, express or implied, nor do they assume any liability to each other with respect to (a) the enforceability, validity, value or collectability of any of the First Lien Claims, the Super Priority Claims or any guarantee or security which may have been granted to any of them in connection therewith, (b) the Company's, the Grantors' or any Subsidiary's title to or right to transfer any of the Common Collateral or (c) any other matter except as expressly set forth in this Agreement.

7.3 *Obligations Unconditional.* All rights, interests, agreements and obligations of the Super Priority Administrative Agent, the Super Priority Collateral Agent, the Mortgage Tax Collateral Agent, and the Super Priority Creditors, and the First Lien Trustee, the First Lien Collateral Agent, the First Lien Creditors and the Mortgage Tax Collateral Agent, respectively, hereunder shall remain in full force and effect irrespective of:

(a) any lack of validity or enforceability of any Super Priority Documents or any First Lien Documents;

(b) any change in the time, manner or place of payment of, or in any other terms of, all or any of the Super Priority Claims or First Lien Claims or any other claim, or any amendment or waiver or other modification, including any increase in the amount thereof, whether by course of conduct or otherwise, of the terms of the Super Priority Agreements or any other Super Priority Document or of the terms of the First Lien Indenture or any other First Lien Document;

(c) any exchange of any security interest in any Common Collateral or any other collateral, or any amendment, waiver or other modification, whether in writing or by course of conduct or otherwise, of all or any of the Super Priority Claims or First Lien Noteholder Claims or any guarantee thereof;

(d) the commencement of any Insolvency or Liquidation Proceeding in respect of the Company or any other Grantor; or

(e) any other circumstances that otherwise might constitute a defense available to, or a discharge of, the Company or any other Grantor in respect of the Super Priority Claims, or of the First Lien Trustee, the First Lien Collateral Agent or any First Lien Creditor in respect of this Agreement.

Section 8. Miscellaneous.

8.1 *Continuing Nature of this Agreement; Severability.* This Agreement shall continue to be effective until the Discharge of Super Priority Claims shall have occurred. This is a continuing agreement of lien subordination and the Super Priority Creditors may continue, at any time and without notice to the First Lien Trustee, the First Lien Collateral Agent or any First Lien Creditor, to extend credit and other financial accommodations and lend monies to or for the benefit of, or to hold the securities of, the Company or any other Grantor constituting Super Priority Claims in reliance hereon. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

8.2 *Amendments; Waivers.* (a) No amendment, modification or waiver of any of the provisions of this Agreement by the First Lien Trustee, the First Lien Collateral Agent, the Super Priority Administrative Agent, the Super Priority Collateral Agent or the Mortgage Tax Collateral Agent shall be deemed to be made unless the same shall be in writing signed on behalf of the party making the same or its authorized agent and each waiver, if any, shall be a waiver only with respect to the specific instance involved and shall in no way impair the rights of the parties making such waiver or the obligations of the other parties to such party in any other respect or at any other time. The Company and other Grantors shall not have any right to consent to or approve any amendment, modification or waiver of any provision of this Agreement except to the extent their rights are affected.

(b) Notwithstanding anything in this Section 8.2 to the contrary, this Agreement may be amended, supplemented or otherwise modified from time to time at the request of the Company, at the Company's expense, and without the consent of the Super Priority Administrative Agent, the Super Priority Collateral Agent, any other Super Priority Creditor, the First Lien Trustee, the First Lien Collateral Agent, any First Lien Creditor or the Mortgage Tax Collateral Agent to (i) add other parties holding Future First Lien Indebtedness (or any agent or trustee therefor) and Future Super Priority Indebtedness (or any agent or trustee therefor) in each case to the extent such Indebtedness is not prohibited by any Super Priority Document or any First Lien Document, (ii) in the case of Future First Lien Indebtedness, (A) establish that the Lien on the Common Collateral securing such Future First Lien Indebtedness shall be junior and subordinate in all respects to the Liens on the Common Collateral securing any Super Priority Claims and shall share in the benefits of the Common Collateral equally and ratably with all Liens on the Common Collateral securing any First Lien Claims and (B) provide to the holders of such Future First Lien Indebtedness (or any agent or trustee therefor) the comparable rights and benefits as are provided to the holders of First Lien Claims under this Agreement and (iii) in the case of Future Super Priority Indebtedness, (A) establish that the Lien on the Common Collateral securing such Future Super Priority Indebtedness shall be superior in all respects to all Liens on the Common Collateral securing any First Lien Claims and shall share in the benefits of the Common Collateral equally and ratably with all Liens on the Common Collateral securing any Super Priority Claims (it being understood that this clause (A) shall not prohibit the entry by the Super Priority Administrative Agent and the Super Priority Collateral Agent into a separate intercreditor agreement with the agent or trustee in respect of a Credit Facility (as defined in the Super Priority Credit Agreement) that provides that the Liens on the Common Collateral securing such Credit Facility are pari passu in all respects to the Liens on the Common Collateral securing the Super Priority Claims) and (B) provide to the holders of such Future Super Priority Indebtedness (or any agent or trustee thereof) the comparable rights and benefits as are provided to the holders of Super Priority Claims under this Agreement, in each case so long as such modifications do not expressly violate the provisions of the Super Priority Documents or the First Lien Documents. Any such additional party, the Super Priority Administrative Agent, the Super Priority Collateral Agent, the First Lien Trustee, the First Lien Collateral Agent and the Mortgage Tax Collateral Agent shall be entitled to conclusively rely solely on an Officers' Certificate (as defined in the Super Priority Credit Agreement and the First Lien Indenture) delivered to the Super Priority Administrative Agent, the Super Priority Collateral Agent, the First Lien Trustee, the First Lien Collateral Agent and the Mortgage Tax Collateral Agent that such amendment, supplement or other modification is authorized or permitted by, and complies with the provisions of, this Agreement, the Security Documents, the Super Priority Credit Agreement and the First Lien Indenture and that all conditions precedent to such amendment, supplement or other modification have been complied with.

8.3 *Information Concerning Financial Condition of the Company and the Subsidiaries.* (a) The Super Priority Administrative Agent, the Super Priority Collateral Agent and the Super Priority Creditors, on the one hand, and the First Lien Trustee, the First Lien Collateral Agent and the First Lien Creditors, on the other hand, shall each be responsible for keeping themselves informed of (i) the financial condition of Hovnanian, the Company and the Subsidiaries and all endorsers and/or guarantors of the First Lien Claims or the Super Priority Claims and (ii) all other circumstances bearing upon the risk of nonpayment of the First Lien Claims or the Super Priority Claims.

(b) The Super Priority Administrative Agent, the Super Priority Collateral Agent and the other Super Priority Creditors shall have no duty to advise the First Lien Trustee, the First Lien Collateral Agent or any First Lien Creditors of information known to it or them regarding such condition or any such circumstances or otherwise. In the event that the Super Priority Administrative Agent, the Super Priority Collateral Agent or any of the Super Priority Creditors, in its or their sole discretion, undertakes at any time or from time to time to provide any such information to the First Lien Trustee, the First Lien Collateral Agent or any First Lien Creditor, it or they shall be under no obligation (w) to make, and the Super Priority Administrative Agent, the Super Priority Collateral Agent and the Super Priority Creditors shall not make, any express or implied representation or warranty, including with respect to the accuracy, completeness, truthfulness or validity of any such information so provided, (x) to provide any additional information or to provide any such information on any subsequent occasion, (y) to undertake any investigation or (z) to disclose any information that, pursuant to accepted or reasonable commercial finance practices, such party wishes to maintain confidential or is otherwise required to maintain confidential.

(c) The First Lien Trustee, the First Lien Collateral Agent and the First Lien Noteholders shall have no duty to advise the Super Priority Administrative Agent, the Super Priority Collateral Agent or any Super Priority Creditors of information known to it or them regarding such condition or any such circumstances or otherwise. In the event that the First Lien Trustee, the First Lien Collateral Agent or any of the First Lien Creditors, in its or their sole discretion, undertakes at any time or from time to time to provide any such information to the Super Priority Administrative Agent, the Super Priority Collateral Agent or any Super Priority Creditor, it or they shall be under no obligation (w) to make, and the First Lien Trustee, the First Lien Collateral Agent and the First Lien Creditors shall not make, any express or implied representation or warranty, including with respect to the accuracy, completeness, truthfulness or validity of any such information so provided, (x) to provide any additional information or to provide any such information on any subsequent occasion, (y) to undertake any investigation or (z) to disclose any information that, pursuant to accepted or reasonable commercial finance practices, such party wishes to maintain confidential or is otherwise required to maintain confidential.

8.4 *Subrogation.* The First Lien Trustee and the First Lien Collateral Agent, on behalf of themselves and the First Lien Creditors, hereby agree not to assert or enforce any rights of subrogation they may acquire as a result of any payment hereunder until the Discharge of Super Priority Claims has occurred.

8.5 *Application of Payments.* Except as otherwise provided herein, all payments received by the Super Priority Creditors may be applied, reversed and reapplied, in whole or in part, to such part of the Super Priority Claims as the Super Priority Creditors, in their sole discretion, deem appropriate, consistent with the terms of the Super Priority Documents. Except as otherwise provided herein, the First Lien Trustee and the First Lien Collateral Agent, on behalf of themselves and the First Lien Creditors, assents to any such extension or postponement of the time of payment of the Super Priority Claims or any part thereof and to any other indulgence with respect thereto, to any substitution, exchange or release of any security that may at any time secure any part of the Super Priority Claims and to the addition or release of any other Person primarily or secondarily liable therefor.

8.6 *Consent to Jurisdiction; Waivers.* The parties hereto consent to the jurisdiction of any state or federal court located in New York, New York, and consent that all service of process may be made by registered mail directed to such party as provided in Section 8.7 for such party. Service so made shall be deemed to be completed three days after the same shall be posted as aforesaid. The parties hereto waive any objection to any action instituted hereunder in any such court based on *forum non conveniens*, and any objection to the venue of any action instituted hereunder in any such court. Each of the parties hereto waives any right it may have to trial by jury in respect of any litigation based on, or arising out of, under or in connection with this Agreement, or any course of conduct, course of dealing, verbal or written statement or action of any party hereto in connection with the subject matter hereof.

8.7 *Notices.* (a) All notices to the First Lien Noteholders and the Super Priority Creditors permitted or required under this Agreement may be sent to the First Lien Trustee and the Super Priority Administrative Agent, respectively. Unless otherwise specifically provided herein, any notice or other communication herein required or permitted to be given shall be in writing and may be personally served, telecopied or sent by electronic mail, courier service or U.S. mail and shall be deemed to have been given when delivered in person or by courier service, upon receipt of a telecopy or electronic mail or four Business Days after deposit in the U.S. mail (registered or certified, with postage prepaid and properly addressed). For the purposes hereof, the addresses of the parties hereto shall be as set forth below each party's name on the signature pages hereto, or, as to each party, at such other address as may be designated by such party in a written notice to all of the other parties. Notices to the Super Priority Administrative Agent, the Super Priority Collateral Agent, the First Lien Trustee and the First Lien Collateral Agent shall be deemed received when actually received by a Responsible Officer thereof.

(b) The First Lien Trustee and the Super Priority Administrative Agent agree to accept and act upon instructions or directions pursuant to the First Lien Indenture or the Super Priority Credit Agreement, as applicable, sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods. The First Lien Trustee and the Super Priority Administrative Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from their reliance upon and compliance with such instructions notwithstanding that such instructions conflict or are inconsistent with a subsequent written instruction. The party providing electronic instructions agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the First Lien Trustee and the Super Priority Administrative Agent, including without limitation the risk of the First Lien Trustee and the Super Priority Administrative Agent acting on unauthorized instructions, and the risk or interception and misuse by third parties.

8.8 *Further Assurances.* Each of the First Lien Trustee and the First Lien Collateral Agent, on behalf of itself and the First Lien Creditors, and the Super Priority Administrative Agent, the Mortgage Tax Collateral Agent and the Super Priority Collateral Agent, on behalf of itself and the Super Priority Creditors, agrees that each of them, at the expense of the Company, shall take such further action and shall execute and deliver to the Super Priority Administrative Agent, the Mortgage Tax Collateral Agent and the Super Priority Collateral Agent and the Super Priority Creditors such additional documents and instruments (in recordable form, if requested) as the Super Priority Administrative Agent, the Super Priority Collateral Agent or the Super Priority Creditors may reasonably request to effectuate the terms of and the lien priorities contemplated by this Agreement.

8.9 *Company Notice of the Discharge of Super Priority Claims*. The Company shall provide prompt written notice to the First Lien Trustee of any Discharge of the Super Priority Claims.

8.10 *Governing Law.* This Agreement has been delivered and accepted at and shall be deemed to have been made at New York, New York and shall be governed by and interpreted, and the rights and liabilities of the parties bound hereby determined, in accordance with the laws of the State of New York.

8.11 *Binding on Successors and Assigns.* This Agreement shall be binding upon the Super Priority Administrative Agent, the Super Priority Collateral Agent, the Super Priority Creditors, the Mortgage Tax Collateral Agent, the First Lien Trustee, the First Lien Collateral Agent, the First Lien Creditors, Hovnanian, the Company, the Guarantors and their respective permitted successors and assigns.

8.12 *Specific Performance.* The Super Priority Administrative Agent or the Super Priority Collateral Agent, on behalf of themselves and the Super Priority Creditors, may demand specific performance of this Agreement. Subject to the rights, benefits, protections, indemnifications and immunities afforded to the First Lien Trustee and the First Lien Collateral Agent, in the First Lien Documents, as applicable, the First Lien Creditors are hereby deemed to irrevocably waive any defense based on the adequacy of a remedy at law to bar the remedy of specific performance in any action that may be brought by the Super Priority Administrative Agent or the Super Priority Collateral Agent.

8.13 *Section Titles.* The section titles contained in this Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of this Agreement.

8.14 *Counterparts; Telecopy Signatures.* This Agreement may be signed in any number of counterparts each of which shall be an original, but all of which together shall constitute one and the same instrument; and, delivery of executed signature pages hereof by telecopy transmission, or other electronic transmission in *.pdf* or similar format, from one party to another shall constitute effective and binding execution and delivery of this Agreement by such party.

8.15 *Authorization.* By its signature, each Person executing this Agreement on behalf of a party hereto represents and warrants to the other parties hereto that it is duly authorized to execute this Agreement.

8.16 *No Third Party Beneficiaries; Successors and Assigns.* This Agreement and the rights and benefits hereof shall inure to the benefit of, and be binding upon, each of the parties hereto and their respective successors and assigns and shall inure to the benefit of each of, and be binding upon, the holders of Super Priority Claims and First Lien Claims. No other Person shall have or be entitled to assert rights or benefits hereunder.

8.17 *Effectiveness.* This Agreement shall become effective when executed and delivered by the parties hereto. This Agreement shall be effective both before and after the commencement of any Insolvency or Liquidation Proceeding. All references to the Company or any other Grantor shall include the Company or any other Grantor as debtor and debtor-in-possession and any receiver or trustee for the Company or any other Grantor (as the case may be) in any Insolvency or Liquidation Proceeding.

8.18 *Super Priority Administrative Agent, Super Priority Collateral Agent, First Lien Trustee and First Lien Collateral Agent.* It is understood and agreed that (a) Wilmington Trust, National Association is entering into this Agreement as Super Priority Administrative Agent and Super Priority Collateral Agent and the rights, benefits, protection, indemnifications and immunities afforded to the Super Priority Administrative Agent and Super Priority Collateral Agent, respectively, in the Super Priority Credit Agreement shall apply to the Super Priority Administrative Agent and the Super Priority Collateral Agent, respectively, hereunder and (b) Wilmington Trust, National Association is entering into this Agreement as First Lien Trustee and First Lien Collateral Agent and the rights, benefits, protection, indemnifications and immunities afforded to the First Lien Trustee and First Lien Collateral Agent, respectively, in the First Lien Indenture and the First Lien Documents shall apply to the First Lien Trustee and the First Lien Collateral Agent, respectively, hereunder.

The permissive authorizations, entitlements, powers and rights granted to each of the Super Priority Administrative Agent and the Super Priority Collateral Agent herein shall not be construed as duties. Any exercise of discretion on behalf of the Super Priority Administrative Agent or the Super Priority Collateral Agent shall be exercised in accordance with the terms of the Super Priority Credit Agreement.

The permissive authorizations, entitlements, powers and rights granted to each of the First Lien Trustee and the First Lien Collateral Agent herein shall not be construed as duties. Any exercise of discretion on behalf of the First Lien Trustee or the First Lien Collateral Agent shall be exercised in accordance with the terms of the First Lien Indenture.

Pursuant to Section 9.01 of the First Lien Indenture, the First Lien Trustee and the First Lien Collateral Agent are executing this Agreement in reliance upon the authorization and direction of the First Lien Noteholders contained therein.

8.19 *Designations.* For purposes of the provisions hereof, the Super Priority Credit Agreement and the First Lien Indenture requiring the Company to designate Indebtedness for the purposes of the term “First-Priority Lien Obligations”, any such designation shall be sufficient if the relevant designation is set forth in writing, signed on behalf of the Company by an officer thereof and delivered to the Super Priority Administrative Agent and the First Lien Trustee. For all purposes hereof and the First Lien Indenture, the Company hereby designates the Indebtedness incurred pursuant to the Super Priority Documents as First-Priority Lien Obligations.

8.20 *Relative Rights; Conflict.* Notwithstanding anything in this Agreement to the contrary, nothing in this Agreement is intended to or will (a) amend, waive or otherwise modify the provisions of the Super Priority Credit Agreement or the First Lien Indenture or any other Super Priority Credit Agreement Documents or First Lien Noteholder Documents entered into in connection with the Super Priority Credit Agreement or the First Lien Indenture or permit the Company or any Subsidiary to take any action, or fail to take any action, to the extent such action or failure would otherwise constitute a breach of, or default under, the Super Priority Credit Agreement or any other Super Priority Credit Agreement Documents entered into in connection with the Super Priority Credit Agreement or the First Lien Indenture or any other First Lien Noteholder Documents entered into in connection with the First Lien Indenture, (b) change the relative priorities of the Super Priority Claims or the Liens granted under the Super Priority Documents on the Common Collateral (or any other assets) as among the Super Priority Creditors, (c) otherwise change the relative rights of the Super Priority Creditors in respect of the Common Collateral as among such Super Priority Creditors or (d) obligate the Company or any Subsidiary to take any action, or fail to take any action, that would otherwise constitute a breach of, or default under, the Super Priority Credit Agreement or any other Super Priority Document entered into in connection with the Super Priority Credit Agreement or the First Lien Indenture or any other First Lien Document entered into in connection with the First Lien Indenture. As it relates to matters between the First Lien Trustee, the First Lien Collateral Agent, the First Lien Creditors and the Mortgage Tax Collateral Agent (in its capacity as agent for the First Lien Creditors), on the one hand, and the Super Priority Administrative Agent, the Super Priority Collateral Agent, the Super Priority Creditors and the Mortgage Tax Collateral Agent (in its capacity as agent for the Super Priority Creditors), on the other hand, in any conflict between the provisions of this Agreement and the Super Priority Documents or the First Lien Noteholder Documents including without limitation, the Existing Intercreditor Agreement and the Mortgage Tax Collateral Agency Agreement, this Agreement shall govern.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, each of the undersigned has caused this Intercreditor Agreement to be duly executed and delivered as of the date first above written.

Notice Address:

Wilmington Trust, National Association

50 South Sixth Street, Suite 1290
Minneapolis, MN 55402
Attention: K. Hovnanian Administrator
Telecopy: 612-217-5651

Super Priority Administrative Agent

WILMINGTON TRUST, NATIONAL ASSOCIATION
not in its individual capacity but solely in its capacity as Super Priority Administrative Agent and acting in such capacity as collateral agent

By: /s/ Jeffrey Rose
Name: Jeffrey Rose
Title: Vice President

Notice Address:

Wilmington Trust, National Association

Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1600
Attention: K. Hovnanian Administrator
Telecopy: 302-636-4149

Mortgage Tax Collateral Agent

WILMINGTON TRUST, NATIONAL ASSOCIATION
not in its individual capacity but solely in its capacity as Mortgage Tax Collateral Agent

By: /s/ John T. Needham, Jr.
Name: John T. Needham, Jr.
Title: Vice President

Notice Address:

Wilmington Trust, National Association

Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1600
Attention: K. Hovnanian Administrator
Telecopy: 302-636-4149

First Lien Trustee

WILMINGTON TRUST, NATIONAL ASSOCIATION
not in its individual capacity but solely in its capacity as First Lien Trustee

By: /s/ John T. Needham, Jr.
Name: John T. Needham, Jr.
Title: Vice President

Notice Address:

Wilmington Trust, National Association

Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1600
Attention: K. Hovnanian Administrator
Telecopy: 302-636-4149

First Lien Collateral Agent

WILMINGTON TRUST, NATIONAL ASSOCIATION
not in its individual capacity but solely in its capacity as First Lien Collateral Agent

By: /s/ John T. Needham, Jr.
Name: John T. Needham, Jr.
Title: Vice President

K. HOVNANIAN ENTERPRISES, INC.

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice President Finance and Treasurer

HOVNANIAN ENTERPRISES, INC.

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice President Finance and Treasurer

K. HOV IP, II, Inc.

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice President Finance and Treasurer

On behalf of each other entity named in Schedule A hereto

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice President Finance and Treasurer

Address for Notices for the Company, Hovnanian and their Subsidiaries:

c/o Hovnanian Enterprises, Inc.
110 West Front St., P.O. Box 500
Red Bank, NJ 07701
Attention: David Bachstetter
Telephone: (732) 383-2759
Facsimile: (732) 747-6835

SCHEDULE A – LIST OF ENTITIES

ARBOR TRAILS, LLC
BUILDER SERVICES NJ, L.L.C.
BUILDER SERVICES PA, L.L.C.
EASTERN NATIONAL TITLE AGENCY, LLC
EASTERN TITLE AGENCY OF ILLINOIS, LLC
EASTERN TITLE AGENCY, INC.
F&W MECHANICAL SERVICES, L.L.C.
FOUNDERS TITLE AGENCY OF MARYLAND, L.L.C.
FOUNDERS TITLE AGENCY, INC.
GLENRISE GROVE, L.L.C.
GOVERNOR'S ABSTRACT CO., INC.
HOMEBUYERS FINANCIAL SERVICES, L.L.C.
HOVNANIAN DEVELOPMENTS OF FLORIDA, INC.
HOVNANIAN ENTERPRISES, INC. (PARENT COMPANY)
HOVNANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP, L.L.C.
K. HOV IP, II, INC.
K. HOVNANIAN ABERDEEN, LLC
K. HOVNANIAN ACQUISITIONS, INC.
K. HOVNANIAN AT 240 MISSOURI, LLC
K. HOVNANIAN AT 4S, LLC
K. HOVNANIAN AT AIRE ON MCDOWELL, LLC
K. HOVNANIAN AT ALISO, LLC
K. HOVNANIAN AT ALLENTOWN, L.L.C.
K. HOVNANIAN AT ANDALUSIA, LLC
K. HOVNANIAN AT ASBURY PARK URBAN RENEWAL, LLC
K. HOVNANIAN AT ASHBY PLACE, LLC
K. HOVNANIAN AT AVENUE ONE, L.L.C.
K. HOVNANIAN AT BAKERSFIELD 463, L.L.C.
K. HOVNANIAN AT BARNEGAT I, L.L.C.
K. HOVNANIAN AT BARNEGAT II, L.L.C.
K. HOVNANIAN AT BEACON PARK AREA 129, LLC
K. HOVNANIAN AT BEACON PARK AREA 137, LLC
K. HOVNANIAN AT BELLA LAGO, LLC
K. HOVNANIAN AT BLACKSTONE, LLC
K. HOVNANIAN AT BOCA DUNES, LLC
K. HOVNANIAN AT BRANCHBURG II, LLC
K. HOVNANIAN AT BRANCHBURG, L.L.C.
K. HOVNANIAN AT BRANCHBURG-VOLLERS, LLC
K. HOVNANIAN AT BRENFORD STATION, LLC
K. HOVNANIAN AT BRIDGEPORT, INC.
K. HOVNANIAN AT BRIDGEWATER I, L.L.C.
K. HOVNANIAN AT BRIDGEWATER II, LLC
K. HOVNANIAN AT BURCH KOVE, LLC

K. HOVNANIAN AT CAMP HILL, L.L.C.
K. HOVNANIAN AT CAMPTON PRAIRIE, LLC
K. HOVNANIAN AT CAPISTRANO, L.L.C.
K. HOVNANIAN AT CARLSBAD, LLC
K. HOVNANIAN AT CATANIA, LLC
K. HOVNANIAN AT CATON'S RESERVE, LLC
K. HOVNANIAN AT CEDAR GROVE III, L.L.C.
K. HOVNANIAN AT CEDAR GROVE URBAN RENEWAL, LLC
K. HOVNANIAN AT CEDAR LANE, LLC
K. HOVNANIAN AT CHARTER WAY, LLC
K. HOVNANIAN AT CHESTERFIELD, L.L.C.
K. HOVNANIAN AT CHRISTINA COURT, LLC
K. HOVNANIAN AT CIELO, L.L.C.
K. HOVNANIAN AT COASTLINE, L.L.C.
K. HOVNANIAN AT COOSAW POINT, LLC
K. HOVNANIAN AT CORAL LAGO, LLC
K. HOVNANIAN AT CORTEZ HILL, LLC
K. HOVNANIAN AT DENVILLE, L.L.C.
K. HOVNANIAN AT DEPTFORD TOWNSHIP, L.L.C.
K. HOVNANIAN AT DOMINGUEZ HILLS, INC.
K. HOVNANIAN AT DOYLESTOWN, LLC
K. HOVNANIAN AT EAST BRANDYWINE, L.L.C.
K. HOVNANIAN AT EAST BRUNSWICK III, LLC
K. HOVNANIAN AT EAST BRUNSWICK, LLC
K. HOVNANIAN AT EAST WINDSOR, LLC
K. HOVNANIAN AT EDEN TERRACE, L.L.C.
K. HOVNANIAN AT EDGEWATER II, L.L.C.
K. HOVNANIAN AT EDGEWATER, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH II, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH, L.L.C.
K. HOVNANIAN AT ESTATES AT WHEATLANDS, LLC
K. HOVNANIAN AT EVERGREEN, L.L.C.
K. HOVNANIAN AT EVESHAM, LLC
K. HOVNANIAN AT FAIRFIELD RIDGE, LLC
K. HOVNANIAN AT FIDDYMENT RANCH, LLC
K. HOVNANIAN AT FIFTH AVENUE, L.L.C.
K. HOVNANIAN AT FLORENCE I, L.L.C.
K. HOVNANIAN AT FLORENCE II, L.L.C.
K. HOVNANIAN AT FOREST MEADOWS, L.L.C.
K. HOVNANIAN AT FOX PATH AT HAMPTON LAKE, LLC
K. HOVNANIAN AT FRANKLIN II, L.L.C.
K. HOVNANIAN AT FRANKLIN, L.L.C.
K. HOVNANIAN AT FREEHOLD TOWNSHIP III, LLC
K. HOVNANIAN AT FRESNO, LLC

K. HOVNANIAN AT GALLERY, LLC
K. HOVNANIAN AT GASLAMP SQUARE, L.L.C.
K. HOVNANIAN AT GENEVA MEADOWS, LLC
K. HOVNANIAN AT GILROY 60, LLC
K. HOVNANIAN AT GILROY, LLC
K. HOVNANIAN AT GREAT NOTCH, L.L.C.
K. HOVNANIAN AT HACKETTSTOWN II, L.L.C.
K. HOVNANIAN AT HAMPTON COVE, LLC
K. HOVNANIAN AT HAMPTON LAKE, LLC
K. HOVNANIAN AT HANOVER ESTATES, LLC
K. HOVNANIAN AT HERSHEY'S MILL, INC.
K. HOVNANIAN AT HIDDEN BROOK, LLC
K. HOVNANIAN AT HILLSBOROUGH, LLC
K. HOVNANIAN AT HILLTOP RESERVE II, LLC
K. HOVNANIAN AT HILLTOP RESERVE, LLC
K. HOVNANIAN AT HOWELL II, LLC
K. HOVNANIAN AT HOWELL III, LLC
K. HOVNANIAN AT HOWELL, LLC
K. HOVNANIAN AT HUDSON POINTE, L.L.C.
K. HOVNANIAN AT HUNTFIELD, LLC
K. HOVNANIAN AT INDIAN WELLS, LLC
K. HOVNANIAN AT ISLAND LAKE, LLC
K. HOVNANIAN AT JACKSON I, L.L.C.
K. HOVNANIAN AT JACKSON, L.L.C.
K. HOVNANIAN AT JAEGER RANCH, LLC
K. HOVNANIAN AT JERSEY CITY IV, L.L.C.
K. HOVNANIAN AT KEYPORT, L.L.C.
K. HOVNANIAN AT LA COSTA GREENS, L.L.C.
K. HOVNANIAN AT LA LAGUNA, L.L.C.
K. HOVNANIAN AT LAKE BURDEN, LLC
K. HOVNANIAN AT LAKE LECLARE, LLC
K. HOVNANIAN AT LAKE RANCHO VIEJO, LLC
K. HOVNANIAN AT LAKE RIDGE ESTATES, LLC
K. HOVNANIAN AT LAKE TERRAPIN, L.L.C.
K. HOVNANIAN AT LEE SQUARE, L.L.C.
K. HOVNANIAN AT LENAH WOODS, LLC
K. HOVNANIAN AT LILY ORCHARD, LLC
K. HOVNANIAN AT LINK FARM, LLC
K. HOVNANIAN AT LITTLE EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR, L.L.C
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LOWER MAKEFIELD TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MORELAND II, L.L.C.
K. HOVNANIAN AT MAGNOLIA PLACE, LLC
K. HOVNANIAN AT MAHWAH VI, INC.

K. HOVNANIAN AT MAIN STREET SQUARE, LLC
K. HOVNANIAN AT MALAN PARK, L.L.C.
K. HOVNANIAN AT MANALAPAN II, L.L.C.
K. HOVNANIAN AT MANALAPAN III, L.L.C.
K. HOVNANIAN AT MANALAPAN V, LLC
K. HOVNANIAN AT MANALAPAN VI, LLC
K. HOVNANIAN AT MANSFIELD II, L.L.C.
K. HOVNANIAN AT MANTECA, LLC
K. HOVNANIAN AT MAPLE AVENUE, L.L.C.
K. HOVNANIAN AT MARLBORO IX, LLC
K. HOVNANIAN AT MARLBORO TOWNSHIP IX, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP V, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP VIII, L.L.C.
K. HOVNANIAN AT MARLBORO VI, L.L.C.
K. HOVNANIAN AT MARPLE, LLC
K. HOVNANIAN AT MEADOWRIDGE VILLAS, LLC
K. HOVNANIAN AT MELANIE MEADOWS, LLC
K. HOVNANIAN AT MENDHAM TOWNSHIP, L.L.C.
K. HOVNANIAN AT MIDDLE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT MIDDLE TOWNSHIP, L.L.C.
K. HOVNANIAN AT MIDDLETOWN II, L.L.C.
K. HOVNANIAN AT MIDDLETOWN III, LLC
K. HOVNANIAN AT MIDDLETOWN, LLC
K. HOVNANIAN AT MILLVILLE I, L.L.C.
K. HOVNANIAN AT MILLVILLE II, L.L.C.
K. HOVNANIAN AT MONROE IV, L.L.C.
K. HOVNANIAN AT MONROE NJ II, LLC
K. HOVNANIAN AT MONROE NJ III, LLC
K. HOVNANIAN AT MONROE NJ, L.L.C.
K. HOVNANIAN AT MONTGOMERY, LLC
K. HOVNANIAN AT MONTVALE II, LLC
K. HOVNANIAN AT MONTVALE, L.L.C.
K. HOVNANIAN AT MORRIS TWP, LLC
K. HOVNANIAN AT MT. LAUREL, LLC
K. HOVNANIAN AT MUIRFIELD, LLC
K. HOVNANIAN AT NORTH BERGEN. L.L.C.
K. HOVNANIAN AT NORTH BRUNSWICK VI, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL II, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL III, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL IV, L.L.C.
K. HOVNANIAN AT NORTH WILDWOOD, L.L.C.
K. HOVNANIAN AT NORTHAMPTON, L.L.C.
K. HOVNANIAN AT NORTHERN WESTCHESTER, INC.
K. HOVNANIAN AT NORTHFIELD, L.L.C.
K. HOVNANIAN AT NORTHRIDGE ESTATES, LLC
K. HOVNANIAN AT NORTON LAKE LLC

K. HOVNANIAN AT NOTTINGHAM MEADOWS, LLC
K. HOVNANIAN AT OAK POINTE, LLC
K. HOVNANIAN AT OCEAN TOWNSHIP, INC
K. HOVNANIAN AT OCEAN VIEW BEACH CLUB, LLC
K. HOVNANIAN AT OCEANPORT, L.L.C.
K. HOVNANIAN AT OLD BRIDGE, L.L.C.
K. HOVNANIAN AT PALM VALLEY, L.L.C.
K. HOVNANIAN AT PARKSIDE, LLC
K. HOVNANIAN AT PARSIPPANY, L.L.C.
K. HOVNANIAN AT PAVILION PARK, LLC
K. HOVNANIAN AT PIAZZA D'ORO, L.L.C.
K. HOVNANIAN AT PIAZZA SERENA, L.L.C
K. HOVNANIAN AT PICKETT RESERVE, LLC
K. HOVNANIAN AT PITTSGROVE, L.L.C.
K. HOVNANIAN AT PLANTATION LAKES, L.L.C.
K. HOVNANIAN AT POINTE 16, LLC
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL V, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VIII, L.L.C.
K. HOVNANIAN AT POSITANO, LLC
K. HOVNANIAN AT PRADO, L.L.C.
K. HOVNANIAN AT PRAIRIE POINTE, LLC
K. HOVNANIAN AT QUAIL CREEK, L.L.C.
K. HOVNANIAN AT RANCHO CABRILLO, LLC
K. HOVNANIAN AT RANDOLPH I, L.L.C.
K. HOVNANIAN AT RAPHO, L.L.C
K. HOVNANIAN AT REDTAIL, LLC
K. HOVNANIAN AT RESERVES AT WHEATLANDS, LLC
K. HOVNANIAN AT RESIDENCE AT DISCOVERY SQUARE, LLC
K. HOVNANIAN AT RIDGEMONT, L.L.C.
K. HOVNANIAN AT ROCK LEDGE, LLC
K. HOVNANIAN AT RODERUCK, L.L.C.
K. HOVNANIAN AT ROSEMARY LANTANA, L.L.C.
K. HOVNANIAN AT SAGE, L.L.C.
K. HOVNANIAN AT SAGEBROOK, LLC
K. HOVNANIAN AT SANTA NELLA, LLC
K. HOVNANIAN AT SAWMILL, INC.
K. HOVNANIAN AT SCOTCH PLAINS, L.L.C.
K. HOVNANIAN AT SEASONS LANDING, LLC
K. HOVNANIAN AT SHELDON GROVE, LLC
K. HOVNANIAN AT SHREWSBURY, LLC
K. HOVNANIAN AT SIGNAL HILL, LLC
K. HOVNANIAN AT SILVER SPRING, L.L.C.
K. HOVNANIAN AT SILVERSTONE, LLC
K. HOVNANIAN AT SKYE ISLE, LLC
K. HOVNANIAN AT SKYE ON MCDOWELL, LLC
K. HOVNANIAN AT SMITHVILLE, INC.

K. HOVNANIAN AT SOMERSET, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK II, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK III, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK, L.L.C.
K. HOVNANIAN AT STANTON, LLC
K. HOVNANIAN AT STATION SQUARE, L.L.C.
K. HOVNANIAN AT SUMMERLAKE, LLC
K. HOVNANIAN AT SUNRIDGE PARK, LLC
K. HOVNANIAN AT SUNRISE TRAIL II, LLC
K. HOVNANIAN AT SUNRISE TRAIL III, LLC
K. HOVNANIAN AT TERRA BELLA TWO, LLC
K. HOVNANIAN AT THE COMMONS AT RICHMOND HILL, LLC
K. HOVNANIAN AT THE CROSBY, LLC
K. HOVNANIAN AT THE MONARCH, L.L.C.
K. HOVNANIAN AT THE PROMENADE AT BEAVER CREEK, LLC
K. HOVNANIAN AT THOMPSON RANCH, LLC
K. HOVNANIAN AT TRAFFORD PLACE, LLC
K. HOVNANIAN AT TRAIL RIDGE, LLC
K. HOVNANIAN AT UPPER PROVIDENCE, LLC
K. HOVNANIAN AT UPPER UWCHLAN II, L.L.C.
K. HOVNANIAN AT UPPER UWCHLAN, L.L.C.
K. HOVNANIAN AT VALLE DEL SOL, LLC
K. HOVNANIAN AT VERONA ESTATES, LLC
K. HOVNANIAN AT VERONA URBAN RENEWAL, L.L.C.
K. HOVNANIAN AT VICTORVILLE, L.L.C.
K. HOVNANIAN AT VINEYARD HEIGHTS, LLC
K. HOVNANIAN AT VISTA DEL SOL, L.L.C.
K. HOVNANIAN AT WALDWICK, LLC
K. HOVNANIAN AT WALKERS GROVE, LLC
K. HOVNANIAN AT WARREN TOWNSHIP II, LLC
K. HOVNANIAN AT WARREN TOWNSHIP, L.L.C.
K. HOVNANIAN AT WATERSTONE, LLC
K. HOVNANIAN AT WAYNE IX, L.L.C.
K. HOVNANIAN AT WEST VIEW ESTATES, L.L.C.
K. HOVNANIAN AT WESTBROOK, LLC
K. HOVNANIAN AT WESTSHORE, LLC
K. HOVNANIAN AT WHEELER RANCH, LLC
K. HOVNANIAN AT WHEELER WOODS, LLC
K. HOVNANIAN AT WHITEMARSH, LLC
K. HOVNANIAN AT WILDWOOD BAYSIDE, L.L.C.
K. HOVNANIAN AT WOODCREEK WEST, LLC
K. HOVNANIAN AT WOOLWICH I, L.L.C.
K. HOVNANIAN BELDEN POINTE, LLC
K. HOVNANIAN BELMONT RESERVE, LLC
K. HOVNANIAN CAMBRIDGE HOMES, L.L.C.
K. HOVNANIAN CENTRAL ACQUISITIONS, L.L.C.

K. HOVNANIAN CLASSICS, L.L.C.
K. HOVNANIAN COMMUNITIES, INC.
K. HOVNANIAN COMPANIES OF CALIFORNIA, INC.
K. HOVNANIAN COMPANIES OF MARYLAND, INC.
K. HOVNANIAN COMPANIES OF NEW YORK, INC.
K. HOVNANIAN COMPANIES OF PENNSYLVANIA, INC.
K. HOVNANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.
K. HOVNANIAN COMPANIES, LLC
K. HOVNANIAN CONSTRUCTION II, INC
K. HOVNANIAN CONSTRUCTION III, INC
K. HOVNANIAN CONSTRUCTION MANAGEMENT, INC.
K. HOVNANIAN CONTRACTORS OF OHIO, LLC
K. HOVNANIAN CRAFTBUILT HOMES OF SOUTH CAROLINA, L.L.C.
K. HOVNANIAN CYPRESS KEY, LLC
K. HOVNANIAN DEVELOPMENTS OF ARIZONA, INC.
K. HOVNANIAN DEVELOPMENTS OF CALIFORNIA, INC.
K. HOVNANIAN DEVELOPMENTS OF D.C., INC.
K. HOVNANIAN DEVELOPMENTS OF DELAWARE, INC.
K. HOVNANIAN DEVELOPMENTS OF GEORGIA, INC.
K. HOVNANIAN DEVELOPMENTS OF ILLINOIS, INC.
K. HOVNANIAN DEVELOPMENTS OF KENTUCKY, INC.
K. HOVNANIAN DEVELOPMENTS OF MARYLAND, INC.
K. HOVNANIAN DEVELOPMENTS OF MINNESOTA, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY II, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW YORK, INC.
K. HOVNANIAN DEVELOPMENTS OF NORTH CAROLINA, INC.
K. HOVNANIAN DEVELOPMENTS OF OHIO, INC.
K. HOVNANIAN DEVELOPMENTS OF PENNSYLVANIA, INC.
K. HOVNANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.
K. HOVNANIAN DEVELOPMENTS OF TEXAS, INC.
K. HOVNANIAN DEVELOPMENTS OF VIRGINIA, INC.
K. HOVNANIAN DEVELOPMENTS OF WEST VIRGINIA, INC.
K. HOVNANIAN DFW AUBURN FARMS, LLC
K. HOVNANIAN DFW BELMONT, LLC
K. HOVNANIAN DFW HARMON FARMS, LLC
K. HOVNANIAN DFW HERITAGE CROSSING, LLC
K. HOVNANIAN DFW HOMESTEAD, LLC
K. HOVNANIAN DFW INSPIRATION, LLC
K. HOVNANIAN DFW LEXINGTON, LLC
K. HOVNANIAN DFW LIBERTY CROSSING, LLC
K. HOVNANIAN DFW LIGHT FARMS II, LLC
K. HOVNANIAN DFW LIGHT FARMS, LLC
K. HOVNANIAN DFW MIDTOWN PARK, LLC
K. HOVNANIAN DFW PALISADES, LLC
K. HOVNANIAN DFW PARKSIDE, LLC

K. HOVNANIAN DFW RIDGEVIEW, LLC
K. HOVNANIAN DFW SEVENTEEN LAKES, LLC
K. HOVNANIAN DFW TRAILWOOD, LLC
K. HOVNANIAN DFW VILLAS AT MUSTANG PARK, LLC
K. HOVNANIAN DFW WELLINGTON, LLC
K. HOVNANIAN DFW WILDRIDGE, LLC
K. HOVNANIAN EASTERN PENNSYLVANIA, L.L.C.
K. HOVNANIAN EDGEBROOK, LLC
K. HOVNANIAN ENTERPRISES, INC.
K. HOVNANIAN ESTATES AT REGENCY, L.L.C.
K. HOVNANIAN ESTATES AT WEKIVA, LLC
K. HOVNANIAN FALLS POINTE, LLC
K. HOVNANIAN FIRST HOMES, L.L.C.
K. HOVNANIAN FLORIDA REALTY, L.L.C.
K. HOVNANIAN FOREST VALLEY, LLC
K. HOVNANIAN FOUR SEASONS @ HISTORIC VIRGINIA, LLC
K. HOVNANIAN FOUR SEASONS AT GOLD HILL, LLC
K. HOVNANIAN GRAND CYPRESS, LLC
K. HOVNANIAN GRANDEFIELD, LLC
K. HOVNANIAN GREAT WESTERN BUILDING COMPANY, LLC
K. HOVNANIAN GREAT WESTERN HOMES, LLC
K. HOVNANIAN HAMPTONS AT OAK CREEK II, L.L.C.
K. HOVNANIAN HIDDEN HOLLOW, LLC
K. HOVNANIAN HIGHLAND RIDGE, LLC
K. HOVNANIAN HOLDINGS NJ, L.L.C.
K. HOVNANIAN HOMES - DFW, L.L.C.
K. HOVNANIAN HOMES AT BROOK MANOR, LLC
K. HOVNANIAN HOMES AT BURKE JUNCTION, LLC
K. HOVNANIAN HOMES AT CAMP SPRINGS, L.L.C.
K. HOVNANIAN HOMES AT CREEKSIDE, LLC
K. HOVNANIAN HOMES AT FOREST RUN, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM PARK TOWNS, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM, L.L.C.
K. HOVNANIAN HOMES AT JONES STATION 1, L.L.C.
K. HOVNANIAN HOMES AT LEIGH MILL, LLC
K. HOVNANIAN HOMES AT MAXWELL PLACE, L.L.C.
K. HOVNANIAN HOMES AT REEDY CREEK, LLC
K. HOVNANIAN HOMES AT RUSSETT, L.L.C.
K. HOVNANIAN HOMES AT SALT CREEK LANDING, LLC
K. HOVNANIAN HOMES AT SHELL HALL, LLC
K. HOVNANIAN HOMES AT ST. JAMES PLACE, LLC
K. HOVNANIAN HOMES AT THE ABBY, LLC
K. HOVNANIAN HOMES AT THE HIGHLANDS, LLC
K. HOVNANIAN HOMES AT THE PADDOCKS, LLC
K. HOVNANIAN HOMES AT THOMPSON'S GRANT, LLC
K. HOVNANIAN HOMES AT WILLOWSFORD GRANT, LLC
K. HOVNANIAN HOMES AT WILLOWSFORD GREENS, LLC

K. HOVNANIAN HOMES NORTHERN CALIFORNIA, INC.
K. HOVNANIAN HOMES OF D.C., L.L.C.
K. HOVNANIAN HOMES OF DELAWARE, L.L.C.
K. HOVNANIAN HOMES OF GEORGIA, L.L.C.
K. HOVNANIAN HOMES OF HOUSTON, L.L.C.
K. HOVNANIAN HOMES OF LONGACRE VILLAGE, L.L.C.
K. HOVNANIAN HOMES OF MARYLAND, L.L.C.
K. HOVNANIAN HOMES OF MINNESOTA AT ARBOR CREEK, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT AUTUMN MEADOWS, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT BRYNWOOD, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT CEDAR HOLLOW, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT FOUNDER'S RIDGE, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT HARPERS STREET WOODS, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT OAKS OF OXBOW, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT REGENT'S POINT, LLC
K. HOVNANIAN HOMES OF MINNESOTA, L.L.C.
K. HOVNANIAN HOMES OF NORTH CAROLINA, INC.
K. HOVNANIAN HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN HOMES OF SOUTH CAROLINA, LLC
K. HOVNANIAN HOMES OF VIRGINIA, INC.
K. HOVNANIAN HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN HOUSTON CITY HEIGHTS, LLC
K. HOVNANIAN INDIAN TRAILS, LLC
K. HOVNANIAN LADUE RESERVE, LLC
K. HOVNANIAN LAKES OF GREEN, LLC
K. HOVNANIAN LEGACY AT VIA BELLA, LLC
K. HOVNANIAN LIBERTY ON BLUFF CREEK, LLC
K. HOVNANIAN MANALAPAN ACQUISITION, LLC
K. HOVNANIAN MONARCH GROVE, LLC
K. HOVNANIAN NORTH CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTHEAST SERVICES, L.L.C.
K. HOVNANIAN NORTHPOINTE 40S, LLC
K. HOVNANIAN OF HOUSTON II, L.L.C.
K. HOVNANIAN OF OHIO, LLC
K. HOVNANIAN OHIO REALTY, L.L.C.
K. HOVNANIAN PA REAL ESTATE, INC.
K. HOVNANIAN PENNSYLVANIA ACQUISITIONS, L.L.C.
K. HOVNANIAN PORT IMPERIAL URBAN RENEWAL, INC.
K. HOVNANIAN PROPERTIES OF RED BANK, INC.
K. HOVNANIAN REYNOLDS RANCH, LLC
K. HOVNANIAN RIVENDALE, LLC
K. HOVNANIAN RIVERSIDE, LLC
K. HOVNANIAN SCHADY RESERVE, LLC
K. HOVNANIAN SHERWOOD AT REGENCY, LLC

K. HOVNANIAN SHORE ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTH FORK, LLC
K. HOVNANIAN SOUTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTHERN NEW JERSEY, L.L.C.
K. HOVNANIAN STERLING RANCH, LLC
K. HOVNANIAN SUMMIT HOLDINGS, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF KENTUCKY, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES, L.L.C.
K. HOVNANIAN T&C HOMES AT FLORIDA, L.L.C.
K. HOVNANIAN T&C HOMES AT ILLINOIS, L.L.C.
K. HOVNANIAN TIMBRES AT ELM CREEK, LLC
K. HOVNANIAN UNION PARK, LLC
K. HOVNANIAN VENTURE I, L.L.C.
K. HOVNANIAN VILLAGE GLEN, LLC
K. HOVNANIAN WATERBURY, LLC
K. HOVNANIAN WHITE ROAD, LLC
K. HOVNANIAN WINDWARD HOMES, LLC
K. HOVNANIAN WOODLAND POINTE, LLC
K. HOVNANIAN WOODRIDGE PLACE, LLC
K. HOVNANIAN'S FOUR SEASONS AT BAKERSFIELD, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT BEAUMONT, LLC
K. HOVNANIAN'S FOUR SEASONS AT BRIARGATE, LLC
K. HOVNANIAN'S FOUR SEASONS AT CHARLOTTESVILLE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT HEMET, LLC
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND CONDOMINIUMS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT LOS BANOS, LLC
K. HOVNANIAN'S FOUR SEASONS AT MORENO VALLEY, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT NEW KENT VINEYARDS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT PALM SPRINGS, LLC
K. HOVNANIAN'S FOUR SEASONS AT RENAISSANCE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK II, LLC
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT SILVER MAPLE FARM, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT ST. MARGARETS LANDING, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT THE MANOR II, LLC
K. HOVNANIAN'S FOUR SEASONS AT THE MANOR, LLC
K. HOVNANIAN'S PARKSIDE AT TOWNGATE, L.L.C.
K. HOVNANIAN'S VERANDA AT RIVERPARK II, LLC
K. HOVNANIAN'S VERANDA AT RIVERPARK, LLC
KHH SHELL HALL LOAN ACQUISITION, LLC
LANDARAMA, INC.
LAUREL HIGHLANDS, LLC
M & M AT MONROE WOODS, L.L.C.

M&M AT CHESTERFIELD, L.L.C.
M&M AT CRESCENT COURT, L.L.C.
M&M AT WEST ORANGE, L.L.C.
MATZEL & MUMFORD AT EGG HARBOR, L.L.C.
MCNJ, INC.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF PENNSYLVANIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF WEST VIRGINIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES, L.L.C.
MM-BEACHFRONT NORTH I, LLC
NEW HOME REALTY, LLC
NEW LAND TITLE AGENCY, L.L.C.
PADDOCKS, L.L.C.
PARK TITLE COMPANY, LLC
PINE AYR, LLC
RIDGEMORE UTILITY, L.L.C.
SEABROOK ACCUMULATION CORPORATION
SHELL HALL CLUB AMENITY ACQUISITION, LLC
SHELL HALL LAND ACQUISITION, LLC
STONEBROOK HOMES, INC.
TERRAPIN REALTY, L.L.C.
THE MATZEL & MUMFORD ORGANIZATION, INC
WASHINGTON HOMES, INC.
WESTMINSTER HOMES, INC.
WH PROPERTIES, INC.
WOODMORE RESIDENTIAL, L.L.C.
WTC VENTURES, L.L.C.

Exhibit 10(n)

EXECUTION VERSION

AMENDED AND RESTATED INTERCREDITOR AGREEMENT

This AMENDED AND RESTATED INTERCREDITOR AGREEMENT, dated as of September 8, 2016, and entered into by and among HOVNANIAN ENTERPRISES, INC., K. HOVNANIAN ENTERPRISES, INC. each other Grantor (as defined below) from time to time party hereto, WILMINGTON TRUST, NATIONAL ASSOCIATION, in its capacities as trustee (in such capacity, together with its successors and assigns, the "Senior Notes Trustee") and as collateral agent (in such capacity, together with its successors and assigns, the "Senior Notes Collateral Agent") under the Senior Noteholder Documents (as defined below), WILMINGTON TRUST, NATIONAL ASSOCIATION, in its capacity as administrative agent (in such capacity, together with its successors and assigns, the "Senior Credit Agreement Administrative Agent" and, together with the Senior Notes Trustee, the "Senior Representatives") under the Senior Credit Agreement Documents (as defined below), WILMINGTON TRUST, NATIONAL ASSOCIATION, in its capacity as collateral agent for the Mortgage Tax Collateral (as defined below) (together with its successor and assigns, the "Mortgage Tax Collateral Agent"), WILMINGTON TRUST, NATIONAL ASSOCIATION, in its capacities as trustee (in such capacity, together with its successors and assigns, the "9.125% Junior Trustee") and as collateral agent (in such capacity, together with its successors and assigns, the "9.125% Junior Collateral Agent") under the 9.125% Junior Noteholder Documents (as defined below), WILMINGTON TRUST, NATIONAL ASSOCIATION, in its capacities as trustee (in such capacity, together with its successors and assigns, the "10.000% Junior Trustee" and, together with the 9.125% Junior Trustee, the "Junior Representatives") and as collateral agent (in such capacity, together with its successors and assigns, the "10.000% Junior Collateral Agent" and together with the 9.125% Junior Collateral Agent, the "Junior Notes Collateral Agents") under the 10.000% Junior Noteholder Documents (as defined below) and WILMINGTON TRUST, NATIONAL ASSOCIATION, in its capacity as the Junior Joint Collateral Agent (as defined below) for the benefit of the holders of the obligations under the Junior Indentures (as defined below).

RECITALS

WHEREAS, the Company, Hovnanian and certain of their Subsidiaries (as defined below) and the Senior Credit Agreement Administrative Agent are entering into the Credit Agreement, dated as of July 29, 2016 (as amended, supplemented or otherwise modified from time to time, the "Senior Credit Agreement"), the obligations under which shall be secured by various assets of the Grantors;

WHEREAS, the Company, Hovnanian and certain of their Subsidiaries (as defined below), the Senior Notes Trustee and the Senior Notes Collateral Agent have entered into that certain Indenture dated as of October 2, 2012 (as amended, supplemented or otherwise modified from time to time, the "Senior Indenture"), pursuant to which the Senior Notes (as defined below) are governed and the obligations under which are secured by various assets of the Grantors;

WHEREAS, the Company, Hovnanian and certain of their Subsidiaries, the 9.125% Junior Trustee and the 9.125% Junior Collateral Agent have entered into that certain Indenture dated as of October 2, 2012 (as amended, supplemented or otherwise modified from time to time, the "9.125% Junior Indenture"), pursuant to which the 9.125% Junior Notes (as defined below) are governed and the obligations under which are secured by various assets of the Grantors;

WHEREAS, the Company, Hovnanian and certain of their Subsidiaries, the 10.000% Junior Trustee and the 10.000% Junior Collateral Agent are entering into the Indenture dated as of the date hereof (as amended, supplemented or otherwise modified from time to time, the "10.000% Junior Indenture" and, together with the 9.125% Junior Indenture, the "Junior Indentures"), pursuant to which the 10.000% Junior Notes (as defined below) shall be governed and the obligations under which shall be secured by various assets of the Grantors;

WHEREAS, the Company, Hovnanian and certain of their Subsidiaries, the Junior Notes Collateral Agents and the Junior Joint Collateral Agent are parties to the Second Lien Collateral Agency Agreement, dated as of the date hereof (as amended, supplemented or otherwise modified from time to time, the "Second Lien Collateral Agency Agreement"), pursuant to which the Junior Joint Collateral Agent has agreed to act as collateral agent for holders of the obligations under the Junior Indentures;

WHEREAS, the Company, Hovnanian and certain of their Subsidiaries, the Senior Notes Collateral Agent, the Senior Credit Agreement Collateral Agent, the Mortgage Tax Collateral Agent, the Junior Notes Collateral Agents and the Junior Joint Collateral Agent are parties to the Amended and Restated Collateral Agency Agreement, dated as of the date hereof (as amended, supplemented or otherwise modified from time to time, the "Amended and Restated Collateral Agency Agreement"), pursuant to which the Mortgage Tax Collateral Agent has agreed to act as agent for the Secured Parties (as defined therein) in connection with the Mortgage Tax Collateral; and

WHEREAS, to order the priorities of their respective Liens (as defined below) on the assets of the Grantors and address other related matters set forth below, the parties hereto desire to amend and restate that certain Intercreditor Agreement, dated as of October 2, 2012 (as heretofore amended, supplemented or otherwise modified, the "Existing Intercreditor Agreement"), by and among Company, Hovnanian, the other Grantors, the Senior Notes Trustee, the Senior Notes Collateral Agent, the Mortgage Tax Collateral Agent, the 9.125% Junior Trustee and the 9.125% Junior Collateral Agent.

WHEREAS, to order the priority of their respective Liens on the assets of the Grantors and address other related matters, the Company, Hovnanian, each other Grantor from time to time party thereto, the Senior Credit Agreement Administrative Agent, the Senior Credit Agreement Collateral Agent, the Mortgage Tax Collateral Agent, the Senior Notes Trustee and the Senior Notes Collateral Agent are parties to the First Lien Intercreditor Agreement, dated as of the date hereof (as amended, supplemented or otherwise modified from time to time, the "Super Priority Intercreditor Agreement").

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants and obligations herein set forth and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree to amend and restate the Existing Intercreditor Agreement in its entirety pursuant to Section 8.2(b) thereof as follows:

Section 1. (a) Definitions. As used in this Agreement, the definitions set forth above are incorporated herein and the following terms have the meanings specified below:

"9.125% Junior Collateral Agent" has the meaning set forth in the preamble hereto.

"9.125% Junior Indenture" has the meaning set forth in the recitals.

"9.125% Junior Noteholder Documents" means collectively the 9.125% Junior Indenture, the 9.125% Junior Notes and the Junior Noteholder Documents related thereto.

"9.125% Junior Notes" means the 9.125% Senior Secured Second Lien Notes due 2020 issued by the Company pursuant to the 9.125% Junior Indenture.

"9.125% Junior Trustee" has the meaning set forth in the preamble hereto.

"10.000% Junior Collateral Agent" has the meaning set forth in the preamble hereto.

"10.000% Junior Indenture" has the meaning set forth in the recitals.

"10.000% Junior Noteholder Documents" means collectively the 10.000% Junior Indenture, the 10.000% Junior Notes and the Junior Noteholder Documents related thereto.

"10.000% Junior Notes" means the 10.000% Senior Secured Second Lien Notes due 2018 to be issued by the Company pursuant to the 10.000% Junior Indenture.

"10.000% Junior Trustee" has the meaning set forth in the preamble hereto.

"Agreement" means this Amended and Restated Intercreditor Agreement, as amended, renewed, extended, supplemented or otherwise modified from time to time in accordance with the terms hereof.

"Amended and Restated Collateral Agency Agreement" has the meaning set forth in the recitals.

"Amended and Restated Junior Pledge Agreement" means the Amended and Restated Second Lien Pledge Agreement, dated as of the date hereof, made by the Company, Hovnanian and the other Grantors in favor of the Junior Joint Collateral Agent, which amends and restates the existing Second Lien Pledge Agreement, dated as of October 2, 2012, made by the Company, Hovnanian and the other Grantors in favor of the 9.125% Junior Collateral Agent, as the same may be further amended, restated or otherwise modified from time to time.

"Amended and Restated Junior Security Agreement" means the Amended and Restated Second Lien Security Agreement, dated as of the date hereof, made by the Company, Hovnanian and the other Grantors in favor of the Junior Joint Collateral Agent, which amends and restates the existing Second Lien Security Agreement, dated as of October 2, 2012, made by the Company, Hovnanian and the other Grantors in favor of the 9.125% Junior Collateral Agent, as the same may be further amended, restated or otherwise modified from time to time.

"Bankruptcy Code" means Title 11 of the United States Code.

"Bankruptcy Law" means the Bankruptcy Code and any similar Federal, state or foreign law for the relief of debtors.

"Business Day" means any day other than a Saturday, a Sunday or other day on which commercial banks in New York City or in the city where the Corporate Trust Office or similar administrative office of either a Senior Representative or a Junior Representative is located are authorized or required by law or regulation to close.

"Common Collateral" means all of the assets of any Grantor, whether real, personal or mixed, constituting both Senior Collateral and Junior Collateral.

"Company" means K. Hovnanian Enterprises, Inc., a corporation organized and existing under the laws of the State of California and wholly-owned by Hovnanian.

"Controlling Senior Collateral Agent" means (a) prior to the Termination Date (as defined in the Senior Credit Agreement), the Senior Credit Agreement Collateral Agent, and (b) at any time thereafter, the Senior Notes Collateral Agent.

"Deposit Account" has the meaning set forth in the Uniform Commercial Code.

"Deposit Account Collateral" means that part of the Common Collateral comprised of Deposit Accounts, Financial Assets and Investment Property.

"DIP Financing" has the meaning set forth in Section 6.1.

"Discharge of Senior Claims" means payment in full in cash of (a) all Obligations in respect of all outstanding First-Lien Indebtedness or, with respect to letters of credit outstanding thereunder, delivery of cash collateral in an amount required by the applicable letter of credit, and termination of all commitments to extend credit thereunder and (b) any other Senior Claims that are due and payable or otherwise accrued and owing at or prior to the time such principal and interest are paid, excluding, in any case, Unasserted Contingent Obligations.

"Financial Assets" has the meaning set forth in the Uniform Commercial Code.

"First-Lien Indebtedness" means (a) Indebtedness incurred pursuant to the Senior Credit Agreement Documents, (b) Indebtedness incurred pursuant to the Senior Noteholder Documents, (c) all other Indebtedness secured by Liens on all or a portion of the Common Collateral that are senior or equal in priority to the Liens on the Common Collateral securing the Senior Credit Agreement Claims or the Senior Noteholder Claims in an aggregate principal amount not to exceed the amount permitted to be secured on a first-lien basis pursuant to the Senior Credit Agreement, the Senior Indenture and the Junior Indentures and (d) Refinancing Indebtedness in respect of Indebtedness covered by clauses (a) through (c) above, in each case plus interest, advances reasonably necessary to preserve the value of the Common Collateral or to protect the Common Collateral, costs and fees, including legal fees, expenses, and reimbursements to the extent authorized under the Senior Collateral Documents or UCC § 9-607(d), and, in each case, all other Obligations in respect of such Indebtedness.

"First-Lien Intercreditor Agreement" has the meaning set forth in Section 8.2(b).

"Future First-Lien Indebtedness" means any First-Lien Indebtedness, other than Indebtedness that is incurred pursuant to the Senior Agreements, which is permitted to be secured by a first lien on the Common Collateral for purposes of the Senior Credit Agreement, the Senior Indenture and the Junior Indentures or any other Senior Document or Junior Document.

"Future Second-Lien Indebtedness" means any Second-Lien Indebtedness, other than Indebtedness that is incurred pursuant to the Junior Noteholder Documents, which is permitted to be secured by a second lien on the Common Collateral for purposes of the Senior Agreements and the Junior Agreements or any other Senior Document or Junior Document.

"Grantors" means the Company, Hovnanian and each of its Subsidiaries that has or will have executed and delivered a Senior Collateral Document or a Junior Collateral Document.

"Hovnanian" means Hovnanian Enterprises, Inc., a Delaware corporation.

"Indebtedness" means and includes all obligations that constitute "Indebtedness" within the definition of "Indebtedness" set forth in the Senior Credit Agreement and the Senior Indenture, as applicable.

"Insolvency or Liquidation Proceeding" means (a) any voluntary or involuntary case or proceeding under any Bankruptcy Law with respect to any Grantor as a debtor, (b) any other voluntary or involuntary insolvency, reorganization or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding with respect to any Grantor or with respect to any material part of their respective assets, (c) any liquidation, dissolution, reorganization or winding up of any Grantor whether voluntary or involuntary and whether or not involving insolvency or bankruptcy or (d) any assignment for the benefit of creditors or any other marshalling of assets and liabilities of any Grantor.

"Investment Property" has the meaning set forth in the Uniform Commercial Code.

"Junior Agreement" means any Junior Indenture and any other agreement governing Second-Lien Indebtedness.

"Junior Claims" means all Second-Lien Indebtedness outstanding, including any Future Second-Lien Indebtedness, and all Obligations in respect thereof. Junior Claims include, for the avoidance of doubt, all Junior Noteholder Claims.

"Junior Collateral" means all of the assets of any Grantor, whether real, personal or mixed, with respect to which a Lien is granted as security for any Junior Claim. Junior Collateral includes, for the avoidance of doubt, all Junior Noteholder Collateral.

"Junior Collateral Agents" means the collective reference to the Junior Notes Collateral Agents and the Junior Joint Collateral Agent.

"Junior Collateral Documents" means any agreement, document or instrument pursuant to which a Lien is granted securing any Junior Claims or under which rights or remedies with respect to such Liens are governed, as the same may be amended, restated or otherwise modified from time to time. Junior Collateral Documents include, for the avoidance of doubt, the Junior Noteholder Collateral Documents.

"Junior Creditors" means the Persons holding Junior Claims, including all Junior Notes Claimholders.

"Junior Documents" mean the Junior Agreements, the Junior Collateral Documents, and each of the other agreements, documents and instruments providing for or evidencing any other Obligation under any Junior Document and any other related document or instrument executed or delivered pursuant to any Junior Document at any time or otherwise evidencing any Second-Lien Indebtedness. Junior Documents include, for the avoidance of doubt, the Junior Noteholder Documents.

"Junior Indentures" has the meaning set forth in the recitals.

"Junior Joint Collateral Agent" means the "Collateral Agent" under, and as defined in, the Second Lien Collateral Agency Agreement.

"Junior Noteholder Claims" means all Second-Lien Indebtedness and all Obligations with respect thereto.

"Junior Noteholder Collateral" means all of the assets of any Grantor, whether real, personal or mixed, with respect to which a Lien is granted as security for any Junior Noteholder Claim.

"Junior Noteholder Collateral Documents" means any agreement, document or instrument pursuant to which a Lien is granted by any Grantor to secure any Junior Noteholder Claims or under which rights or remedies with respect to any such Lien are governed as the same may be amended, restated or otherwise modified from time to time as permitted by this Agreement.

"Junior Noteholder Documents" means collectively (a) the Junior Indentures, the Junior Notes and the Junior Noteholder Collateral Documents and (b) any other related document or instrument executed and delivered pursuant to any Junior Noteholder Document described in clause (a) above evidencing or governing any Obligations thereunder as the same may be amended, restated or otherwise modified from time to time.

"Junior Noteholders" means the Persons holding Junior Notes.

"Junior Notes" means (a) the 9.125% Junior Notes and (b) the 10.000% Junior Notes.

"Junior Notes Claimholders" means the Persons holding Junior Noteholder Claims, including the Junior Noteholders, Junior Representatives, the Junior Notes Collateral Agents and the Junior Joint Collateral Agent.

"Junior Notes Collateral Agents" has the meaning set forth in the recitals.

"Junior Representatives" has the meaning set forth in the preamble hereto.

"Lien" means, with respect to any asset, any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset.

"Mortgage Tax Collateral" has the meaning set forth in Section 5.7(a).

"Mortgage Tax Collateral Agent" has the meaning set forth in the preamble hereto.

"Mortgage Tax States" means the states of Florida, Maryland, Washington, D.C., Minnesota, Virginia, New York and Georgia, and any other state(s) identified to the Mortgage Tax Collateral Agent by the Company and either Senior Collateral Agent which requires a significant payment of mortgage recording taxes or other fees or taxes of a comparable nature and magnitude as that of any of the foregoing Mortgage Tax States.

"Mortgaged Collateral" means any real property collateral, with respect to which a lien on and security interest in, has been, or is required to be granted to (a) the Senior Collateral Agent pursuant to Section 4.18 of the Senior Indenture, (b) the Senior Credit Agreement Collateral Agent pursuant to Section 6.13 of the Senior Credit Agreement, (c) the 9.125% Junior Collateral Agent pursuant to Section 4.18 of the 9.125% Junior Indenture, (d) the 10.000% Junior Collateral Agent pursuant to Section 4.18 of the 10.000% Junior Indenture or (e) any other holder of Senior Claims or Junior Claims (or any agent or trustee on their behalf) pursuant to the terms of any Senior Document or any Junior Document, as applicable.

"Obligations" means and includes all obligations that constitute "Obligations" within the definition of "Obligations" set forth in any Senior Agreement (including the Senior Credit Agreement and the Senior Indenture) or Junior Agreement (including the Junior Indentures), as applicable.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, entity or other party, including any government and any political subdivision, agency or instrumentality thereof.

"Pledged Collateral" means (a) the Common Collateral in the possession or control of the Controlling Senior Collateral Agent (or its agents or bailees), to the extent that possession or control thereof is necessary to perfect a Lien thereon under the Uniform Commercial Code and (b) the "Pledged Collateral" under, and as defined in, the Amended and Restated Junior Pledge Agreement that is Common Collateral.

"Proceeds" means the following property (a) whatever is acquired upon the sale, lease, license, exchange or other disposition of Common Collateral, whether such sale, lease, license or other disposition is made by or on behalf of a Grantor, a Senior Representative, a Senior Collateral Agent, a Junior Representative, the Junior Joint Collateral Agent or any Junior Notes Collateral Agent or any other person, (b) whatever is collected on, or distributed on account of, Common Collateral, (c) rights arising out of the loss, nonconformity, or interference with the use of, defects or infringements of rights in, or damage to, the Common Collateral, (d) rights arising out of the Common Collateral, or (e) to the extent of the value of the Common Collateral, and to the extent payable to the debtor or the secured party, insurance payable by reason of the loss or nonconformity of, defects or infringement of rights in, or damage to, the Common Collateral.

"Recovery" has the meaning set forth in Section 6.5.

"Refinancing Indebtedness" means "Refinancing Indebtedness" as defined in (i) the Senior Credit Agreement, with respect to Indebtedness incurred pursuant thereto, (ii) the Senior Indenture with respect to Indebtedness incurred pursuant thereto and (iii) each Junior Indenture with respect to Indebtedness incurred pursuant to the applicable Junior Indenture.

"Responsible Officer" means any officer of the Senior Representatives or the Senior Collateral Agents, as applicable, with direct responsibility for the administration of the trust created by the Senior Indenture or the administration of the Senior Credit Agreement, as applicable.

"Second Lien Collateral Agency Agreement" has the meaning set forth in the recitals.

"Second-Lien Indebtedness" means (a) Indebtedness incurred pursuant to the Junior Noteholder Documents, (b) all other Indebtedness secured by Liens on all or a portion of the Common Collateral that are equal in priority to the Liens on the Common Collateral securing the Junior Noteholder Claims in an aggregate principal amount not to exceed the amount permitted to be secured on a second-lien basis pursuant to the Senior Credit Agreement, the Senior Indenture and the Junior Indentures and (c) Refinancing Indebtedness in respect of Indebtedness covered by clause (a) or clause (b) above, and, in each case, all other Obligations in respect of such Indebtedness.

"Security Documents" means, collectively, the Senior Collateral Documents and the Junior Collateral Documents.

"Senior Agreements" means the Senior Credit Agreement, the Senior Indenture and any other agreement governing First-Lien Indebtedness.

"Senior Claims" means all First-Lien Indebtedness outstanding, including any Future First-Lien Indebtedness, and all Obligations in respect thereof. Senior Claims shall include all interest and expenses accrued or accruing (or that would, absent the commencement of any Insolvency or Liquidation Proceeding, accrue) after the commencement of an Insolvency or Liquidation Proceeding in accordance with and at the rate specified in the relevant Senior Document whether or not the claim for such interest or expenses is allowed as a claim in such Insolvency or Liquidation Proceeding. Senior Claims include, for the avoidance of doubt, all Senior Credit Agreement Claims and all Senior Noteholder Claims.

"Senior Collateral" means all of the assets of any Grantor, whether real, personal or mixed, with respect to which a Lien is granted as security for any Senior Claim. Senior Collateral includes, for the avoidance of doubt, all Senior Credit Agreement Collateral and all Senior Noteholder Collateral.

"Senior Collateral Agents" means the Senior Credit Agreement Collateral Agent and the Senior Notes Collateral Agent.

"Senior Collateral Documents" means any agreement, document or instrument pursuant to which a Lien is granted securing any Senior Claims or under which rights or remedies with respect to such Liens are governed, as the same may be amended, restated or otherwise modified from time to time. Senior Collateral Documents include, for the avoidance of doubt, the Senior Credit Agreement Collateral Documents, the Senior Noteholder Collateral Documents and the Super Priority Intercreditor Agreement.

"Senior Credit Agreement" has the meaning set forth in the recitals.

"Senior Credit Agreement Administrative Agent" has the meaning set forth in the preamble hereto.

"Senior Credit Agreement Claimholders" means the Persons holding Senior Credit Agreement Claims, including the Senior Credit Agreement Lenders, the Senior Credit Agreement Administrative Agent and the Senior Credit Agreement Collateral Agent.

"Senior Credit Agreement Claims" means all "Loan Obligations", as such term is defined in the Senior Credit Agreement.

"Senior Credit Agreement Collateral" means all the assets of any Grantor, whether real, personal or mixed, with respect to which a Lien is granted as security for any Senior Credit Agreement Claim.

"Senior Credit Agreement Collateral Agent" means the Senior Credit Agreement Administrative Agent acting in such capacity as collateral agent pursuant to the Senior Credit Agreement.

"Senior Credit Agreement Collateral Documents" means all "Collateral Documents", as such term is defined in the Senior Credit Agreement.

"Senior Credit Agreement Documents" means all "Loan Documents", as such term is defined in the Senior Credit Agreement.

"Senior Credit Agreement Lenders" means the Persons holding First-Lien Indebtedness pursuant to the Senior Credit Agreement.

"Senior Creditors" means the Persons holding Senior Claims, including all Senior Credit Agreement Claimholders and all Senior Notes Claimholders.

"Senior Documents" mean the Senior Agreements, the Senior Collateral Documents and each of the other agreements, documents and instruments providing for or evidencing any other Obligation under any Senior Document and any other related document or instrument executed or delivered pursuant to any Senior Document at any time or otherwise evidencing any First-Lien Indebtedness. Senior Documents include, for the avoidance of doubt, the Senior Credit Agreement Documents and the Senior Noteholder Documents.

"Senior Indenture" has the meaning set forth in the recitals.

"Senior Liens" means the Liens securing the Senior Claims.

"Senior Noteholder Claims" means all Indebtedness incurred pursuant to the Senior Indenture and all Obligations with respect thereto.

"Senior Noteholder Collateral" means all of the assets of any Grantor, whether real, personal or mixed, with respect to which a Lien is granted as security for any Senior Noteholder Claim.

"Senior Noteholder Collateral Documents" means any agreement, document or instrument pursuant to which a Lien is granted by any Grantor to secure any Senior Noteholder Claims or under which rights or remedies with respect to any such Lien are governed, as the same may be amended, restated or otherwise modified from time to time as permitted by this Agreement.

"Senior Noteholder Documents" means collectively (a) the Senior Indenture, the Senior Notes and the Senior Noteholder Collateral Documents and (b) any other related document or instrument executed and delivered pursuant to any Senior Noteholder Document described in clause (a) above evidencing or governing any Obligations thereunder as the same may be amended, restated or otherwise modified from time to time.

"Senior Noteholders" means the Persons holding Senior Notes.

"Senior Notes" means the $577.0 million principal amount of 7.25% Senior Secured First Lien Notes due 2020 issued by the Company pursuant to the Senior Indenture.

"Senior Notes Claimholders" means the Persons holding Senior Noteholder Claims, including the Senior Noteholders, the Senior Notes Trustee and the Senior Notes Collateral Agent.

"Senior Notes Collateral Agent" has the meaning set forth in the preamble hereto.

"Senior Notes Trustee" has the meaning set forth in the preamble hereto.

"Senior Representatives" has the meaning set forth in the preamble hereto.

"Subsidiary" means any "Subsidiary" (as defined in the Senior Credit Agreement and the Senior Indenture, as applicable) of Hovnanian.

"Super Priority Intercreditor Agreement" has the meaning set forth in the recitals.

"Third-Lien Creditors" means the Persons holding the Third-Lien Obligations.

"Third-Lien Obligations" means all Indebtedness and other Obligations in respect thereof secured by a lien on the Common Collateral that is junior to both the First-Lien Indebtedness and the Second-Lien Indebtedness, to the extent permitted under the Senior Documents, the Junior Documents and this Agreement.

"Unasserted Contingent Obligations" means at any time, Obligations for taxes, costs, indemnifications, reimbursements, damages and other liabilities (except for (i) the principal of and interest and premium (if any) on, and fees relating to, any Indebtedness and (ii) contingent reimbursement obligations in respect of amounts that may be drawn under letters of credit) in respect of which no claim or demand for payment has been made (or, in the case of Obligations for indemnification, no notice for indemnification has been issued by the indemnitee) at such time.

"Uniform Commercial Code" or "UCC" means the Uniform Commercial Code as from time to time in effect in the State of New York.

(a) Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified in accordance with this Agreement, (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Sections shall be construed to refer to Sections of this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

Section 2. Lien Priorities.

2.1 *Subordination.* Notwithstanding the date, time, manner or order of filing or recordation of any document or instrument or grant, attachment or perfection of any Liens granted to any Junior Representative, any Junior Collateral Agent, the Mortgage Tax Collateral Agent or any of the Junior Creditors on the Common Collateral or of any Liens granted to any Senior Representative, any Senior Collateral Agent or any of the Senior Creditors on the Common Collateral and notwithstanding any provision of the UCC, or any applicable law or the Junior Documents or the Senior Documents or any other circumstance whatsoever (including any non-perfection of any Lien purporting to secure the First-Lien Indebtedness and/or the Second-Lien Indebtedness, for example, the circumstance of non-perfection of the Lien purporting to secure the Senior Claims and perfection of the Lien purporting to secure the Junior Claims), each Junior Representative, each Junior Collateral Agent and the Mortgage Tax Collateral Agent, on behalf of themselves and the Junior Creditors, hereby agree that: (a) any Lien on the Common Collateral securing any Senior Claims now or hereafter held by or on behalf of any Senior Representative, any Senior Collateral Agent, the Mortgage Tax Collateral Agent or any Senior Creditors or any agent or trustee therefor regardless of how acquired, whether by grant, statute, operation of law, subrogation or otherwise, shall have priority over and be senior in all respects and prior to any Lien on the Common Collateral securing any of the Junior Claims and (b) any Lien on the Common Collateral securing any Junior Claims now or hereafter held by or on behalf of any Junior Representative, any Junior Collateral Agent, the Mortgage Tax Collateral Agent or any Junior Creditors or any agent or trustee therefor regardless of how acquired, whether by grant, statute, operation of law, subrogation or otherwise, shall be junior and subordinate in all respects to all Liens on the Common Collateral securing any Senior Claims. All Liens on the Common Collateral securing any Senior Claims shall be and remain senior in all respects and prior to all Liens on the Common Collateral securing any Junior Claims for all purposes, whether or not such Liens securing any Senior Claims are subordinated to any Lien securing any other obligation of the Company, any other Grantor or any other Person.

2.2 *Prohibition on Contesting Liens.* Each of the Junior Representatives, each Junior Collateral Agent and the Mortgage Tax Collateral Agent for itself and on behalf of each Junior Creditor, and each of the Senior Representatives, the Mortgage Tax Collateral Agent and each Senior Collateral Agent, for itself and on behalf of each Senior Creditor, agrees that it shall not (and hereby waives any right to) contest or support any other Person in contesting, in any proceeding (including any Insolvency or Liquidation Proceeding), the perfection, priority, validity or enforceability of (a) a Lien securing any Senior Claims held by or on behalf of any of the Senior Creditors in the Common Collateral or (b) a Lien securing any Junior Claims held by or on behalf of any of the Junior Notes Claimholders in the Common Collateral, as the case may be; provided that nothing in this Agreement shall be construed to prevent or impair the rights of any Senior Representative, any Junior Representative, the Mortgage Tax Collateral Agent (in its capacity as agent for the Senior Creditors), any Senior Collateral Agent, any Junior Collateral Agent or any Senior Creditor to enforce this Agreement, including the priority of the Liens securing the Senior Claims as provided in Section 2.1 and 3.1.

2.3 *No New Liens.* So long as the Discharge of Senior Claims has not occurred, the parties hereto agree that, after the date hereof, if any Junior Representative, any Junior Collateral Agent and/or any other Junior Creditor shall hold any Lien on any assets of the Company or any other Grantor securing any Junior Claims that are not also subject to the first-priority Lien in respect of the Senior Claims under the Senior Documents, such Junior Representative, Junior Collateral Agent and/or the relevant Junior Creditor, upon demand by any Senior Representative, any Senior Collateral Agent or the Company, will assign such Lien to the Controlling Senior Collateral Agent or the Mortgage Tax Collateral Agent as the case may be as security for the Senior Claims (in which case the applicable Junior Representative, Junior Collateral Agent and/or the relevant Junior Creditor may retain a junior Lien on such assets subject to the terms hereof).

2.4 *Perfection of Liens.* Except as provided in Sections 5.5 and 5.7, none of the Senior Representatives, the Senior Collateral Agents or the Senior Creditors shall be responsible for perfecting and maintaining the perfection of Liens with respect to the Common Collateral for the benefit of the Junior Representatives, the Junior Collateral Agents and the Junior Creditors. The provisions of this Agreement are intended solely to govern the respective Lien priorities as between the respective Senior Creditors and the Junior Creditors and shall not impose on any Senior Representative, any Senior Collateral Agent, any Junior Representative, the Mortgage Tax Collateral Agent, any Junior Collateral Agent, the Junior Creditors or the Senior Creditors any obligations in respect of the disposition of Proceeds of any Common Collateral which would conflict with prior perfected claims therein in favor of any other Person or any order or decree of any court or governmental authority or any applicable law.

2.5 *Third-Lien Obligations.* Each of the Junior Representatives, the Junior Collateral Agents and the Mortgage Tax Collateral Agent, on behalf of themselves and the Junior Creditors, and the Senior Representatives, the Senior Collateral Agents and the Mortgage Tax Collateral Agent, on behalf of themselves and the Senior Creditors, authorizes the Company to incur Third-Lien Obligations in an amount not to exceed the amount permitted to be secured on a third-lien basis pursuant to the Senior Credit Agreement, the Senior Indenture and the Junior Indentures so long as (a) the Third-Lien Obligations are properly documented upon terms and conditions satisfying the terms of the Senior Credit Agreement, the Senior Indenture and the Junior Indentures; and (b) the Liens in favor of each Third-Lien Creditor with respect to the Common Collateral are subordinated to the rights of Senior Creditors and the Junior Creditors such that each Third-Lien Creditor will be treated with regard to the Junior Creditors in a manner substantially the same as the manner in which the Junior Creditors are treated hereunder with respect to the Senior Creditors pursuant to an intercreditor agreement, in form and substance similar to this Agreement or as otherwise reasonably satisfactory to the Senior Representatives, the Senior Collateral Agents, the Junior Representatives and the Junior Collateral Agents, to be entered into by and between the Senior Representatives and the Senior Collateral Agents for the Senior Creditors, the Junior Representatives and the Junior Collateral Agents for the Junior Creditors, the Mortgage Tax Collateral Agent and the Third-Lien Creditors and/or their agent contemporaneously with the execution of any document(s) creating the Third-Lien Obligations.

Section 3. Enforcement.

3.1 *Exercise of Remedies.*

(a) So long as the Discharge of Senior Claims has not occurred, even if an event of default has occurred and remains uncured under the Junior Documents, and whether or not any Insolvency or Liquidation Proceeding has been commenced by or against the Company or any other Grantor, (i) the Junior Representatives, the Junior Collateral Agents, and the Mortgage Tax Collateral Agent, to the extent of any interest of the Junior Creditors, and the Junior Creditors will not exercise or seek to exercise any rights or remedies as a secured creditor (including set-off) with respect to any Common Collateral on account of any Junior Claims, institute any action or proceeding with respect to the Common Collateral, or exercise any remedies against the Common Collateral (including any action of foreclosure), or contest, protest or object to any foreclosure proceeding or action brought with respect to the Common Collateral by the Senior Representatives, Senior Collateral Agents, Mortgage Tax Collateral Agent to the extent of any interest of the Senior Creditors, or any Senior Creditor in respect of Senior Claims, any exercise of any right under any lockbox agreement, control agreement, landlord waiver or bailee's letter or similar agreement or arrangement to which any Junior Representative, any Junior Collateral Agent, the Mortgage Tax Collateral Agent to the extent of any interest of the Junior Creditors, or any Junior Creditor is a party, or any other exercise by any such party, of any rights and remedies as a secured creditor relating to the Common Collateral under the Senior Documents or otherwise in respect of Senior Claims, or object to the forbearance by or on behalf of the Senior Creditors from bringing or pursuing any foreclosure proceeding or action or any other exercise of any rights or remedies relating to the Common Collateral in respect of Senior Claims, provided that notwithstanding anything to the contrary in this Section 3.1(a), the Mortgage Tax Collateral Agent to the extent of any interest of the Senior Creditors, shall not be restricted from exercising or seeking to exercise the rights and remedies of a secured creditor with respect to any Common Collateral in respect of Senior Claims, and (ii) the Senior Representatives, the Senior Collateral Agents, the Mortgage Tax Collateral Agent to the extent of any interest of the Senior Creditors and the Senior Creditors shall have the exclusive right to enforce rights, exercise remedies (including set-off and the right to credit bid their debt) and make determinations regarding the sale, release, disposition, or restrictions with respect to the Common Collateral as a secured creditor without any consultation with or the consent of the Junior Representatives, the Junior Collateral Agents or any Junior Creditor; provided that (A) in any Insolvency or Liquidation Proceeding commenced by or against any Grantor, any Junior Representative, any Junior Collateral Agent or any Junior Creditor may file a claim or statement of interest with respect to the Junior Claims, (B) to the extent it would not prevent, restrict or otherwise limit any rights granted or created hereunder or under any Senior Collateral Documents in favor of the Senior Representatives, the Senior Collateral Agents or any other Senior Creditor in respect of the Common Collateral, the Junior Representatives, the Junior Collateral Agents or any Junior Creditor may take any action not adverse to the Liens on the Common Collateral securing the Senior Claims in order to preserve, perfect or protect its rights in the Common Collateral, (C) to the extent it would not prevent, restrict or otherwise limit any rights granted or created hereunder or under any Senior Collateral Documents in favor of the Senior Representatives, the Senior Collateral Agents, the Mortgage Tax Collateral Agent to the extent of any interest of the Senior Creditors or any other Senior Creditor in respect of the Common Collateral, the Junior Representatives, the Junior Collateral Agents or any Junior Creditor shall be entitled to file any necessary responsive or defensive pleadings in opposition to any motion, claim, adversary proceeding or other pleadings made by any person objecting to or otherwise seeking the disallowance of the Junior Claims, including without limitation any claims secured by the Common Collateral, if any, in each case in accordance with the terms of this Agreement, or (D) any Junior Representative, any Junior Collateral Agent or any Junior Creditor shall be entitled to file any pleadings, objections, motions or agreements which assert rights or interests available to unsecured creditors of the Grantors arising under either Bankruptcy Law or applicable non-bankruptcy law, in each case in accordance with the terms of this Agreement. In exercising rights and remedies with respect to the Common Collateral, the Senior Representatives, the Senior Collateral Agents and the Senior Creditors may enforce the provisions of the Senior Documents and exercise remedies thereunder, all in such order and in such manner as they may determine in the exercise of their sole discretion. Such exercise and enforcement shall include the rights of an agent appointed by them to sell or otherwise dispose of Common Collateral upon foreclosure, to cause the Grantors to deliver a transfer document in lieu of foreclosure to the Senior Creditors or any nominee of the Senior Creditors, to incur expenses in connection with such sale or disposition, and to exercise all the rights and remedies of a mortgagee in any applicable jurisdiction and a secured lender under the Uniform Commercial Code of any applicable jurisdiction and of a secured creditor under Bankruptcy Laws of any applicable jurisdiction. Upon the Discharge of Senior Claims, the Junior Representatives, the Junior Collateral Agents and the Mortgage Tax Collateral Agent, on behalf of themselves and the Junior Creditors, will not be required to release their claims on any Common Collateral that has not been sold or otherwise disposed of in connection with the Discharge of Senior Claims.

(b) The Junior Representatives, the Junior Collateral Agents and the Mortgage Tax Collateral Agent (with respect to the Mortgage Tax Collateral Agent solely to the extent of any interest of the Junior Creditors in the Common Collateral) on behalf of themselves and the Junior Creditors, agree that solely as to the Common Collateral, they and each of them will not, in connection with the exercise of any right or remedy with respect to the Common Collateral, receive any Common Collateral or Proceeds of any Common Collateral in respect of Junior Claims, or, upon or in any Insolvency or Liquidation Proceeding (except under any plan of reorganization approved by the Senior Creditors or as provided in Section 6.6) with respect to any Grantor as debtor, take or receive any Common Collateral or any Proceeds of Common Collateral in respect of Junior Claims, unless and until the Discharge of Senior Claims has occurred. Without limiting the generality of the foregoing, unless and until the Discharge of Senior Claims has occurred, except as expressly provided in the proviso in clause (ii) of Section 3.1(a) or Section 6.3, the sole right of the Junior Representatives, the Junior Collateral Agents and the Junior Creditors with respect to the Common Collateral is to hold a Lien on the Common Collateral in respect of Junior Claims pursuant to the Junior Documents for the period and to the extent granted therein and to receive a share of the Proceeds thereof, if any, after the Discharge of Senior Claims has occurred. In addition to the foregoing, the Junior Creditors hereby acknowledge that the Junior Indentures and the Junior Documents permit the Company and the other Grantors to repay, in certain circumstances, Senior Claims with Proceeds from the disposition of the Common Collateral prior to application to repay the Junior Claims, and agree that to the extent the Senior Documents require repayment of the Senior Claims with Proceeds from such dispositions, the Company shall pay such proceeds to the Senior Creditors as so required and each of the Junior Representatives, the Junior Collateral Agents and the Junior Creditors will not take or receive such Proceeds until after so applied.

(c) Subject to the proviso in clause (ii) of Section 3.1(a), the Junior Representatives and the Junior Collateral Agents, for themselves and on behalf of the Junior Creditors, agree that the Junior Representatives, the Junior Collateral Agents and the Junior Creditors will not take any action that would hinder any exercise of remedies undertaken by the Senior Representatives, the Senior Collateral Agents, the Mortgage Tax Collateral Agent to the extent of any interest of the Senior Creditors, or the Senior Creditors with respect to the Common Collateral under the Senior Documents, including any sale, lease, exchange, transfer or other disposition of the Common Collateral, whether by foreclosure or otherwise and shall release any and all claims in respect of such Common Collateral (except for the right to receive the balance of Proceeds and to be secured by the Common Collateral after Discharge of Senior Claims as described in Section 4.1 and 5.1) so that it may be sold free and clear of the Liens of the Junior Creditors, the Junior Collateral Agents and of the Junior Representatives, on behalf of the Junior Creditors, and the Junior Representatives and the Junior Collateral Agents, for themselves and on behalf of any such Junior Creditors, shall, within ten (10) Business Days of written request by any Senior Collateral Agent, any Senior Representative or the Mortgage Tax Collateral Agent, execute and deliver to the Controlling Senior Collateral Agent such termination statements, releases and other documents as any Senior Collateral Agent, Senior Representative or the Mortgage Tax Collateral Agent may request to effectively confirm such release and the Junior Representatives and the Junior Collateral Agents, for themselves and on behalf of the Junior Creditors, hereby irrevocably constitute and appoint each Senior Representative and each Senior Collateral Agent and any officer or agent of the Senior Representatives and the Senior Collateral Agents, with full power of substitution, as their true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Junior Representative, Junior Collateral Agent or such Junior Creditor or in the applicable Senior Representative's or Senior Collateral Agent's own name, from time to time as necessary, for the purpose of carrying out the terms of this Section 3.1(c), to take any and all appropriate action and to execute any and all documents and instruments that may be necessary to accomplish the purposes of this Section 3.1(c), including any termination statements, endorsements or other instruments of transfer or release. In exercising rights and remedies with respect to the Common Collateral, the Senior Representatives, the Senior Collateral Agents, the Mortgage Tax Collateral Agent to the extent of any interest of the Senior Creditors, and the Senior Creditors may enforce the provisions of the Senior Documents and exercise remedies thereunder, all in such order and in such manner as necessary. Such exercise and enforcement shall include the rights of an agent appointed by them to sell or otherwise dispose of Common Collateral upon foreclosure, to cause the Grantors to deliver a transfer document in lieu of foreclosure to the Senior Creditors or any nominee of the Senior Creditors, to incur expenses in connection with such sale or disposition, and to exercise all the rights and remedies of a mortgagee in any applicable jurisdiction and a secured creditor under the Uniform Commercial Code or other laws of any applicable jurisdiction and of a secured creditor under Bankruptcy Laws of any applicable jurisdiction. The Junior Representatives and the Junior Collateral Agents for themselves and on behalf of the Junior Creditors, hereby waive any and all rights they or the Junior Creditors may have as a junior lien creditor or otherwise to object to the manner in which the Senior Representatives, the Senior Collateral Agents, the Mortgage Tax Collateral Agent to the extent of any interest of the Senior Creditors, or the Senior Creditors seek to enforce or collect the Senior Claims or the Liens granted in any of the Common Collateral in respect of Senior Claims, regardless of whether any action or failure to act by or on behalf of the Senior Representatives, the Senior Collateral Agents, the Mortgage Tax Collateral Agent to the extent of any interest of the Senior Creditors, or Senior Creditors is adverse to the interest of the Junior Creditors. The Junior Representatives and the Junior Collateral Agents, for themselves and on behalf of the Junior Creditors, waive the right to commence any legal action or assert in any legal action or in any Insolvency or Liquidation Proceeding any claim against the Mortgage Tax Collateral Agent and/or Senior Creditors seeking damages from the Mortgage Tax Collateral Agent or the Senior Creditors or other relief, by way of specific performance, injunction or otherwise, with respect to any action taken or omitted by the Mortgage Tax Collateral Agent or the Senior Creditors as permitted by this Agreement.

(d) The Junior Representatives and the Junior Collateral Agents hereby acknowledge and agree that no covenant, agreement or restriction contained in any Junior Document shall be deemed to restrict in any way the rights and remedies of the Senior Representatives, the Senior Collateral Agents, the Mortgage Tax Collateral Agent or the Senior Creditors with respect to the Common Collateral as set forth in this Agreement and the Senior Documents, to the extent consistent with this Agreement.

3.2 *Cooperation.* Subject to the proviso in clause (ii) of Section 3.1(a), the Junior Representatives and the Junior Collateral Agents, on behalf of themselves and the Junior Creditors, agree that, unless and until the Discharge of Senior Claims has occurred, they will not commence, or join with any Person (other than the Senior Representatives, the Senior Creditors, the Mortgage Tax Collateral Agent (in its capacity as agent for the Senior Creditors) or the Senior Collateral Agents upon the written request thereof) in commencing any enforcement, collection, execution, levy or foreclosure action or proceeding with respect to any Lien held by it in the Common Collateral under any of the Junior Documents or otherwise in respect of the Junior Claims.

Section 4. Payments.

4.1 *Application of Proceeds.* So long as the Discharge of Senior Claims has not occurred, any Proceeds of any Common Collateral paid or payable to any Senior Representative or any Senior Collateral Agent as provided in section 3.1(b) or pursuant to the enforcement of any Security Document or the exercise of any right or remedy with respect to the Common Collateral under the Senior Documents, together with all other Proceeds received by any Person (including all funds received in respect of post-petition interest or fees and expenses) as a result of any such enforcement or the exercise of any such remedial provision or as a result of any distribution of or in respect of any Common Collateral (or the Proceeds thereof whether or not expressly characterized as such) upon or in any Insolvency or Liquidation Proceeding (except under any plan of reorganization approved by the Senior Creditors or as provided in section 6.6) with respect to any Grantor as debtor, shall be applied by the applicable Senior Representative or Senior Collateral Agent to the Senior Claims in such order as specified in the relevant Senior Document (including, without limitation, the Super Priority Intercreditor Agreement). Upon the Discharge of Senior Claims, the Senior Representatives and/or the Senior Collateral Agents shall deliver to the Junior Representatives any Proceeds of Common Collateral held by it in the same form as received, with any necessary endorsements or as a court of competent jurisdiction may otherwise direct, to be applied by the Junior Representatives to the Junior Noteholder Claims in such order as specified in the Junior Documents.

4.2 *Payments Over.* So long as the Discharge of Senior Claims has not occurred, any Common Collateral or Proceeds thereof received by any Junior Representative, any Junior Collateral Agent or any Junior Creditor in connection with the exercise of any right or remedy (including set-off) relating to the Common Collateral in contravention of this Agreement shall be segregated and held in trust and forthwith paid over to the Controlling Senior Collateral Agent for the benefit of the Senior Creditors in the same form as received, with any necessary endorsements or as a court of competent jurisdiction may otherwise direct. If any Lien on Common Collateral for First-Lien Indebtedness is void or voidable and the Lien on the same Common Collateral of any Junior Representative, any Junior Collateral Agent or any Junior Creditor is not void or voidable, the Proceeds of such Lien received by any Junior Representative, any Junior Collateral Agent or any Junior Creditor shall be segregated and held in trust and forthwith paid over to the Controlling Senior Collateral Agent for the benefit of the Senior Creditors in the same form as received, with any necessary endorsements or as a court of competent jurisdiction may otherwise direct. The Controlling Senior Collateral Agent is hereby authorized to make any such endorsements as agent for the Junior Representatives, the Junior Collateral Agent or any such Junior Creditor. This authorization is coupled with an interest and is irrevocable.

Section 5. Other Agreements.

5.1 *Reserved.*

5.2 *Insurance.* Unless and until the Discharge of Senior Claims has occurred, the Senior Representatives, the Senior Collateral Agents and the Senior Creditors shall have the sole and exclusive right, subject to the rights of the Grantors under the Senior Documents including, without limitation, the Super Priority Intercreditor Agreement, to adjust settlement for any insurance policy covering the Common Collateral in the event of any loss thereunder and to approve any award granted in any condemnation or similar proceeding affecting the Common Collateral. Unless and until the Discharge of Senior Claims has occurred, all proceeds of any such policy and any such award if in respect of the Common Collateral shall be paid to the Controlling Senior Collateral Agent or the Mortgage Tax Collateral Agent, in each case for the benefit of the Senior Creditors to the extent required under the Senior Documents in respect of the Senior Claims and thereafter to the Junior Joint Collateral Agent for the benefit of the Junior Creditors to the extent required under the applicable Junior Documents and then to the owner of the subject property or as a court of competent jurisdiction may otherwise direct. Subject to Section 5.4, if any Junior Representative, any Junior Collateral Agent or any Junior Creditor shall, at any time, receive any proceeds of any such insurance policy or any such award in contravention of this Agreement, it shall pay such proceeds over to the Controlling Senior Collateral Agent in accordance with the terms of Section 4.2.

5.3 *Designation of Subordination; Amendments to Junior Collateral Documents.*

(a) The Junior Representatives and the Junior Collateral Agents agree that each Junior Collateral Document shall include the following language (or, including in the case of any Junior Collateral Document entered into prior to the date hereof, language to similar effect):

"Notwithstanding anything herein to the contrary, the lien and security interest granted to the Collateral Agent pursuant to this Agreement and the exercise of any right or remedy by the Collateral Agent hereunder are subject to the provisions of the Intercreditor Agreement, dated as of October 2, 2012 (as amended, amended and restated, supplemented or otherwise modified from time to time, including as amended and restated on September 8, 2016, the "Intercreditor Agreement"), among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., and certain subsidiaries of Hovnanian Enterprises, Inc., party thereto, and the Senior Creditors and Junior Creditors named therein. In the event of any conflict between the terms of the Intercreditor Agreement and this Agreement, the terms of the Intercreditor Agreement shall govern."

(b) Unless and until the Discharge of Senior Claims has occurred, without the prior written consent of the Senior Representatives, no Junior Collateral Document may be amended, supplemented or otherwise modified or entered into to the extent such amendment, supplement or modification, or the terms of any new Junior Collateral Document, would be prohibited by or inconsistent with any of the terms of this Agreement.

5.4 *Rights As Unsecured Creditors.* Notwithstanding anything to the contrary in this Agreement, the Junior Representatives, the Junior Collateral Agents and the Junior Creditors may exercise rights and remedies as an unsecured creditors against the Company, Hovnanian or any Subsidiary that has guaranteed the Junior Claims in accordance with the terms of the Junior Documents and applicable law. Nothing in this Agreement shall prohibit the receipt by any Junior Representative, any Junior Collateral Agent or any Junior Creditors of the required payments of interest and principal so long as such receipt is not (i) the direct or indirect result of the exercise by any Junior Representative, any Junior Collateral Agent, the Mortgage Tax Collateral Agent (in its capacity as agent for the Junior Creditors) or any Junior Creditor of rights or remedies as a secured creditor in respect of Common Collateral or (ii) in violation of Section 3.1, 4.1, 5.2 or 6.3. In the event that any Junior Representative, any Junior Collateral Agent or any Junior Creditor becomes a judgment lien creditor in respect of Common Collateral as a result of its enforcement of its rights as an unsecured creditor in respect of Junior Claims, such judgment lien shall be subordinated to the Liens securing Senior Claims on the same basis as the other Liens securing the Junior Claims are so subordinated to such Liens securing Senior Claims under this Agreement. Nothing in this Agreement impairs or otherwise adversely affects any rights or remedies the Senior Representatives, the Senior Collateral Agents or the Senior Creditors may have with respect to the Common Collateral.

5.5 *Bailee for Perfection.*

(a) The Controlling Senior Collateral Agent agrees to hold the Pledged Collateral that is part of the Common Collateral in its possession or control (or in the possession or control of its agents or bailees) as bailee for the Junior Joint Collateral Agent and any assignee solely for the purpose of perfecting the security interest granted in such Pledged Collateral pursuant to the Amended and Restated Junior Security Agreement and/or the Amended and Restated Junior Pledge Agreement, subject to the terms and conditions of this Section 5.5.

(b) Prior to the date the Controlling Senior Collateral Agent obtains control of the Deposit Account Collateral that is part of the Common Collateral and controlled by the Senior Notes Collateral Agent, the Senior Notes Collateral Agent agrees to hold the Deposit Account Collateral that is part of the Common Collateral and controlled by the Senior Notes Collateral Agent for the Junior Joint Collateral Agent and any assignee solely for the purpose of perfecting the security interest granted in such Deposit Account Collateral pursuant to the Junior Noteholder Collateral Documents, and thereafter, the Controlling Senior Collateral Agent agrees to hold the Deposit Account Collateral that is part of the Common Collateral and controlled by the Controlling Senior Collateral Agent for the Junior Joint Collateral Agent and any assignee solely for the purpose of perfecting the security interest granted in such Deposit Account Collateral pursuant to the Amended and Restated Junior Security Agreement, in each case subject to the terms and conditions of this Section 5.5. Upon Discharge of Senior Claims, the Controlling Senior Collateral Agent shall continue to hold the Deposit Account Collateral that is part of the Common Collateral and controlled by the Controlling Senior Collateral Agent pursuant to this clause (b) until the Junior Joint Collateral Agent has obtained control thereof for the purpose of perfecting its security interest.

(c) Except as otherwise specifically provided herein (including, without limitation, Sections 3.1 and 4.1), until the Discharge of Senior Claims has occurred, the Senior Collateral Agent shall be entitled to deal with the Pledged Collateral in accordance with the terms of the Senior Documents as if the Liens under the Junior Collateral Documents did not exist. The rights of the Junior Representatives, the Junior Collateral Agents and the Junior Creditors with respect to such Pledged Collateral shall at all times be subject to the terms of this Agreement.

(d) The Senior Collateral Agents shall have no obligation whatsoever to the Junior Representatives, the Junior Collateral Agents or any Junior Creditor to assure that the Pledged Collateral is genuine or owned by any of the Grantors or to protect or preserve rights or benefits of any Person or any rights pertaining to the Common Collateral except as expressly set forth in this Section 5.5. The duties or responsibilities of the Senior Collateral Agents under this Section 5.5 shall be limited solely to holding the Pledged Collateral as bailee for the Junior Joint Collateral Agent for purposes of perfecting the Lien held by the Junior Joint Collateral Agent.

(e) The Senior Collateral Agents shall not have by reason of the Junior Collateral Documents or this Agreement or any other document a fiduciary relationship in respect of any Junior Representative, any Junior Collateral Agent or any Junior Creditor and each Junior Representative, each Junior Collateral Agent and the Junior Creditors hereby waive and release the Controlling Senior Collateral Agent from all claims and liabilities arising without gross negligence or willful misconduct pursuant to the Controlling Senior Collateral Agent's role under this Section 5.5, as agent and bailee with respect to the Common Collateral (other than its obligation to exercise reasonable care in connection with any Common Collateral actually in its possession).

(f) Upon Discharge of Senior Claims, the Controlling Senior Collateral Agent shall deliver to the Junior Joint Collateral Agent, to the extent that it is legally permitted to do so, the remaining Pledged Collateral (if any) together with any necessary endorsements (or otherwise allow the Junior Joint Collateral Agent to obtain control of such Pledged Collateral) or as a court of competent jurisdiction may otherwise direct. The Company shall take such further action as is required to effectuate the transfer contemplated hereunder. The Controlling Senior Collateral Agent has no obligation to follow instructions from the Junior Joint Collateral Agent in contravention of this Agreement. Without limiting the foregoing, upon Discharge of Senior Claims, each Senior Representative will use commercially reasonable efforts to promptly deliver an appropriate termination or other notice confirming such Discharge of Senior Claims to the applicable depositary bank, issuer of uncertificated securities or securities intermediary, if any, with respect to the Deposit Account Collateral, money market mutual fund or similar collateral, or securities account collateral.

(g) Neither any Senior Representative, any Senior Collateral Agent nor any Senior Creditor shall be required to marshal any present or future collateral security for the Company's or its Subsidiaries' obligations to any Senior Collateral Agent or any Senior Creditors under any Senior Agreement or the Senior Collateral Documents or to resort to such collateral security or other assurances of payment in any particular order, and all of their rights in respect of such collateral security shall be cumulative and in addition to all other rights, however existing or arising.

5.6 *Additional Collateral.* If any Lien is granted by any Grantor in favor of the Senior Creditors or the Junior Creditors on any additional collateral (other than Common Collateral identified as Mortgage Tax Collateral which shall be subject to the Liens of the Mortgage Tax Collateral Agent), such additional collateral shall also be subject to a Lien in favor of the Senior Creditors and the Junior Notes Claimholders in the relative lien priority scheme set forth in Section 2.1.

5.7 *Collateral Agents; Collateral Documents.*

(a) The Mortgage Tax Collateral Agent shall act as collateral agent for the Senior Creditors and the Junior Creditors with respect to the Liens granted on Mortgaged Collateral located in the Mortgage Tax States (the "Mortgage Tax Collateral").

(b) With respect to any and all Senior Credit Agreement Collateral other than the Mortgage Tax Collateral, the Senior Credit Agreement Collateral Agent shall act as collateral agent on behalf of the Senior Credit Agreement Creditors. The Senior Credit Agreement Collateral Agent shall separately document its Lien(s) on any and all Senior Credit Agreement Collateral other than the Mortgage Tax Collateral. With respect to any and all Senior Noteholder Collateral other than the Mortgage Tax Collateral, the Senior Notes Collateral Agent shall act as collateral agent on behalf of the Senior Creditors. The Company shall separately document the Senior Notes Collateral Agent's Lien(s) on any and all Senior Notes Collateral other than the Mortgage Tax Collateral. With respect to any and all Junior Noteholder Collateral other than the Mortgage Tax Collateral, the Junior Joint Collateral Agent shall act as collateral agent on behalf of the Junior Creditors. The Company shall separately document the Junior Joint Collateral Agent's Lien(s) on any and all Junior Collateral other than the Mortgage Tax Collateral.

(c) *Determination of Status of Mortgage Tax Collateral; Reliance by Mortgage Tax Collateral Agent.* The determination of whether Liens to be granted on Mortgaged Collateral would constitute Mortgage Tax Collateral under the Senior Credit Agreement or the Senior Indenture shall be made by the Company in the reasonable exercise of its discretion, and the Company shall so notify the Mortgage Tax Collateral Agent in a written certificate of such determination with a copy of such certificate to be contemporaneously provided to the Senior Representatives and the Junior Representatives. The Mortgage Tax Collateral Agent shall not be responsible for determining the status of any Mortgaged Collateral as Mortgage Tax Collateral and shall be entitled to rely on such certificate(s) of the Company identifying that any Mortgaged Collateral constitutes Mortgage Tax Collateral and shall be under no obligation to treat any Mortgaged Collateral not so identified as Mortgage Tax Collateral. Upon receipt of such certificate(s) from the Company identifying any Mortgaged Collateral as Mortgage Tax Collateral, the Mortgage Tax Collateral Agent shall be entitled to treat such Mortgaged Collateral as Mortgage Tax Collateral for all purposes under this Agreement. Any designation by the Company that any Mortgaged Collateral is Mortgage Tax Collateral shall be irrevocable. Any such certificates shall be full warrant to the Mortgage Tax Collateral Agent for any action taken, suffered or omitted in reliance thereof. The parties hereto agree that all Mortgaged Collateral located in Florida, Maryland, Washington, D.C., Minnesota, Virginia, New York and Georgia shall constitute Mortgage Tax Collateral without further action by the Company.

5.8 *Application of the Proceeds of the Mortgage Tax Collateral.*

(a) *Reserved.*

(b) Proceeds of the Mortgage Tax Collateral shall be applied as set forth in Section 4.1 so long as the Discharge of Senior Claims has not occurred. Unless and until the Discharge of Senior Claims has occurred, except as expressly provided in the proviso in clause (ii) of Section 3.1(a) and Section 6.3, the sole right of the Junior Creditors with respect to the Mortgage Tax Collateral is to hold a shared Lien on the Mortgage Tax Collateral in respect of Junior Claims pursuant to the Junior Documents for the period and to the extent granted therein and to receive a share of the Proceeds thereof, if any, after the Discharge of the Senior Claims has occurred.

(c) Except as otherwise specifically provided in Sections 3.1 and 4.1, until the Discharge of Senior Claims has occurred, the Mortgage Tax Collateral Agent shall be entitled to deal with the Mortgage Tax Collateral in accordance with the terms of the Senior Documents as if the Liens under the Junior Collateral Documents did not exist. The rights of the Junior Representatives, the Junior Collateral Agents and the Junior Creditors with respect to such Pledged Collateral shall at all times be subject to the terms of this Agreement.

(d) Until the Discharge of Senior Claims has occurred, the Mortgage Tax Collateral Agent shall have no obligation whatsoever to the Junior Representatives, the Junior Collateral Agents or any Junior Creditor to assure that the Mortgage Tax Collateral is genuine or owned by any of the Grantors or to protect or preserve rights or benefits of any Person or any rights pertaining to the Common Collateral except as expressly set forth in this Section 5.8.

(e) Neither the Mortgage Tax Collateral Agent, the Senior Representatives, the Senior Collateral Agents nor the Senior Creditors shall be required to marshal any present or future collateral security for the Company's or its Subsidiaries' obligations to the Senior Representatives, the Senior Collateral Agents or the Senior Creditors under any Senior Agreement or the Senior Documents or to resort to such collateral security or other assurances of payment in any particular order, and all of their rights in respect of such collateral security shall be cumulative and in addition to all other rights, however existing or arising.

5.9 *No Fiduciary Duty.* The Junior Representatives and the Junior Collateral Agents agree, on behalf of themselves and the Junior Creditors, that the Senior Creditors, Mortgage Tax Collateral Agent, the Senior Representatives and the Senior Collateral Agents shall not have by reason of the Junior Collateral Documents or this Agreement or any other document, a fiduciary relationship in respect of any Junior Representative, any Junior Collateral Agent or any Junior Creditor. The Senior Representatives and the Senior Collateral Agents agree, on behalf of themselves and the Senior Creditors, that the Junior Creditors, Mortgage Tax Collateral Agent, the Junior Representatives and the Junior Collateral Agents shall not have by reason of the Senior Collateral Documents or this Agreement or any other document, a fiduciary relationship in respect of the Senior Representatives, the Senior Collateral Agents or any Senior Creditor.

Section 6. Insolvency or Liquidation Proceedings.

6.1 *Financing and Sale Issues.*

(a) If the Company or any other Grantor shall be subject to any Insolvency or Liquidation Proceeding and any Senior Representative shall desire to permit the use of cash collateral or to permit the Company or any other Grantor to obtain financing under Section 363 or Section 364 of Title 11 of the United States Code or any similar Bankruptcy Law ("DIP Financing"), then the Junior Representatives, the Junior Collateral Agents and the Mortgage Tax Collateral Agent, on behalf of themselves and the Junior Creditors agree that (i) if the Senior Creditors consent (or are deemed to have consented) to such use of cash collateral, the Junior Representatives, the Junior Collateral Agents and the Mortgage Tax Collateral Agent, on behalf of themselves and the Junior Creditors, shall be deemed to have consented to such use of cash collateral so long as the Junior Creditors receive (if requested) adequate protection in the manner permitted in Section 6.3 and (ii) if the Senior Creditors consent (or are deemed to have consented) to DIP Financing that provides for priming of or *pari passu* treatment with the Senior Liens, the Junior Representatives, the Junior Collateral Agents and the Mortgage Tax Collateral Agent, on behalf of themselves and the Junior Creditors, will not raise any objection to and shall be deemed to have consented to such DIP Financing, and to the extent the Liens securing the Senior Claims under the Senior Collateral Documents are subordinated or *pari passu* with such DIP Financing, they will subordinate their Liens in the Common Collateral to such DIP Financing (and all Obligations relating thereto) and the Senior Claims on the same basis as the other Liens securing the Junior Claims are subordinated to Liens securing Senior Claims under this Agreement.

(b) The Junior Representatives, the Junior Collateral Agents and the Mortgage Tax Collateral Agent, on behalf of themselves and the Junior Creditors, agree that they will not raise any objection to or oppose a sale of or other disposition of any Common Collateral free and clear of its Liens or other claims under Section 363 of the Bankruptcy Code if the Controlling Senior Collateral Agent, on behalf of the applicable Senior Creditors, has consented to such sale or disposition of such assets so long as the interests of the Junior Representatives, the Junior Collateral Agents and the Junior Creditors in the Common Collateral attach to the Proceeds in the relative priority scheme set forth in Section 2.1 and subject to the terms of this Agreement.

6.2 *Relief from the Automatic Stay.* Until the Discharge of Senior Claims has occurred, the Junior Representatives, the Junior Collateral Agents and the Mortgage Tax Collateral Agent, on behalf of themselves and the Junior Creditors, agree that none of them shall seek relief from the automatic stay or any other stay in any Insolvency or Liquidation Proceeding in respect of the Common Collateral, without the prior written consent of, until the Discharge of Super Priority Claims (as defined in the Super Priority Intercreditor Agreement), the Senior Credit Agreement Administrative Agent acting at the direction of the required Senior Credit Agreement Lenders and, following the Discharge of Super Priority Claims, the Senior Notes Trustee, acting at the direction of the required Senior Noteholders.

6.3 *Adequate Protection.* The Junior Representatives, the Junior Collateral Agents and the Mortgage Tax Collateral Agent, on behalf of themselves and the Junior Creditors, agree that none of them shall contest (or support any other Person contesting) (a) any request by any of the Senior Representatives, the Senior Collateral Agents or the Senior Creditors for adequate protection or (b) any objection by any Senior Representative, any Senior Collateral Agent or the Senior Creditors to any motion, relief, action or proceeding based on any Senior Representative's, any Senior Collateral Agent's or the Senior Creditors' claiming a lack of adequate protection. Notwithstanding the foregoing, in any Insolvency or Liquidation Proceeding, (i) any Junior Representative on behalf of itself and its Junior Creditors, may seek or request adequate protection in the form of a replacement Lien on collateral, provided that the Senior Creditors are granted a Lien on such collateral before or at the same time the Junior Creditors are granted a Lien on such collateral and that such Lien shall be subordinated to the Senior Liens and any DIP Financing permitted under Section 6.1 (and all Obligations relating thereto) on the same basis as the other Liens securing the Junior Claims are so subordinated to the Liens securing the First-Lien Indebtedness under this Agreement and (ii) in the event that any Junior Representative, on behalf of itself or any Junior Creditor, seeks or requests adequate protection and such adequate protection is granted in the form of collateral securing the Junior Claims, such Liens shall be subordinated to the Liens on such collateral securing the First-Lien Indebtedness and any such DIP Financing (and all Obligations relating thereto) and any other Liens granted to the Senior Creditors as adequate protection on the same basis as the other Liens securing the Junior Claims are so subordinated to such Liens securing the Senior Claims under this Agreement and such collateral shall be included in and be part of the Common Collateral. Except as provided in this Section, the Junior Representatives and the Junior Collateral Agents, on behalf of themselves and the Junior Creditors, further agree that they will not seek or accept any payments of adequate protection or any payments under Bankruptcy Code Section 362(d)(3)(B).

6.4 *No Waiver; Voting Restrictions.* Nothing contained herein shall prohibit or in any way limit any Senior Representative, any Senior Collateral Agent or any other Senior Creditor from objecting in any Insolvency or Liquidation Proceeding or otherwise to any action taken by the Junior Representatives, the Junior Collateral Agents or any of the Junior Creditors, including the seeking by the Junior Representatives, the Junior Collateral Agents or any Junior Creditor of adequate protection or the asserting by the Junior Representatives, the Junior Collateral Agents or any Junior Creditor of any of its rights and remedies under the Junior Documents or otherwise. In any Insolvency or Liquidation Proceeding, neither the Junior Representatives, the Junior Collateral Agents nor any Junior Creditor shall vote any Junior Claim in favor of any plan of reorganization (of any Grantor) unless (i) such plan provides for payment in full in cash of the First-Lien Indebtedness, (ii) such plan provides for the treatment of the Senior Claims in a manner that preserves the relative lien priority of the Senior Claims over the Junior Claims to at least the same extent as set forth in this Agreement or (iii) such plan is approved by the Senior Creditors (to the extent such approval is required from the Senior Representatives, or the Senior Collateral Agent, acting at the direction of the required Senior Credit Agreement Lenders or Senior Noteholders, as applicable).

6.5 *Preference Issues; Recovery.* If any Senior Creditor is required in any Insolvency or Liquidation Proceeding or otherwise to turn over or otherwise pay to the estate of the Company or any other Grantor (or any trustee, receiver or similar person therefor), because the payment of such amount was declared to be fraudulent or preferential in any respect or for any other reason, any amount, whether received as proceeds of security, enforcement of any right of set-off or otherwise (a "Recovery"), then the Senior Claims shall be reinstated to the extent of such Recovery and deemed to be outstanding as if such payment had not occurred and the Senior Creditors shall be entitled to a Discharge of Senior Claims with respect to all such recovered amounts. If this Agreement shall have been terminated prior to such Recovery, this Agreement shall be reinstated in full force and effect, and such prior termination shall not diminish, release, discharge, impair or otherwise affect the obligations of the parties hereto.

6.6 *Reorganization Securities.* If, in any Insolvency or Liquidation Proceeding, debt obligations of the reorganized debtor secured by Liens upon any property of the reorganized debtor are distributed, pursuant to a plan of reorganization or similar dispositive restructuring plan, both on account of Senior Claims and on account of Junior Claims, then, to the extent the debt obligations distributed on account of the Senior Claims and on account of the Junior Claims are secured by Liens upon the same property, the provisions of this Agreement will survive the distribution of such debt obligations pursuant to such plan and will apply with like effect to the Liens securing such debt obligations.

6.7 *Application.* This Agreement shall be applicable and the terms hereof shall survive and shall continue in full force and effect prior to or after the commencement of any Insolvency or Liquidation Proceeding. All references herein to any Grantor shall apply to any trustee for such Person and such Person as debtor in possession. The relative rights as to the Common Collateral and Proceeds thereof shall continue after the filing thereof on the same basis as prior to the date of the petition, subject to any court order approving the financing of, or use of cash collateral by, any Grantor.

6.8 *Expense Claims.* None of the Junior Collateral Agents, the Junior Representatives or any Junior Creditor will assert or enforce, at any time prior to the Discharge of Senior Claims, any claim under §506(c) of the Bankruptcy Law senior to or on a parity with the Liens in favor of the Senior Representatives, the Senior Collateral Agents, the Mortgage Tax Collateral Agent and the Senior Creditors for costs or expenses of preserving or disposing of any Common Collateral.

6.9 *Post-Petition Claims.* (a) None of the Junior Collateral Agents, the Junior Representatives or any Junior Creditor shall oppose or seek to challenge any claim by any Senior Representative, any Senior Collateral Agent or any Senior Creditor for allowance in any Insolvency or Liquidation Proceeding of Senior Claims consisting of post-petition interest, fees, including legal fees, expenses or indemnities to the extent of the value of the Lien in favor of the Senior Representatives, the Senior Collateral Agents and the Senior Creditors, without regard to the existence of the Lien of the Junior Representatives or the Junior Collateral Agents, on behalf of the Junior Creditors, on the Common Collateral.

(b) None of the Senior Representatives, the Senior Collateral Agents or any other Senior Creditor shall oppose or seek to challenge any claim by any Junior Representative or any Junior Creditor for allowance in any Insolvency or Liquidation Proceeding of Junior Claims consisting of post-petition interest, fees, including legal fees, expenses or indemnities to the extent of the value of the Lien of the Junior Representatives on behalf of the Junior Creditors on the Common Collateral (after taking into account the Liens in favor of the Senior Representatives, the Senior Collateral Agents and the Senior Creditors).

Section 7. Reliance; Waivers; etc.

7.1 *[Reserved]*.

7.2 *No Warranties or Liability*. The Junior Representatives and the Junior Collateral Agents, on behalf of themselves and the Junior Creditors are deemed to, acknowledge and agree that each of the Senior Representatives, the Senior Collateral Agents, the Senior Creditors and the Mortgage Tax Collateral Agent have made no express or implied representation or warranty, including with respect to the execution, validity, legality, completeness, collectability or enforceability of any of the Senior Noteholder Documents, the ownership of any Common Collateral or the perfection or priority of any Liens thereon. The Senior Creditors will be entitled to manage and supervise their respective loans, securities and extensions of credit under the Senior Documents in accordance with law and as they may otherwise, in their sole discretion, deem appropriate, and the Senior Creditors (including the Senior Noteholders and the Senior Credit Agreement Lenders) may manage their loans, securities and extensions of credit without regard to any rights or interests that the Junior Representatives or any of the Junior Creditors have in the Common Collateral or otherwise, except as otherwise provided in this Agreement. None of the Senior Representatives, the Senior Collateral Agents nor the Mortgage Tax Collateral Agent shall have any duty to the Junior Representatives, the Junior Collateral Agents or any of the Junior Creditors to act or refrain from acting in a manner that allows, or results in, the occurrence or continuance of an event of default or default under any agreements with the Company or any Subsidiary thereof (including the Junior Documents), regardless of any knowledge thereof that they may have or be charged with. Except as expressly set forth in this Agreement, the Senior Representatives, the Senior Collateral Agents, the Mortgage Tax Collateral Agent, the Senior Creditors, the Junior Representatives, the Junior Collateral Agents and the Junior Creditors have not otherwise made to each other nor do they hereby make to each other any warranties, express or implied, nor do they assume any liability to each other with respect to (a) the enforceability, validity, value or collectability of any of the Junior Claims, the Senior Claims or any guarantee or security which may have been granted to any of them in connection therewith, (b) the Company's, the Grantors' or any Subsidiary's title to or right to transfer any of the Common Collateral or (c) any other matter except as expressly set forth in this Agreement.

7.3 *Obligations Unconditional.* All rights, interests, agreements and obligations of the Senior Representatives, the Senior Collateral Agents, the Mortgage Tax Collateral Agent, and the Senior Creditors, and the Junior Representatives, the Junior Collateral Agents and the Junior Creditors, respectively, hereunder shall remain in full force and effect irrespective of:

(a) any lack of validity or enforceability of any Senior Documents or any Junior Documents;

(b) any change in the time, manner or place of payment of, or in any other terms of, all or any of the Senior Claims or Junior Claims, or any amendment or waiver or other modification, including any increase in the amount thereof, whether by course of conduct or otherwise, of the terms of the Senior Agreement or any other Senior Document or of the terms of the Junior Indentures or any other Junior Document;

(c) any exchange of any security interest in any Common Collateral or any other collateral, or any amendment, waiver or other modification, whether in writing or by course of conduct or otherwise, of all or any of the Senior Claims or Junior Noteholder Claims or any guarantee thereof;

(d) the commencement of any Insolvency or Liquidation Proceeding in respect of the Company or any other Grantor; or

(e) any other circumstances that otherwise might constitute a defense available to, or a discharge of, Hovnanian, the Company or any other Grantor in respect of the Senior Claims, or of the Junior Representatives, the Junior Collateral Agents or any Junior Creditor in respect of this Agreement.

Section 8. Miscellaneous.

8.1 *Continuing Nature of this Agreement; Severability.* This Agreement shall continue to be effective until the Discharge of Senior Claims shall have occurred. This is a continuing agreement of Lien subordination and the Senior Creditors may continue, at any time and without notice to the Junior Representatives, the Junior Collateral Agents or any Junior Creditor, to extend credit and other financial accommodations and lend monies to or for the benefit of, or to hold the securities of, the Company or any other Grantor constituting Senior Claims in reliance hereon. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

8.2 *Amendments; Waivers.* (a) No amendment, modification or waiver of any of the provisions of this Agreement by the Junior Representatives, the Junior Collateral Agents, the Senior Representatives, the Senior Collateral Agents or the Mortgage Tax Collateral Agent shall be deemed to be made unless the same shall be in writing signed on behalf of the party making the same or its authorized agent and each waiver, if any, shall be a waiver only with respect to the specific instance involved and shall in no way impair the rights of the parties making such waiver or the obligations of the other parties to such party in any other respect or at any other time. The Company and other Grantors shall not have any right to consent to or approve any amendment, modification or waiver of any provision of this Agreement except to the extent their rights are affected.

(b) Notwithstanding anything in this Section 8.2 to the contrary, this Agreement may be amended, supplemented or otherwise modified from time to time at the request of the Company, at the Company's expense, and without the consent of the Senior Representatives, the Senior Collateral Agents, any Senior Creditor, the Junior Representatives, the Junior Collateral Agents, any Junior Creditor or the Mortgage Tax Collateral Agent to (i) add other parties holding Future Second-Lien Indebtedness (or any agent or trustee therefor) and Future First-Lien Indebtedness (or any agent or trustee therefor) in each case to the extent such Indebtedness is not prohibited by any Senior Document or any Junior Document, (ii) in the case of Future Second-Lien Indebtedness, (A) establish that the Lien on the Common Collateral securing such Future Second-Lien Indebtedness shall be junior and subordinate in all respects to the Liens on the Common Collateral securing any Senior Claims and shall share in the benefits of the Common Collateral equally and ratably with all Liens on the Common Collateral securing any Junior Claims and (B) provide to the holders of such Future Second-Lien Indebtedness (or any agent or trustee therefor) the comparable rights and benefits as are provided to the holders of Junior Claims under this Agreement and (iii) in the case of Future First-Lien Indebtedness, (A) establish that the Lien on the Common Collateral securing such Future First-Lien Indebtedness shall be superior in all respects to all Liens on the Common Collateral securing any Junior Claims and shall share in the benefits of the Common Collateral equally and ratably with all Liens on the Common Collateral securing any Senior Claims (it being understood that this clause (A) shall not prohibit the entry by the Senior Representatives and the Senior Collateral Agents into an intercreditor agreement with the agent or trustee in respect of a Credit Facility (as defined in the Senior Indenture) that provides that the Liens on the Common Collateral securing such Credit Facility are superior in all respects to the Liens on the Common Collateral securing the Senior Noteholder Claims (a "First-Lien Intercreditor Agreement")), (B) provide to the holders of such Future First-Lien Indebtedness (or any agent or trustee thereof) the comparable rights and benefits as are provided to the holders of Senior Claims under this Agreement, in each case so long as such modifications do not expressly violate the provisions of the Senior Documents or the Junior Documents and (C) provide, in connection with the entry into a First-Lien Intercreditor Agreement, that the agent or trustee for the applicable Credit Facility may, in accordance with the terms of such First-Lien Intercreditor Agreement, act as representative of all Senior Creditors under this Agreement by succeeding to the role of Controlling Senior Collateral Agent (and, if requested by such agent or trustee, as Mortgage Tax Collateral Agent) hereunder (other than with respect to matters that relate solely to the Senior Noteholder Documents or the Senior Credit Agreement, as applicable). Any such additional party, the Senior Representatives, the Senior Collateral Agents, the Junior Representatives, the Junior Collateral Agents and the Mortgage Tax Collateral Agent shall be entitled to conclusively rely solely on an Officers' Certificate (as defined in the Senior Indenture) delivered to the Senior Representatives, the Senior Collateral Agents, the Junior Representatives, the Junior Collateral Agents and the Mortgage Tax Collateral Agent that such amendment, supplement or other modification is authorized or permitted by, and complies with the provisions of, this Agreement, the Security Documents, the Senior Credit Agreement, the Senior Indenture and the Junior Indentures and that all conditions precedent in such documents to such amendment, supplement or other modification have been complied with.

8.3 *Information Concerning Financial Condition of the Company and the Subsidiaries.* (a) The Senior Representatives, the Senior Collateral Agents and the Senior Creditors, on the one hand, and the Junior Representatives, the Junior Collateral Agents and the Junior Creditors, on the other hand, shall each be responsible for keeping themselves informed of (i) the financial condition of Hovnanian, the Company and the Subsidiaries and all endorsers and/or guarantors of the Junior Claims or the Senior Claims and (ii) all other circumstances bearing upon the risk of nonpayment of the Junior Claims or the Senior Claims.

(b) The Senior Representatives, the Senior Collateral Agents and the Senior Creditors shall have no duty to advise the Junior Representatives, the Junior Collateral Agents or any Junior Creditors of information known to it or them regarding such condition or any such circumstances or otherwise. In the event that any Senior Representative, any Senior Collateral Agent or any of the Senior Creditors, in its or their sole discretion, undertakes at any time or from time to time to provide any such information to any Junior Representative, any Junior Collateral Agent or any Junior Creditor, it or they shall be under no obligation (w) to make, and the Senior Representatives, the Senior Collateral Agents and the Senior Creditors shall not make, any express or implied representation or warranty, including with respect to the accuracy, completeness, truthfulness or validity of any such information so provided, (x) to provide any additional information or to provide any such information on any subsequent occasion, (y) to undertake any investigation or (z) to disclose any information that, pursuant to accepted or reasonable commercial finance practices, such party wishes to maintain confidential or is otherwise required to maintain confidential.

(c) The Junior Representatives, the Junior Collateral Agents and the Junior Creditors shall have no duty to advise any Senior Representative, any Senior Collateral Agent or any Senior Creditors of information known to it or them regarding such condition or any such circumstances or otherwise. In the event that any Junior Representative, any Junior Collateral Agent or any of the Junior Creditors, in its or their sole discretion, undertakes at any time or from time to time to provide any such information to the Senior Representatives, the Senior Collateral Agents or any Senior Creditor, it or they shall be under no obligation (w) to make, and the Junior Representatives, the Junior Collateral Agents and the Junior Creditors shall not make, any express or implied representation or warranty, including with respect to the accuracy, completeness, truthfulness or validity of any such information so provided, (x) to provide any additional information or to provide any such information on any subsequent occasion, (y) to undertake any investigation or (z) to disclose any information that, pursuant to accepted or reasonable commercial finance practices, such party wishes to maintain confidential or is otherwise required to maintain confidential.

8.4 *Subrogation.* The Junior Representatives and the Junior Collateral Agents, on behalf of themselves and the Junior Creditors, hereby agree not to assert or enforce any rights of subrogation they may acquire as a result of any payment hereunder until the Discharge of Senior Claims has occurred.

8.5 *Application of Payments.* Except as otherwise provided herein, all payments received by the Senior Creditors may be applied, reversed and reapplied, in whole or in part, to such part of the Senior Claims as the Senior Creditors, in their sole discretion, deem appropriate, consistent with the terms of the Senior Documents. Except as otherwise provided herein, the Junior Representatives and the Junior Collateral Agents, on behalf of themselves and the Junior Creditors, assents to any such extension or postponement of the time of payment of the Senior Claims or any part thereof and to any other indulgence with respect thereto, to any substitution, exchange or release of any security that may at any time secure any part of the Senior Claims and to the addition or release of any other Person primarily or secondarily liable therefor.

8.6 *Consent to Jurisdiction; Waivers.* The parties hereto consent to the jurisdiction of any state or federal court located in New York, New York, and consent that all service of process may be made by registered mail directed to such party as provided in Section 8.7 for such party. Service so made shall be deemed to be completed three days after the same shall be posted as aforesaid. The parties hereto waive any objection to any action instituted hereunder in any such court based on *forum non conveniens*, and any objection to the venue of any action instituted hereunder in any such court. Each of the parties hereto waives any right it may have to trial by jury in respect of any litigation based on, or arising out of, under or in connection with this Agreement, or any course of conduct, course of dealing, verbal or written statement or action of any party hereto in connection with the subject matter hereof.

8.7 *Notices*. (a) All notices to the Junior Creditors and the Senior Creditors permitted or required under this Agreement may be sent to the Junior Representatives and the Senior Representatives, respectively. Unless otherwise specifically provided herein, any notice or other communication herein required or permitted to be given shall be in writing and may be personally served, telecopied or sent by electronic mail, courier service or U.S. mail and shall be deemed to have been given when delivered in person or by courier service, upon receipt of a telecopy or electronic mail or four Business Days after deposit in the U.S. mail (registered or certified, with postage prepaid and properly addressed). For the purposes hereof, the addresses of the parties hereto shall be as set forth below each party's name on the signature pages hereto, or, as to each party, at such other address as may be designated by such party in a written notice to all of the other parties. Notices to the Senior Representatives and the Senior Collateral Agents shall be deemed received when actually received by a Responsible Officer thereof.

(b) The Senior Representatives, the Senior Notes Collateral Agent, the Junior Representatives, and the Junior Notes Collateral Agents agree to accept and act upon instructions or directions pursuant to the Senior Documents and the Junior Documents, as applicable, sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods. None of the Senior Representatives, the Senior Notes Collateral Agent, the Junior Representatives, or the Junior Notes Collateral Agents shall be liable for any losses, costs or expenses arising directly or indirectly from their reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The party providing electronic instructions agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Senior Representatives, the Senior Notes Collateral Agent, the Junior Representatives, or the Junior Notes Collateral Agents, including without limitation the risk of the Senior Representatives, the Senior Notes Collateral Agent, the Junior Representatives, or the Junior Notes Collateral Agents acting on unauthorized instructions, and the risk or interception and misuse by third parties.

8.8 *Further Assurances.* Each of the Junior Representatives and the Junior Collateral Agents, on behalf of itself and the Junior Creditors, and the Senior Representatives, the Mortgage Tax Collateral Agent and the Senior Collateral Agents, on behalf of itself and the Senior Creditors, agrees that each of them, at the expense of the Company, shall take such further action and shall execute and deliver to the Senior Representatives, the Mortgage Tax Collateral Agent and the Senior Collateral Agents and the Senior Creditors such additional documents and instruments (in recordable form, if requested) as the Senior Representatives, the Senior Collateral Agents or the Senior Creditors may reasonably request to effectuate the terms of and the Lien priorities contemplated by this Agreement.

8.9 *Company Notice of the Discharge of Senior Claims.* The Company shall provide prompt written notice to the Junior Representatives of any Discharge of the Senior Claims.

8.10 *Governing Law.* This Agreement has been delivered and accepted at and shall be deemed to have been made at New York, New York and shall be governed by and interpreted, and the rights and liabilities of the parties bound hereby determined, in accordance with the laws of the State of New York.

8.11 *Binding on Successors and Assigns.* This Agreement shall be binding upon the Senior Representatives, the Senior Collateral Agents, the Senior Creditors, the Mortgage Tax Collateral Agent, the Junior Representatives, the Junior Collateral Agents, the Junior Creditors, Hovnanian, the Company, the Grantors and their respective permitted successors and assigns.

8.12 *Specific Performance.* The Senior Representatives or the Senior Collateral Agents, on behalf of themselves and the Senior Creditors, may demand specific performance of this Agreement. Subject to the rights, benefits, protections, indemnifications and immunities afforded to the Junior Representatives and the Junior Collateral Agents in the Junior Documents, as applicable, the Junior Creditors are hereby deemed to irrevocably waive any defense based on the adequacy of a remedy at law to bar the remedy of specific performance in any action that may be brought by the Senior Representatives or the Senior Collateral Agents.

8.13 *Section Titles.* The section titles contained in this Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of this Agreement.

8.14 *Counterparts; Telecopy Signatures.* This Agreement may be signed in any number of counterparts each of which shall be an original, but all of which together shall constitute one and the same instrument; and, delivery of executed signature pages hereof by telecopy transmission, or other electronic transmission in *.pdf* or similar format, from one party to another shall constitute effective and binding execution and delivery of this Agreement by such party.

8.15 *Authorization.* By its signature, each Person executing this Agreement on behalf of a party hereto represents and warrants to the other parties hereto that it is duly authorized to execute this Agreement.

8.16 *No Third Party Beneficiaries; Successors and Assigns.* This Agreement and the rights and benefits hereof shall inure to the benefit of, and be binding upon, each of the parties hereto and their respective successors and assigns and shall inure to the benefit of each of, and be binding upon, the holders of Senior Claims and Junior Claims. No other Person shall have or be entitled to assert rights or benefits hereunder.

8.17 *Effectiveness.* This Agreement shall become effective when executed and delivered by the parties hereto. This Agreement shall be effective both before and after the commencement of any Insolvency or Liquidation Proceeding. All references to the Company or any other Grantor shall include the Company or any other Grantor as debtor and debtor-in-possession and any receiver or trustee for the Company or any other Grantor (as the case may be) in any Insolvency or Liquidation Proceeding.

8.18 *Senior Representatives, Senior Collateral Agents, Junior Representatives and Junior Collateral Agents.* It is understood and agreed that (a) Wilmington Trust, National Association is entering into this Agreement as Senior Credit Agreement Administrative Agent and Senior Credit Agreement Collateral Agent and the rights, benefits, protections, indemnifications and immunities afforded to the Senior Credit Agreement Administrative Agent and Senior Credit Agreement Collateral Agent, respectively, in the Senior Credit Agreement shall apply to the Senior Credit Agreement Administrative Agent and Senior Credit Agreement Collateral Agent, respectively, hereunder, (b) Wilmington Trust, National Association is entering into this Agreement as Senior Notes Trustee and Senior Notes Collateral Agent and the rights, benefits, protections, indemnifications and immunities afforded to the Senior Notes Trustee and Senior Notes Collateral Agent, respectively, in the Senior Indenture and the Senior Collateral Documents shall apply to the Senior Notes Trustee and the Senior Notes Collateral Agent, respectively, hereunder, (c) Wilmington Trust, National Association is entering into this Agreement as 9.125% Junior Trustee and 9.125% Junior Collateral Agent and the rights, benefits, protections, indemnifications and immunities afforded to the 9.125% Junior Trustee and 9.125% Junior Collateral Agent, respectively, in the 9.125% Junior Indenture and the Junior Collateral Documents shall apply to the 9.125% Junior Trustee and the 9.125% Junior Collateral Agent, respectively, hereunder, (d) Wilmington Trust, National Association is entering into this Agreement as 10.000% Junior Trustee and 10.000% Junior Collateral Agent and the rights, benefits, protections, indemnifications and immunities afforded to the 10.000% Junior Trustee and 10.000% Junior Collateral Agent, respectively, in the 10.000% Junior Indenture and the Junior Collateral Documents shall apply to the 10.000% Junior Trustee and the 10.000% Junior Collateral Agent, respectively, hereunder, (e) Wilmington Trust, National Association is entering into this Agreement as Junior Joint Collateral Agent and the rights, benefits, protections, indemnifications and immunities afforded to the Junior Joint Collateral Agent in the Junior Collateral Documents shall apply to the Junior Joint Collateral Agent hereunder and (f) Wilmington Trust, National Association is entering into this Agreement as Mortgage Tax Collateral Agent and the rights, benefits, protections, indemnifications and immunities afforded to the Mortgage Tax Collateral Agent in the Amended and Restated Collateral Agency Agreement shall apply to the Mortgage Tax Collateral Agent hereunder.

The permissive authorizations, entitlements, powers and rights granted to each of the Senior Representatives and the Senior Collateral Agents herein shall not be construed as duties. Any exercise of discretion on behalf of the Senior Representatives or the Senior Collateral Agents shall be exercised in accordance with the terms of the Senior Documents, as applicable.

The permissive authorizations, entitlements, powers and rights granted to each of the Junior Representatives and the Junior Collateral Agents herein shall not be construed as duties. Any exercise of discretion on behalf of the Junior Representatives or the Junior Collateral Agents shall be exercised in accordance with the terms of the Junior Documents.

Pursuant to Section 9.01 of the Senior Indenture, the Senior Trustee and the Senior Notes Collateral Agent are executing this Agreement in reliance upon the authorization and direction of the Senior Noteholders contained therein.

Pursuant to Section 9.01 of the Senior Credit Agreement, the Senior Credit Agreement Administrative Agent and the Senior Credit Agreement Collateral Agent are executing this Agreement in reliance upon the authorization and direction of the Senior Credit Agreement Lenders contained therein.

Pursuant to Section 9.01 of the each of the Junior Indentures, each of the Junior Representatives and the Junior Collateral Agents are executing this Agreement in reliance upon the authorization and direction of the Junior Noteholders contained therein.

8.19 *Designations.* For purposes of the provisions hereof, the Senior Indenture and the Junior Indentures requiring the Company to designate Indebtedness for the purposes of the term "First-Lien Indebtedness," any such designation shall be sufficient if the relevant designation is set forth in writing, signed on behalf of the Company by an officer thereof and delivered to the Senior Representatives and the Junior Representatives. For all purposes hereof and the Junior Indentures, the Company hereby designates the Indebtedness incurred pursuant to the Senior Documents as First-Lien Indebtedness.

8.20 *Relative Rights; Conflict.* Notwithstanding anything in this Agreement to the contrary, nothing in this Agreement is intended to or will (a) amend, waive or otherwise modify the provisions of the Senior Credit Agreement, the Senior Indenture or the Junior Indentures or any other Senior Documents or Junior Noteholder Documents entered into in connection with the Senior Credit Agreement, the Senior Indenture or the Junior Indentures or permit the Company or any Subsidiary to take any action, or fail to take any action, to the extent such action or failure would otherwise constitute a breach of, or default under, the Senior Credit Agreement, the Senior Indenture or any other Senior Documents entered into in connection with the Senior Credit Agreement, the Senior Indenture or the Junior Indentures or any other Junior Noteholder Documents entered into in connection with the Junior Indentures, (b) change the relative priorities of the Senior Claims or the Liens granted under the Senior Documents on the Common Collateral (or any other assets) as among the Senior Creditors, (c) otherwise change the relative rights of the Senior Creditors in respect of the Common Collateral as among such Senior Creditors or (d) obligate the Company or any Subsidiary to take any action, or fail to take any action, that would otherwise constitute a breach of, or default under, the Senior Credit Agreement, the Senior Indenture or any other Senior Document entered into in connection with the Senior Credit Agreement, the Senior Indenture or the Junior Indentures or any other Junior Noteholder Document entered into in connection with the Junior Indentures. For the avoidance of doubt and notwithstanding anything in this Agreement to the contrary, the relative rights and obligations of the Senior Credit Agreement Administrative Agent, the Senior Credit Agreement Collateral Agent, the Senior Notes Trustee, the Senior Notes Collateral Agent, the Mortgage Tax Collateral Agent and the Senior Creditors (as amongst themselves) with respect to any Common Collateral shall be governed by the terms of the Super Priority Intercreditor Agreement and in the event of any conflict between the Super Priority Intercreditor Agreement and this Agreement, the provisions of the Super Priority Intercreditor Agreement shall control. As it relates to matters between the Junior Representatives, the Junior Collateral Agents, the Junior Creditors and the Mortgage Tax Collateral Agent (in its capacity as agent for the Junior Creditors), on the one hand, and the Senior Representatives, the Senior Collateral Agents, the Senior Creditors and the Mortgage Tax Collateral Agent (in its capacity as agent for the Senior Creditors), on the other hand, in any conflict between the provisions of this Agreement and the Senior Documents or the Junior Noteholder Documents, this Agreement shall govern, except with respect to the rights, benefits, protections, indemnifications and immunities of Wilmington Trust, National Association.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, each of the undersigned has caused this Amended and Restated Intercreditor Agreement to be duly executed and delivered as of the date first above written.

Notice Address:

Wilmington Trust, National Association

50 South Sixth Street, Suite 1290
Minneapolis, MN 55402
Attention: K. Hovnanian
Administrator
Telecopy: 612-217-5651

Senior Credit Agreement Administrative Agent

WILMINGTON TRUST, NATIONAL ASSOCIATION
not in its individual capacity but solely in its capacity as Senior Credit Agreement Administrative Agent and acting in such capacity as collateral agent

By: /s/ Jeffrey Rose
Name: Jeffrey Rose
Title: Vice President

Notice Address:

Wilmington Trust, National Association

Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1600
Attention: K. Hovnanian
Administrator
Telecopy: 302-636-4149

Senior Notes Trustee

WILMINGTON TRUST, NATIONAL ASSOCIATION
not in its individual capacity but solely in its capacity as Senior Notes Trustee

By: /s/ John T. Needham, Jr.
Name: John T. Needham, Jr.
Title: Vice President

Notice Address:

Wilmington Trust, National Association

Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1600
Attention: K. Hovnanian Administrator
Telecopy: 302-636-4149

Senior Notes Collateral Agent

WILMINGTON TRUST, NATIONAL ASSOCIATION
not in its individual capacity but solely in its capacity as Senior Notes Collateral Agent

By: /s/ John T. Needham, Jr.
Name: John T. Needham, Jr.
Title: Vice President

Notice Address:

Wilmington Trust, National Association

Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1600
Attention: K. Hovnanian Administrator
Telecopy: 302-636-4149

Mortgage Tax Collateral Agent

WILMINGTON TRUST, NATIONAL ASSOCIATION
not in its individual capacity but solely in its capacity as Mortgage Tax Collateral Agent

By: /s/ John T. Needham, Jr.
Name: John T. Needham, Jr.
Title: Vice President

Notice Address:

Wilmington Trust, National Association

Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1600
Attention: K. Hovnanian Administrator
Telecopy: 302-636-4149

9.125% Junior Trustee

WILMINGTON TRUST, NATIONAL ASSOCIATION
not in its individual capacity but solely in its capacity as 9.125% Junior Trustee

By: /s/ John T. Needham, Jr.
Name: John T. Needham, Jr.
Title: Vice President

Notice Address:

Wilmington Trust, National Association

Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1600
Attention: K. Hovnanian Administrator
Telecopy: 302-636-4149

9.125% Junior Collateral Agent

WILMINGTON TRUST, NATIONAL ASSOCIATION
not in its individual capacity but solely in its capacity as 9.125% Junior Collateral Agent

By: /s/ John T. Needham, Jr.
Name: John T. Needham, Jr.
Title: Vice President

Notice Address:

Wilmington Trust, National Association

Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1600
Attention: K. Hovnanian Administrator
Telecopy: 302-636-4149

10.000% Junior Trustee

WILMINGTON TRUST, NATIONAL ASSOCIATION
not in its individual capacity but solely in its capacity as 10.000% Junior Trustee

By: /s/ John T. Needham, Jr.
Name: John T. Needham, Jr.
Title: Vice President

Notice Address:

Wilmington Trust, National Association

Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1600
Attention: K. Hovnanian Administrator
Telecopy: 302-636-4149

10.000% Junior Collateral Agent

WILMINGTON TRUST, NATIONAL ASSOCIATION
not in its individual capacity but solely in its capacity as 10.000% Junior Collateral Agent

By: /s/ John T. Needham, Jr.
Name: John T. Needham, Jr.
Title: Vice President

Notice Address:

Wilmington Trust, National Association

Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1600
Attention: K. Hovnanian Administrator
Telecopy: 302-636-4149

Junior Joint Collateral Agent

WILMINGTON TRUST, NATIONAL ASSOCIATION
not in its individual capacity but solely in its capacity as Junior Joint Collateral Agent

By: /s/ John T. Needham, Jr.
Name: John T. Needham, Jr.
Title: Vice President

K. HOVNANIAN ENTERPRISES, INC.

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice President Finance and Treasurer

HOVNANIAN ENTERPRISES, INC.

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice President Finance and Treasurer

K. HOV IP, II, INC.

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice President Finance and Treasurer

On behalf of each other entity named in Schedule A hereto

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice President Finance and Treasurer

Address for Notices for the Company, Hovnanian and their Subsidiaries:

c/o Hovnanian Enterprises, Inc.
110 West Front St., P.O. Box 500
Red Bank, NJ 07701
Attention: David Bachstetter
Telephone: (732) 383-2759
Facsimile: (732) 747-6835

SCHEDULE A – LIST OF ENTITIES

ARBOR TRAILS, LLC
BUILDER SERVICES NJ, L.L.C.
BUILDER SERVICES PA, L.L.C.
EASTERN NATIONAL TITLE AGENCY, LLC
EASTERN TITLE AGENCY OF ILLINOIS, LLC
EASTERN TITLE AGENCY, INC.
F&W MECHANICAL SERVICES, L.L.C.
FOUNDERS TITLE AGENCY OF MARYLAND, L.L.C.
FOUNDERS TITLE AGENCY, INC.
GLENRISE GROVE, L.L.C.
GOVERNOR'S ABSTRACT CO., INC.
HOMEBUYERS FINANCIAL SERVICES, L.L.C.
HOVNANIAN DEVELOPMENTS OF FLORIDA, INC.
HOVNANIAN ENTERPRISES, INC. (PARENT COMPANY)
HOVNANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP, L.L.C.
K. HOV IP, II, INC.
K. HOVNANIAN ABERDEEN, LLC
K. HOVNANIAN ACQUISITIONS, INC.
K. HOVNANIAN AT 240 MISSOURI, LLC
K. HOVNANIAN AT 4S, LLC
K. HOVNANIAN AT AIRE ON MCDOWELL, LLC
K. HOVNANIAN AT ALISO, LLC
K. HOVNANIAN AT ALLENTOWN, L.L.C.
K. HOVNANIAN AT ANDALUSIA, LLC
K. HOVNANIAN AT ASBURY PARK URBAN RENEWAL, LLC
K. HOVNANIAN AT ASHBY PLACE, LLC
K. HOVNANIAN AT AVENUE ONE, L.L.C.
K. HOVNANIAN AT BAKERSFIELD 463, L.L.C.
K. HOVNANIAN AT BARNEGAT I, L.L.C.
K. HOVNANIAN AT BARNEGAT II, L.L.C.
K. HOVNANIAN AT BEACON PARK AREA 129, LLC
K. HOVNANIAN AT BEACON PARK AREA 137, LLC
K. HOVNANIAN AT BELLA LAGO, LLC
K. HOVNANIAN AT BLACKSTONE, LLC
K. HOVNANIAN AT BOCA DUNES, LLC
K. HOVNANIAN AT BRANCHBURG II, LLC
K. HOVNANIAN AT BRANCHBURG, L.L.C.
K. HOVNANIAN AT BRANCHBURG-VOLLERS, LLC
K. HOVNANIAN AT BRENFORD STATION, LLC
K. HOVNANIAN AT BRIDGEPORT, INC.
K. HOVNANIAN AT BRIDGEWATER I, L.L.C.
K. HOVNANIAN AT BRIDGEWATER II, LLC
K. HOVNANIAN AT BURCH KOVE, LLC

K. HOVNANIAN AT CAMP HILL, L.L.C.
K. HOVNANIAN AT CAMPTON PRAIRIE, LLC
K. HOVNANIAN AT CAPISTRANO, L.L.C.
K. HOVNANIAN AT CARLSBAD, LLC
K. HOVNANIAN AT CATANIA, LLC
K. HOVNANIAN AT CATON'S RESERVE, LLC
K. HOVNANIAN AT CEDAR GROVE III, L.L.C.
K. HOVNANIAN AT CEDAR GROVE URBAN RENEWAL, LLC
K. HOVNANIAN AT CEDAR LANE, LLC
K. HOVNANIAN AT CHARTER WAY, LLC
K. HOVNANIAN AT CHESTERFIELD, L.L.C.
K. HOVNANIAN AT CHRISTINA COURT, LLC
K. HOVNANIAN AT CIELO, L.L.C.
K. HOVNANIAN AT COASTLINE, L.L.C.
K. HOVNANIAN AT COOSAW POINT, LLC
K. HOVNANIAN AT CORAL LAGO, LLC
K. HOVNANIAN AT CORTEZ HILL, LLC
K. HOVNANIAN AT DENVILLE, L.L.C.
K. HOVNANIAN AT DEPTFORD TOWNSHIP, L.L.C.
K. HOVNANIAN AT DOMINGUEZ HILLS, INC.
K. HOVNANIAN AT DOYLESTOWN, LLC
K. HOVNANIAN AT EAST BRANDYWINE, L.L.C.
K. HOVNANIAN AT EAST BRUNSWICK III, LLC
K. HOVNANIAN AT EAST BRUNSWICK, LLC
K. HOVNANIAN AT EAST WINDSOR, LLC
K. HOVNANIAN AT EDEN TERRACE, L.L.C.
K. HOVNANIAN AT EDGEWATER II, L.L.C.
K. HOVNANIAN AT EDGEWATER, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH II, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH, L.L.C.
K. HOVNANIAN AT ESTATES AT WHEATLANDS, LLC
K. HOVNANIAN AT EVERGREEN, L.L.C.
K. HOVNANIAN AT EVESHAM, LLC
K. HOVNANIAN AT FAIRFIELD RIDGE, LLC
K. HOVNANIAN AT FIDDYMENT RANCH, LLC
K. HOVNANIAN AT FIFTH AVENUE, L.L.C.
K. HOVNANIAN AT FLORENCE I, L.L.C.
K. HOVNANIAN AT FLORENCE II, L.L.C.
K. HOVNANIAN AT FOREST MEADOWS, L.L.C.
K. HOVNANIAN AT FOX PATH AT HAMPTON LAKE, LLC
K. HOVNANIAN AT FRANKLIN II, L.L.C.
K. HOVNANIAN AT FRANKLIN, L.L.C.
K. HOVNANIAN AT FREEHOLD TOWNSHIP III, LLC
K. HOVNANIAN AT FRESNO, LLC

K. HOVNANIAN AT GALLERY, LLC
K. HOVNANIAN AT GASLAMP SQUARE, L.L.C.
K. HOVNANIAN AT GENEVA MEADOWS, LLC
K. HOVNANIAN AT GILROY 60, LLC
K. HOVNANIAN AT GILROY, LLC
K. HOVNANIAN AT GREAT NOTCH, L.L.C.
K. HOVNANIAN AT HACKETTSTOWN II, L.L.C.
K. HOVNANIAN AT HAMPTON COVE, LLC
K. HOVNANIAN AT HAMPTON LAKE, LLC
K. HOVNANIAN AT HANOVER ESTATES, LLC
K. HOVNANIAN AT HERSHEY'S MILL, INC.
K. HOVNANIAN AT HIDDEN BROOK, LLC
K. HOVNANIAN AT HILLSBOROUGH, LLC
K. HOVNANIAN AT HILLTOP RESERVE II, LLC
K. HOVNANIAN AT HILLTOP RESERVE, LLC
K. HOVNANIAN AT HOWELL II, LLC
K. HOVNANIAN AT HOWELL III, LLC
K. HOVNANIAN AT HOWELL, LLC
K. HOVNANIAN AT HUDSON POINTE, L.L.C.
K. HOVNANIAN AT HUNTFIELD, LLC
K. HOVNANIAN AT INDIAN WELLS, LLC
K. HOVNANIAN AT ISLAND LAKE, LLC
K. HOVNANIAN AT JACKSON I, L.L.C.
K. HOVNANIAN AT JACKSON, L.L.C.
K. HOVNANIAN AT JAEGER RANCH, LLC
K. HOVNANIAN AT JERSEY CITY IV, L.L.C.
K. HOVNANIAN AT KEYPORT, L.L.C.
K. HOVNANIAN AT LA COSTA GREENS, L.L.C.
K. HOVNANIAN AT LA LAGUNA, L.L.C.
K. HOVNANIAN AT LAKE BURDEN, LLC
K. HOVNANIAN AT LAKE LECLARE, LLC
K. HOVNANIAN AT LAKE RANCHO VIEJO, LLC
K. HOVNANIAN AT LAKE RIDGE ESTATES, LLC
K. HOVNANIAN AT LAKE TERRAPIN, L.L.C.
K. HOVNANIAN AT LEE SQUARE, L.L.C.
K. HOVNANIAN AT LENAH WOODS, LLC
K. HOVNANIAN AT LILY ORCHARD, LLC
K. HOVNANIAN AT LINK FARM, LLC
K. HOVNANIAN AT LITTLE EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR, L.L.C
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LOWER MAKEFIELD TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MORELAND II, L.L.C.
K. HOVNANIAN AT MAGNOLIA PLACE, LLC
K. HOVNANIAN AT MAHWAH VI, INC.

K. HOVNANIAN AT MAIN STREET SQUARE, LLC
K. HOVNANIAN AT MALAN PARK, L.L.C.
K. HOVNANIAN AT MANALAPAN II, L.L.C.
K. HOVNANIAN AT MANALAPAN III, L.L.C.
K. HOVNANIAN AT MANALAPAN V, LLC
K. HOVNANIAN AT MANALAPAN VI, LLC
K. HOVNANIAN AT MANSFIELD II, L.L.C.
K. HOVNANIAN AT MANTECA, LLC
K. HOVNANIAN AT MAPLE AVENUE, L.L.C.
K. HOVNANIAN AT MARLBORO IX, LLC
K. HOVNANIAN AT MARLBORO TOWNSHIP IX, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP V, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP VIII, L.L.C.
K. HOVNANIAN AT MARLBORO VI, L.L.C.
K. HOVNANIAN AT MARPLE, LLC
K. HOVNANIAN AT MEADOWRIDGE VILLAS, LLC
K. HOVNANIAN AT MELANIE MEADOWS, LLC
K. HOVNANIAN AT MENDHAM TOWNSHIP, L.L.C.
K. HOVNANIAN AT MIDDLE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT MIDDLE TOWNSHIP, L.L.C.
K. HOVNANIAN AT MIDDLETOWN II, L.L.C.
K. HOVNANIAN AT MIDDLETOWN III, LLC
K. HOVNANIAN AT MIDDLETOWN, LLC
K. HOVNANIAN AT MILLVILLE I, L.L.C.
K. HOVNANIAN AT MILLVILLE II, L.L.C.
K. HOVNANIAN AT MONROE IV, L.L.C.
K. HOVNANIAN AT MONROE NJ II, LLC
K. HOVNANIAN AT MONROE NJ III, LLC
K. HOVNANIAN AT MONROE NJ, L.L.C.
K. HOVNANIAN AT MONTGOMERY, LLC
K. HOVNANIAN AT MONTVALE II, LLC
K. HOVNANIAN AT MONTVALE, L.L.C.
K. HOVNANIAN AT MORRIS TWP, LLC
K. HOVNANIAN AT MT. LAUREL, LLC
K. HOVNANIAN AT MUIRFIELD, LLC
K. HOVNANIAN AT NORTH BERGEN. L.L.C.
K. HOVNANIAN AT NORTH BRUNSWICK VI, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL II, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL III, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL IV, L.L.C.
K. HOVNANIAN AT NORTH WILDWOOD, L.L.C.
K. HOVNANIAN AT NORTHAMPTON, L.L.C.
K. HOVNANIAN AT NORTHERN WESTCHESTER, INC.
K. HOVNANIAN AT NORTHFIELD, L.L.C.
K. HOVNANIAN AT NORTHRIDGE ESTATES, LLC
K. HOVNANIAN AT NORTON LAKE LLC

K. HOVNANIAN AT NOTTINGHAM MEADOWS, LLC
K. HOVNANIAN AT OAK POINTE, LLC
K. HOVNANIAN AT OCEAN TOWNSHIP, INC
K. HOVNANIAN AT OCEAN VIEW BEACH CLUB, LLC
K. HOVNANIAN AT OCEANPORT, L.L.C.
K. HOVNANIAN AT OLD BRIDGE, L.L.C.
K. HOVNANIAN AT PALM VALLEY, L.L.C.
K. HOVNANIAN AT PARKSIDE, LLC
K. HOVNANIAN AT PARSIPPANY, L.L.C.
K. HOVNANIAN AT PAVILION PARK, LLC
K. HOVNANIAN AT PIAZZA D'ORO, L.L.C.
K. HOVNANIAN AT PIAZZA SERENA, L.L.C
K. HOVNANIAN AT PICKETT RESERVE, LLC
K. HOVNANIAN AT PITTSGROVE, L.L.C.
K. HOVNANIAN AT PLANTATION LAKES, L.L.C.
K. HOVNANIAN AT POINTE 16, LLC
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL V, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VIII, L.L.C.
K. HOVNANIAN AT POSITANO, LLC
K. HOVNANIAN AT PRADO, L.L.C.
K. HOVNANIAN AT PRAIRIE POINTE, LLC
K. HOVNANIAN AT QUAIL CREEK, L.L.C.
K. HOVNANIAN AT RANCHO CABRILLO, LLC
K. HOVNANIAN AT RANDOLPH I, L.L.C.
K. HOVNANIAN AT RAPHO, L.L.C
K. HOVNANIAN AT REDTAIL, LLC
K. HOVNANIAN AT RESERVES AT WHEATLANDS, LLC
K. HOVNANIAN AT RESIDENCE AT DISCOVERY SQUARE, LLC
K. HOVNANIAN AT RIDGEMONT, L.L.C.
K. HOVNANIAN AT ROCK LEDGE, LLC
K. HOVNANIAN AT RODERUCK, L.L.C.
K. HOVNANIAN AT ROSEMARY LANTANA, L.L.C.
K. HOVNANIAN AT SAGE, L.L.C.
K. HOVNANIAN AT SAGEBROOK, LLC
K. HOVNANIAN AT SANTA NELLA, LLC
K. HOVNANIAN AT SAWMILL, INC.
K. HOVNANIAN AT SCOTCH PLAINS, L.L.C.
K. HOVNANIAN AT SEASONS LANDING, LLC
K. HOVNANIAN AT SHELDON GROVE, LLC
K. HOVNANIAN AT SHREWSBURY, LLC
K. HOVNANIAN AT SIGNAL HILL, LLC
K. HOVNANIAN AT SILVER SPRING, L.L.C.
K. HOVNANIAN AT SILVERSTONE, LLC
K. HOVNANIAN AT SKYE ISLE, LLC
K. HOVNANIAN AT SKYE ON MCDOWELL, LLC
K. HOVNANIAN AT SMITHVILLE, INC.

K. HOVNANIAN AT SOMERSET, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK II, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK III, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK, L.L.C.
K. HOVNANIAN AT STANTON, LLC
K. HOVNANIAN AT STATION SQUARE, L.L.C.
K. HOVNANIAN AT SUMMERLAKE, LLC
K. HOVNANIAN AT SUNRIDGE PARK, LLC
K. HOVNANIAN AT SUNRISE TRAIL II, LLC
K. HOVNANIAN AT SUNRISE TRAIL III, LLC
K. HOVNANIAN AT TERRA BELLA TWO, LLC
K. HOVNANIAN AT THE COMMONS AT RICHMOND HILL, LLC
K. HOVNANIAN AT THE CROSBY, LLC
K. HOVNANIAN AT THE MONARCH, L.L.C.
K. HOVNANIAN AT THE PROMENADE AT BEAVER CREEK, LLC
K. HOVNANIAN AT THOMPSON RANCH, LLC
K. HOVNANIAN AT TRAFFORD PLACE, LLC
K. HOVNANIAN AT TRAIL RIDGE, LLC
K. HOVNANIAN AT UPPER PROVIDENCE, LLC
K. HOVNANIAN AT UPPER UWCHLAN II, L.L.C.
K. HOVNANIAN AT UPPER UWCHLAN, L.L.C.
K. HOVNANIAN AT VALLE DEL SOL, LLC
K. HOVNANIAN AT VERONA ESTATES, LLC
K. HOVNANIAN AT VERONA URBAN RENEWAL, L.L.C.
K. HOVNANIAN AT VICTORVILLE, L.L.C.
K. HOVNANIAN AT VINEYARD HEIGHTS, LLC
K. HOVNANIAN AT VISTA DEL SOL, L.L.C.
K. HOVNANIAN AT WALDWICK, LLC
K. HOVNANIAN AT WALKERS GROVE, LLC
K. HOVNANIAN AT WARREN TOWNSHIP II, LLC
K. HOVNANIAN AT WARREN TOWNSHIP, L.L.C.
K. HOVNANIAN AT WATERSTONE, LLC
K. HOVNANIAN AT WAYNE IX, L.L.C.
K. HOVNANIAN AT WEST VIEW ESTATES, L.L.C.
K. HOVNANIAN AT WESTBROOK, LLC
K. HOVNANIAN AT WESTSHORE, LLC
K. HOVNANIAN AT WHEELER RANCH, LLC
K. HOVNANIAN AT WHEELER WOODS, LLC
K. HOVNANIAN AT WHITEMARSH, LLC
K. HOVNANIAN AT WILDWOOD BAYSIDE, L.L.C.
K. HOVNANIAN AT WOODCREEK WEST, LLC
K. HOVNANIAN AT WOOLWICH I, L.L.C.
K. HOVNANIAN BELDEN POINTE, LLC
K. HOVNANIAN BELMONT RESERVE, LLC
K. HOVNANIAN CAMBRIDGE HOMES, L.L.C.
K. HOVNANIAN CENTRAL ACQUISITIONS, L.L.C.

K. HOVNANIAN CLASSICS, L.L.C.
K. HOVNANIAN COMMUNITIES, INC.
K. HOVNANIAN COMPANIES OF CALIFORNIA, INC.
K. HOVNANIAN COMPANIES OF MARYLAND, INC.
K. HOVNANIAN COMPANIES OF NEW YORK, INC.
K. HOVNANIAN COMPANIES OF PENNSYLVANIA, INC.
K. HOVNANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.
K. HOVNANIAN COMPANIES, LLC
K. HOVNANIAN CONSTRUCTION II, INC
K. HOVNANIAN CONSTRUCTION III, INC
K. HOVNANIAN CONSTRUCTION MANAGEMENT, INC.
K. HOVNANIAN CONTRACTORS OF OHIO, LLC
K. HOVNANIAN CRAFTBUILT HOMES OF SOUTH CAROLINA, L.L.C.
K. HOVNANIAN CYPRESS KEY, LLC
K. HOVNANIAN DEVELOPMENTS OF ARIZONA, INC.
K. HOVNANIAN DEVELOPMENTS OF CALIFORNIA, INC.
K. HOVNANIAN DEVELOPMENTS OF D.C., INC.
K. HOVNANIAN DEVELOPMENTS OF DELAWARE, INC.
K. HOVNANIAN DEVELOPMENTS OF GEORGIA, INC.
K. HOVNANIAN DEVELOPMENTS OF ILLINOIS, INC.
K. HOVNANIAN DEVELOPMENTS OF KENTUCKY, INC.
K. HOVNANIAN DEVELOPMENTS OF MARYLAND, INC.
K. HOVNANIAN DEVELOPMENTS OF MINNESOTA, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY II, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW YORK, INC.
K. HOVNANIAN DEVELOPMENTS OF NORTH CAROLINA, INC.
K. HOVNANIAN DEVELOPMENTS OF OHIO, INC.
K. HOVNANIAN DEVELOPMENTS OF PENNSYLVANIA, INC.
K. HOVNANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.
K. HOVNANIAN DEVELOPMENTS OF TEXAS, INC.
K. HOVNANIAN DEVELOPMENTS OF VIRGINIA, INC.
K. HOVNANIAN DEVELOPMENTS OF WEST VIRGINIA, INC.
K. HOVNANIAN DFW AUBURN FARMS, LLC
K. HOVNANIAN DFW BELMONT, LLC
K. HOVNANIAN DFW HARMON FARMS, LLC
K. HOVNANIAN DFW HERITAGE CROSSING, LLC
K. HOVNANIAN DFW HOMESTEAD, LLC
K. HOVNANIAN DFW INSPIRATION, LLC
K. HOVNANIAN DFW LEXINGTON, LLC
K. HOVNANIAN DFW LIBERTY CROSSING, LLC
K. HOVNANIAN DFW LIGHT FARMS II, LLC
K. HOVNANIAN DFW LIGHT FARMS, LLC
K. HOVNANIAN DFW MIDTOWN PARK, LLC
K. HOVNANIAN DFW PALISADES, LLC
K. HOVNANIAN DFW PARKSIDE, LLC

K. HOVNANIAN DFW RIDGEVIEW, LLC
K. HOVNANIAN DFW SEVENTEEN LAKES, LLC
K. HOVNANIAN DFW TRAILWOOD, LLC
K. HOVNANIAN DFW VILLAS AT MUSTANG PARK, LLC
K. HOVNANIAN DFW WELLINGTON, LLC
K. HOVNANIAN DFW WILDRIDGE, LLC
K. HOVNANIAN EASTERN PENNSYLVANIA, L.L.C.
K. HOVNANIAN EDGEBROOK, LLC
K. HOVNANIAN ENTERPRISES, INC.
K. HOVNANIAN ESTATES AT REGENCY, L.L.C.
K. HOVNANIAN ESTATES AT WEKIVA, LLC
K. HOVNANIAN FALLS POINTE, LLC
K. HOVNANIAN FIRST HOMES, L.L.C.
K. HOVNANIAN FLORIDA REALTY, L.L.C.
K. HOVNANIAN FOREST VALLEY, LLC
K. HOVNANIAN FOUR SEASONS @ HISTORIC VIRGINIA, LLC
K. HOVNANIAN FOUR SEASONS AT GOLD HILL, LLC
K. HOVNANIAN GRAND CYPRESS, LLC
K. HOVNANIAN GRANDEFIELD, LLC
K. HOVNANIAN GREAT WESTERN BUILDING COMPANY, LLC
K. HOVNANIAN GREAT WESTERN HOMES, LLC
K. HOVNANIAN HAMPTONS AT OAK CREEK II, L.L.C.
K. HOVNANIAN HIDDEN HOLLOW, LLC
K. HOVNANIAN HIGHLAND RIDGE, LLC
K. HOVNANIAN HOLDINGS NJ, L.L.C.
K. HOVNANIAN HOMES - DFW, L.L.C.
K. HOVNANIAN HOMES AT BROOK MANOR, LLC
K. HOVNANIAN HOMES AT BURKE JUNCTION, LLC
K. HOVNANIAN HOMES AT CAMP SPRINGS, L.L.C.
K. HOVNANIAN HOMES AT CREEKSIDE, LLC
K. HOVNANIAN HOMES AT FOREST RUN, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM PARK TOWNS, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM, L.L.C.
K. HOVNANIAN HOMES AT JONES STATION 1, L.L.C.
K. HOVNANIAN HOMES AT LEIGH MILL, LLC
K. HOVNANIAN HOMES AT MAXWELL PLACE, L.L.C.
K. HOVNANIAN HOMES AT REEDY CREEK, LLC
K. HOVNANIAN HOMES AT RUSSETT, L.L.C.
K. HOVNANIAN HOMES AT SALT CREEK LANDING, LLC
K. HOVNANIAN HOMES AT SHELL HALL, LLC
K. HOVNANIAN HOMES AT ST. JAMES PLACE, LLC
K. HOVNANIAN HOMES AT THE ABBY, LLC
K. HOVNANIAN HOMES AT THE HIGHLANDS, LLC
K. HOVNANIAN HOMES AT THE PADDOCKS, LLC
K. HOVNANIAN HOMES AT THOMPSON'S GRANT, LLC
K. HOVNANIAN HOMES AT WILLOWSFORD GRANT, LLC

K. HOVNANIAN HOMES AT WILLOWSFORD GREENS, LLC
K. HOVNANIAN HOMES NORTHERN CALIFORNIA, INC.
K. HOVNANIAN HOMES OF D.C., L.L.C.
K. HOVNANIAN HOMES OF DELAWARE, L.L.C.
K. HOVNANIAN HOMES OF GEORGIA, L.L.C.
K. HOVNANIAN HOMES OF HOUSTON, L.L.C.
K. HOVNANIAN HOMES OF LONGACRE VILLAGE, L.L.C.
K. HOVNANIAN HOMES OF MARYLAND, L.L.C.
K. HOVNANIAN HOMES OF MINNESOTA AT ARBOR CREEK, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT AUTUMN MEADOWS, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT BRYNWOOD, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT CEDAR HOLLOW, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT FOUNDER'S RIDGE, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT HARPERS STREET WOODS, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT OAKS OF OXBOW, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT REGENT'S POINT, LLC
K. HOVNANIAN HOMES OF MINNESOTA, L.L.C.
K. HOVNANIAN HOMES OF NORTH CAROLINA, INC.
K. HOVNANIAN HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN HOMES OF SOUTH CAROLINA, LLC
K. HOVNANIAN HOMES OF VIRGINIA, INC.
K. HOVNANIAN HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN HOUSTON CITY HEIGHTS, LLC
K. HOVNANIAN INDIAN TRAILS, LLC
K. HOVNANIAN LADUE RESERVE, LLC
K. HOVNANIAN LAKES OF GREEN, LLC
K. HOVNANIAN LEGACY AT VIA BELLA, LLC
K. HOVNANIAN LIBERTY ON BLUFF CREEK, LLC
K. HOVNANIAN MANALAPAN ACQUISITION, LLC
K. HOVNANIAN MONARCH GROVE, LLC
K. HOVNANIAN NORTH CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTHEAST SERVICES, L.L.C.
K. HOVNANIAN NORTHPOINTE 40S, LLC
K. HOVNANIAN OF HOUSTON II, L.L.C.
K. HOVNANIAN OF OHIO, LLC
K. HOVNANIAN OHIO REALTY, L.L.C.
K. HOVNANIAN PA REAL ESTATE, INC.
K. HOVNANIAN PENNSYLVANIA ACQUISITIONS, L.L.C.
K. HOVNANIAN PORT IMPERIAL URBAN RENEWAL, INC.
K. HOVNANIAN PROPERTIES OF RED BANK, INC.
K. HOVNANIAN REYNOLDS RANCH, LLC
K. HOVNANIAN RIVENDALE, LLC
K. HOVNANIAN RIVERSIDE, LLC
K. HOVNANIAN SCHADY RESERVE, LLC
K. HOVNANIAN SHERWOOD AT REGENCY, LLC

K. HOVNANIAN SHORE ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTH FORK, LLC
K. HOVNANIAN SOUTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTHERN NEW JERSEY, L.L.C.
K. HOVNANIAN STERLING RANCH, LLC
K. HOVNANIAN SUMMIT HOLDINGS, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF KENTUCKY, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES, L.L.C.
K. HOVNANIAN T&C HOMES AT FLORIDA, L.L.C.
K. HOVNANIAN T&C HOMES AT ILLINOIS, L.L.C.
K. HOVNANIAN TIMBRES AT ELM CREEK, LLC
K. HOVNANIAN UNION PARK, LLC
K. HOVNANIAN VENTURE I, L.L.C.
K. HOVNANIAN VILLAGE GLEN, LLC
K. HOVNANIAN WATERBURY, LLC
K. HOVNANIAN WHITE ROAD, LLC
K. HOVNANIAN WINDWARD HOMES, LLC
K. HOVNANIAN WOODLAND POINTE, LLC
K. HOVNANIAN WOODRIDGE PLACE, LLC
K. HOVNANIAN'S FOUR SEASONS AT BAKERSFIELD, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT BEAUMONT, LLC
K. HOVNANIAN'S FOUR SEASONS AT BRIARGATE, LLC
K. HOVNANIAN'S FOUR SEASONS AT CHARLOTTESVILLE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT HEMET, LLC
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND CONDOMINIUMS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT LOS BANOS, LLC
K. HOVNANIAN'S FOUR SEASONS AT MORENO VALLEY, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT NEW KENT VINEYARDS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT PALM SPRINGS, LLC
K. HOVNANIAN'S FOUR SEASONS AT RENAISSANCE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK II, LLC
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT SILVER MAPLE FARM, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT ST. MARGARETS LANDING, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT THE MANOR II, LLC
K. HOVNANIAN'S FOUR SEASONS AT THE MANOR, LLC
K. HOVNANIAN'S PARKSIDE AT TOWNGATE, L.L.C.
K. HOVNANIAN'S VERANDA AT RIVERPARK II, LLC
K. HOVNANIAN'S VERANDA AT RIVERPARK, LLC
KHH SHELL HALL LOAN ACQUISITION, LLC
LANDARAMA, INC.
LAUREL HIGHLANDS, LLC
M & M AT MONROE WOODS, L.L.C.

M&M AT CHESTERFIELD, L.L.C.
M&M AT CRESCENT COURT, L.L.C.
M&M AT WEST ORANGE, L.L.C.
MATZEL & MUMFORD AT EGG HARBOR, L.L.C.
MCNJ, INC.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF PENNSYLVANIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF WEST VIRGINIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES, L.L.C.
MM-BEACHFRONT NORTH I, LLC
NEW HOME REALTY, LLC
NEW LAND TITLE AGENCY, L.L.C.
PADDOCKS, L.L.C.
PARK TITLE COMPANY, LLC
PINE AYR, LLC
RIDGEMORE UTILITY, L.L.C.
SEABROOK ACCUMULATION CORPORATION
SHELL HALL CLUB AMENITY ACQUISITION, LLC
SHELL HALL LAND ACQUISITION, LLC
STONEBROOK HOMES, INC.
TERRAPIN REALTY, L.L.C.
THE MATZEL & MUMFORD ORGANIZATION, INC
WASHINGTON HOMES, INC.
WESTMINSTER HOMES, INC.
WH PROPERTIES, INC.
WOODMORE RESIDENTIAL, L.L.C.
WTC VENTURES, L.L.C.

Exhibit 10(o)

Execution Version

FIRST LIEN COLLATERAL AGENCY AGREEMENT, dated as of September 8, 2016, by and among WILMINGTON TRUST, NATIONAL ASSOCIATION, as collateral agent for the Existing First Lien Indenture Secured Parties (as defined below) (in such capacity, together with its successors and assigns, the "**Existing Collateral Agent**"), WILMINGTON TRUST, NATIONAL ASSOCIATION, as collateral agent for the 9.50% First Lien Indenture Secured Parties (as defined below) (in such capacity, together with its successors and assigns, the "**9.50% Collateral Agent**"), WILMINGTON TRUST, NATIONAL ASSOCIATION, as Collateral Agent (as defined below), K. Hovnanian Enterprises, Inc. (the "**Company**"), and each of the signatories listed on Schedule A hereto (collectively, the "**Grantors**").

WHEREAS, the Grantors, the Existing Collateral Agent and WILMINGTON TRUST, NATIONAL ASSOCIATION, as trustee (the "**Existing Trustee**") are parties to that certain Indenture, dated as of November 1, 2011 (as amended, supplemented or otherwise modified to the date hereof and as thereafter amended, supplemented or otherwise modified from time to time, the "**Existing Indenture**") pursuant to which the Company issued its (i) 2.00% Senior Secured First Lien Notes due 2021 (the "**2.00% Notes**") and (ii) 5.00% Senior Secured First Lien Notes due 2021 (the "**5.00% Notes**" and, together with the 2.00% Notes, the "**Existing Notes**");

WHEREAS, in connection with the Existing Indenture, the Grantors party thereto entered into that certain First Lien Security Agreement, dated as of November 1, 2011 (as amended, amended and restated, supplemented or otherwise modified to the date hereof and from time to time hereafter, the "**First Lien Security Agreement**") pursuant to which the Grantors party thereto granted to the Existing Collateral Agent, for the benefit of the Existing First Lien Indenture Secured Parties, Liens on the Collateral under, and as defined in, the First Lien Security Agreement;

WHEREAS, in connection with the Existing Indenture, the Grantors party thereto entered into that certain First Lien Pledge Agreement, dated as of November 1, 2011 (as amended, amended and restated, supplemented or otherwise modified to the date hereof and from time to time hereafter, the "**First Lien Pledge Agreement**") pursuant to which the Grantors party thereto granted to the Existing Collateral Agent, for the benefit of the Existing First Lien Indenture Secured Parties, Liens on the Pledged Collateral under, and as defined in, the First Lien Pledge Agreement;

WHEREAS, concurrently with the execution of this Agreement, the Company, Hovnanian Enterprises, Inc., the Guarantors (as defined therein), the 9.50% Collateral Agent and WILMINGTON TRUST, NATIONAL ASSOCIATION, as trustee (the "**9.50% Trustee**") are entering into that certain Indenture, dated as of the date hereof (as amended, supplemented or otherwise modified from time to time, the "**9.50% Indenture**") pursuant to which (x) the Company is issuing its 9.50% Senior Secured First Lien Notes due 2020 (the "**9.50% Notes**") and (y) the 9.50% Collateral Agent is being appointed as collateral agent for the 9.50% First Lien Indenture Secured Parties;

WHEREAS, concurrently and in connection with the consummation of the transactions contemplated by the 9.50% Indenture, the Grantors and the Existing Collateral Agent shall enter into an amendment, amendment and restatement, or other modification to the First Lien Security Agreement, the First Lien Pledge Agreement and the other Noteholder Collateral Documents to the extent necessary (x) to add the Obligations under the 9.50% Indenture as "Secured Obligations" for all purposes under the First Lien Security Agreement and (y) to provide that the Collateral Agent shall act as collateral agent, and hold the Liens granted pursuant to the Noteholder Collateral Documents, for the benefit of the 9.50% First Lien Indenture Secured Parties, in addition to acting as collateral agent, and holding the Liens granted pursuant to the Noteholder Collateral Documents, for the benefit of the Existing First Lien Indenture Secured Parties.

NOW THEREFORE, the parties hereto desire to memorialize the foregoing and, accordingly, hereby agree as follows:

Article 1
Defined Terms

Section 1.01. *Definitions.* Capitalized terms not otherwise defined herein or specified as being defined in a specific agreement or instrument shall have the meanings set forth in the First Lien Security Agreement, and the following terms shall have the following meanings:

"**9.50% Agent"** means the collective reference to the 9.50% Trustee and the 9.50% Collateral Agent.

"**9.50% Claims**" means all Indebtedness (as defined in the 9.50% Indenture) and Obligations relating to the 9.50% Indenture and the 9.50% Notes and the Guarantees (as defined in the 9.50% Indenture).

"**9.50% First Lien Indenture Secured Parties**" means all Persons holding 9.50% Claims, including, for the avoidance of doubt, the 9.50% Agent.

"**Agreement**" means this Agreement, as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms hereof.

"**Bankruptcy Code**" means Title 11 of the United States Code.

"**Bankruptcy Law**" means the Bankruptcy Code and any similar Federal, state or foreign law for the relief of debtors.

"**Collateral Agent**" means Wilmington Trust, National Association, in its capacity as collateral agent (together with its successors and assigns) for the First Lien Indenture Secured Parties under the Noteholder Collateral Documents pursuant to the appointment in Section 2.01 hereof.

"**Deposit Account Collateral**" means that part of the First Lien Collateral comprised of Deposit Accounts, Financial Assets and Investment Property.

"**Event of Default**" means an Event of Default as defined in the Indentures.

"**Existing Agent**" means the collective reference to the Existing Trustee and the Existing Collateral Agent.

"**Existing Claims**" means all Indebtedness (as defined in the Existing Indenture) and Obligations relating to the Existing Indenture and the Existing Notes and the Guarantees (as defined in the Existing Indenture).

"**Existing First Lien Indenture Secured Parties**" means all Persons holding Existing Claims, including, for the avoidance of doubt, the Existing Agent.

"**Financial Assets**" has the meaning set forth in the New York UCC.

"**First Lien Collateral**" means all assets of any Grantor, whether real, personal or mixed, with respect to which a Lien is granted as security for any of the First Lien Obligations, including without limitation, Collateral (as defined in the First Lien Security Agreement) and Pledged Collateral (as defined in the First Lien Pledge Agreement).

"**First Lien Indenture Secured Parties**" means the collective reference to the Existing First Lien Indenture Secured Parties and the 9.50% First Lien Indenture Secured Parties.

"**First Lien Obligations**" means all Obligations in respect of the Existing Notes and the 9.50% Notes and the Guarantee (as defined in the Indentures), including, for the avoidance of doubt, an amount equal to Post-Petition Interest.

"**Indentures**" means the collective reference to the Existing Indenture and the 9.50% Indenture.

"**Insolvency or Liquidation Proceeding**" means (a) any voluntary or involuntary case or proceeding under any Bankruptcy Law with respect to any Grantor as a debtor, (b) any other voluntary or involuntary insolvency, reorganization or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding with respect to any Grantor or with respect to any material part of their respective assets, (c) any liquidation, dissolution, reorganization or winding up of any Grantor whether voluntary or involuntary and whether or not involving insolvency or bankruptcy or (d) any assignment for the benefit of creditors or any other marshalling of assets and liabilities of any Grantor.

"**Lien**" means, with respect to any asset, any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset.

"**Obligations**" means "Obligations" as defined in the Indentures.

"**Person**" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, entity or other party, including any government and any political subdivision, agency or instrumentality thereof.

"**Post-Petition Interest**" means any interest or entitlement to fees or other expenses or other charges that accrues after the commencement of any Insolvency or Liquidation Proceeding, whether or not allowed or allowable in any such Insolvency or Liquidation Proceeding.

"**Series**" means, when used in reference to the First Lien Indenture Secured Parties, the Existing First Lien Indenture Secured Parties or the 9.50% First Lien Indenture Secured Parties or both, as applicable.

Section 1.01. *Certain Other Terms.*

(a) The words "herein," "hereof," "hereto" and "hereunder" and similar words refer to this Agreement as a whole and not to any particular Article, Section, subsection or clause in this Agreement.

(b) References herein to an Exhibit, Article, Section, subsection or clause refer to the appropriate Exhibit, or Article, Section, subsection or clause in, this Agreement.

(c) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

(d) Any reference in this Agreement to the First Lien Security Agreement, the First Lien Pledge Agreement and the other Noteholder Collateral Documents shall include all appendices, exhibits and schedules to such First Lien Security Agreement, First Lien Pledge Agreement and the other Noteholder Collateral Documents, and all amendments, restatements, amendments and restatements, supplements or other modifications thereto entered into concurrently and in connection with the consummation of the transactions contemplated by the 9.50% Indenture or from time to time thereafter.

Article 2
The Collateral Agent

Section 2.01. *Authorization and Action.* The Company and pursuant to the authorization set forth in the 9.50% Indenture, the 9.50% Collateral Agent hereby appoints Wilmington Trust, National Association in its capacity as the Existing Collateral Agent to act as collateral agent on behalf of the 9.50% First Lien Indenture Secured Parties pursuant to the First Lien Security Agreement, the First Lien Pledge Agreement and the other Noteholder Collateral Documents. Wilmington Trust, National Association in its capacity as the Existing Collateral Agent hereby accepts such appointment to act as collateral agent for all the First Lien Indenture Secured Parties for the purposes of the First Lien Security Agreement, the First Lien Pledge Agreement and the other Noteholder Collateral Documents. The Collateral Agent acknowledges that the Liens and security interests created and arising under the Noteholder Collateral Documents originally for the benefit of the Existing First Lien Indenture Secured Parties shall, on and after the date hereof, also be for the benefit of the 9.50% First Lien Indenture Secured Parties. The parties hereto agree that nothing in this Agreement shall affect, impair or interrupt the continuous Liens created pursuant to the Noteholder Collateral Documents as of the date of the original grant of such Liens and such Liens remain in full force and effect on a continuous basis, unimpaired, uninterrupted and undischarged, and having the same perfected status and priority immediately prior to the date of this Agreement.

Section 2.02. *Enforcement of Collateral by Collateral Agent.* If the Collateral Agent at any time receives written notice from either Series of First Lien Indenture Secured Parties (i) stating that an Event of Default has occurred and is continuing entitling the Collateral Agent (or any First Lien Indenture Secured Party of the applicable Series to direct the Collateral Agent) to foreclose upon, collect or otherwise enforce its Liens or security interests on the First Lien Collateral and (ii) instructing the Collateral Agent to act in the exercise and enforcement of the Collateral Agent's interests, rights, powers and remedies in respect of the First Lien Collateral or under the Noteholder Collateral Documents or applicable law, then, subject to the next succeeding sentence and its rights under the Noteholder Documents, the Collateral Agent shall comply with such instructions, and, following the initiation of such exercise or remedies, the Collateral Agent will act as directed by such Series of First Lien Indenture Secured Parties. If the Collateral Agent receives multiple instructions from the requisite number of First Lien Indenture Secured Parties of each Series, then the Collateral Agent will comply with all such instructions; *provided* that if there is a conflict between such instructions, then (i) the Collateral Agent shall promptly inform the First Lien Indenture Secured Parties of both Series in writing and shall not be required to comply with any such instructions for a period of ten days after delivery by the Collateral Agent to the Existing Agent and the 9.50% Agent of notice of such conflict (such ten-day period, the "**Notice Period**"), until (x) the Collateral Agent receives written notice from the Existing Agent or the 9.50% Agent that the conflicting instructions delivered by the Existing Agent or the 9.50% Agent, as applicable, are withdrawn, in which case the Collateral Agent shall act in accordance with any remaining instruction still in effect or (y) the Collateral Agent receives written notice from both the Existing Agent and the 9.50% Agent jointly (I) stating that the conflicting instructions delivered by the First Lien Indenture Secured Parties of both Series are withdrawn and (II) directing the Collateral Agent to take such actions set forth therein or (ii) after expiration of the Notice Period without the occurrence of either of the actions described in the foregoing clauses (x) or (y), the Collateral Agent shall comply with any instructions of the Existing First Lien Indenture Secured Parties as are permitted by the First Lien Security Agreement and the Existing Indenture.

Section 2.03. *Application of Proceeds by Collateral Agent/Priority of Claims.* The Collateral Agent shall cause all Proceeds of the First Lien Collateral (in the form of cash or otherwise) received by it pursuant to an enforcement of Liens and security interests in accordance with Section 2.02 or otherwise, to be applied as follows:

FIRST, ratably to the payment of all costs and expenses owing to the Collateral Agent, the Existing Notes Trustee and the Existing Collateral Agent and the 9.50% Notes Trustee and the 9.50% Collateral Agent in respect of the First Lien Obligations, their agents, attorneys and counsel, and all other expenses and liabilities incurred and advances made pursuant to the Indentures except as a result of their negligence or willful misconduct;

SECOND, to the payment in full of the First Lien Obligations (including, for the avoidance of doubt, an amount equal to Post-Petition Interest) ratably in respect of the Obligations in respect of the Existing Notes and the 9.50% Notes based upon the amount thereof outstanding on the date of such application (which amount shall include, for the avoidance of doubt, Post-Petition Interest), to be applied by the applicable trustee in accordance with the respective Noteholder Documents; and

THIRD, after payment in full of all of the Obligations in respect of the Existing Notes and the 9.50% Notes, to the Grantors or their successors or assigns, as their interests may appear, or as a court of competent jurisdiction may direct.

Section 2.04. *Prohibition on Contesting Liens.* (a) Each of the First Lien Indenture Secured Parties agrees that it will not (and hereby waives any right to) question or contest or support any other Person in contesting, in any proceeding (including any Insolvency or Liquidation Proceeding), the perfection, priority, validity, attachment or enforceability of a Lien held by or on behalf of any of the First Lien Indenture Secured Parties in all or any part of the First Lien Collateral, or the provisions of this Agreement; *provided* that nothing in this Section 2.04(a) shall be construed to prevent or impair the rights of any collateral agent to enforce this Agreement.

(b) Notwithstanding the date, time, method, manner or order of filing or recordation of any document or instrument or grant, attachment or perfection of any Liens securing any Series of First Lien Obligations granted on the First Lien Collateral and notwithstanding any provision of the Uniform Commercial Code of any jurisdiction, or any other applicable law or the Noteholder Documents or any defect or deficiencies in the Liens securing the First Lien Obligations of any Series granted on the First Lien Collateral or any other circumstance whatsoever, each First Lien Indenture Secured Party hereby agrees that the Liens securing each Series of First Lien Obligations on any First Lien Collateral shall be of equal priority.

Section 2.05. *Acknowledgments*. Nothing set forth in this Agreement is intended to limit, or shall limit, any right or remedy that the Existing Agent, the 9.50% Agent or any First Lien Indenture Secured Party may have in its capacity as a creditor in any Insolvency or Liquidation Proceeding.

Section 2.06. *Duties of Collateral Agent.* The Collateral Agent shall not have any duties or obligations except those expressly set forth herein or in the Noteholder Collateral Documents to which it is a party (in its capacity as Collateral Agent).

Section 2.07. *Successor Agent.* (a) The Collateral Agent or any successor Collateral Agent may resign at any time by giving at least 30 days' prior written notice of resignation to the Company, the Existing Collateral Agent and the 9.50% Collateral Agent, such resignation to be effective on the later of (a) the date specified in such notice and (b) the date on which a replacement agent acceptable to the Existing Collateral Agent, the 9.50% Collateral Agent, and to the extent no Event of Default exists under the Noteholder Documents, the Company, is appointed to act as Collateral Agent hereunder. If no such successor is appointed within such 30 day period, the Collateral Agent may petition a court of competent jurisdiction for the appointment of a successor.

(b) Any entity into which the Collateral Agent may be merged or with which it may be consolidated, or any entity resulting from any merger or consolidation to which the Collateral Agent is a party shall automatically succeed to all of the rights and obligations of the Collateral Agent hereunder and under the Agreement without further action on the part of any of the parties hereto. Such surviving or succeeding entity (if other than the Collateral Agent) shall (a) forthwith deliver to each of the collateral agents and the Company written notice of such succession to the rights and obligations of the Collateral Agent hereunder and under the Noteholder Documents and an executed assignment and assumption of the Collateral Agent's rights and duties hereunder and (b) cooperate with the Company in continuing or maintaining perfection of the lien and security interest in respect of the First Lien Collateral.

Section 2.08. *Recording of Liens*. Each of the Existing Agent and the Existing First Lien Indenture Secured Parties agrees that each filing and recordation of any document or instrument or grant, attachment or perfection of any Liens granted to any such party in the name of Wilmington Trust, National Association, as Collateral Agent, or similar name in respect of the First Lien Obligations, is also a filing and recordation in favor and for the benefit of the 9.50% Agent and each 9.50% First Lien Indenture Secured Party and that the references to Wilmington Trust, National Association, as Collateral Agent (or similar representative name in respect of the First Lien Obligations) in each such filing is a reference to the Collateral Agent, acting as representative for the First Lien Indenture Secured Parties, the Existing Agent and the 9.50% Agent.

Section 2.09. *Bailee for Perfection*. Prior to the date the Collateral Agent obtains control of the Deposit Account Collateral that is part of the First Lien Collateral and at the time controlled by the Existing Collateral Agent, the Existing Collateral Agent acknowledges (except with respect to the Pledged Collateral in the succeeding sentence) that the Existing Collateral Agent has control of any Deposit Account Collateral that is part of the First Lien Collateral and at the time controlled by the Existing Collateral Agent for the benefit of the First Lien Indenture Secured Parties and any assignee solely for the purpose of perfecting the security interest granted in such Deposit Account Collateral pursuant to the Noteholder Collateral Documents. Immediately upon the effectiveness of this Agreement and without further action being required, the Existing Collateral Agent shall be deemed to have delivered to the Collateral Agent, and the Collateral Agent shall be deemed to be in possession of (without any further action by it whatsoever), all Pledged Collateral that is part of the First Lien Collateral in the Existing Collateral Agent's possession or control (or in the possession or control of its agents or bailees).

ARTICLE 3
MISCELLANEOUS

Section 3.01. *Notices, etc.* All notices, requests, claims, demands, waivers and other communications under this Agreement shall be delivered in accordance with the First Lien Security Agreement.

Section 3.02. *Successors and Assigns.* This Agreement shall be binding upon and inure to the benefit of, and be enforceable by, the respective successors and permitted assigns of the parties hereto.

Section 3.03. *Governing Law*. This Agreement has been delivered and accepted at and shall be deemed to have been made at New York, New York and shall be governed by and interpreted, and the rights and liabilities of the parties bound hereby determined, in accordance with the laws of the State of New York.

Section 3.04. *Consent to Jurisdiction; Waivers.* The parties hereto consent to the jurisdiction of any state or federal court located in New York, New York, and consent that all service of process may be made by registered mail directed to such party as provided in the First Lien Security Agreement. Service so made shall be deemed to be completed three days after the same shall be posted as aforesaid. The parties hereto waive any objection to any action instituted hereunder in any such court based on *forum non conveniens*, and any objection to the venue of any action instituted hereunder in any such court. Each of the parties hereto waives any right it may have to trial by jury in respect of any litigation based on, or arising out of, under or in connection with this Agreement, or any course of conduct, course of dealing, verbal or written statement or action of any party hereto in connection with the subject matter hereof.

Section 3.05. *Amendments*. This Agreement may not be modified or amended, or any provision thereof waived, except in writing signed by all the parties to this Agreement.

Section 3.06. *Effectiveness.* This Agreement shall become effective when executed and delivered by the parties hereto. This Agreement shall be effective both before and after the commencement of any Insolvency or Liquidation Proceeding. All references to the Company or any other Grantor shall include the Company or any other Grantor as debtor and debtor-in-possession and any receiver or trustee for the Company or any other Grantor (as the case may be) in any Insolvency or Liquidation Proceeding.

This Agreement may be executed in several counterparts, each of which shall be an original, but all of which shall constitute one instrument. If any term of this Agreement or any application thereof shall be held to be invalid, illegal or unenforceable, the validity of other terms of this Agreement or any other application of such term shall in no way be affected thereby.

Section 3.07. *Collateral Agent's rights, benefits, etc.* (a) Wilmington Trust, National Association is entering into this Agreement in its capacity as Existing Collateral Agent pursuant to the authorization set forth in Article XI of the Existing Indenture. In acting as Existing Collateral Agent and in acting as Collateral Agent hereunder, Wilmington Trust, National Association shall be entitled to the rights, benefits, protections, indemnities and immunities granted to the Existing Collateral Agent set forth in the Noteholder Documents (to which the Collateral Agent is a party) in respect of the Existing Indenture and its role as Existing Collateral Agent.

(b) Wilmington Trust, National Association is entering into this Agreement in its capacity as 9.50% Collateral Agent pursuant to the authorization set forth in Article XI of the 9.50% Indenture. In acting as 9.50% Collateral Agent and in acting as Collateral Agent hereunder, Wilmington Trust, National Association shall be entitled to the rights, benefits, protections, indemnities and immunities granted to the 9.50% Collateral Agent set forth in the Noteholder Documents (to which the Collateral Agent is a party) in respect of the 9.50% Indenture and its role as 9.50% Collateral Agent.

(c) The permissive authorizations, entitlements, powers and rights granted to each of the Collateral Agent herein shall not be construed as duties. Any exercise of discretion on behalf of the of the Collateral Agent shall be exercised in accordance with the terms of the Noteholder Documents.

(d) None of the collateral agents hereunder make any representation and have no responsibility as to the validity or sufficiency of this Agreement or the sufficiency of the First Lien Collateral.

(e) Notwithstanding anything herein to the contrary, none of the collateral agents hereunder shall have any duty to (i) file or prepare any financing or continuation statements or record any documents or instruments in any public office for purposes of creating, perfecting or maintaining any lien or security interest created hereunder or under the Noteholder Collateral Documents; (ii) take any necessary steps to preserve rights against any parties with respect to any First Lien Collateral; or (iii) take any action to protect against any diminution in value of the First Lien Collateral, except, in each case, as otherwise expressly provided in this Agreement and the Noteholder Documents (to which the applicable collateral agent is a party), with respect to the safe custody of any First Lien Collateral in its physical possession and the release of any liens only in accordance with the terms of the Noteholder Documents.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the date first above written.

WILMINGTON TRUST, NATIONAL ASSOCIATION, not in its individual capacity, but solely as Existing Collateral Agent

By: /s/ John T. Needham, Jr.
Name: John T. Needham, Jr.
Title: Vice President

[Signature Page to First Lien Collateral Agency Agreement]

WILMINGTON TRUST, NATIONAL ASSOCIATION, not in its individual capacity, but solely as 9.50% Collateral Agent

By: /s/ John T. Needham, Jr.
Name: John T. Needham, Jr.
Title: Vice President

[Signature Page to First Lien Collateral Agency Agreement]

WILMINGTON TRUST, NATIONAL ASSOCIATION, not in its individual capacity but solely as Collateral Agent under the Noteholder Collateral Documents

By: /s/ John T. Needham, Jr.
Name: John T. Needham, Jr.
Title: Vice President

[Signature Page to First Lien Collateral Agency Agreement]

K. HOVNANIAN ENTERPRISES, INC.

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice-President—Finance and Treasurer

On behalf of each other entity named in Schedule A hereto

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice-President—Finance and Treasurer

[Signature Page to First Lien Collateral Agency Agreement]

SCHEDULE A

AMBER RIDGE, LLC
HOMEBUYERS FINANCIAL USA, LLC
HOVWEST LAND ACQUISITION, LLC
K. HOVNANIAN AMBER GLEN, LLC
K. HOVNANIAN AT AMBERLEY WOODS, LLC
K. HOVNANIAN AT BRADWELL ESTATES, LLC
K. HOVNANIAN AT CANTER V, LLC
K. HOVNANIAN AT CEDAR LANE ESTATES, LLC
K. HOVNANIAN AT DOMINION CROSSING, LLC
K. HOVNANIAN AT EAGLE HEIGHTS, LLC
K. HOVNANIAN AT EMBREY MILL, LLC
K. HOVNANIAN AT FREEHOLD TOWNSHIP II, LLC
K. HOVNANIAN AT HUNTER'S POND, LLC
K. HOVNANIAN AT LADD RANCH, LLC
K. HOVNANIAN AT MANALAPAN IV, LLC
K. HOVNANIAN AT MERIDIAN HILLS, LLC
K. HOVNANIAN AT MORRIS TWP II, LLC
K. HOVNANIAN AT MYSTIC DUNES, LLC
K. HOVNANIAN AT NICHOLSON, LLC
K. HOVNANIAN AT ORCHARD MEADOWS, LLC
K. HOVNANIAN AT PELHAM'S REACH, LLC
K. HOVNANIAN AT RANDALL HIGHLANDS, LLC
K. HOVNANIAN AT RAYMOND FARM, LLC
K. HOVNANIAN AT RIVER HILLS, LLC
K. HOVNANIAN AT SILVERWOOD GLEN, LLC
K. HOVNANIAN AT SUNRISE TRAIL, LLC
K. HOVNANIAN AT TAMARACK SOUTH LLC
K. HOVNANIAN AT TANGLEWOOD OAKS, LLC
K. HOVNANIAN AT THE HIGHLANDS AT SUMMERLAKE GROVE, LLC
K. HOVNANIAN AT VALLETTA, LLC
K. HOVNANIAN AT VILLAGE OF ROUND HILL, LLC
K. HOVNANIAN AT WATERFORD, LLC
K. HOVNANIAN AT WELLSPRINGS, LLC
K. HOVNANIAN BUILDING COMPANY, LLC
K. HOVNANIAN COMPANIES OF ARIZONA, LLC
K. HOVNANIAN CYPRESS CREEK, LLC
K. HOVNANIAN DFW BERKSHIRE, LLC
K. HOVNANIAN DFW BERKSHIRE II, LLC
K. HOVNANIAN DFW CARILLON, LLC
K. HOVNANIAN DFW HEATHERWOOD, LLC
K. HOVNANIAN DFW HERON POND, LLC
K. HOVNANIAN DFW MAXWELL CREEK, LLC
K. HOVNANIAN DFW MUSTANG LAKES, LLC

K. HOVNANIAN DFW RICHWOODS, LLC
K. HOVNANIAN HOMES AT PARKSIDE, LLC
K. HOVNANIAN HOMES AT WILLOWSFORD GRANGE, LLC
K. HOVNANIAN HOMES AT WILLOWSFORD NEW, LLC
K. HOVNANIAN HOMES OF DELAWARE I, LLC
K. HOVNANIAN HOMES OF FLORIDA I, LLC
K. HOVNANIAN HOMES OF MARYLAND I, LLC
K. HOVNANIAN HOMES OF MARYLAND II, LLC
K. HOVNANIAN HOMES OF VIRGINIA I, LLC
K. HOVNANIAN HOVWEST HOLDINGS, L.L.C.
K. HOVNANIAN JV HOLDINGS, L.L.C.
K. HOVNANIAN JV SERVICES COMPANY, L.L.C.
K. HOVNANIAN LAKE PARKER, LLC
K. HOVNANIAN MONTCLAIRE ESTATES, LLC
K. HOVNANIAN PARKSIDE HOLDINGS, LLC
K. HOVNANIAN SERENO, LLC
K. HOVNANIAN TBD, LLC
K. HOVNANIAN TERRALARGO, LLC
K. HOVNANIAN'S FOUR SEASONS AT MALIND BLUFF, LLC
K. HOVNANIAN'S SONATA AT THE PRESERVE, LLC

Exhibit 10(p)

Execution Version

SECOND LIEN COLLATERAL AGENCY AGREEMENT, dated as of September 8, 2016, by and among WILMINGTON TRUST, NATIONAL ASSOCIATION, as collateral agent for the 9.125% Second Lien Indenture Secured Parties (as defined below) (in such capacity, together with its successors and assigns, the "**9.125% Collateral Agent**"), WILMINGTON TRUST, NATIONAL ASSOCIATION, as collateral agent for the 10.000% Second Lien Indenture Secured Parties (as defined below) (in such capacity, together with its successors and assigns, the "**10.000% Collateral Agent**"), WILMINGTON TRUST, NATIONAL ASSOCIATION, as Collateral Agent (as defined below), HOVNANIAN ENTERPRISES, INC. ("**Hovnanian**"), K. HOVNANIAN ENTERPRISES, INC. (the "**Company**"), and each of the signatories listed on Schedule A hereto (Hovnanian, the Company and such signatories, collectively, the "**Grantors**").

WHEREAS, the Grantors, the 9.125% Collateral Agent and WILMINGTON TRUST, NATIONAL ASSOCIATION, as trustee (the "**9.125% Trustee**") are parties to that certain Indenture, dated as of October 2, 2012 (as amended, supplemented or otherwise modified to the date hereof and as thereafter amended, supplemented or otherwise modified from time to time, the "**9.125% Indenture**") pursuant to which the Company issued its 9.125% Senior Secured Second Lien Notes due 2020 (the "**9.125% Notes**");

WHEREAS, in connection with the 9.125% Indenture, Hovnanian, the Company and the other Grantors party thereto entered into that certain Second Lien Security Agreement, dated as of October 2, 2012 (as amended, amended and restated, supplemented or otherwise modified to the date hereof and from time to time hereafter, the "**Second Lien Security Agreement**") pursuant to which Hovnanian, the Company and the other Grantors party thereto granted to the 9.125% Collateral Agent, for the benefit of the 9.125% Second Lien Indenture Secured Parties, Liens on the Collateral under, and as defined in, the Second Lien Security Agreement;

WHEREAS, in connection with the 9.125% Indenture, Hovnanian, the Company and the other Grantors party thereto entered into that certain Second Lien Pledge Agreement, dated as of October 2, 2012 (as amended, amended and restated, supplemented or otherwise modified to the date hereof and from time to time hereafter, the "**Second Lien Pledge Agreement**") pursuant to which Hovnanian, the Company and the other Grantors granted to the 9.125% Collateral Agent, for the benefit of the 9.125% Second Lien Indenture Secured Parties, Liens on the Pledged Collateral under, and as defined in, the Second Lien Pledge Agreement;

WHEREAS, concurrently with the execution of this Agreement, the Grantors, the 10.000% Collateral Agent and WILMINGTON TRUST, NATIONAL ASSOCIATION, as trustee (the "**10.000% Trustee**") are entering into that certain Indenture, dated as of the date hereof (as amended, supplemented or otherwise modified from time to time, the "**10.000% Indenture**") pursuant to which (x) the Company is issuing its 10.000% Senior Secured Second Lien Notes due 2018 (the "**10.000% Notes**" and, together with the 9.125% Notes, the "**Notes**") and (y) the 10.000% Collateral Agent is being appointed as collateral agent for the 10.000% Second Lien Indenture Secured Parties;

WHEREAS, concurrently and in connection with the consummation of the transactions contemplated by the 10.000% Indenture, the Grantors and the 9.125% Collateral Agent shall enter into an amendment, amendment and restatement, or other modification to the Second Lien Security Agreement, the Second Lien Pledge Agreement and the other Junior Collateral Documents to the extent necessary (x) to add the Obligations under the 10.000% Indenture as "Secured Obligations" for all purposes under the Second Lien Security Agreement and (y) to provide that the Collateral Agent shall act as collateral agent, and hold the Liens granted pursuant to the Junior Collateral Documents, for the benefit of the 10.000% Second Lien Indenture Secured Parties, in addition to acting as collateral agent, and holding the Liens granted pursuant to the Junior Collateral Documents, for the benefit of the 9.125% Second Lien Indenture Secured Parties;

WHEREAS, the Liens granted pursuant to the Second Lien Security Agreement, the Second Lien Pledge Agreement and all other Junior Collateral Documents are subject to that certain Amended and Restated Intercreditor Agreement, dated as of the date hereof (as amended, amended and restated, supplemented or otherwise modified from time to time, the "**Intercreditor Agreement**") among Hovnanian, the Company, the other Grantors from time to time party thereto, Wilmington Trust, National Association, as collateral agent under the Senior Credit Agreement Documents, Wilmington Trust, National Association, as trustee and collateral agent under the Senior Noteholder Documents, Wilmington Trust, National Association, as the Mortgage Tax Collateral Agent, the 9.125% Trustee, the 9.125% Collateral Agent, the 10.000% Trustee, the 10.000% Collateral Agent and the Collateral Agent.

NOW THEREFORE, the parties hereto desire to memorialize the foregoing and, accordingly, hereby agree as follows:

ARTICLE 1
DEFINED TERMS

Section 1.01. *Definitions.* Capitalized terms not otherwise defined herein or specified as being defined in a specific agreement or instrument shall have the meanings set forth in the Intercreditor Agreement, and the following terms shall have the following meanings:

"**9.125% Agent**" means the collective reference to the 9.125% Trustee and the 9.125% Collateral Agent.

"**10.000% Agent**" means the collective reference to the 10.000% Trustee and the 10.000% Collateral Agent.

"**9.125% Second Lien Indenture Secured Parties**" means all Junior Creditors, including, for the avoidance of doubt, the Junior Notes Claimholders, with respect to the 9.125% Indenture.

"**10.000% Second Lien Indenture Secured Parties**" means all Junior Creditors, including, for the avoidance of doubt, the Junior Notes Claimholders, with respect to the 10.000% Indenture.

"**Agreement**" means this Agreement, as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms hereof.

"**Collateral Agent**" means Wilmington Trust, National Association, in its capacity as collateral agent (together with its successors and assigns) for the Second Lien Indenture Secured Parties under the Junior Collateral Documents and the Intercreditor Agreement pursuant to the appointment in Section 2.01 hereof.

"**Event of Default**" means an Event of Default as defined in the Indentures.

"**Indentures**" means the collective reference to the 9.125% Indenture and the 10.000% Indenture.

"**Person**" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, entity or other party, including any government and any political subdivision, agency or instrumentality thereof.

"**Post-Petition Interest**" means any interest or entitlement to fees or other expenses or other charges that accrues after the commencement of any Insolvency or Liquidation Proceeding, whether or not allowed or allowable in any such Insolvency or Liquidation Proceeding.

"**Second Lien Indenture Secured Parties**" shall mean the 9.125% Second Lien Indenture Secured Parties and the 10.000% Second Lien Indenture Secured Parties.

"**Second Lien Obligations**" means all Junior Claims, with respect to the Indebtedness (as defined in the Indentures) and the Obligations relating to the Indentures and the Notes and the Guarantee (as defined in the Indentures) (including, for the avoidance of doubt, an amount equal to Post-Petition Interest).

"**Series**" shall mean, when used in reference to the Second Lien Indenture Secured Parties, the 9.125% Second Lien Indenture Secured Parties or the 10.000% Second Lien Indenture Secured Parties or both, as applicable.

Section 1.01. *Certain Other Terms.*

(a) The words "herein," "hereof," "hereto" and "hereunder" and similar words refer to this Agreement as a whole and not to any particular Article, Section, subsection or clause in this Agreement.

(b) References herein to an Exhibit, Article, Section, subsection or clause refer to the appropriate Exhibit, or Article, Section, subsection or clause in, this Agreement.

(c) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

(d) Any reference in this Agreement to the Second Lien Security Agreement, the Second Lien Pledge Agreement and the other Junior Collateral Documents shall include all appendices, exhibits and schedules to such Second Lien Security Agreement, Second Lien Pledge Agreement and the other Junior Collateral Documents, and all amendments, restatements, amendments and restatements, supplements or other modifications thereto entered into concurrently and in connection with the consummation of the transactions contemplated by the 10.000% Indenture or from time to time thereafter.

(e) Any reference in this Agreement to Junior Collateral Documents, Junior Documents or Junior Collateral shall be a reference to such term as defined in the Intercreditor Agreement, but solely as they relate to the Second Lien Obligations and the Second Lien Indenture Secured Parties.

Article 2
The Collateral Agent

Section 2.01. *Authorization and Action.* The Company and pursuant to the authorization set forth in the 10.000% Indenture, the 10.000% Collateral Agent hereby appoints Wilmington Trust, National Association in its capacity as the 9.125% Collateral Agent to act as collateral agent on behalf of the 10.000% Second Lien Indenture Secured Parties pursuant to the Second Lien Security Agreement, the Second Lien Pledge Agreement and the other Junior Collateral Documents. Wilmington Trust, National Association in its capacity as the 9.125% Collateral Agent hereby accepts such appointment to act as collateral agent for all the Second Lien Indenture Secured Parties for the purposes of the Second Lien Security Agreement, the Second Lien Pledge Agreement, the other Junior Collateral Documents and the Intercreditor Agreement. The Collateral Agent acknowledges that the Liens and security interests created and arising under the Junior Collateral Documents originally for the benefit of the 9.125% Second Lien Indenture Secured Parties shall, on and after the date hereof, also be for the benefit of the 10.000% Second Lien Indenture Secured Parties. The parties hereto agree that nothing in this Agreement shall affect, impair or interrupt the continuous Liens created pursuant to the Junior Collateral Documents as of the date of the original grant of such Liens and such Liens remain in full force and effect on a continuous basis, unimpaired, uninterrupted and undischarged, and having the same perfected status and priority immediately prior to the date of this Agreement, subject to the Intercreditor Agreement.

Section 2.02. *Enforcement of Collateral by Collateral Agent.* Subject to the Intercreditor Agreement, if the Collateral Agent at any time receives written notice from either Series of Second Lien Indenture Secured Parties (i) stating that an Event of Default has occurred and is continuing entitling the Collateral Agent (or any Second Lien Indenture Secured Party of the applicable Series to direct the Collateral Agent) to foreclose upon, collect or otherwise enforce its Liens or security interests on the Junior Collateral and (ii) instructing the Collateral Agent to act in the exercise and enforcement of the Collateral Agent's interests, rights, powers and remedies in respect of the Junior Collateral or under the Junior Collateral Documents or applicable law, then, subject to the next succeeding sentence and its rights under the Junior Documents, the Collateral Agent shall comply with such instructions, and, following the initiation of such exercise or remedies, the Collateral Agent will act as directed by such Series of Second Lien Indenture Secured Parties. If the Collateral Agent receives multiple instructions from the requisite number of Second Lien Indenture Secured Parties of each Series, then the Collateral Agent will comply with all such instructions; *provided* that if there is a conflict between such instructions, then (i) the Collateral Agent shall promptly inform the Second Lien Indenture Secured Parties of both Series in writing and shall not be required to comply with any such instructions for a period of ten days after delivery by the Collateral Agent to the 9.125% Agent and the 10.000% Agent of notice of such conflict (such ten-day period, the "**Notice Period**"), until (x) the Collateral Agent receives written notice from the 9.125% Agent or the 10.000% Agent that the conflicting instructions delivered by the 9.125% Agent or the 10.000% Agent, as applicable, are withdrawn, in which case the Collateral Agent shall act in accordance with any remaining instruction still in effect or (y) the Collateral Agent receives written notice from both the 9.125% Agent and the 10.000% Agent jointly (I) stating that the conflicting instructions delivered by the Second Lien Indenture Secured Parties of both Series are withdrawn and (II) directing the Collateral Agent to take such actions set forth therein or (ii) after expiration of the Notice Period without the occurrence of either of the actions described in the foregoing clauses (x) or (y), the Collateral Agent shall comply with any instructions of the 9.125% Second Lien Indenture Secured Parties as are permitted by the Second Lien Security Agreement, the 9.125% Indenture and the Intercreditor Agreement.

Section 2.03. *Application of Proceeds by Collateral Agent/Priority of Claims.* Subject to the requirements of the Intercreditor Agreement, the Collateral Agent shall cause all Proceeds of the Junior Collateral (in the form of cash or otherwise) received by it pursuant to an enforcement of Liens and security interests in accordance with Section 2.02 or otherwise, to be applied as follows:

FIRST, ratably to the payment of all costs and expenses owing to the Collateral Agent, the 9.125% Notes Trustee and 9.125% Collateral Agent and the 10.000% Notes Trustee and 10.000% Collateral Agent in respect of the Second Lien Obligations, their agents, attorneys and counsel, and all other expenses and liabilities incurred and advances made pursuant to the Indentures except as a result of their negligence or willful misconduct;

SECOND, to the payment in full of the Second Lien Obligations (including, for the avoidance of doubt, an amount equal to Post-Petition Interest) ratably in respect of the Obligations in respect of the 9.125% Notes and the 10.000% Notes based upon the amount thereof outstanding on the date of such application (which amount shall include, for the avoidance of doubt, Post-Petition Interest), to be applied by the applicable trustee in accordance with the respective Junior Documents; and

THIRD, after payment in full of all of the Obligations in respect of the 9.125% Notes and the 10.000% Notes, to the Grantors or their successors or assigns, as their interests may appear, or as a court of competent jurisdiction may direct.

Section 2.04. *Prohibition on Contesting Liens.* (a) Each of the Second Lien Indenture Secured Parties agrees that it will not (and hereby waives any right to) question or contest or support any other Person in contesting, in any proceeding (including any Insolvency or Liquidation Proceeding), the perfection, priority, validity, attachment or enforceability of a Lien held by or on behalf of any of the Second Lien Indenture Secured Parties in all or any part of the Junior Collateral, or the provisions of this Agreement; *provided* that nothing in this Section 2.04(a) shall be construed to prevent or impair the rights of any collateral agent to enforce this Agreement.

(b) Notwithstanding the date, time, method, manner or order of filing or recordation of any document or instrument or grant, attachment or perfection of any Liens securing any Series of Second Lien Obligations granted on the Junior Collateral and notwithstanding any provision of the Uniform Commercial Code of any jurisdiction, or any other applicable law or the Junior Documents or any defect or deficiencies in the Liens securing the Second Lien Obligations of any Series granted on the Junior Collateral or any other circumstance whatsoever, each Second Lien Indenture Secured Party hereby agrees that the Liens securing each Series of Second Lien Obligations on any Junior Collateral shall be of equal priority.

Section 2.05. *Acknowledgments*. Nothing set forth in this Agreement is intended to limit, or shall limit, any right or remedy that the 9.125% Agent, the 10.000% Agent or any Second Lien Indenture Secured Party may have in its capacity as a creditor in any Insolvency or Liquidation Proceeding.

Section 2.06. *Duties of Collateral Agent.* The Collateral Agent shall not have any duties or obligations except those expressly set forth herein or in the Junior Collateral Documents to which it is a party (in its capacity as Collateral Agent) or in the Intercreditor Agreement.

Section 2.07. *Successor Agent.* (a) The Collateral Agent or any successor Collateral Agent may resign at any time by giving at least 30 days' prior written notice of resignation to the Company, the 9.125% Collateral Agent and the 10.000% Collateral Agent, such resignation to be effective on the later of (a) the date specified in such notice and (b) the date on which a replacement agent acceptable to the 9.125% Collateral Agent, the 10.000% Collateral Agent, and to the extent no Event of Default exists under the Junior Documents, the Company, is appointed to act as Collateral Agent hereunder. If no such successor is appointed within such 30 day period, the Collateral Agent may petition a court of competent jurisdiction for the appointment of a successor.

(b) Any entity into which the Collateral Agent may be merged or with which it may be consolidated, or any entity resulting from any merger or consolidation to which the Collateral Agent is a party shall automatically succeed to all of the rights and obligations of the Collateral Agent hereunder and under the Agreement without further action on the part of any of the parties hereto. Such surviving or succeeding entity (if other than the Collateral Agent) shall (a) forthwith deliver to each of the collateral agents and the Company written notice of such succession to the rights and obligations of the Collateral Agent hereunder and under the Junior Documents and an executed assignment and assumption of the Collateral Agent's rights and duties hereunder and (b) cooperate with the Company in continuing or maintaining perfection of the lien and security interest in respect of the Junior Collateral.

Section 2.08. *Recording of Liens*. Each of the 9.125% Agent and the 9.125% Second Lien Indenture Secured Parties agrees that each filing and recordation of any document or instrument or grant, attachment or perfection of any Liens granted to any such party in the name of Wilmington Trust, National Association, as Collateral Agent, or similar name in respect of the Second Lien Obligations, is also a filing and recordation in favor and for the benefit of the 10.000% Agent and each 10.000% Second Lien Indenture Secured Party and that the references to Wilmington Trust, National Association, as Collateral Agent (or similar representative name in respect of the Second Lien Obligations) in each such filing is a reference to the Collateral Agent, acting as representative for the Second Lien Indenture Secured Parties, the 9.125% Agent and the 10.000% Agent.

Section 2.09. *Bailee for Perfection*. Prior to the date the Collateral Agent obtains control of the Deposit Account Collateral that is part of the Junior Collateral and at the time controlled by the 9.125% Collateral Agent, the 9.125% Collateral Agent acknowledges that the 9.125% Collateral Agent has control of the Deposit Account Collateral that is part of the Junior Collateral and at the time controlled by the 9.125% Collateral Agent for the benefit of the Second Lien Indenture Secured Parties and any assignee solely for the purpose of perfecting the security interest granted in such Deposit Account Collateral pursuant to the Junior Collateral Documents.

ARTICLE 3
MISCELLANEOUS

Section 3.01. *Notices, etc.* All notices, requests, claims, demands, waivers and other communications under this Agreement shall be delivered in accordance with the Intercreditor Agreement

Section 3.02. *Successors and Assigns.* This Agreement shall be binding upon and inure to the benefit of, and be enforceable by, the respective successors and permitted assigns of the parties hereto.

Section 3.03. *Governing Law*. This Agreement has been delivered and accepted at and shall be deemed to have been made at New York, New York and shall be governed by and interpreted, and the rights and liabilities of the parties bound hereby determined, in accordance with the laws of the State of New York.

Section 3.04. *Consent to Jurisdiction; Waivers.* The parties hereto consent to the jurisdiction of any state or federal court located in New York, New York, and consent that all service of process may be made by registered mail directed to such party as provided in the Intercreditor Agreement. Service so made shall be deemed to be completed three days after the same shall be posted as aforesaid. The parties hereto waive any objection to any action instituted hereunder in any such court based on *forum non conveniens*, and any objection to the venue of any action instituted hereunder in any such court. Each of the parties hereto waives any right it may have to trial by jury in respect of any litigation based on, or arising out of, under or in connection with this Agreement, or any course of conduct, course of dealing, verbal or written statement or action of any party hereto in connection with the subject matter hereof.

Section 3.05. *Amendments*. This Agreement may not be modified or amended, or any provision thereof waived, except in writing signed by all the parties to this Agreement.

Section 3.06. *Effectiveness.* This Agreement shall become effective when executed and delivered by the parties hereto. This Agreement shall be effective both before and after the commencement of any Insolvency or Liquidation Proceeding. All references to the Company or any other Grantor shall include the Company or any other Grantor as debtor and debtor-in-possession and any receiver or trustee for the Company or any other Grantor (as the case may be) in any Insolvency or Liquidation Proceeding.

This Agreement may be executed in several counterparts, each of which shall be an original, but all of which shall constitute one instrument. If any term of this Agreement or any application thereof shall be held to be invalid, illegal or unenforceable, the validity of other terms of this Agreement or any other application of such term shall in no way be affected thereby.

Section 3.07. *Collateral Agent's rights, benefits, etc.* (a) Wilmington Trust, National Association is entering into this Agreement in its capacity as 9.125% Collateral Agent pursuant to the authorization set forth in Article XI of the 9.125% Indenture. In acting as 9.125% Collateral Agent and in acting as Collateral Agent hereunder, Wilmington Trust, National Association shall be entitled to the rights, benefits, protections, indemnities and immunities granted to the 9.125% Collateral Agent set forth in the Junior Documents (to which the Collateral Agent is a party) in respect of the 9.125% Indenture and its role as 9.125% Collateral Agent.

(b) Wilmington Trust, National Association is entering into this Agreement in its capacity as 10.000% Collateral Agent pursuant to the authorization set forth in Article XI of the 10.000% Indenture. In acting as 10.000% Collateral Agent and in acting as Collateral Agent hereunder, Wilmington Trust, National Association shall be entitled to the rights, benefits, protections, indemnities and immunities granted to the 10.000 % Collateral Agent set forth in the Junior Documents (to which the Collateral Agent is a party) in respect of the 10.000% Indenture and its role as 10.000% Collateral Agent.

(c) The permissive authorizations, entitlements, powers and rights granted to each of the Collateral Agent herein shall not be construed as duties. Any exercise of discretion on behalf of the of the Collateral Agent shall be exercised in accordance with the terms of the Junior Documents.

(d) None of the collateral agents hereunder make any representation and have no responsibility as to the validity or sufficiency of this Agreement or the sufficiency of the Junior Collateral.

(e) Notwithstanding anything herein to the contrary, none of the collateral agents hereunder shall have any duty to (i) file or prepare any financing or continuation statements or record any documents or instruments in any public office for purposes of creating, perfecting or maintaining any lien or security interest created hereunder or under the Junior Collateral Documents; (ii) take any necessary steps to preserve rights against any parties with respect to any Junior Collateral; or (iii) take any action to protect against any diminution in value of the Junior Collateral, except, in each case, as otherwise expressly provided in this Agreement and the Junior Documents (to which the applicable collateral agent is a party), with respect to the safe custody of any Junior Collateral in its physical possession and the release of any liens only in accordance with the terms of the Junior Documents.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the date first above written.

WILMINGTON TRUST, NATIONAL ASSOCIATION, not in its individual capacity, but solely as 9.125% Collateral Agent

By: /s/ John T. Needham, Jr.
Name: John T. Needham, Jr.
Title: Vice President

[Signature Page to Second Lien Collateral Agency Agreement]

WILMINGTON TRUST, NATIONAL ASSOCIATION, not in its individual capacity, but solely as 10.000% Collateral Agent

By: /s/ John T. Needham, Jr.
Name: John T. Needham, Jr.
Title: Vice President

[Signature Page to Second Lien Collateral Agency Agreement]

WILMINGTON TRUST, NATIONAL ASSOCIATION, not in its individual capacity but solely as Collateral Agent under the Junior Collateral Documents

By: /s/ John T. Needham, Jr.
Name: John T. Needham, Jr.
Title: Vice President

[Signature Page to Second Lien Collateral Agency Agreement]

K. HOVNANIAN ENTERPRISES, INC.

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice-President—Finance and Treasurer

HOVNANIAN ENTERPRISES, INC.

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice-President—Finance and Treasurer

K. HOV IP, II, INC.

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice-President—Finance and Treasurer

On behalf of each other entity named in Schedule A hereto

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice-President—Finance and Treasurer

[Signature Page to Second Lien Collateral Agency Agreement]

SCHEDULE A

ARBOR TRAILS, LLC
BUILDER SERVICES NJ, L.L.C.
BUILDER SERVICES PA, L.L.C.
EASTERN NATIONAL TITLE AGENCY, LLC
EASTERN TITLE AGENCY OF ILLINOIS, LLC
EASTERN TITLE AGENCY, INC.
F&W MECHANICAL SERVICES, L.L.C.
FOUNDERS TITLE AGENCY OF MARYLAND, L.L.C.
FOUNDERS TITLE AGENCY, INC.
GLENRISE GROVE, L.L.C.
GOVERNOR'S ABSTRACT CO., INC.
HOMEBUYERS FINANCIAL SERVICES, L.L.C.
HOVNANIAN DEVELOPMENTS OF FLORIDA, INC.
HOVNANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP, L.L.C.
K. HOV IP, II, INC.
K. HOVNANIAN ABERDEEN, LLC
K. HOVNANIAN ACQUISITIONS, INC.
K. HOVNANIAN AT 240 MISSOURI, LLC
K. HOVNANIAN AT 4S, LLC
K. HOVNANIAN AT AIRE ON MCDOWELL, LLC
K. HOVNANIAN AT ALISO, LLC
K. HOVNANIAN AT ALLENTOWN, L.L.C.
K. HOVNANIAN AT ANDALUSIA, LLC
K. HOVNANIAN AT ASBURY PARK URBAN RENEWAL, LLC
K. HOVNANIAN AT ASHBY PLACE, LLC
K. HOVNANIAN AT AVENUE ONE, L.L.C.
K. HOVNANIAN AT BAKERSFIELD 463, L.L.C.
K. HOVNANIAN AT BARNEGAT I, L.L.C.
K. HOVNANIAN AT BARNEGAT II, L.L.C.
K. HOVNANIAN AT BEACON PARK AREA 129, LLC
K. HOVNANIAN AT BEACON PARK AREA 137, LLC
K. HOVNANIAN AT BELLA LAGO, LLC
K. HOVNANIAN AT BLACKSTONE, LLC
K. HOVNANIAN AT BOCA DUNES, LLC
K. HOVNANIAN AT BRANCHBURG II, LLC
K. HOVNANIAN AT BRANCHBURG, L.L.C.
K. HOVNANIAN AT BRANCHBURG-VOLLERS, LLC
K. HOVNANIAN AT BRENFORD STATION, LLC
K. HOVNANIAN AT BRIDGEPORT, INC.
K. HOVNANIAN AT BRIDGEWATER I, L.L.C.
K. HOVNANIAN AT BRIDGEWATER II, LLC

K. HOVNANIAN AT BURCH KOVE, LLC
K. HOVNANIAN AT CAMP HILL, L.L.C.
K. HOVNANIAN AT CAMPTON PRAIRIE, LLC
K. HOVNANIAN AT CAPISTRANO, L.L.C.
K. HOVNANIAN AT CARLSBAD, LLC
K. HOVNANIAN AT CATANIA, LLC
K. HOVNANIAN AT CATON'S RESERVE, LLC
K. HOVNANIAN AT CEDAR GROVE III, L.L.C.
K. HOVNANIAN AT CEDAR GROVE URBAN RENEWAL, LLC
K. HOVNANIAN AT CEDAR LANE, LLC
K. HOVNANIAN AT CHARTER WAY, LLC
K. HOVNANIAN AT CHESTERFIELD, L.L.C.
K. HOVNANIAN AT CHRISTINA COURT, LLC
K. HOVNANIAN AT CIELO, L.L.C.
K. HOVNANIAN AT COASTLINE, L.L.C.
K. HOVNANIAN AT COOSAW POINT, LLC
K. HOVNANIAN AT CORAL LAGO, LLC
K. HOVNANIAN AT CORTEZ HILL, LLC
K. HOVNANIAN AT DENVILLE, L.L.C.
K. HOVNANIAN AT DEPTFORD TOWNSHIP, L.L.C.
K. HOVNANIAN AT DOMINGUEZ HILLS, INC.
K. HOVNANIAN AT DOYLESTOWN, LLC
K. HOVNANIAN AT EAST BRANDYWINE, L.L.C.
K. HOVNANIAN AT EAST BRUNSWICK III, LLC
K. HOVNANIAN AT EAST BRUNSWICK, LLC
K. HOVNANIAN AT EAST WINDSOR, LLC
K. HOVNANIAN AT EDEN TERRACE, L.L.C.
K. HOVNANIAN AT EDGEWATER II, L.L.C.
K. HOVNANIAN AT EDGEWATER, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH II, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH, L.L.C.
K. HOVNANIAN AT ESTATES AT WHEATLANDS, LLC
K. HOVNANIAN AT EVERGREEN, L.L.C.
K. HOVNANIAN AT EVESHAM, LLC
K. HOVNANIAN AT FAIRFIELD RIDGE, LLC
K. HOVNANIAN AT FIDDYMENT RANCH, LLC
K. HOVNANIAN AT FIFTH AVENUE, L.L.C.
K. HOVNANIAN AT FLORENCE I, L.L.C.
K. HOVNANIAN AT FLORENCE II, L.L.C.
K. HOVNANIAN AT FOREST MEADOWS, L.L.C.
K. HOVNANIAN AT FOX PATH AT HAMPTON LAKE, LLC
K. HOVNANIAN AT FRANKLIN II, L.L.C.
K. HOVNANIAN AT FRANKLIN, L.L.C.

K. HOVNANIAN AT FREEHOLD TOWNSHIP III, LLC
K. HOVNANIAN AT FRESNO, LLC
K. HOVNANIAN AT GALLERY, LLC
K. HOVNANIAN AT GASLAMP SQUARE, L.L.C.
K. HOVNANIAN AT GENEVA MEADOWS, LLC
K. HOVNANIAN AT GILROY 60, LLC
K. HOVNANIAN AT GILROY, LLC
K. HOVNANIAN AT GREAT NOTCH, L.L.C.
K. HOVNANIAN AT HACKETTSTOWN II, L.L.C.
K. HOVNANIAN AT HAMPTON COVE, LLC
K. HOVNANIAN AT HAMPTON LAKE, LLC
K. HOVNANIAN AT HANOVER ESTATES, LLC
K. HOVNANIAN AT HERSHEY'S MILL, INC.
K. HOVNANIAN AT HIDDEN BROOK, LLC
K. HOVNANIAN AT HILLSBOROUGH, LLC
K. HOVNANIAN AT HILLTOP RESERVE II, LLC
K. HOVNANIAN AT HILLTOP RESERVE, LLC
K. HOVNANIAN AT HOWELL II, LLC
K. HOVNANIAN AT HOWELL III, LLC
K. HOVNANIAN AT HOWELL, LLC
K. HOVNANIAN AT HUDSON POINTE, L.L.C.
K. HOVNANIAN AT HUNTFIELD, LLC
K. HOVNANIAN AT INDIAN WELLS, LLC
K. HOVNANIAN AT ISLAND LAKE, LLC
K. HOVNANIAN AT JACKSON I, L.L.C.
K. HOVNANIAN AT JACKSON, L.L.C.
K. HOVNANIAN AT JAEGER RANCH, LLC
K. HOVNANIAN AT JERSEY CITY IV, L.L.C.
K. HOVNANIAN AT KEYPORT, L.L.C.
K. HOVNANIAN AT LA COSTA GREENS, L.L.C.
K. HOVNANIAN AT LA LAGUNA, L.L.C.
K. HOVNANIAN AT LAKE BURDEN, LLC
K. HOVNANIAN AT LAKE LECLARE, LLC
K. HOVNANIAN AT LAKE RANCHO VIEJO, LLC
K. HOVNANIAN AT LAKE RIDGE ESTATES, LLC
K. HOVNANIAN AT LAKE TERRAPIN, L.L.C.
K. HOVNANIAN AT LEE SQUARE, L.L.C.
K. HOVNANIAN AT LENAH WOODS, LLC
K. HOVNANIAN AT LILY ORCHARD, LLC
K. HOVNANIAN AT LINK FARM, LLC
K. HOVNANIAN AT LITTLE EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR, L.L.C
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LOWER MAKEFIELD TOWNSHIP I, L.L.C.

K. HOVNANIAN AT LOWER MORELAND II, L.L.C.
K. HOVNANIAN AT MAGNOLIA PLACE, LLC
K. HOVNANIAN AT MAHWAH VI, INC.
K. HOVNANIAN AT MAIN STREET SQUARE, LLC
K. HOVNANIAN AT MALAN PARK, L.L.C.
K. HOVNANIAN AT MANALAPAN II, L.L.C.
K. HOVNANIAN AT MANALAPAN III, L.L.C.
K. HOVNANIAN AT MANALAPAN V, LLC
K. HOVNANIAN AT MANALAPAN VI, LLC
K. HOVNANIAN AT MANSFIELD II, L.L.C.
K. HOVNANIAN AT MANTECA, LLC
K. HOVNANIAN AT MAPLE AVENUE, L.L.C.
K. HOVNANIAN AT MARLBORO IX, LLC
K. HOVNANIAN AT MARLBORO TOWNSHIP IX, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP V, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP VIII, L.L.C.
K. HOVNANIAN AT MARLBORO VI, L.L.C.
K. HOVNANIAN AT MARPLE, LLC
K. HOVNANIAN AT MEADOWRIDGE VILLAS, LLC
K. HOVNANIAN AT MELANIE MEADOWS, LLC
K. HOVNANIAN AT MENDHAM TOWNSHIP, L.L.C.
K. HOVNANIAN AT MIDDLE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT MIDDLE TOWNSHIP, L.L.C.
K. HOVNANIAN AT MIDDLETOWN II, L.L.C.
K. HOVNANIAN AT MIDDLETOWN III, LLC
K. HOVNANIAN AT MIDDLETOWN, LLC
K. HOVNANIAN AT MILLVILLE I, L.L.C.
K. HOVNANIAN AT MILLVILLE II, L.L.C.
K. HOVNANIAN AT MONROE IV, L.L.C.
K. HOVNANIAN AT MONROE NJ II, LLC
K. HOVNANIAN AT MONROE NJ III, LLC
K. HOVNANIAN AT MONROE NJ, L.L.C.
K. HOVNANIAN AT MONTGOMERY, LLC
K. HOVNANIAN AT MONTVALE II, LLC
K. HOVNANIAN AT MONTVALE, L.L.C.
K. HOVNANIAN AT MORRIS TWP, LLC
K. HOVNANIAN AT MT. LAUREL, LLC
K. HOVNANIAN AT MUIRFIELD, LLC
K. HOVNANIAN AT NORTH BERGEN. L.L.C.
K. HOVNANIAN AT NORTH BRUNSWICK VI, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL II, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL III, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL IV, L.L.C.
K. HOVNANIAN AT NORTH WILDWOOD, L.L.C.
K. HOVNANIAN AT NORTHAMPTON, L.L.C.

K. HOVNANIAN AT NORTHERN WESTCHESTER, INC.
K. HOVNANIAN AT NORTHFIELD, L.L.C.
K. HOVNANIAN AT NORTHRIDGE ESTATES, LLC
K. HOVNANIAN AT NORTON LAKE LLC
K. HOVNANIAN AT NOTTINGHAM MEADOWS, LLC
K. HOVNANIAN AT OAK POINTE, LLC
K. HOVNANIAN AT OCEAN TOWNSHIP, INC
K. HOVNANIAN AT OCEAN VIEW BEACH CLUB, LLC
K. HOVNANIAN AT OCEANPORT, L.L.C.
K. HOVNANIAN AT OLD BRIDGE, L.L.C.
K. HOVNANIAN AT PALM VALLEY, L.L.C.
K. HOVNANIAN AT PARKSIDE, LLC
K. HOVNANIAN AT PARSIPPANY, L.L.C.
K. HOVNANIAN AT PAVILION PARK, LLC
K. HOVNANIAN AT PIAZZA D'ORO, L.L.C.
K. HOVNANIAN AT PIAZZA SERENA, L.L.C
K. HOVNANIAN AT PICKETT RESERVE, LLC
K. HOVNANIAN AT PITTSGROVE, L.L.C.
K. HOVNANIAN AT PLANTATION LAKES, L.L.C.
K. HOVNANIAN AT POINTE 16, LLC
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL V, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VIII, L.L.C.
K. HOVNANIAN AT POSITANO, LLC
K. HOVNANIAN AT PRADO, L.L.C.
K. HOVNANIAN AT PRAIRIE POINTE, LLC
K. HOVNANIAN AT QUAIL CREEK, L.L.C.
K. HOVNANIAN AT RANCHO CABRILLO, LLC
K. HOVNANIAN AT RANDOLPH I, L.L.C.
K. HOVNANIAN AT RAPHO, L.L.C
K. HOVNANIAN AT REDTAIL, LLC
K. HOVNANIAN AT RESERVES AT WHEATLANDS, LLC
K. HOVNANIAN AT RESIDENCE AT DISCOVERY SQUARE, LLC
K. HOVNANIAN AT RIDGEMONT, L.L.C.
K. HOVNANIAN AT ROCK LEDGE, LLC
K. HOVNANIAN AT RODERUCK, L.L.C.
K. HOVNANIAN AT ROSEMARY LANTANA, L.L.C.
K. HOVNANIAN AT SAGE, L.L.C.
K. HOVNANIAN AT SAGEBROOK, LLC
K. HOVNANIAN AT SANTA NELLA, LLC
K. HOVNANIAN AT SAWMILL, INC.
K. HOVNANIAN AT SCOTCH PLAINS, L.L.C.
K. HOVNANIAN AT SEASONS LANDING, LLC
K. HOVNANIAN AT SHELDON GROVE, LLC
K. HOVNANIAN AT SHREWSBURY, LLC
K. HOVNANIAN AT SIGNAL HILL, LLC

K. HOVNANIAN AT SILVER SPRING, L.L.C.
K. HOVNANIAN AT SILVERSTONE, LLC
K. HOVNANIAN AT SKYE ISLE, LLC
K. HOVNANIAN AT SKYE ON MCDOWELL, LLC
K. HOVNANIAN AT SMITHVILLE, INC.
K. HOVNANIAN AT SOMERSET, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK II, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK III, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK, L.L.C.
K. HOVNANIAN AT STANTON, LLC
K. HOVNANIAN AT STATION SQUARE, L.L.C.
K. HOVNANIAN AT SUMMERLAKE, LLC
K. HOVNANIAN AT SUNRIDGE PARK, LLC
K. HOVNANIAN AT SUNRISE TRAIL II, LLC
K. HOVNANIAN AT SUNRISE TRAIL IIi, LLC
K. HOVNANIAN AT TERRA BELLA TWO, LLC
K. HOVNANIAN AT THE COMMONS AT RICHMOND HILL, LLC
K. HOVNANIAN AT THE CROSBY, LLC
K. HOVNANIAN AT THE MONARCH, L.L.C.
K. HOVNANIAN AT THE PROMENADE AT BEAVER CREEK, LLC
K. HOVNANIAN AT THOMPSON RANCH, LLC
K. HOVNANIAN AT TRAFFORD PLACE, LLC
K. HOVNANIAN AT TRAIL RIDGE, LLC
K. HOVNANIAN AT UPPER PROVIDENCE, LLC
K. HOVNANIAN AT UPPER UWCHLAN II, L.L.C.
K. HOVNANIAN AT UPPER UWCHLAN, L.L.C.
K. HOVNANIAN AT VALLE DEL SOL, LLC
K. HOVNANIAN AT VERONA ESTATES, LLC
K. HOVNANIAN AT VERONA URBAN RENEWAL, L.L.C.
K. HOVNANIAN AT VICTORVILLE, L.L.C.
K. HOVNANIAN AT VINEYARD HEIGHTS, LLC
K. HOVNANIAN AT VISTA DEL SOL, L.L.C.
K. HOVNANIAN AT WALDWICK, LLC
K. HOVNANIAN AT WALKERS GROVE, LLC
K. HOVNANIAN AT WARREN TOWNSHIP II, LLC
K. HOVNANIAN AT WARREN TOWNSHIP, L.L.C.
K. HOVNANIAN AT WATERSTONE, LLC
K. HOVNANIAN AT WAYNE IX, L.L.C.
K. HOVNANIAN AT WEST VIEW ESTATES, L.L.C.
K. HOVNANIAN AT WESTBROOK, LLC
K. HOVNANIAN AT WESTSHORE, LLC
K. HOVNANIAN AT WHEELER RANCH, LLC
K. HOVNANIAN AT WHEELER WOODS, LLC
K. HOVNANIAN AT WHITEMARSH, LLC
K. HOVNANIAN AT WILDWOOD BAYSIDE, L.L.C.

K. HOVNANIAN AT WOODCREEK WEST, LLC
K. HOVNANIAN AT WOOLWICH I, L.L.C.
K. HOVNANIAN BELDEN POINTE, LLC
K. HOVNANIAN BELMONT RESERVE, LLC
K. HOVNANIAN CAMBRIDGE HOMES, L.L.C.
K. HOVNANIAN CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN CLASSICS, L.L.C.
K. HOVNANIAN COMMUNITIES, INC.
K. HOVNANIAN COMPANIES OF CALIFORNIA, INC.
K. HOVNANIAN COMPANIES OF MARYLAND, INC.
K. HOVNANIAN COMPANIES OF NEW YORK, INC.
K. HOVNANIAN COMPANIES OF PENNSYLVANIA, INC.
K. HOVNANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.
K. HOVNANIAN COMPANIES, LLC
K. HOVNANIAN CONSTRUCTION II, INC
K. HOVNANIAN CONSTRUCTION III, INC
K. HOVNANIAN CONSTRUCTION MANAGEMENT, INC.
K. HOVNANIAN CONTRACTORS OF OHIO, LLC
K. HOVNANIAN CRAFTBUILT HOMES OF SOUTH CAROLINA, L.L.C.
K. HOVNANIAN CYPRESS KEY, LLC
K. HOVNANIAN DEVELOPMENTS OF ARIZONA, INC.
K. HOVNANIAN DEVELOPMENTS OF CALIFORNIA, INC.
K. HOVNANIAN DEVELOPMENTS OF D.C., INC.
K. HOVNANIAN DEVELOPMENTS OF DELAWARE, INC.
K. HOVNANIAN DEVELOPMENTS OF GEORGIA, INC.
K. HOVNANIAN DEVELOPMENTS OF ILLINOIS, INC.
K. HOVNANIAN DEVELOPMENTS OF KENTUCKY, INC.
K. HOVNANIAN DEVELOPMENTS OF MARYLAND, INC.
K. HOVNANIAN DEVELOPMENTS OF MINNESOTA, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY II, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW YORK, INC.
K. HOVNANIAN DEVELOPMENTS OF NORTH CAROLINA, INC.
K. HOVNANIAN DEVELOPMENTS OF OHIO, INC.
K. HOVNANIAN DEVELOPMENTS OF PENNSYLVANIA, INC.
K. HOVNANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.
K. HOVNANIAN DEVELOPMENTS OF TEXAS, INC.
K. HOVNANIAN DEVELOPMENTS OF VIRGINIA, INC.
K. HOVNANIAN DEVELOPMENTS OF WEST VIRGINIA, INC.
K. HOVNANIAN DFW AUBURN FARMS, LLC
K. HOVNANIAN DFW BELMONT, LLC
K. HOVNANIAN DFW HARMON FARMS, LLC
K. HOVNANIAN DFW HERITAGE CROSSING, LLC
K. HOVNANIAN DFW HOMESTEAD, LLC
K. HOVNANIAN DFW INSPIRATION, LLC

K. HOVNANIAN DFW LEXINGTON, LLC
K. HOVNANIAN DFW LIBERTY CROSSING, LLC
K. HOVNANIAN DFW LIGHT FARMS, LLC
K. HOVNANIAN DFW LIGHT FARMS II, LLC
K. HOVNANIAN DFW MIDTOWN PARK, LLC
K. HOVNANIAN DFW PALISADES, LLC
K. HOVNANIAN DFW PARKSIDE, LLC
K. HOVNANIAN DFW RIDGEVIEW, LLC
K. HOVNANIAN DFW SEVENTEEN LAKES, LLC
K. HOVNANIAN DFW TRAILWOOD, LLC
K. HOVNANIAN DFW VILLAS AT MUSTANG PARK, LLC
K. HOVNANIAN DFW WELLINGTON, LLC
K. HOVNANIAN DFW WILDRIDGE, LLC
K. HOVNANIAN EASTERN PENNSYLVANIA, L.L.C.
K. HOVNANIAN EDGEBROOK, LLC
K. HOVNANIAN ESTATES AT REGENCY, L.L.C.
K. HOVNANIAN ESTATES AT WEKIVA, LLC
K. HOVNANIAN FALLS POINTE, LLC
K. HOVNANIAN FIRST HOMES, L.L.C.
K. HOVNANIAN FLORIDA REALTY, L.L.C.
K. HOVNANIAN FOREST VALLEY, LLC
K. HOVNANIAN FOUR SEASONS @ HISTORIC VIRGINIA, LLC
K. HOVNANIAN FOUR SEASONS AT GOLD HILL, LLC
K. HOVNANIAN GRAND CYPRESS, LLC
K. HOVNANIAN GRANDEFIELD, LLC
K. HOVNANIAN GREAT WESTERN BUILDING COMPANY, LLC
K. HOVNANIAN GREAT WESTERN HOMES, LLC
K. HOVNANIAN HAMPTONS AT OAK CREEK II, L.L.C.
K. HOVNANIAN HIDDEN HOLLOW, LLC
K. HOVNANIAN HIGHLAND RIDGE, LLC
K. HOVNANIAN HOLDINGS NJ, L.L.C.
K. HOVNANIAN HOMES - DFW, L.L.C.
K. HOVNANIAN HOMES AT BROOK MANOR, LLC
K. HOVNANIAN HOMES AT BURKE JUNCTION, LLC
K. HOVNANIAN HOMES AT CAMP SPRINGS, L.L.C.
K. HOVNANIAN HOMES AT CREEKSIDE, LLC
K. HOVNANIAN HOMES AT FOREST RUN, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM PARK TOWNS, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM, L.L.C.
K. HOVNANIAN HOMES AT JONES STATION 1, L.L.C.
K. HOVNANIAN HOMES AT LEIGH MILL, LLC
K. HOVNANIAN HOMES AT MAXWELL PLACE, L.L.C.
K. HOVNANIAN HOMES AT REEDY CREEK, LLC
K. HOVNANIAN HOMES AT RUSSETT, L.L.C.
K. HOVNANIAN HOMES AT SALT CREEK LANDING, LLC

K. HOVNANIAN HOMES AT SHELL HALL, LLC
K. HOVNANIAN HOMES AT ST. JAMES PLACE, LLC
K. HOVNANIAN HOMES AT THE ABBY, LLC
K. HOVNANIAN HOMES AT THE HIGHLANDS, LLC
K. HOVNANIAN HOMES AT THE PADDOCKS, LLC
K. HOVNANIAN HOMES AT THOMPSON'S GRANT, LLC
K. HOVNANIAN HOMES AT WILLOWSFORD GRANT, LLC
K. HOVNANIAN HOMES AT WILLOWSFORD GREENS, LLC
K. HOVNANIAN HOMES NORTHERN CALIFORNIA, INC.
K. HOVNANIAN HOMES OF D.C., L.L.C.
K. HOVNANIAN HOMES OF DELAWARE, L.L.C.
K. HOVNANIAN HOMES OF GEORGIA, L.L.C.
K. HOVNANIAN HOMES OF HOUSTON, L.L.C.
K. HOVNANIAN HOMES OF LONGACRE VILLAGE, L.L.C.
K. HOVNANIAN HOMES OF MARYLAND, L.L.C.
K. HOVNANIAN HOMES OF MINNESOTA AT ARBOR CREEK, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT AUTUMN MEADOWS, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT BRYNWOOD, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT CEDAR HOLLOW, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT FOUNDER'S RIDGE, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT HARPERS STREET WOODS, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT OAKS OF OXBOW, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT REGENT'S POINT, LLC
K. HOVNANIAN HOMES OF MINNESOTA, L.L.C.
K. HOVNANIAN HOMES OF NORTH CAROLINA, INC.
K. HOVNANIAN HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN HOMES OF SOUTH CAROLINA, LLC
K. HOVNANIAN HOMES OF VIRGINIA, INC.
K. HOVNANIAN HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN HOUSTON CITY HEIGHTS, LLC
K. HOVNANIAN INDIAN TRAILS, LLC
K. HOVNANIAN LADUE RESERVE, LLC
K. HOVNANIAN LAKES OF GREEN, LLC
K. HOVNANIAN LEGACY AT VIA BELLA, LLC
K. HOVNANIAN LIBERTY ON BLUFF CREEK, LLC
K. HOVNANIAN MANALAPAN ACQUISITION, LLC
K. HOVNANIAN MONARCH GROVE, LLC
K. HOVNANIAN NORTH CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTHEAST SERVICES, L.L.C.
K. HOVNANIAN NORTHPOINTE 40S, LLC
K. HOVNANIAN OF HOUSTON II, L.L.C.
K. HOVNANIAN OF OHIO, LLC
K. HOVNANIAN OHIO REALTY, L.L.C.

K. HOVNANIAN PA REAL ESTATE, INC.
K. HOVNANIAN PENNSYLVANIA ACQUISITIONS, L.L.C.
K. HOVNANIAN PORT IMPERIAL URBAN RENEWAL, INC.
K. HOVNANIAN PROPERTIES OF RED BANK, INC.
K. HOVNANIAN REYNOLDS RANCH, LLC
K. HOVNANIAN RIVENDALE, LLC
K. HOVNANIAN RIVERSIDE, LLC
K. HOVNANIAN SCHADY RESERVE, LLC
K. HOVNANIAN SHERWOOD AT REGENCY, LLC
K. HOVNANIAN SHORE ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTH FORK, LLC
K. HOVNANIAN SOUTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTHERN NEW JERSEY, L.L.C.
K. HOVNANIAN STERLING RANCH, LLC
K. HOVNANIAN SUMMIT HOLDINGS, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF KENTUCKY, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES, L.L.C.
K. HOVNANIAN T&C HOMES AT FLORIDA, L.L.C.
K. HOVNANIAN T&C HOMES AT ILLINOIS, L.L.C.
K. HOVNANIAN TIMBRES AT ELM CREEK, LLC
K. HOVNANIAN UNION PARK, LLC
K. HOVNANIAN VENTURE I, L.L.C.
K. HOVNANIAN VILLAGE GLEN, LLC
K. HOVNANIAN WATERBURY, LLC
K. HOVNANIAN WHITE ROAD, LLC
K. HOVNANIAN WINDWARD HOMES, LLC
K. HOVNANIAN WOODLAND POINTE, LLC
K. HOVNANIAN WOODRIDGE PLACE, LLC
K. HOVNANIAN'S FOUR SEASONS AT BAKERSFIELD, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT BEAUMONT, LLC
K. HOVNANIAN'S FOUR SEASONS AT BRIARGATE, LLC
K. HOVNANIAN'S FOUR SEASONS AT CHARLOTTESVILLE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT HEMET, LLC
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND CONDOMINIUMS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT LOS BANOS, LLC
K. HOVNANIAN'S FOUR SEASONS AT MORENO VALLEY, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT NEW KENT VINEYARDS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT PALM SPRINGS, LLC
K. HOVNANIAN'S FOUR SEASONS AT RENAISSANCE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK II, LLC
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT SILVER MAPLE FARM, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT ST. MARGARETS LANDING, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT THE MANOR II, LLC
K. HOVNANIAN'S FOUR SEASONS AT THE MANOR, LLC
K. HOVNANIAN'S PARKSIDE AT TOWNGATE, L.L.C.
K. HOVNANIAN'S VERANDA AT RIVERPARK, LLC
K. HOVNANIAN'S VERANDA AT RIVERPARK II, LLC
KHH SHELL HALL LOAN ACQUISITION, LLC
LANDARAMA, INC.
LAUREL HIGHLANDS, LLC
M&M AT CHESTERFIELD, L.L.C.
M&M AT CRESCENT COURT, L.L.C.
M&M AT MONROE WOODS, L.L.C.
M&M AT WEST ORANGE, L.L.C.
MATZEL & MUMFORD AT EGG HARBOR, L.L.C.
MCNJ, INC.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF PENNSYLVANIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF WEST VIRGINIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES, L.L.C.
MM-BEACHFRONT NORTH I, LLC
NEW HOME REALTY, LLC
NEW LAND TITLE AGENCY, L.L.C.
PADDOCKS, L.L.C.
PARK TITLE COMPANY, LLC
PINE AYR, LLC
RIDGEMORE UTILITY, L.L.C.
SEABROOK ACCUMULATION CORPORATION
SHELL HALL CLUB AMENITY ACQUISITION, LLC
SHELL HALL LAND ACQUISITION, LLC
STONEBROOK HOMES, INC.
TERRAPIN REALTY, L.L.C.
THE MATZEL & MUMFORD ORGANIZATION, INC
WASHINGTON HOMES, INC.
WESTMINSTER HOMES, INC.
WH PROPERTIES, INC.
WOODMORE RESIDENTIAL, L.L.C.
WTC VENTURES, L.L.C.

Exhibit 10(q)

EXECUTION VERSION

AMENDED AND RESTATED COLLATERAL AGENCY AGREEMENT, dated as of September 8, 2016, by and among HOVNANIAN ENTERPRISES, INC., K. HOVNANIAN ENTERPRISES, INC., WILMINGTON TRUST, NATIONAL ASSOCIATION, in its capacity as collateral agent under the Senior Noteholder Documents (as defined below) (in such capacity, together with its successors and assigns, the "**Senior Notes Collateral Agent**"), WILMINGTON TRUST, NATIONAL ASSOCIATION, in its capacity as administrative agent acting as collateral agent under the Senior Credit Agreement Documents (as defined below) (in such capacity, together with its successors and assigns, the "**Senior Credit Agreement Administrative Agent**"),WILMINGTON TRUST, NATIONAL ASSOCIATION, in its capacity as collateral agent for the Mortgage Tax Collateral (as defined below) (together with its successor and assigns, the "**Mortgage Tax Collateral Agent**"), WILMINGTON TRUST, NATIONAL ASSOCIATION, in its capacity as collateral agent under the 9.125% Junior Noteholder Documents (in such capacity, together with its successors and assigns, the "**9.125% Junior Collateral Agent**"), WILMINGTON TRUST, NATIONAL ASSOCIATION, in its capacity as collateral agent under the 10.000% Junior Noteholder Documents (in such capacity, together with its successors and assigns, the "**10.000% Junior Collateral Agent**" and, together with the 9.125% Junior Collateral Agent, the "**Junior Notes Collateral Agents**") and WILMINGTON TRUST, NATIONAL ASSOCIATION, in its capacity as the Junior Joint Collateral Agent for the benefit of the holders of the obligations under the Junior Indentures (as defined below).

RECITALS

WHEREAS, the Company, Hovnanian and certain of their Subsidiaries and the Senior Credit Agreement Administrative Agent are entering into the Credit Agreement, dated as of July 29, 2016 (as amended, supplemented or otherwise modified from time to time, the "**Senior Credit Agreement**"), the obligations under which shall be secured by various assets of the Grantors;

WHEREAS, the Company, Hovnanian and certain of their Subsidiaries, the Senior Notes Trustee and the Senior Notes Collateral Agent have entered into that certain Indenture dated as of October 2, 2012 (as amended, supplemented or otherwise modified from time to time, the "**Senior Indenture**"), pursuant to which the Senior Notes (as defined below) are governed and the obligations under which are secured by various assets of the Grantors;

WHEREAS, the Company, Hovnanian and certain of their Subsidiaries, the 9.125% Junior Trustee and the 9.125% Junior Collateral Agent have entered into that certain Indenture dated as of October 2, 2012 (as amended, supplemented or otherwise modified from time to time, the "**9.125% Junior Indenture**"), pursuant to which the 9.125% Junior Notes (as defined below) are governed and the obligations under which are secured by various assets of the Grantors;

WHEREAS, the Company, Hovnanian and certain of their Subsidiaries, the 10.000% Junior Trustee and the 10.000% Junior Collateral Agent are entering into the Indenture dated as of the date hereof (as amended, supplemented or otherwise modified from time to time, the "**10.000% Junior Indenture**" and, together with the 9.125% Junior Indenture, the "**Junior Indentures**"), pursuant to which the 10.000% Junior Notes (as defined below) shall be governed and the obligations under which shall be secured by various assets of the Grantors;

WHEREAS, Hovnanian, the Company, the other Grantors (as defined therein) from time to time party thereto, the Senior Credit Agreement Administrative Agent, the Mortgage Tax Collateral Agent, the Senior Notes Trustee and the Senior Notes Collateral Agent are parties to that certain First Lien Intercreditor Agreement, dated as of the date hereof (the "**Super Priority Intercreditor Agreement**");

WHEREAS, Hovnanian, the Company, the other Grantors (as defined therein) from time to time party thereto, the Senior Notes Trustee and the Senior Notes Collateral Agent, the Senior Credit Agreement Administrative Agent, the Mortgage Tax Collateral Agent, the 9.125% Junior Trustee and the 9.125% Junior Collateral Agent, the 10.000% Junior Trustee and the 10.000% Junior Collateral Agent and the Junior Joint Collateral Agent are parties to that certain Amended and Restated Intercreditor Agreement, dated as of the date hereof (the "**Amended and Restated Intercreditor Agreement**").

WHEREAS, the Company, Hovnanian and certain of their Subsidiaries, the Junior Notes Collateral Agents and the Junior Joint Collateral Agent are parties to the Second Lien Collateral Agency Agreement, dated as of the date hereof (as amended, supplemented or otherwise modified from time to time, the "**Second Lien Collateral Agency Agreement**"), pursuant to which the Junior Joint Collateral Agent has agreed to act as collateral agent for holders of the obligations under the Junior Indentures;

WHEREAS, to provide for a collateral agent to enter into mortgages in certain jurisdictions, the Company, Hovnanian and certain of their subsidiaries, the Senior Collateral Agent referred to therein, the Junior Collateral Agent referred to therein and the Mortgage Tax Collateral Agent entered into that certain Collateral Agency Agreement, dated as of October 2, 2012 (as heretofore amended, supplemented or otherwise modified, the "**Existing Collateral Agency Agreement**");

NOW, THEREFORE, hereby agree to amend and restate the Existing Collateral Agency Agreement in its entirety as follows:

ARTICLE 1
DEFINED TERMS

Section 1.01. *Definitions.* As used in this Agreement, the following terms shall have the following meanings:

"**9.125% Junior Collateral Agent**" has the meaning specified in the preamble hereto.

"**9.125% Junior Indenture**" has the meaning specified in the recitals hereto.

"**10.000% Junior Collateral Agent**" has the meaning specified in the preamble hereto.

"**10.000% Junior Indenture**" has the meaning specified in the recitals hereto.

"**Agreement**" shall mean this Amended and Restated Collateral Agency Agreement, as amended, supplemented or otherwise modified from time to time in accordance with the terms hereof.

"**Amended and Restated Intercreditor Agreement**" has the meaning specified in the recitals hereto.

"**Collateral Agents**" means the collective reference to the Senior Notes Collateral Agent, the Senior Credit Agreement Administrative Agent, the Junior Notes Collateral Agents and the Junior Joint Collateral Agent.

"**Company**" means K. Hovnanian Enterprises, Inc., a corporation organized and existing under the laws of the State of California and wholly owned by Hovnanian.

"**Discharge of Senior Credit Agreement Claims**" shall have the meaning given to that term in the Super Priority Intercreditor Agreement.

"**Event of Default**" means, (i) prior to the Discharge of Senior Claims, an Event of Default as defined in any Senior Agreement and (ii) thereafter, an Event of Default as defined in any Junior Agreement.

"**Existing Collateral Agency Agreement**" has the meaning specified in the recitals hereto.

"**Hovnanian**" means Hovnanian Enterprises, Inc., a Delaware corporation.

"**Intercreditor Agreements**" means the collective reference to the Amended and Restated Intercreditor Agreement, the Super Priority Intercreditor Agreement and the Second Lien Collateral Agency Agreement.

"**Junior Joint Collateral Agent**" means the "Collateral Agent" under and as defined in, the Second Lien Collateral Agency Agreement.

"**Junior Indentures**" has the meaning specified in the recitals hereto.

"**Junior Notes Collateral Agents**" has the meaning specified in the preamble hereto.

"**Lenders**" shall have the meaning given to that term in the Senior Credit Agreement Documents.

"**Mortgage Tax Collateral**" means the real property located in the Mortgage Tax States and identified to the Mortgage Tax Collateral Agent pursuant to Section 5.7 of the Amended and Restated Intercreditor Agreement and Section 5.7 of the Super Priority Intercreditor Agreement.

"**Mortgage Tax Collateral Agent**" has the meaning specified in the preamble hereto.

"**Mortgages**" means the mortgages, deeds of trust and deeds to secure debt with respect to the Mortgage Tax Collateral.

"**Person**" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, entity or other party, including any government and any political subdivision, agency or instrumentality thereof.

"**Second Lien Collateral Agency Agreement**" has the meaning specified in the recitals hereto.

"**Secured Parties**" shall mean the Senior Notes Collateral Agent, the Senior Noteholders, the Senior Notes Trustee, the Senior Credit Agreement Administrative Agent, the Senior Credit Agreement Administrative Agent, the Lenders, the Junior Collateral Agents, the Junior Noteholders, the Junior Representatives and the Junior Joint Collateral Agent.

"**Senior Collateral Agent**" means, (i) prior to the Discharge of Senior Credit Agreement Claims, the Senior Credit Agreement Administrative Agent and (ii) thereafter, the Senior Notes Collateral Agent.

"**Senior Credit Agreement**" has the meaning specified in the recitals hereto.

"**Senior Credit Agreement Administrative Agent**" has the meaning specified in the preamble hereto.

"**Senior Indenture**" has the meaning specified in the preamble hereto.

"**Senior Notes Collateral Agent**" has the meaning specified in the preamble hereto.

"**Super Priority Intercreditor Agreement**" has the meaning specified in the recitals hereto.

"**Transaction Documents**" shall mean the collective reference to the Senior Documents and the Junior Documents.

Section 1.02. *Certain Other Terms.*

(a) The words "herein", "hereof", "hereto" and "hereunder" and similar words refer to this Agreement as a whole and not to any particular Article, Section, subsection or clause in this Agreement.

(b) References herein to an Exhibit, Article, Section, subsection or clause refer to the appropriate Exhibit, or Article, Section, subsection or clause in, this Agreement.

(c) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

(d) Any reference in this Agreement to any Transaction Documents shall include all appendices, exhibits and schedules to such Transaction Documents, and, unless specifically stated otherwise, all amendments, restatements, supplements or other modifications thereto, and as the same may be in effect at any and all times such reference becomes operative.

(e) The term "including" means "including without limitation" except when used in the computation of time periods.

(f) The terms "Mortgage Tax Collateral Agent", "Senior Notes Collateral Agent", "Senior Credit Agreement Administrative Agent", "9.125% Junior Collateral Agent", "10.000% Junior Collateral Agent" and "Junior Joint Collateral Agent" include any agent appointed by any of the foregoing collateral agents to act in such capacity or their respective successors and permitted assigns.

(g) References in this Agreement to any statute shall be to such statute as amended or modified and in effect from time to time.

(h) Capitalized terms not otherwise defined herein or specified as being defined in a specific agreement or instrument shall have the meanings set forth in the Amended and Restated Intercreditor Agreement.

ARTICLE 2
THE AGENT

Section 2.01. *Authorization and Action.* Subject to the provisions of the applicable Intercreditor Agreement, the Mortgage Tax Collateral Agent shall act as agent for each of the Collateral Agents for the purposes of (i) entering into the Mortgages as Mortgage Tax Collateral Agent on behalf of the Secured Parties upon receipt of written notice from either the Senior Collateral Agent or the Junior Joint Collateral Agent stating that specified collateral constitutes Mortgage Tax Collateral and directing the Mortgage Tax Collateral Agent to enter into a Mortgage, (ii) receiving and managing the Mortgage Tax Collateral including the execution of all instruments, the making of all filings and continuation statements and similar instruments in any applicable jurisdiction and the taking of all actions, as shall, in the reasonable judgment of the Mortgage Tax Collateral Agent, be necessary to continue the effectiveness, in favor of the Mortgage Tax Collateral Agent, for the benefit of the Secured Parties, as security for the Obligations arising under the Transaction Documents valid, perfected liens on all of the Mortgage Tax Collateral, (iii) receiving and providing notices and other communications pursuant to the Mortgages and (iv) subject to Section 2.02, exercising the rights and remedies of the beneficiary or mortgagee under the Mortgages. The parties hereto agree that nothing in this Agreement shall affect, impair or interrupt the continuous Liens created pursuant to the Mortgages as of the date of the original grant of such Liens and such Liens remain in full force and effect on a continuous basis, unimpaired, uninterrupted and undischarged, and having the same perfected status and priority immediately prior to the date of this Agreement.

Section 2.02. *Enforcement of Mortgage Tax Collateral by Mortgage Tax Collateral Agent.*

(a) Subject to the applicable Intercreditor Agreement, the Mortgage Tax Collateral Agent, for the benefit of the Secured Parties, is authorized, from time to time, to take such action for the protection and enforcement of its rights under this Agreement and under the Mortgages as may be necessary or appropriate and in the interests of the Secured Parties, *provided* that:

(i) unless and until the Mortgage Tax Collateral Agent is notified in writing signed by the Senior Collateral Agent (or, after Discharge of Senior Claims occurs with respect to the Senior Documents, by the Junior Joint Collateral Agent) that an Event of Default shall have occurred and be continuing, the Mortgage Tax Collateral Agent shall not take any action under this Agreement or the Mortgages except for the performance of such duties as are specifically set forth herein or in the Mortgages or in the applicable Intercreditor Agreement and except as may be requested from time to time in writing signed by the Senior Collateral Agent (or, after Discharge of Senior Claims occurs with respect to the Senior Documents, by the Junior Joint Collateral Agent) and no implied covenants or obligations shall be read into this Agreement against the Mortgage Tax Collateral Agent;

(ii) the Mortgage Tax Collateral Agent shall not be deemed to have knowledge of the existence of any condition or event which constitutes an Event of Default and may act as if no such Event of Default exists, unless notified in writing by the Senior Collateral Agent (or, after Discharge of Senior Claims occurs with respect to the Senior Documents, by the Junior Joint Collateral Agent) or by the Company, which notice shall expressly indicate that the specified condition or event is an "Event of Default," as the case may be; and

(iii) subject to the applicable Intercreditor Agreement, if and so long as an Event of Default shall have occurred and be continuing and the Mortgage Tax Collateral Agent shall have been notified in writing thereof in accordance with Section 2.02(a)(i) above, the Mortgage Tax Collateral Agent shall exercise such rights, powers and remedies (whether vested in it by this Agreement or the Transaction Documents or by law or in equity or by statute or otherwise) for the protection and enforcement of its rights under this Agreement or the Mortgages as the Mortgage Tax Collateral Agent may be directed in a written instrument signed by the Senior Collateral Agent (or, after Discharge of Senior Claims occurs with respect to the Senior Documents, by the Junior Joint Collateral Agent).

(b) Subject to the applicable Intercreditor Agreement, whenever any action is required or proposed to be taken hereunder, under the Mortgages or under the applicable Intercreditor Agreement by the Mortgage Tax Collateral Agent, such action shall be taken (i) at the written direction, or subject to the written approval or consent, of the Senior Collateral Agent, or (ii), after Discharge of Senior Claims, at the direction, or subject to the approval or consent, of the Junior Joint Collateral Agent. The Mortgage Tax Collateral Agent shall be under no duty to inquire into, and shall not be liable for, the authority of either the Senior Collateral Agent or the Junior Joint Collateral Agent to act in accordance with the terms of the Transaction Documents.

Notwithstanding anything herein to the contrary, the Mortgage Tax Collateral Agent shall not have any duty to (i) file or prepare any financing or continuation statements or record any documents or instruments in any public office for purposes of creating, perfecting or maintaining any lien or security interest created hereunder or under the Transaction Documents; (ii) take any necessary steps to preserve rights against any parties with respect to any Collateral; or (iii) take any action to protect against any diminution in value of the Collateral, except, in each case, as otherwise expressly provided in this Agreement and the other Transaction Documents (to which the Mortgage Tax Collateral Agent is party) with respect to the safe custody of any Collateral in its physical possession and the release of any liens only in accordance with the terms of the Transaction Documents.

Section 2.03. *Application of Moneys by Mortgage Tax Collateral Agent.* Until Discharge of Senior Claims, the Mortgage Tax Collateral Agent shall cause all net proceeds of the sale or other transfer of any Mortgage Tax Collateral to be applied as directed by the Senior Collateral Agent in accordance with the terms of the applicable Intercreditor Agreement. Upon Discharge of Senior Claims, the net proceeds of any sale or other transfer of any Mortgage Tax Collateral shall be applied as directed by the Junior Joint Collateral Agent, subject to the provisions of the applicable Intercreditor Agreement.

Section 2.04. *Duties of Mortgage Tax Collateral Agent.*

(a) Each of the Senior Notes Collateral Agent and the 9.125% Junior Collateral Agent hereby reaffirms, respectively, the appointment of the Mortgage Tax Collateral Agent, and each of the Company, the Senior Credit Agreement Administrative Agent, the 10.000% Junior Collateral Agent and the Junior Joint Collateral Agent, pursuant to the authority under the Senior Credit Agreement, 10.000% Junior Noteholder Documents and the Junior Collateral Documents, respectively, hereby appoints Wilmington Trust, National Association as the Mortgage Tax Collateral Agent hereunder and the Mortgage Tax Collateral Agent hereby accepts such appointment, in each case upon the terms and subject to the conditions set forth herein, including the following:

(i) the Mortgage Tax Collateral Agent shall be under no liability with respect to any action taken in accordance with a written request given as provided in Section 2.02, except that nothing contained herein shall relieve the Mortgage Tax Collateral Agent from liability for its own gross negligence or willful misconduct;

(ii) the Mortgage Tax Collateral Agent makes no representation and has no responsibility as to the validity or sufficiency of the Transaction Documents or the sufficiency of the Mortgage Tax Collateral;

(iii) in making any payment or in taking any other action hereunder in respect of any obligations arising under the Mortgages or the applicable Intercreditor Agreement, the Mortgage Tax Collateral Agent may rely upon a certificate of the Senior Collateral Agent (or, after Discharge of Senior Claims, of the Junior Joint Collateral Agent) and the Mortgage Tax Collateral Agent shall be protected in making any payment in respect of any obligation in reliance upon any such certificate believed by the Mortgage Tax Collateral Agent to be genuine, in the absence of gross negligence or willful misconduct;

(iv) in the absence of gross negligence or willful misconduct on its part, the Mortgage Tax Collateral Agent may rely and shall be protected in acting upon any resolution, certificate, opinion, consent or other document reasonably believed by it to be genuine and to have been executed or presented by the proper party or parties;

(v) the Mortgage Tax Collateral Agent shall not be liable for any error of judgment made in good faith unless committing such error of judgment constitutes gross negligence or willful misconduct;

(vi) in the absence of gross negligence or willful misconduct, the Mortgage Tax Collateral Agent shall not be liable with respect to any action it takes or omits to take in good faith in accordance with the written direction of the Senior Collateral Agent or for any failure to take action in the absence of written direction from the Senior Collateral Agent (or, after Discharge of Senior Claims occurs with respect to the Senior Documents, the Junior Joint Collateral Agent);

(vii) money held in trust by the Mortgage Tax Collateral Agent need not be segregated from other funds held by the Mortgage Tax Collateral Agent except to the extent required by law or the terms of this Agreement or the applicable Intercreditor Agreement; and

(viii) the Mortgage Tax Collateral Agent may consult with counsel of its selection, and the advice or opinion of counsel with respect to legal matters relating to this Agreement or the Transaction Documents shall be full and complete authorization and protection from liability in respect of any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of counsel, *provided* that such action or omission by the Mortgage Tax Collateral Agent does not constitute willful misconduct or gross negligence.

(b) Except as otherwise expressly provided herein or in the Mortgages, the Mortgage Tax Collateral Agent shall not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the Company or Hovnanian under the Transaction Documents.

(c) In the absence of gross negligence or willful misconduct, the Mortgage Tax Collateral Agent shall not be liable or responsible for any losses incurred or suffered by any holder of Senior Claims (including any Senior Noteholder or Lender) or any holder of Junior Claims (including any Junior Noteholder), or any decrease in the value of the Mortgage Tax Collateral, resulting from any sale or disposition of Mortgage Tax Collateral made in accordance with the terms hereof and of the Mortgages and the applicable Intercreditor Agreement. In no event shall the Mortgage Tax Collateral Agent be personally liable for any taxes or any other governmental charges imposed upon or in respect of the Mortgage Tax Collateral or upon the income or other distributions thereon.

(d) The Mortgage Tax Collateral Agent shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, except to the extent such failure constitutes bad faith, gross negligence or willful misconduct.

(e) The Mortgage Tax Collateral Agent shall not be subject to any fiduciary or implied duties, regardless of whether an Event of Default has occurred and is continuing. The Mortgage Tax Collateral Agent shall not take any discretionary action or exercise any discretionary powers, except discretionary rights and powers specifically contemplated by the Transaction Documents to be exercised at the direction of the applicable Collateral Agent. Notwithstanding the foregoing, the Mortgage Tax Collateral Agent shall notify the Collateral Agents of any notice of tax delinquency, lien, lis pendens or other matter received by the Mortgage Tax Collateral Agent.

(f) The Mortgage Tax Collateral Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Mortgage Tax Collateral Agent and conforming to the requirements of this Agreement; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Mortgage Tax Collateral Agent, the Mortgage Tax Collateral Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Agreement. The Mortgage Tax Collateral Agent may also rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon, except to the extent the Mortgage Tax Collateral Agent is required to rely on a written statement pursuant to the provisions hereof or pursuant to the applicable Intercreditor Agreement.

(g) Mortgage Tax Collateral Agent may delegate its duties or obligations under this Agreement to a sub-agent or designees acceptable to the Collateral Agents and shall not be liable for the acts of any such party appointed by it with due care.

(h) The permissive rights, powers and authorizations granted to the Mortgage Tax Collateral Agent hereunder shall not be construed as duties.

(i) In acting as Mortgage Tax Collateral Agent hereunder, in addition to the rights, benefits, protections, immunities and indemnities set forth herein, Wilmington Trust, National Association shall be entitled to the same rights, benefits, protections, immunities and indemnities afforded to Wilmington Trust, National Association in its capacities as Senior Collateral Agent and Junior Notes Collateral Agent.

Section 2.05. *Compensation, Indemnity, Expenses, etc.*

(a) The Company agrees to compensate the Mortgage Tax Collateral Agent for the services to be rendered hereunder in accordance with the terms of that certain fee letter, dated as of October 2, 2012, between the Company and the Mortgage Tax Collateral Agent.

(b) The Company, from time to time upon request, will pay or reimburse the Mortgage Tax Collateral Agent on a current basis for all its reasonable expenses and disbursements arising out of or in connection with the enforcement of this Agreement and the performance of its duties hereunder, including, without limitation, the reasonable fees and disbursements of its counsel and of its agents not regularly in its employ.

(c) Each of the Company, Hovnanian and the Guarantors (as defined in the Senior Credit Agreement) hereby, jointly and severally, indemnify and agree to hold harmless the Mortgage Tax Collateral Agent to the extent permitted by law from and against any and all losses, damages, claims, costs and expenses, including reasonable legal fees and expenses (and also including reasonable legal fees and expenses incurred in connection with the enforcement of this indemnity and the successful defense of a claim brought against it hereunder) which it may incur in the lawful exercise, defense or performance of any of its rights or powers as set forth in this Agreement, the applicable Intercreditor Agreement or any other Transaction Documents (except for the Mortgage Tax Collateral Agent's own gross negligence or willful misconduct).

(d) The provisions of this Section 2.05 shall survive the termination of this Agreement or the resignation and removal of the Mortgage Tax Collateral Agent.

Section 2.06. *Successor Agent.*

(a) The Mortgage Tax Collateral Agent or any successor Mortgage Tax Collateral Agent may resign at any time by giving at least 30 days' prior written notice of resignation to the Company, the Senior Collateral Agent and the Junior Joint Collateral Agent, such resignation to be effective on the later of (a) the date specified in such notice and (b) the date on which a replacement trustee acceptable to the Collateral Agents is appointed to act as Mortgage Tax Collateral Agent hereunder. The Mortgage Tax Collateral Agent may be removed for cause by any Collateral Agent in an instrument or instruments in writing delivered to the Mortgage Tax Collateral Agent and the Company. The Mortgage Tax Collateral Agent may be removed without cause by action taken by the Collateral Agents in an instrument or instruments in writing delivered to the Mortgage Tax Collateral Agent and the Company. In case the office of Mortgage Tax Collateral Agent shall become vacant for any reason, the Senior Collateral Agent (or, after Discharge of Senior Claims occurs with respect to the Senior Documents, the Junior Joint Collateral Agent) shall appoint a successor Mortgage Tax Collateral Agent to fill such vacancy by an instrument or instruments in writing delivered to such successor Mortgage Tax Collateral Agent, the retiring Mortgage Tax Collateral Agent and the Company. If a successor or interim Mortgage Tax Collateral Agent does not take office within 30 days after the retiring Mortgage Tax Collateral Agent resigns or is removed, the retiring Mortgage Tax Collateral Agent or the Senior Collateral Agent (or, after Discharge of Senior Claims with respect to the Senior Documents, the Junior Joint Collateral Agent) may petition any court of competent jurisdiction for the appointment of a successor Mortgage Tax Collateral Agent. Upon the appointment of any successor or interim Mortgage Tax Collateral Agent pursuant to this Section 2.06(a), such successor or interim Mortgage Tax Collateral Agent shall immediately and without any further action succeed to all the rights and obligations of the retiring Mortgage Tax Collateral Agent hereunder and under the Mortgages as if originally named herein and therein and the retiring Mortgage Tax Collateral Agent shall duly assign, transfer and deliver to such successor or interim Mortgage Tax Collateral Agent all the rights and moneys at the time held by the retiring Mortgage Tax Collateral Agent under the Mortgages hereunder and shall execute and deliver such proper instruments as may be reasonably requested to evidence such assignment, transfer and delivery.

(b) Any entity into which the Mortgage Tax Collateral Agent may be merged or with which it may be consolidated, or any entity resulting from any merger or consolidation to which the Mortgage Tax Collateral Agent is a party shall automatically succeed to all of the rights and obligations of the Mortgage Tax Collateral Agent hereunder and under the Transaction Documents without further action on the part of any of the parties hereto. Such surviving or succeeding entity (if other than the Mortgage Tax Collateral Agent) shall (a) forthwith deliver to each of the Collateral Agents and the Company written notice of such succession to the rights and obligations of the Mortgage Tax Collateral Agent hereunder and under the Transaction Documents and an executed assignment and assumption of the Mortgage Tax Collateral Agent's rights and duties hereunder and (b) cooperate with the Company in continuing or maintaining perfection of the lien and security interest in respect of the Mortgage Tax Collateral.

(c) Anything contained in the Transaction Documents to the contrary notwithstanding, the Mortgage Tax Collateral Agent and the Collateral Agents hereby agree that if, due to the resignation of the Mortgage Tax Collateral Agent in accordance with Section 2.06 hereof, the Mortgage Tax Collateral Agent fails to exercise any remedies with respect to the Mortgage Tax Collateral at (i) the direction, or subject to the approval or consent, of the Senior Collateral Agent or (ii) after Discharge of Senior Claims occurs with respect to the Senior Documents, the direction, or subject to the approval or consent, of the Junior Joint Collateral Agent, then each shall be entitled to protect and enforce any rights of the Mortgage Tax Collateral Agent arising out of this Agreement or the Transaction Documents, subject to the applicable Intercreditor Agreement.

ARTICLE 3

MISCELLANEOUS

Section 3.01. *Notices, etc.* All notices, requests, claims, demands, waivers and other communications under this Agreement shall be in writing and shall be delivered by facsimile, courier services or personal delivery to the following addresses, or to such other addresses as shall be designated from time to time by a party in accordance with this Section 3.01:

(a) if to Mortgage Tax Collateral Agent:

Wilmington Trust, National Association
Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1600
Attention: GCM - K. Hovnanian Administrator
Facsimile: 302-636-4149

(b) if to Senior Credit Agreement Administrative Agent:

Wilmington Trust, National Association
50 South Sixth Street, Suite 1290
Minneapolis, MN 55402
Attention: K. Hovnanian Administrator
Telecopy: 612-217-5651

(c) if to Senior Notes Collateral Agent:

Wilmington Trust, National Association
Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1600
Attention: GCM - K. Hovnanian Administrator
Facsimile: 302-636-4149

(d) if to 9.125% Junior Collateral Agent:

Wilmington Trust, National Association
Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1600
Attention: GCM - K. Hovnanian Administrator
Facsimile: 302-636-4149

(e) if to 10.000% Junior Collateral Agent:

Wilmington Trust, National Association
Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1600
Attention: GCM - K. Hovnanian Administrator
Facsimile: 302-636-4149

(f) if to Junior Joint Collateral Agent:

Wilmington Trust, National Association
Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1600
Attention: GCM - K. Hovnanian Administrator
Facsimile: 302-636-4149

(g) if to the Company

K. Hovnanian Enterprises, Inc.
c/o Hovnanian Enterprises, Inc.
110 West Front Street
P.O. Box 500
Red Bank, New Jersey 07701
Facsimile: 732-383-2945
Attention: GCM - K. Hovnanian Administrator

Section 3.02. *Conflicts.* In the event any provision of this Agreement conflicts with any provision of any Intercreditor Agreement, the provisions of such Intercreditor Agreement shall govern and control, except with respect to the rights, benefits, protections, immunities and indemnities of the Mortgage Tax Collateral Agent which shall be governed by this Agreement.

Section 3.03. *Successors and Assigns.* This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and permitted assigns of the parties hereto.

THIS AGREEMENT HAS BEEN EXECUTED AND DELIVERED IN THE CITY OF NEW YORK, STATE OF NEW YORK, UNITED STATES OF AMERICA. THIS AGREEMENT AND (UNLESS OTHERWISE EXPRESSLY PROVIDED) ALL AMENDMENTS AND SUPPLEMENTS TO, AND ALL CONSENTS AND WAIVERS PURSUANT TO, THIS AGREEMENT SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN NEW YORK.

THE PARTIES HERETO CONSENT TO THE NONEXCLUSIVE JURISDICTION AND VENUE OF THE STATE OR FEDERAL COURTS LOCATED IN THE BOROUGH OF MANHATTAN, CITY AND STATE OF NEW YORK. SERVICE OF PROCESS IN CONNECTION WITH ANY DISPUTE SHALL BE BINDING ON ANY PARTY IF SENT TO SUCH PARTY BY REGISTERED MAIL AT THE ADDRESS SPECIFIED IN SECTION 3.01 HERETO (OR AT SUCH OTHER ADDRESS AS MAY BE DESIGNATED BY IT IN ACCORDANCE WITH SECTION 3.01). THE PARTIES HERETO WAIVE ANY RIGHT THEY MAY HAVE TO JURY TRIAL.

This Agreement may be executed in several counterparts, each of which shall be an original, but all of which shall constitute one instrument. If any term of this Agreement or any application thereof shall be held to be invalid, illegal or unenforceable, the validity of other terms of this Agreement or any other application of such term shall in no way be affected thereby.

Section 3.04. *Collateral Agents.* It is understood and agreed that (a) Wilmington Trust, National Association is entering into this Agreement as Senior Credit Agreement Administrative Agent and the rights, benefits, protections, indemnifications and immunities afforded to the Senior Credit Agreement Administrative Agent in the Senior Credit Agreement shall apply to the Senior Credit Agreement Administrative Agent hereunder, (b) Wilmington Trust, National Association is entering into this Agreement as Senior Notes Collateral Agent and the rights, benefits, protections, indemnifications and immunities afforded to the Senior Notes Collateral Agent, respectively, in the Senior Noteholder Documents shall apply to the Senior Notes Collateral Agent, hereunder, (c) Wilmington Trust, National Association is entering into this Agreement as 9.125% Junior Collateral Agent and the rights, benefits, protections, indemnifications and immunities afforded to the 9.125% Junior Collateral Agent, respectively, in the 9.125% Junior Noteholder Documents shall apply to the 9.125% Junior Collateral Agent, hereunder, (d) Wilmington Trust, National Association is entering into this Agreement as 10.000% Junior Collateral Agent and the rights, benefits, protections, indemnifications and immunities afforded to the 10.000% Junior Collateral Agent, respectively, in the 10.000% Junior Noteholder Documents shall apply to the 10.000% Junior Collateral Agent, hereunder, and (e) Wilmington Trust, National Association is entering into this Agreement as Junior Joint Collateral Agent and the rights, benefits, protections, indemnifications and immunities afforded to the Junior Joint Collateral Agent in the Junior Collateral Documents shall apply to the Junior Joint Collateral Agent hereunder. The permissive rights, benefits, authorizations and powers granted to Wilmington Trust, National Association in any of its capacities hereunder shall not be construed as duties. Any exercise of discretion hereunder by Wilmington Trust, National Association in any of the above capacities shall be exercised in accordance with the Senior Credit Agreement, Senior Noteholder Documents or Junior Noteholder Documents, as applicable.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the date first above written.

WILMINGTON TRUST, NATIONAL ASSOCIATION, not in its individual capacity, but solely as Mortgage Tax Collateral Agent

By: /s/ John T. Needham, Jr.
Name: John T. Needham, Jr.
Title: Vice President

WILMINGTON TRUST, NATIONAL ASSOCIATION, not in its individual capacity, but solely as Senior Credit Agreement Administrative Agent and acting in such capacity as collateral agent

By: /s/ Jeffrey Rose
Name: Jeffrey Rose
Title: Vice President

WILMINGTON TRUST, NATIONAL ASSOCIATION, not in its individual capacity, but solely as Senior Notes Collateral Agent

By: /s/ John T. Needham, Jr.
Name: John T. Needham, Jr.
Title: Vice President

WILMINGTON TRUST, NATIONAL ASSOCIATION, not in its individual capacity, but solely as 9.125% Junior Collateral Agent

By: /s/ John T. Needham, Jr.
Name: John T. Needham, Jr.
Title: Vice President

WILMINGTON TRUST, NATIONAL ASSOCIATION, not in its individual capacity but solely as 10.000% Junior Collateral Agent

By: /s/ John T. Needham, Jr.
Name: John T. Needham, Jr.
Title: Vice President

WILMINGTON TRUST, NATIONAL ASSOCIATION, not in its individual capacity but solely as Junior Joint Collateral Agent

By: /s/ John T. Needham, Jr.
Name: John T. Needham, Jr.
Title: Vice President

K. HOVNANIAN ENTERPRISES, INC.

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice President Finance and Treasurer

HOVNANIAN ENTERPRISES, INC.

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice President Finance and Treasurer

K. HOV IP, II, Inc.

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice President Finance and Treasurer

On behalf of each other entity named in Schedule A hereto

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice President Finance and Treasurer

SCHEDULE A – LIST OF ENTITIES

ARBOR TRAILS, LLC
BUILDER SERVICES NJ, L.L.C.
BUILDER SERVICES PA, L.L.C.
EASTERN NATIONAL TITLE AGENCY, LLC
EASTERN TITLE AGENCY OF ILLINOIS, LLC
EASTERN TITLE AGENCY, INC.
F&W MECHANICAL SERVICES, L.L.C.
FOUNDERS TITLE AGENCY OF MARYLAND, L.L.C.
FOUNDERS TITLE AGENCY, INC.
GLENRISE GROVE, L.L.C.
GOVERNOR'S ABSTRACT CO., INC.
HOMEBUYERS FINANCIAL SERVICES, L.L.C.
HOVNANIAN DEVELOPMENTS OF FLORIDA, INC.
HOVNANIAN ENTERPRISES, INC. (PARENT COMPANY)
HOVNANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP, L.L.C.
K. HOV IP, II, INC.
K. HOVNANIAN ABERDEEN, LLC
K. HOVNANIAN ACQUISITIONS, INC.
K. HOVNANIAN AT 240 MISSOURI, LLC
K. HOVNANIAN AT 4S, LLC
K. HOVNANIAN AT AIRE ON MCDOWELL, LLC
K. HOVNANIAN AT ALISO, LLC
K. HOVNANIAN AT ALLENTOWN, L.L.C.
K. HOVNANIAN AT ANDALUSIA, LLC
K. HOVNANIAN AT ASBURY PARK URBAN RENEWAL, LLC
K. HOVNANIAN AT ASHBY PLACE, LLC
K. HOVNANIAN AT AVENUE ONE, L.L.C.
K. HOVNANIAN AT BAKERSFIELD 463, L.L.C.
K. HOVNANIAN AT BARNEGAT I, L.L.C.
K. HOVNANIAN AT BARNEGAT II, L.L.C.
K. HOVNANIAN AT BEACON PARK AREA 129, LLC
K. HOVNANIAN AT BEACON PARK AREA 137, LLC
K. HOVNANIAN AT BELLA LAGO, LLC
K. HOVNANIAN AT BLACKSTONE, LLC
K. HOVNANIAN AT BOCA DUNES, LLC
K. HOVNANIAN AT BRANCHBURG II, LLC
K. HOVNANIAN AT BRANCHBURG, L.L.C.
K. HOVNANIAN AT BRANCHBURG-VOLLERS, LLC
K. HOVNANIAN AT BRENFORD STATION, LLC
K. HOVNANIAN AT BRIDGEPORT, INC.
K. HOVNANIAN AT BRIDGEWATER I, L.L.C.

K. HOVNANIAN AT BRIDGEWATER II, LLC
K. HOVNANIAN AT BURCH KOVE, LLC
K. HOVNANIAN AT CAMP HILL, L.L.C.
K. HOVNANIAN AT CAMPTON PRAIRIE, LLC
K. HOVNANIAN AT CAPISTRANO, L.L.C.
K. HOVNANIAN AT CARLSBAD, LLC
K. HOVNANIAN AT CATANIA, LLC
K. HOVNANIAN AT CATON'S RESERVE, LLC
K. HOVNANIAN AT CEDAR GROVE III, L.L.C.
K. HOVNANIAN AT CEDAR GROVE URBAN RENEWAL, LLC
K. HOVNANIAN AT CEDAR LANE, LLC
K. HOVNANIAN AT CHARTER WAY, LLC
K. HOVNANIAN AT CHESTERFIELD, L.L.C.
K. HOVNANIAN AT CHRISTINA COURT, LLC
K. HOVNANIAN AT CIELO, L.L.C.
K. HOVNANIAN AT COASTLINE, L.L.C.
K. HOVNANIAN AT COOSAW POINT, LLC
K. HOVNANIAN AT CORAL LAGO, LLC
K. HOVNANIAN AT CORTEZ HILL, LLC
K. HOVNANIAN AT DENVILLE, L.L.C.
K. HOVNANIAN AT DEPTFORD TOWNSHIP, L.L.C.
K. HOVNANIAN AT DOMINGUEZ HILLS, INC.
K. HOVNANIAN AT DOYLESTOWN, LLC
K. HOVNANIAN AT EAST BRANDYWINE, L.L.C.
K. HOVNANIAN AT EAST BRUNSWICK III, LLC
K. HOVNANIAN AT EAST BRUNSWICK, LLC
K. HOVNANIAN AT EAST WINDSOR, LLC
K. HOVNANIAN AT EDEN TERRACE, L.L.C.
K. HOVNANIAN AT EDGEWATER II, L.L.C.
K. HOVNANIAN AT EDGEWATER, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH II, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH, L.L.C.
K. HOVNANIAN AT ESTATES AT WHEATLANDS, LLC
K. HOVNANIAN AT EVERGREEN, L.L.C.
K. HOVNANIAN AT EVESHAM, LLC
K. HOVNANIAN AT FAIRFIELD RIDGE, LLC
K. HOVNANIAN AT FIDDYMENT RANCH, LLC
K. HOVNANIAN AT FIFTH AVENUE, L.L.C.
K. HOVNANIAN AT FLORENCE I, L.L.C.
K. HOVNANIAN AT FLORENCE II, L.L.C.
K. HOVNANIAN AT FOREST MEADOWS, L.L.C.
K. HOVNANIAN AT FOX PATH AT HAMPTON LAKE, LLC
K. HOVNANIAN AT FRANKLIN II, L.L.C.

K. HOVNANIAN AT FRANKLIN, L.L.C.
K. HOVNANIAN AT FREEHOLD TOWNSHIP III, LLC
K. HOVNANIAN AT FRESNO, LLC
K. HOVNANIAN AT GALLERY, LLC
K. HOVNANIAN AT GASLAMP SQUARE, L.L.C.
K. HOVNANIAN AT GENEVA MEADOWS, LLC
K. HOVNANIAN AT GILROY 60, LLC
K. HOVNANIAN AT GILROY, LLC
K. HOVNANIAN AT GREAT NOTCH, L.L.C.
K. HOVNANIAN AT HACKETTSTOWN II, L.L.C.
K. HOVNANIAN AT HAMPTON COVE, LLC
K. HOVNANIAN AT HAMPTON LAKE, LLC
K. HOVNANIAN AT HANOVER ESTATES, LLC
K. HOVNANIAN AT HERSHEY'S MILL, INC.
K. HOVNANIAN AT HIDDEN BROOK, LLC
K. HOVNANIAN AT HILLSBOROUGH, LLC
K. HOVNANIAN AT HILLTOP RESERVE II, LLC
K. HOVNANIAN AT HILLTOP RESERVE, LLC
K. HOVNANIAN AT HOWELL II, LLC
K. HOVNANIAN AT HOWELL III, LLC
K. HOVNANIAN AT HOWELL, LLC
K. HOVNANIAN AT HUDSON POINTE, L.L.C.
K. HOVNANIAN AT HUNTFIELD, LLC
K. HOVNANIAN AT INDIAN WELLS, LLC
K. HOVNANIAN AT ISLAND LAKE, LLC
K. HOVNANIAN AT JACKSON I, L.L.C.
K. HOVNANIAN AT JACKSON, L.L.C.
K. HOVNANIAN AT JAEGER RANCH, LLC
K. HOVNANIAN AT JERSEY CITY IV, L.L.C.
K. HOVNANIAN AT KEYPORT, L.L.C.
K. HOVNANIAN AT LA COSTA GREENS, L.L.C.
K. HOVNANIAN AT LA LAGUNA, L.L.C.
K. HOVNANIAN AT LAKE BURDEN, LLC
K. HOVNANIAN AT LAKE LECLARE, LLC
K. HOVNANIAN AT LAKE RANCHO VIEJO, LLC
K. HOVNANIAN AT LAKE RIDGE ESTATES, LLC
K. HOVNANIAN AT LAKE TERRAPIN, L.L.C.
K. HOVNANIAN AT LEE SQUARE, L.L.C.
K. HOVNANIAN AT LENAH WOODS, LLC
K. HOVNANIAN AT LILY ORCHARD, LLC
K. HOVNANIAN AT LINK FARM, LLC
K. HOVNANIAN AT LITTLE EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR, L.L.C
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP II, L.L.C.

K. HOVNANIAN AT LOWER MAKEFIELD TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MORELAND II, L.L.C.
K. HOVNANIAN AT MAGNOLIA PLACE, LLC
K. HOVNANIAN AT MAHWAH VI, INC.
K. HOVNANIAN AT MAIN STREET SQUARE, LLC
K. HOVNANIAN AT MALAN PARK, L.L.C.
K. HOVNANIAN AT MANALAPAN II, L.L.C.
K. HOVNANIAN AT MANALAPAN III, L.L.C.
K. HOVNANIAN AT MANALAPAN V, LLC
K. HOVNANIAN AT MANALAPAN VI, LLC
K. HOVNANIAN AT MANSFIELD II, L.L.C.
K. HOVNANIAN AT MANTECA, LLC
K. HOVNANIAN AT MAPLE AVENUE, L.L.C.
K. HOVNANIAN AT MARLBORO IX, LLC
K. HOVNANIAN AT MARLBORO TOWNSHIP IX, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP V, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP VIII, L.L.C.
K. HOVNANIAN AT MARLBORO VI, L.L.C.
K. HOVNANIAN AT MARPLE, LLC
K. HOVNANIAN AT MEADOWRIDGE VILLAS, LLC
K. HOVNANIAN AT MELANIE MEADOWS, LLC
K. HOVNANIAN AT MENDHAM TOWNSHIP, L.L.C.
K. HOVNANIAN AT MIDDLE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT MIDDLE TOWNSHIP, L.L.C.
K. HOVNANIAN AT MIDDLETOWN II, L.L.C.
K. HOVNANIAN AT MIDDLETOWN III, LLC
K. HOVNANIAN AT MIDDLETOWN, LLC
K. HOVNANIAN AT MILLVILLE I, L.L.C.
K. HOVNANIAN AT MILLVILLE II, L.L.C.
K. HOVNANIAN AT MONROE IV, L.L.C.
K. HOVNANIAN AT MONROE NJ II, LLC
K. HOVNANIAN AT MONROE NJ III, LLC
K. HOVNANIAN AT MONROE NJ, L.L.C.
K. HOVNANIAN AT MONTGOMERY, LLC
K. HOVNANIAN AT MONTVALE II, LLC
K. HOVNANIAN AT MONTVALE, L.L.C.
K. HOVNANIAN AT MORRIS TWP, LLC
K. HOVNANIAN AT MT. LAUREL, LLC
K. HOVNANIAN AT MUIRFIELD, LLC
K. HOVNANIAN AT NORTH BERGEN. L.L.C.
K. HOVNANIAN AT NORTH BRUNSWICK VI, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL II, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL III, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL IV, L.L.C.
K. HOVNANIAN AT NORTH WILDWOOD, L.L.C.

K. HOVNANIAN AT NORTHAMPTON, L.L.C.
K. HOVNANIAN AT NORTHERN WESTCHESTER, INC.
K. HOVNANIAN AT NORTHFIELD, L.L.C.
K. HOVNANIAN AT NORTHRIDGE ESTATES, LLC
K. HOVNANIAN AT NORTON LAKE LLC
K. HOVNANIAN AT NOTTINGHAM MEADOWS, LLC
K. HOVNANIAN AT OAK POINTE, LLC
K. HOVNANIAN AT OCEAN TOWNSHIP, INC
K. HOVNANIAN AT OCEAN VIEW BEACH CLUB, LLC
K. HOVNANIAN AT OCEANPORT, L.L.C.
K. HOVNANIAN AT OLD BRIDGE, L.L.C.
K. HOVNANIAN AT PALM VALLEY, L.L.C.
K. HOVNANIAN AT PARKSIDE, LLC
K. HOVNANIAN AT PARSIPPANY, L.L.C.
K. HOVNANIAN AT PAVILION PARK, LLC
K. HOVNANIAN AT PIAZZA D'ORO, L.L.C.
K. HOVNANIAN AT PIAZZA SERENA, L.L.C
K. HOVNANIAN AT PICKETT RESERVE, LLC
K. HOVNANIAN AT PITTSGROVE, L.L.C.
K. HOVNANIAN AT PLANTATION LAKES, L.L.C.
K. HOVNANIAN AT POINTE 16, LLC
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL V, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VIII, L.L.C.
K. HOVNANIAN AT POSITANO, LLC
K. HOVNANIAN AT PRADO, L.L.C.
K. HOVNANIAN AT PRAIRIE POINTE, LLC
K. HOVNANIAN AT QUAIL CREEK, L.L.C.
K. HOVNANIAN AT RANCHO CABRILLO, LLC
K. HOVNANIAN AT RANDOLPH I, L.L.C.
K. HOVNANIAN AT RAPHO, L.L.C
K. HOVNANIAN AT REDTAIL, LLC
K. HOVNANIAN AT RESERVES AT WHEATLANDS, LLC
K. HOVNANIAN AT RESIDENCE AT DISCOVERY SQUARE, LLC
K. HOVNANIAN AT RIDGEMONT, L.L.C.
K. HOVNANIAN AT ROCK LEDGE, LLC
K. HOVNANIAN AT RODERUCK, L.L.C.
K. HOVNANIAN AT ROSEMARY LANTANA, L.L.C.
K. HOVNANIAN AT SAGE, L.L.C.
K. HOVNANIAN AT SAGEBROOK, LLC
K. HOVNANIAN AT SANTA NELLA, LLC
K. HOVNANIAN AT SAWMILL, INC.
K. HOVNANIAN AT SCOTCH PLAINS, L.L.C.
K. HOVNANIAN AT SEASONS LANDING, LLC
K. HOVNANIAN AT SHELDON GROVE, LLC
K. HOVNANIAN AT SHREWSBURY, LLC

K. HOVNANIAN AT SIGNAL HILL, LLC
K. HOVNANIAN AT SILVER SPRING, L.L.C.
K. HOVNANIAN AT SILVERSTONE, LLC
K. HOVNANIAN AT SKYE ISLE, LLC
K. HOVNANIAN AT SKYE ON MCDOWELL, LLC
K. HOVNANIAN AT SMITHVILLE, INC.
K. HOVNANIAN AT SOMERSET, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK II, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK III, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK, L.L.C.
K. HOVNANIAN AT STANTON, LLC
K. HOVNANIAN AT STATION SQUARE, L.L.C.
K. HOVNANIAN AT SUMMERLAKE, LLC
K. HOVNANIAN AT SUNRIDGE PARK, LLC
K. HOVNANIAN AT SUNRISE TRAIL II, LLC
K. HOVNANIAN AT SUNRISE TRAIL III, LLC
K. HOVNANIAN AT TERRA BELLA TWO, LLC
K. HOVNANIAN AT THE COMMONS AT RICHMOND HILL, LLC
K. HOVNANIAN AT THE CROSBY, LLC
K. HOVNANIAN AT THE MONARCH, L.L.C.
K. HOVNANIAN AT THE PROMENADE AT BEAVER CREEK, LLC
K. HOVNANIAN AT THOMPSON RANCH, LLC
K. HOVNANIAN AT TRAFFORD PLACE, LLC
K. HOVNANIAN AT TRAIL RIDGE, LLC
K. HOVNANIAN AT UPPER PROVIDENCE, LLC
K. HOVNANIAN AT UPPER UWCHLAN II, L.L.C.
K. HOVNANIAN AT UPPER UWCHLAN, L.L.C.
K. HOVNANIAN AT VALLE DEL SOL, LLC
K. HOVNANIAN AT VERONA ESTATES, LLC
K. HOVNANIAN AT VERONA URBAN RENEWAL, L.L.C.
K. HOVNANIAN AT VICTORVILLE, L.L.C.
K. HOVNANIAN AT VINEYARD HEIGHTS, LLC
K. HOVNANIAN AT VISTA DEL SOL, L.L.C.
K. HOVNANIAN AT WALDWICK, LLC
K. HOVNANIAN AT WALKERS GROVE, LLC
K. HOVNANIAN AT WARREN TOWNSHIP II, LLC
K. HOVNANIAN AT WARREN TOWNSHIP, L.L.C.
K. HOVNANIAN AT WATERSTONE, LLC
K. HOVNANIAN AT WAYNE IX, L.L.C.
K. HOVNANIAN AT WEST VIEW ESTATES, L.L.C.
K. HOVNANIAN AT WESTBROOK, LLC
K. HOVNANIAN AT WESTSHORE, LLC
K. HOVNANIAN AT WHEELER RANCH, LLC
K. HOVNANIAN AT WHEELER WOODS, LLC
K. HOVNANIAN AT WHITEMARSH, LLC

K. HOVNANIAN AT WILDWOOD BAYSIDE, L.L.C.
K. HOVNANIAN AT WOODCREEK WEST, LLC
K. HOVNANIAN AT WOOLWICH I, L.L.C.
K. HOVNANIAN BELDEN POINTE, LLC
K. HOVNANIAN BELMONT RESERVE, LLC
K. HOVNANIAN CAMBRIDGE HOMES, L.L.C.
K. HOVNANIAN CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN CLASSICS, L.L.C.
K. HOVNANIAN COMMUNITIES, INC.
K. HOVNANIAN COMPANIES OF CALIFORNIA, INC.
K. HOVNANIAN COMPANIES OF MARYLAND, INC.
K. HOVNANIAN COMPANIES OF NEW YORK, INC.
K. HOVNANIAN COMPANIES OF PENNSYLVANIA, INC.
K. HOVNANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.
K. HOVNANIAN COMPANIES, LLC
K. HOVNANIAN CONSTRUCTION II, INC
K. HOVNANIAN CONSTRUCTION III, INC
K. HOVNANIAN CONSTRUCTION MANAGEMENT, INC.
K. HOVNANIAN CONTRACTORS OF OHIO, LLC
K. HOVNANIAN CRAFTBUILT HOMES OF SOUTH CAROLINA, L.L.C.
K. HOVNANIAN CYPRESS KEY, LLC
K. HOVNANIAN DEVELOPMENTS OF ARIZONA, INC.
K. HOVNANIAN DEVELOPMENTS OF CALIFORNIA, INC.
K. HOVNANIAN DEVELOPMENTS OF D.C., INC.
K. HOVNANIAN DEVELOPMENTS OF DELAWARE, INC.
K. HOVNANIAN DEVELOPMENTS OF GEORGIA, INC.
K. HOVNANIAN DEVELOPMENTS OF ILLINOIS, INC.
K. HOVNANIAN DEVELOPMENTS OF KENTUCKY, INC.
K. HOVNANIAN DEVELOPMENTS OF MARYLAND, INC.
K. HOVNANIAN DEVELOPMENTS OF MINNESOTA, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY II, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW YORK, INC.
K. HOVNANIAN DEVELOPMENTS OF NORTH CAROLINA, INC.
K. HOVNANIAN DEVELOPMENTS OF OHIO, INC.
K. HOVNANIAN DEVELOPMENTS OF PENNSYLVANIA, INC.
K. HOVNANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.
K. HOVNANIAN DEVELOPMENTS OF TEXAS, INC.
K. HOVNANIAN DEVELOPMENTS OF VIRGINIA, INC.
K. HOVNANIAN DEVELOPMENTS OF WEST VIRGINIA, INC.
K. HOVNANIAN DFW AUBURN FARMS, LLC
K. HOVNANIAN DFW BELMONT, LLC
K. HOVNANIAN DFW HARMON FARMS, LLC
K. HOVNANIAN DFW HERITAGE CROSSING, LLC
K. HOVNANIAN DFW HOMESTEAD, LLC

K. HOVNANIAN DFW INSPIRATION, LLC
K. HOVNANIAN DFW LEXINGTON, LLC
K. HOVNANIAN DFW LIBERTY CROSSING, LLC
K. HOVNANIAN DFW LIGHT FARMS II, LLC
K. HOVNANIAN DFW LIGHT FARMS, LLC
K. HOVNANIAN DFW MIDTOWN PARK, LLC
K. HOVNANIAN DFW PALISADES, LLC
K. HOVNANIAN DFW PARKSIDE, LLC
K. HOVNANIAN DFW RIDGEVIEW, LLC
K. HOVNANIAN DFW SEVENTEEN LAKES, LLC
K. HOVNANIAN DFW TRAILWOOD, LLC
K. HOVNANIAN DFW VILLAS AT MUSTANG PARK, LLC
K. HOVNANIAN DFW WELLINGTON, LLC
K. HOVNANIAN DFW WILDRIDGE, LLC
K. HOVNANIAN EASTERN PENNSYLVANIA, L.L.C.
K. HOVNANIAN EDGEBROOK, LLC
K. HOVNANIAN ENTERPRISES, INC.
K. HOVNANIAN ESTATES AT REGENCY, L.L.C.
K. HOVNANIAN ESTATES AT WEKIVA, LLC
K. HOVNANIAN FALLS POINTE, LLC
K. HOVNANIAN FIRST HOMES, L.L.C.
K. HOVNANIAN FLORIDA REALTY, L.L.C.
K. HOVNANIAN FOREST VALLEY, LLC
K. HOVNANIAN FOUR SEASONS @ HISTORIC VIRGINIA, LLC
K. HOVNANIAN FOUR SEASONS AT GOLD HILL, LLC
K. HOVNANIAN GRAND CYPRESS, LLC
K. HOVNANIAN GRANDEFIELD, LLC
K. HOVNANIAN GREAT WESTERN BUILDING COMPANY, LLC
K. HOVNANIAN GREAT WESTERN HOMES, LLC
K. HOVNANIAN HAMPTONS AT OAK CREEK II, L.L.C.
K. HOVNANIAN HIDDEN HOLLOW, LLC
K. HOVNANIAN HIGHLAND RIDGE, LLC
K. HOVNANIAN HOLDINGS NJ, L.L.C.
K. HOVNANIAN HOMES - DFW, L.L.C.
K. HOVNANIAN HOMES AT BROOK MANOR, LLC
K. HOVNANIAN HOMES AT BURKE JUNCTION, LLC
K. HOVNANIAN HOMES AT CAMP SPRINGS, L.L.C.
K. HOVNANIAN HOMES AT CREEKSIDE, LLC
K. HOVNANIAN HOMES AT FOREST RUN, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM PARK TOWNS, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM, L.L.C.
K. HOVNANIAN HOMES AT JONES STATION 1, L.L.C.
K. HOVNANIAN HOMES AT LEIGH MILL, LLC
K. HOVNANIAN HOMES AT MAXWELL PLACE, L.L.C.
K. HOVNANIAN HOMES AT REEDY CREEK, LLC

K. HOVNANIAN HOMES AT RUSSETT, L.L.C.
K. HOVNANIAN HOMES AT SALT CREEK LANDING, LLC
K. HOVNANIAN HOMES AT SHELL HALL, LLC
K. HOVNANIAN HOMES AT ST. JAMES PLACE, LLC
K. HOVNANIAN HOMES AT THE ABBY, LLC
K. HOVNANIAN HOMES AT THE HIGHLANDS, LLC
K. HOVNANIAN HOMES AT THE PADDOCKS, LLC
K. HOVNANIAN HOMES AT THOMPSON'S GRANT, LLC
K. HOVNANIAN HOMES AT WILLOWSFORD GRANT, LLC
K. HOVNANIAN HOMES AT WILLOWSFORD GREENS, LLC
K. HOVNANIAN HOMES NORTHERN CALIFORNIA, INC.
K. HOVNANIAN HOMES OF D.C., L.L.C.
K. HOVNANIAN HOMES OF DELAWARE, L.L.C.
K. HOVNANIAN HOMES OF GEORGIA, L.L.C.
K. HOVNANIAN HOMES OF HOUSTON, L.L.C.
K. HOVNANIAN HOMES OF LONGACRE VILLAGE, L.L.C.
K. HOVNANIAN HOMES OF MARYLAND, L.L.C.
K. HOVNANIAN HOMES OF MINNESOTA AT ARBOR CREEK, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT AUTUMN MEADOWS, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT BRYNWOOD, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT CEDAR HOLLOW, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT FOUNDER'S RIDGE, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT HARPERS STREET WOODS, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT OAKS OF OXBOW, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT REGENT'S POINT, LLC
K. HOVNANIAN HOMES OF MINNESOTA, L.L.C.
K. HOVNANIAN HOMES OF NORTH CAROLINA, INC.
K. HOVNANIAN HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN HOMES OF SOUTH CAROLINA, LLC
K. HOVNANIAN HOMES OF VIRGINIA, INC.
K. HOVNANIAN HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN HOUSTON CITY HEIGHTS, LLC
K. HOVNANIAN INDIAN TRAILS, LLC
K. HOVNANIAN LADUE RESERVE, LLC
K. HOVNANIAN LAKES OF GREEN, LLC
K. HOVNANIAN LEGACY AT VIA BELLA, LLC
K. HOVNANIAN LIBERTY ON BLUFF CREEK, LLC
K. HOVNANIAN MANALAPAN ACQUISITION, LLC
K. HOVNANIAN MONARCH GROVE, LLC
K. HOVNANIAN NORTH CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTHEAST SERVICES, L.L.C.
K. HOVNANIAN NORTHPOINTE 40S, LLC
K. HOVNANIAN OF HOUSTON II, L.L.C.

K. HOVNANIAN OF OHIO, LLC
K. HOVNANIAN OHIO REALTY, L.L.C.
K. HOVNANIAN PA REAL ESTATE, INC.
K. HOVNANIAN PENNSYLVANIA ACQUISITIONS, L.L.C.
K. HOVNANIAN PORT IMPERIAL URBAN RENEWAL, INC.
K. HOVNANIAN PROPERTIES OF RED BANK, INC.
K. HOVNANIAN REYNOLDS RANCH, LLC
K. HOVNANIAN RIVENDALE, LLC
K. HOVNANIAN RIVERSIDE, LLC
K. HOVNANIAN SCHADY RESERVE, LLC
K. HOVNANIAN SHERWOOD AT REGENCY, LLC
K. HOVNANIAN SHORE ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTH FORK, LLC
K. HOVNANIAN SOUTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTHERN NEW JERSEY, L.L.C.
K. HOVNANIAN STERLING RANCH, LLC
K. HOVNANIAN SUMMIT HOLDINGS, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF KENTUCKY, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES, L.L.C.
K. HOVNANIAN T&C HOMES AT FLORIDA, L.L.C.
K. HOVNANIAN T&C HOMES AT ILLINOIS, L.L.C.
K. HOVNANIAN TIMBRES AT ELM CREEK, LLC
K. HOVNANIAN UNION PARK, LLC
K. HOVNANIAN VENTURE I, L.L.C.
K. HOVNANIAN VILLAGE GLEN, LLC
K. HOVNANIAN WATERBURY, LLC
K. HOVNANIAN WHITE ROAD, LLC
K. HOVNANIAN WINDWARD HOMES, LLC
K. HOVNANIAN WOODLAND POINTE, LLC
K. HOVNANIAN WOODRIDGE PLACE, LLC
K. HOVNANIAN'S FOUR SEASONS AT BAKERSFIELD, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT BEAUMONT, LLC
K. HOVNANIAN'S FOUR SEASONS AT BRIARGATE, LLC
K. HOVNANIAN'S FOUR SEASONS AT CHARLOTTESVILLE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT HEMET, LLC
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND CONDOMINIUMS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT LOS BANOS, LLC
K. HOVNANIAN'S FOUR SEASONS AT MORENO VALLEY, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT NEW KENT VINEYARDS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT PALM SPRINGS, LLC
K. HOVNANIAN'S FOUR SEASONS AT RENAISSANCE, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK II, LLC
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT SILVER MAPLE FARM, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT ST. MARGARETS LANDING, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT THE MANOR II, LLC
K. HOVNANIAN'S FOUR SEASONS AT THE MANOR, LLC
K. HOVNANIAN'S PARKSIDE AT TOWNGATE, L.L.C.
K. HOVNANIAN'S VERANDA AT RIVERPARK II, LLC
K. HOVNANIAN'S VERANDA AT RIVERPARK, LLC
KHH SHELL HALL LOAN ACQUISITION, LLC
LANDARAMA, INC.
LAUREL HIGHLANDS, LLC
M & M AT MONROE WOODS, L.L.C.
M&M AT CHESTERFIELD, L.L.C.
M&M AT CRESCENT COURT, L.L.C.
M&M AT WEST ORANGE, L.L.C.
MATZEL & MUMFORD AT EGG HARBOR, L.L.C.
MCNJ, INC.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF PENNSYLVANIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF WEST VIRGINIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES, L.L.C.
MM-BEACHFRONT NORTH I, LLC
NEW HOME REALTY, LLC
NEW LAND TITLE AGENCY, L.L.C.
PADDOCKS, L.L.C.
PARK TITLE COMPANY, LLC
PINE AYR, LLC
RIDGEMORE UTILITY, L.L.C.
SEABROOK ACCUMULATION CORPORATION
SHELL HALL CLUB AMENITY ACQUISITION, LLC
SHELL HALL LAND ACQUISITION, LLC
STONEBROOK HOMES, INC.
TERRAPIN REALTY, L.L.C.
THE MATZEL & MUMFORD ORGANIZATION, INC
WASHINGTON HOMES, INC.
WESTMINSTER HOMES, INC.
WH PROPERTIES, INC.
WOODMORE RESIDENTIAL, L.L.C.
WTC VENTURES, L.L.C.

Exhibit 10(r)

Execution Version

SECURITY AGREEMENT

made by

K. HOVNANIAN ENTERPRISES, INC.,
HOVNANIAN ENTERPRISES, INC.

and certain of their respective Subsidiaries

in favor of

WILMINGTON TRUST, NATIONAL ASSOCIATION

as Agent

Dated as of September 8, 2016

TABLE OF CONTENTS

SECURITY AGREEMENT

THIS SECURITY AGREEMENT[1] (the "**Agreement**"), dated as of September 8, 2016, is made by K. Hovnanian Enterprises, Inc., a California corporation (the "**Borrower**"), Hovnanian Enterprises, Inc., a Delaware corporation ("**Holdings**"), and each of the signatories listed on Schedule A hereto (the Borrower, Holdings and such signatories, together with any other entity that may become a party hereto as provided herein, the "**Grantors**"), in favor of Wilmington Trust, National Association, as Administrative Agent in its capacity as collateral agent (in such capacity, the "**Agent**") for the benefit of itself and the Lenders (as defined below).

W I T N E S S E T H:

WHEREAS, the Borrower, Holdings and each of the other Guarantors party thereto have entered into the Credit Agreement dated as of July 29, 2016 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "**Credit Agreement**") with Wilmington Trust, National Association, as Administrative Agent and the lenders party thereto;

WHEREAS, the Borrower, Holdings, the Guarantors party thereto, the Administrative Agent, the Mortgage Tax Collateral Agent, the First Lien Notes Trustee and the First Lien Notes Collateral Agent have entered into the First Lien Intercreditor Agreement dated as of September 8, 2016 (as amended, supplemented, amended or restated or otherwise modified from time to time, the "**First Lien Intercreditor Agreement**");

WHEREAS, the Term Loans constitute Super Priority Indebtedness under the First Lien Intercreditor Agreement;

WHEREAS, the Borrower, Holdings, the Guarantors party thereto, the Administrative Agent, the First Lien Notes Collateral Agent, the First Lien Notes Trustee, the Existing Second Lien Collateral Agent, the Existing Second Lien Trustee, the New Second Lien Notes Collateral Agent, the New Second Lien Notes Trustee, Wilmington Trust, National Association, as Junior Joint Collateral Agent (as defined therein) and the Mortgage Tax Collateral Agent have entered into the Amended and Restated Intercreditor Agreement dated as of September 8, 2016 (as amended, supplemented, amended or restated or otherwise modified from time to time, the "**Amended and Restated Intercreditor Agreement**");

WHEREAS, the Borrower is a member of an affiliated group of companies that includes Holdings, the Borrower's parent company, and each other Grantor;

---

[1] Note that this Security Agreement is entered into in connection with the Credit Agreement.

WHEREAS, the Borrower and the other Grantors are engaged in related businesses, and each Grantor will derive substantial direct and indirect benefit from the borrowing of Term Loans; and

NOW, THEREFORE, in consideration of the premises and to induce Lenders to make the extensions of credit contemplated by the Credit Agreement, each Grantor hereby agrees with the Agent, for the ratable benefit of the Secured Parties, as follows:

ARTICLE 1

DEFINED TERMS

Section 1.01. *Definitions*. (a) Definitions set forth above are incorporated herein and unless otherwise defined herein, terms defined in the Credit Agreement and used herein (including the recitals above) shall have the meanings respectively given to them in the Credit Agreement or, if not defined herein or therein, in the First Lien Intercreditor Agreement, and the following terms are used herein as defined in the New York UCC: Accounts, Chattel Paper, Commercial Tort Claims, Deposit Account, Documents, Equipment, Electronic Chattel Paper, Farm Products, Fixtures, General Intangibles, Goods, Payment Intangibles, Instruments, Inventory, Investment Property, Letter of Credit Rights, Payment Intangibles, Securities Accounts, Software and Supporting Obligations.

(a) The following terms shall have the following meanings:

"**Additional Pari Passu Liens**": any liens on the Collateral which secure Additional Secured Obligations on an equal and ratable basis with the Secured Obligations, provided that such liens are permitted by the Credit Agreement.

"**Additional Pari Passu Collateral Agent**": the agent or other representative with respect to any Additional Secured Obligations in favor of which any Additional Pari Passu Liens are granted.

"**Additional Secured Obligations**": any obligations arising pursuant to any Indebtedness permitted to be secured on a pari passu basis with the Term Loans pursuant to the Credit Agreement (including for the avoidance of doubt any guarantees with respect thereto).

"**Agreement**": this Security Agreement, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"**Cash Equivalents**": (i) cash, marketable direct obligations of the United States of America or any agency thereof, and certificates of deposit, demand deposits, time deposits, or repurchase agreements issued by any bank with a capital and surplus of at least $25,000,000 organized under the laws of the United States of America or any state thereof, state or municipal securities with a rating of A-1 or better by Standard & Poor's or by Moody's or F-1 by Fitch, provided that such obligations, certificates of deposit, demand deposits, time deposits, and repurchase agreements have a maturity of less than one year from the date of purchase, and (ii) investment grade commercial paper or debt or commercial paper issued by any bank with a capital and surplus of at least $25,000,000 organized under the laws of the United States of America or any state thereof having a maturity date of one year or less from the date of purchase, and (iii) funds holding assets primarily consisting of those described in clauses (i) and (ii).

"**Collateral**": as defined in Article 2.

"**Collateral Account**": any collateral account established by the Agent as provided in Section 6.01 or 6.03.

"**Collateral Agency Agreement**": an intercreditor or collateral agency agreement entered into between the Additional Pari Passu Collateral Agent(s) and the Agent on terms reasonably satisfactory to the Agent, the Borrower and Holdings, setting forth the respective rights of the Secured Parties and the Additional Pari Passu Collateral Agent(s) and the holders of Additional Secured Obligations with respect to the Collateral and providing, among other things, that (x) the Additional Pari Passu Liens shall rank equally with the liens securing the Secured Obligations, (y) any proceeds of the Collateral shall be applied ratably to the Secured Obligations and the Additional Secured Obligations and (z) the Agent, including at the direction of the Lenders, shall be entitled to take such actions, or to direct any agent appointed pursuant to the Collateral Agency Agreement to take such actions, as are permitted hereby, by the Credit Agreement, by the Amended and Restated Intercreditor Agreement and by the First Lien Intercreditor Agreement; provided that any such intercreditor or collateral agency agreement shall provide that in the event of any conflicting instructions from the Lenders and any holders of the Additional Secured Obligations, the instruction of the holders of the series with the greatest principal amount of outstanding Obligations shall prevail.

"**Contracts**": any contracts and agreements for the purchase, acquisition or sale of real or personal property or the receipt or performance of services, any contract rights relating thereto, and all other rights to such contract or agreements and any right to payment for or to receive moneys due or to become due for items sold or leased or for services rendered, together with all rights of any Grantor to damages arising thereunder or to perform and to exercise all remedies thereunder.

"**Copyright Licenses**": any written agreement naming any Grantor as licensor or licensee, granting any right under any Copyright, including, without limitation, the grant of rights to distribute, exploit and sell materials derived from any Copyright.

"**Copyrights**": (i) all copyrights arising under the laws of the United States, any other country or any political subdivision thereof, whether registered or unregistered and whether published or unpublished, all registrations and recordings thereof, and all applications in connection therewith, including, without limitation, all registrations, recordings and applications in the United States Copyright Office, and (ii) the right to obtain all renewals thereof.

"**Deposit Accounts**": the collective reference to each Deposit Account (as such term is defined in Section 1.01(a) hereof) in the name of the applicable Grantor, together with any one or more securities accounts into which any monies on deposit in any such Deposit Account may be swept or otherwise transferred now or hereafter and from time to time, and any additional, substitute or successor Deposit Account.

"**Excluded Accounts**" shall mean at any time those deposit, checking or securities accounts of any of the Grantors (i) that individually have an average monthly balance (over the most recent ended 3-month period) less than $250,000 and which together do not have an average monthly balance (for such 3-month period) in excess of $2,000,000 in the aggregate, (ii) all escrow accounts (in which funds are held for or of others by virtue of customary real estate practice or contractual or legal requirements), (iii) the account holding amounts dedicated to the "Marie Fund" established by the Grantors for the benefit of their employees (so long as the Grantors' deposits therein and withdrawals therefrom are consistent with past practice) and (iv) such other accounts with respect to which Holdings determines that the cost of perfecting a Lien thereon is excessive in relation to the benefit thereof (as reasonably determined by Holdings' Board of Directors in a board resolution delivered to the Agent).

"**Guarantors**": the collective reference to each Grantor other than the Borrower.

"**Intellectual Property**": the collective reference to all rights, priorities and privileges, whether arising under United States, multinational or foreign laws, in, to and under the Copyrights, the Copyright Licenses, the Patents, the Patent Licenses, the Trademarks and the Trademark Licenses, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

"**Investment Property**": the collective reference to (i) all "investment property" as such term is defined in Section 9-102(a)(49) of the New York UCC, and (ii) whether or not constituting "investment property" as so defined, all Pledged Notes.

"**Law**": any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, opinion, release, ruling, order, injunction, writ, decree, bond, judgment, authorization or approval, lien or award of or settlement agreement with any Official Body.

"**New York UCC**": the Uniform Commercial Code as from time to time in effect in the State of New York.

"**Official Body**": any national, federal, state, local or other governmental or political subdivision or any agency, authority, board, bureau, central bank, commission, department or instrumentality of either, or any court, tribunal, grand jury or arbitrator, in each case whether foreign or domestic.

"**Patent License**": all written agreements providing for the grant by or to any Grantor of any right to manufacture, use or sell any invention covered in whole or in part by a Patent.

"**Patents**": (i) all letters patent of the United States, any other country or any political subdivision thereof, all reissues and extensions thereof, (ii) all applications for letters patent of the United States or any other country and all divisions, continuations and continuations-in-part thereof, and (iii) all rights to obtain any reissues or extensions of the foregoing.

"**Perfection Certificate**": with respect to any Grantor, a certificate substantially in the form of Exhibit C, completed and supplemented with the schedules contemplated thereby, and signed by an officer of such Grantor.

"**Pledged Notes**": all promissory notes issued to or held by any Grantor.

"**Proceeds**": all "proceeds" as such term is defined in Section 9-102(a)(64) of the New York UCC and, in any event, shall include, without limitation, all dividends or other income from the Investment Property, collections thereon or distributions or payments with respect thereto.

"**Receivable**": any right to payment for real or personal property sold or leased or for services rendered, whether or not such right is evidenced by a Contract, an Instrument or Chattel Paper and whether or not it has been earned by performance (including, without limitation, any Account).

"**Secured Obligations**": all advances to, and debts, liabilities, obligations, covenants and duties of, any Loan Party arising under any Loan Document or otherwise with respect to any Loan, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against any Loan Party of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding. Without limiting the generality of the foregoing, the Loan Obligations of the Loan Parties under the Loan Documents include the obligation to pay principal, interest, charges, expenses, fees, Attorney Costs indemnities and other amounts payable by any Loan Party under any Loan Document.

"**Secured Parties**": the collective reference to the Administrative Agent, the Agent, the Mortgage Tax Collateral Agent, the Lenders, the Supplemental Administrative Agent, if any, and each co-agent or sub-agent appointed by the Administrative Agent from time to time pursuant to Section 8.05 of the Credit Agreement.

"**Securities Accounts**": the collective reference to the securities accounts in the name of the applicable Grantor and any additional, substitute or successor account.

"**Trademark License**": any written agreement providing for the grant by or to any Grantor of any right to use any Trademark.

"**Trademarks**": (i) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos and other source or business identifiers, and all goodwill associated therewith, now owned or hereafter acquired, all registrations and recordings thereof, and all applications in connection therewith, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, and all common-law rights related thereto, and (ii) the right to obtain all renewals thereof.

"**Vehicles**": all cars, trucks, trailers, construction and earth moving equipment and other vehicles covered by a certificate of title law of any state and all tires and other appurtenances to any of the foregoing.

Section 1.02. *Other Definitional Provisions*.

(a) The words "hereof," "herein", "hereto" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section and Schedule references are to this Agreement unless otherwise specified.

(b) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

(c) Where the context requires, terms relating to the Collateral or any part thereof, when used in relation to a Grantor, shall refer to such Grantor's Collateral or the relevant part thereof.

ARTICLE 2

GRANT OF SECURITY INTEREST

Each Grantor hereby grants to the Agent, for the ratable benefit of the Secured Parties, a security interest in, all of the following property now owned or at any time hereafter acquired by such Grantor or in which such Grantor now has or at any time in the future may acquire any right, title or interest (collectively, the "**Collateral**"), as collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Secured Obligations:

(a) all Accounts;

(b) all Chattel Paper (including, Electronic Chattel Paper);

(c) all Commercial Tort Claims (including those claims listed on Schedule B hereto, in which the claim amount individually exceeds $2,000,000, as such schedule is amended or supplemented from time to time);

(d) all Contracts;

(e) all Securities Accounts;

(f) all Deposit Accounts;

(g) all Documents (other than title documents with respect to vehicles);

(h) all Equipment;

(i) all Fixtures;

(j) all General Intangibles;

(k) all Goods;

(l) all Instruments;

(m) all Intellectual Property;

(n) all Inventory;

(o) all Investment Property;

(p) all letters of credit;

(q) all Letter of Credit Rights;

(r) all Payment Intangibles;

(s) all Vehicles and title documents with respect to Vehicles;

(t) all Receivables;

(u) all Software;

(v) all Supporting Obligations;

(w) to the extent, if any, not included in clauses (a) through (v) above, each and every other item of personal property whether now existing or hereafter arising or acquired;

(x) all books and records pertaining to any of the Collateral; and

(y) to the extent not otherwise included, all Proceeds, Supporting Obligations and products of any and all of the foregoing and all collateral security and guarantees given by any Person with respect to any of the foregoing;

provided, *however*, that notwithstanding any of the other provisions set forth in this Article 2 (and notwithstanding any recording of the Agent's Lien in the U.S. Patent and Trademark Office or other registry office in any jurisdiction), this Agreement shall not constitute a grant of a security interest in, and the Collateral shall not include, (i) any property or assets constituting "Excluded Property" (as defined in the Credit Agreement) or (ii) any property to the extent that such grant of a security interest is prohibited by any applicable Law of an Official Body, requires a consent not obtained of any Official Body pursuant to such Law or is prohibited by, or constitutes a breach or default under or results in the termination of or gives rise to any right of acceleration, modification or cancellation or requires any consent not obtained under, any contract, license, agreement, instrument or other document evidencing or giving rise to such property or, in the case of any Investment Property, or Pledged Note, any applicable shareholder or similar agreement, except to the extent that such Law or the term in such contract, license, agreement, instrument or other document or shareholder or similar agreement providing for such prohibition, breach, default or termination or requiring such consent is ineffective under applicable Law including Sections 9-406, 9-407, 9-408 or 9-409 of the New York UCC (or any successor provision or provisions); *provided*, *further*, that no security interest shall be granted in United States "intent-to-use" trademark or service mark applications unless and until acceptable evidence of use of the trademark or service mark has been filed with and accepted by the U.S. Patent and Trademark Office pursuant to Section 1(c) or Section 1(d) of the Lanham Act (U.S.C. 1051, et. seq.), and to the extent that, and solely during the period in which, the grant of a security interest therein would impair the validity or enforceability of such intent-to-use trademark or service mark applications under applicable federal Law. After such period and after such evidence of use has been filed and accepted, each Grantor acknowledges that such interest in such trademark or service mark applications will become part of the Collateral. The Agent agrees that, at any Grantor's reasonable request and expense, it will provide such Grantor confirmation that the assets described in this paragraph are in fact excluded from the Collateral during such limited period only upon receipt of an Officers' Certificate or an Opinion of Counsel to that effect. Notwithstanding the foregoing, in the event that Rule 3-16 of Regulation S-X under the Securities Act requires (or is replaced with another rule or regulation, or any other law, rule or regulation is adopted, which would require) the filing with the SEC of separate financial statements (including if the Loans were "Securities" under the Securities Act) of the Borrower, any Guarantor or of K. Hovnanian JV Holdings, L.L.C., then the capital stock or other securities of the Borrower, such Guarantor or of K. Hovnanian JV Holdings, L.L.C., as applicable, shall automatically be deemed released and not to be and not to have been part of the Collateral but only to the extent necessary to not be subject to such requirement. In such event, this Agreement may be amended or modified, without the consent of any Lender, upon the Agent's receipt of a written authorization from the Borrower stating that such amendment is permitted hereunder, which the Agent shall be entitled to conclusively rely upon, to the extent necessary to evidence the release of the lien created hereby on the shares of capital stock or other securities that are so deemed to no longer constitute part of the Collateral.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES

To induce the Lenders to make the extensions of credit contemplated by the Credit Agreement, each Grantor hereby represents and warrants to the Agent and each other Secured Party that:

Section 3.01. *Title: No Other Liens.* Except for the security interest granted to the Agent for the ratable benefit of the Secured Parties pursuant to this Agreement, such Grantor owns each item of the Collateral free and clear of any and all Liens or claims of others except for the Permitted Liens. None of the Grantors has filed or consented to the filing of any financing statement or other public notice with respect to all or any part of the Collateral in any public office, except with respect to Permitted Liens.

Section 3.02. *Perfected Super Priority Liens*. The security interests granted pursuant to this Agreement upon completion of the filings and other actions specified on Schedule C (which, in the case of all filings and other documents referred to on said Schedule, have been delivered, or will be delivered within the time periods set forth in Schedule C, to the Agent in completed form) (a) will constitute valid perfected (to the extent such security interest can be perfected by such filings or actions) security interests in all of the Collateral in favor of the Agent, for the ratable benefit of the Secured Parties, as collateral security for the Secured Obligations, enforceable in accordance with the terms hereof against all creditors of such Grantor and any Persons purporting to purchase any Collateral from such Grantor and (b) are prior to all other Liens on the Collateral in existence on the date hereof except for Permitted Liens.

Section 3.03. *Jurisdiction of Organization; Chief Executive Office*. On the date hereof, such Grantor's exact legal name, jurisdiction of organization, identification number from the jurisdiction of organization (if any), and the location of such Grantor's chief executive office or sole place of business or principal residence, as the case may be, are specified in the Perfection Certificate.

Section 3.04. *Farm Products*. None of the Collateral constitutes, or is the Proceeds of, Farm Products.

Section 3.05. *Investment Property*. Such Grantor is the record and beneficial owner of, and has good title to, the Investment Property pledged by it hereunder, free of any and all Liens or options in favor of, or claims of, any other Person, except the Permitted Liens.

Section 3.06. *Receivables*. No amount payable in excess of $2,000,000 in the aggregate to all Grantors under or in connection with any Receivables is evidenced by any Instrument or Chattel Paper which has not been delivered to the Agent.

Section 3.07. *Perfection Certificate*. The Perfection Certificate has been duly prepared, completed and executed and the information set forth therein, including the exact legal name and jurisdiction of organization of each Grantor, is correct and complete in all material respects as of the Closing Date.

ARTICLE 4

COVENANTS

Each Grantor covenants and agrees with the Agent and the other Secured Parties that, from and after the date of this Agreement until the payment in full of all outstanding Secured Obligations:

Section 4.01. *Maintenance of Perfected Security Interest; Further Documentation*. (a) Such Grantor shall maintain the security interest created by this Agreement as a perfected security interest to the extent required by this Agreement having at least the priority described in Section 3.02 and shall defend such security interest against the claims and demands of all Persons whomsoever other than any holder of Permitted Liens.

(b) At any time and from time to time, and at the sole expense of such Grantor, such Grantor will promptly and duly execute and deliver, and have recorded, such further instruments and documents and take such further actions as shall be required by applicable law for the purpose of obtaining, perfecting or preserving the security interests purported to be granted under this Agreement and of the rights and remedies herein granted, including, without limitation, (i) filing any financing or continuation statements under the Uniform Commercial Code (or other similar laws) in effect in any jurisdiction with respect to the security interests created hereby and (ii) subject to Section 6.14(d) of the Credit Agreement, in the case of the Deposit Accounts, Investment Property, Letter of Credit Rights and the Securities Accounts and any other relevant Collateral, taking any actions necessary to enable the Agent to obtain "control" (within the meaning of the applicable Uniform Commercial Code) with respect thereto, provided that the Grantor shall not be required to take any of the actions set forth in this clause (ii) with respect to Excluded Accounts.

(c) If any Grantor shall at any time acquire a Commercial Tort Claim, in which the claim amount individually exceeds $2,000,000, such Grantor shall promptly notify the Agent in a writing signed by such Grantor of the details thereof and grant to the Agent for the benefit of the Secured Parties in such writing a security interest therein and in the Proceeds thereof, with such writing to be in form and substance required by applicable law and such writing shall constitute a supplement to Schedule B hereto.

Section 4.02. *Changes In Name, Etc*. Such Grantor will, within thirty (30) calendar days after any change its jurisdiction of organization or change its name, provide written notice thereof to the Agent.

Section 4.03. *Delivery of Instruments, Certificated Securities and Chattel Paper*. If any amount in excess of $2,000,000 in the aggregate payable under or in connection with any of the Collateral shall be or become evidenced by any Instrument, certificated security or Chattel Paper, such Instrument, certificated security or Chattel Paper shall be promptly delivered to the Agent, duly indorsed, to be held as Collateral pursuant to this Agreement.

Section 4.04. *Intellectual Property*. (a) Whenever such Grantor, either by itself or through any agent, employee, licensee or designee, shall file an application for the registration of any Intellectual Property with the United States Patent and Trademark Office, the United States Copyright Office or any similar office or any political subdivision thereof, such Grantor shall report such filing to the Agent on or before the date upon which Holdings is required to file reports with the Administrative Agent pursuant to Section 6.12 of the Credit Agreement for the fiscal quarter in which such filing occurs. Such Grantor shall execute and deliver, and have recorded, any and all agreements, instruments, documents, and papers as may be necessary to create and perfect the Agent's and the other Secured Parties' security interest in any registered or applied for Copyright, Patent or Trademark and the goodwill and General Intangibles of such Grantor relating thereto or represented thereby. Nothing in this Agreement prevents any Grantor from discontinuing the use or maintenance of its Intellectual Property if such Grantor determines in its reasonable business judgment that such discontinuance is desirable in the conduct of its business.

(b) Such Grantor's obligations under Section 4.04(a) above shall include executing and delivering, and having recorded, with respect to such Collateral, an agreement substantially in the form of the Intellectual Property Security Agreement attached hereto as Exhibit A.

ARTICLE 5

INVESTING AMOUNTS IN THE SECURITIES ACCOUNTS

Section 5.01. *Investments*. If requested by the Borrower in writing, the Agent will, from time to time, invest amounts on deposit in the Deposit Accounts or Securities Accounts in which the Agent for the benefit of the Secured Parties holds a first priority, perfected security interest, in Cash Equivalents pursuant to the written instructions of the Borrower. All investments may, at the option of the Agent, be made in the name of the Agent or a nominee of the Agent and in a manner that preserves the Borrower's ownership of, and the Agent's perfected first priority Lien on, such investments. All income received from such investments shall accrue for the benefit of the Borrower and shall be credited (promptly upon receipt by the Agent) to a Deposit Account or Securities Account, in which the Agent for the benefit of the Secured Parties holds a first priority, perfected security interest. The Borrower will only direct the Agent to make investments in which the Agent can obtain a first priority, perfected security interest, and the Borrower hereby agrees to execute promptly any documents which may be required to implement or effectuate the provisions of this Section.

Section 5.02. *Liability*. The Agent shall have no responsibility to the Borrower for any loss or liability arising in respect of the investments in the Deposit Accounts or Securities Accounts in which the Agent for the benefit of the Secured Parties holds a first priority, perfected security interest (including, without limitation, as a result of the liquidation of any thereof before maturity), except to the extent that such loss or liability is found to be based on the Agent's gross negligence or willful misconduct as determined by a final and nonappealable decision of a court of competent jurisdiction.

ARTICLE 6

REMEDIAL PROVISIONS

Section 6.01. *Certain Matters Relating to Receivables*.

(a) At any time during the continuance of an Event of Default, the Agent shall have the right to make test verifications of the Receivables in any manner and through any medium that it reasonably considers advisable, and each Grantor shall furnish all such assistance and information as the Agent may require in connection with such test verifications. The Agent shall endeavor to provide the Borrower with notice at or about the time of such verifications, *provided* that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of such remedy or the Agent's rights hereunder.

(b) The Agent hereby authorizes each Grantor to collect such Grantor's Receivables and the Agent may curtail or terminate said authority at any time after the occurrence and during the continuance of an Event of Default. The Agent shall endeavor to provide the Borrower with notice at or about the time of the exercise of its rights pursuant to the preceding sentence, provided that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of any rights or remedies hereunder. If requested in writing by the Agent at any time after the occurrence and during the continuance of an Event of Default, any payments of Receivables, when collected by any Grantor, (i) shall be forthwith (and, in any event, within two Business Days) deposited by such Grantor in the exact form received, duly indorsed by such Grantor to the Agent if required, in a Collateral Account maintained under the sole dominion and control of the Agent, subject to withdrawal by the Agent for the account of the Secured Parties only as provided in Section 6.04 and (ii) until so turned over, shall be held by such Grantor in trust for the Agent and the Secured Parties, segregated from other funds of such Grantor.

(c) At the Agent's written request at any time after the occurrence and during the continuance of an Event of Default, each Grantor shall deliver to the Agent all original and other documents evidencing, and relating to, the agreements and transactions which gave rise to the Receivables, including without limitation, all original orders, invoices and shipping receipts.

Section 6.02. *Communications with Obligors: Grantors Remain Liable*.

(a) The Agent in its own name or in the name of others may after the occurrence and during the continuance of an Event of Default communicate with obligors under the Receivables and parties to the Contracts to verify with them to the Agent's satisfaction the existence, amount and terms of any Receivables or Contracts. The Agent shall endeavor to provide the Borrower with notice at or about the time of the exercise of its rights pursuant to the preceding sentence, *provided* that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of any rights or remedies hereunder.

(b) Upon the written request of the Agent at any time after the occurrence and during the continuance of an Event of Default, each Grantor shall notify obligors on the Receivables and parties to the Contracts that the Receivables and the Contracts, as the case may be, have been assigned to the Agent for the ratable benefit of the Secured Parties and that payments in respect thereof shall be made directly to the Agent.

(c) Anything herein to the contrary notwithstanding, each Grantor shall remain liable under each of the Receivables and Contracts to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise thereto. Neither the Agent nor any Secured Party shall have any obligation or liability under any Receivable (or any agreement giving rise thereto) or Contract by reason of or arising out of this Agreement or the receipt by the Agent or any Secured Party of any payment relating thereto, nor shall the Agent or any Secured Party be obligated in any manner to perform any of the obligations of any Grantor under or pursuant to any Receivable (or any agreement giving rise thereto) or Contract, to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party thereunder, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

Section 6.03. *Proceeds to Be Turned Over to Agent*. In addition to the rights of the Agent and the Secured Parties specified in Section 6.01 with respect to payments of Receivables, if an Event of Default shall occur and be continuing, upon written request from the Agent, all Proceeds received by any Grantor consisting of cash, checks and other near-cash items shall be held by such Grantor in trust for the Agent and the Secured Parties, segregated from other funds of such Grantor, and shall, forthwith upon receipt by such Grantor, be turned over to the Agent in the exact form received by such Grantor (duly indorsed by such Grantor to the Agent, if requested). All Proceeds received by the Agent hereunder shall be held by the Agent in a Collateral Account maintained under its sole dominion and control. All such Proceeds while held by the Agent in a Collateral Account (or by such Grantor in trust for the Agent and the Secured Parties) shall continue to be held as collateral security for all the Secured Obligations and shall not constitute payment thereof until applied as provided in Section 6.04.

Section 6.04. *Application of Proceeds*. If an Event of Default shall have occurred and be continuing, at any time at the Agent's election, subject to any Collateral Agency Agreement and any other intercreditor agreement entered into in connection with Indebtedness permitted under the Credit Agreement, the Agent may apply all or any part of the Collateral, whether or not held in the Deposit Accounts, the Securities Accounts or any other Collateral Account, in payment of the Secured Obligations in the order set forth in the Credit Agreement.

Section 6.05. *Code and Other Remedies*. If an Event of Default shall occur and be continuing, the Agent, on behalf of the Secured Parties, may exercise, in addition to all other rights and remedies granted to them in this Agreement and in any other instrument or agreement securing, evidencing or relating to the Secured Obligations, all rights and remedies of a secured party under the New York UCC or any other applicable law. Without limiting the generality of the foregoing, the Agent, without prior demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any prior notice required by law referred to below) to or upon any Grantor or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances, forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give option or options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of the Agent or any Secured Party or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The Agent shall endeavor to provide the Borrower with notice at or about the time of the exercise of remedies in the proceeding sentence, *provided* that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of such remedies or the Agent's rights hereunder. The Agent or any Secured Party shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in any Grantor, which right or equity is hereby waived and released. Each Grantor further agrees, at the Agent's request, to assemble the Collateral and make it available to the Agent at places which the Agent shall reasonably select, whether at such Grantor's premises or elsewhere. The Agent shall apply the net proceeds of any action taken by it pursuant to this Section 6.05, after deducting all reasonable costs and expenses of every kind incurred in connection therewith or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Agent and the Secured Parties hereunder, including, without limitation, reasonable attorneys' fees and disbursements as provided in Section 9.05 of the Credit Agreement, to the payment in whole or in part of the Secured Obligations, in such order as is provided in Section 7.03 of the Credit Agreement, and only after such application and after the payment by the Agent of any other amount required by any provision of law, including, without limitation, Section 9-615(a)(3) of the New York UCC, need the Agent account for the surplus, if any, to any Grantor. To the extent permitted by applicable law, each Grantor waives all claims, damages and demands it may acquire against the Agent or any Secured Party arising out of the exercise by them of any rights hereunder. If any prior notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least 10 days before such sale or other disposition.

The Agent shall incur no liability as a result of the sale of the Collateral, or any part thereof, at any private sale pursuant to this Article 6 conducted in accordance with the requirements of applicable laws and provided such sale shall not have resulted from the gross negligence, willful misconduct or fraud of the Agent. Each Grantor hereby waives any claims against the Agent and the other Secured Parties arising by reason of the fact that the price at which the Collateral may have been sold at such a private sale was less than the price that might have been obtained at a public sale or was less than the aggregate amount of the Secured Obligations, even if the Agent accepts the first offer received and does not offer the Collateral to more than one offeree, provided that such private sale is conducted in accordance with applicable laws and this Agreement. Each Grantor hereby agrees that in respect of any sale of any of the Collateral pursuant to the terms hereof, the Agent is hereby authorized to comply with any limitation or restriction in connection with such sale as it may be advised by counsel is necessary in order to avoid any violation of applicable laws, or in order to obtain any required approval of the sale or of the purchaser by any governmental authority or official, nor shall the Agent be liable or accountable to any Grantor for any discount allowed by reason of the fact that such Collateral is sold in compliance with any such limitation or restriction.

Section 6.06. *Subordination*. Each Grantor hereby agrees that, upon the occurrence and during the continuance of an Event of Default, unless otherwise agreed by the Agent, all Indebtedness owing to it by the Borrower or any Subsidiary of the Borrower shall be fully subordinated to the indefeasible payment in full in cash of the Secured Obligations.

Section 6.07. *Deficiency*. Each Grantor shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay the Secured Obligations and the fees and disbursements of any attorneys employed by the Agent or any Secured Party to collect such deficiency (which shall be limited to one (1) counsel, at any given time, to the Agent and one (1) additional counsel for all other Secured Parties taken as a whole, and if reasonably necessary, one (1) local counsel, at any given time, to the Agent in each relevant jurisdiction and one (1) additional local counsel for all other Secured Parties taken as a whole in each relevant jurisdiction (which may include a single special counsel acting in multiple jurisdictions).

ARTICLE 7

THE AGENT

Section 7.01. *Agent's Appointment as Attorney-in-fact, Etc*. (a) Each Grantor hereby irrevocably constitutes and appoints the Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Grantor and in the name of such Grantor or in its own name, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement, and, without limiting the generality of the foregoing, each Grantor hereby gives the Agent the power and right, on behalf of such Grantor, without prior notice to or assent by such Grantor, to do any or all of the following:

(i) following the occurrence of an Event of Default, in the name of such Grantor or its own name, or otherwise, take possession of and indorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due under any Receivable or Contract or with respect to any other Collateral and file any claim or take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Agent for the purpose of collecting any and all such moneys due under any Receivable or Contract or with respect to any other Collateral whenever payable;

(ii) in the case of any Intellectual Property, execute and deliver, and have recorded, any and all agreements, instruments, documents and papers as the Agent may request to evidence the Agent's and the Secured Parties' security interest in such Intellectual Property and the goodwill and General Intangibles of such Grantors relating thereto or represented thereby;

(iii) pay or discharge taxes and Liens levied or placed on or threatened against the Collateral, effect any repairs or any insurance called for by the terms of this Agreement and pay all or any part of the premiums therefor and the costs thereof;

(iv) execute, in connection with any sale provided for in Section 6.05, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral; and

(v) (A) direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due or to become due thereunder directly to the Agent or as the Agent shall direct; (B) ask or demand for, collect, and receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral; (C) sign and indorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other documents in connection with any of the Collateral; (D) commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any portion thereof and to enforce any other right in respect of any Collateral; (E) defend any suit, action or proceeding brought against such Grantor with respect to any Collateral; (F) settle, compromise or adjust any such suit, action or proceeding and, in connection therewith, give such discharges or releases as the Agent may deem appropriate; (G) assign any Copyright, Patent or Trademark (along with the goodwill of the business to which any such Copyright, Patent or Trademark pertains), through the world for such term or terms, on such conditions, in such manner, as the Agent shall in its sole discretion determine; and (H) generally, sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Agent were the absolute owner thereof for all purposes, and do, at the Agent's option and such Grantor's expense, at any time, or from time to time, all acts and things which the Agent deems necessary to protect, preserve or realize upon the Collateral and the Agent's and the Secured Parties' security interests therein and to effect the intent of this Agreement, all as fully and effectively as such Grantor might do.

The Agent shall endeavor to provide the Borrower with notice at or about the time of the exercise of its rights in the preceding clause (a), *provided* that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of any rights or remedies hereunder.

(b) If any Grantor fails to perform or comply with any of its agreements contained herein, the Agent, at its option, but without any obligation so to do, may perform or comply, or otherwise cause performance or compliance, with such agreement.

(c) The expenses of the Agent incurred in connection with actions undertaken as provided in this Section 7.01, together with, if past due, interest thereon at a rate per annum equal to the interest rate applicable at such time to Base Rate Loans, from the date when due to the Agent to the date reimbursed by the relevant Grantor, shall be payable by such Grantor to the Agent upon not less than five (5) Business Days' notice.

(d) Each Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. All powers, authorizations and agencies contained in this Agreement are coupled with an interest and are irrevocable until this Agreement is terminated and the security interests created hereby are released.

Section 7.02. *Duty of Agent*. Except for the safe custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, the Agent shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral. Neither the Agent, any Secured Party nor any of their respective officers, directors, employees or agents shall be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of any Grantor or any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof. The powers conferred on the Agent and the Secured Parties hereunder are solely to protect the Agent's and the Secured Parties' interests in the Collateral and shall not impose any duty upon the Agent or any Secured Party to exercise any such powers. The Agent and the Secured Parties shall be accountable only for amounts that they actually receive as a result of the exercise of such powers, and neither they nor any of their officers, directors, employees or agents shall be responsible to any Grantor for any act or failure to act hereunder, except for their own gross negligence or willful misconduct.

Section 7.03. *Execution of Financing Statements*. Pursuant to any applicable law, each Grantor authorizes the Agent to file or record financing statements and other filing or recording documents or instruments with respect to the Collateral without the signature of such Grantor in such form and in such offices as required by applicable law to perfect the security interests of the Agent under this Agreement. Each Grantor authorizes the Agent to use the collateral description "all personal property" or "all assets" in any such financing statements.

Section 7.04. *Authority of Agent*. Each Grantor acknowledges that the rights and responsibilities of the Agent under this Agreement with respect to any action taken by the Agent or the exercise or non-exercise by the Agent of any option, voting right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Agreement shall, as between the Agent and the Secured Parties, be governed by the Credit Agreement and by such other agreements with respect thereto as may exist from time to time among them, but, as between the Agent and the Grantors, the Agent shall be conclusively presumed to be acting as agent for the Secured Parties with full and valid authority so to act or refrain from acting, and no Grantor shall be under any obligation, or entitlement, to make any inquiry respecting such authority.

ARTICLE 8

MISCELLANEOUS

Section 8.01. *Amendments in Writing*. None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified except in accordance with the Credit Agreement. For the avoidance of doubt, the Borrower and the Agent may, without the consent of the Lenders, enter into amendments or other modifications of this Agreement or any other Collateral Document (including by entering into any Collateral Agency Agreement or any other new or supplemental agreements) to the extent contemplated by Section 9.01 of the Credit Agreement and Section 8.2(b) of the First Lien Intercreditor Agreement.

Section 8.02. *Notices*. All notices, requests and demands to or upon the Agent or any Grantor hereunder shall be effected in the manner provided for in Section 9.02 of the Credit Agreement.

Section 8.03. *No Waiver by Course of Conduct; Cumulative Remedies*. Neither the Agent nor any Secured Party shall by any act (except by a written instrument pursuant to Section 8.01), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default. No failure to exercise, nor any delay in exercising, on the part of the Agent or any Secured Party, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Agent or any Secured Party of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Agent or such Secured Party would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.

Section 8.04. *Enforcement Expenses; Indemnification*. (a) Each Grantor agrees to pay, indemnify against or reimburse each Secured Party and the Agent for all its costs and expenses incurred in enforcing or preserving any rights under this Agreement and the other Loan Documents to which such Grantor is a party, including, without limitation, the reasonable fees and disbursements of counsel (including the allocated fees and expenses of in-house counsel) to the Agent and the Secured Parties.

(a) Each Grantor agrees to pay, and to save the Agent and the Secured Parties harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all stamp, excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral or in connection with any of the transactions contemplated by this Agreement.

(b) Each Grantor agrees to pay, and to save the Agent and the Secured Parties harmless from, any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement to the extent the Borrower would be required to do so pursuant to Section 9.05 of the Credit Agreement except those resulting from the Agent's or any Secured Party's willful misconduct or gross negligence.

(c) The agreements in this Section 8.04 shall survive repayment of the Secured Obligations, termination of the Loan Documents and resignation or removal of the Agent.

Section 8.05. *Successors and Assigns*. This Agreement shall be binding upon the successors and assigns of each Grantor and shall inure to the benefit of the Agent and the Secured Parties and their successors and assigns; *provided* that except as permitted by the Credit Agreement, no Grantor may assign, transfer or delegate any of its rights or obligations under this Agreement without the prior written consent of the Agent.

Section 8.06. *Set-off*. Each Grantor hereby irrevocably authorizes the Agent and each other Secured Party at any time and from time to time while an Event of Default has occurred and is continuing, without notice to such Grantor or any other Grantor, any such notice being expressly waived by each Grantor, to set-off and appropriate and apply any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by the Agent or such other Secured Party to or for the credit or the account of such Grantor, or any part thereof in such amounts as the Agent or such other Secured Party may elect, against and on account of the obligations and liabilities of such Grantor to the Agent or such other Secured Party hereunder and claims of every nature and description of the Agent or such other Secured Party against such Grantor, in any currency, whether arising hereunder, under the Credit Agreement or any other Loan Document, as the Agent or such other Secured Party may elect, whether or not the Agent or any other Secured Party has made any demand for payment and although such obligations, liabilities and claims may be contingent or unmatured. The Agent and each other Secured Party shall endeavor to notify the Borrower promptly of any such set-off and the application made by the Agent or such other Secured Party of the proceeds thereof, *provided* that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Agent and each other Secured Party under this Section 8.06 are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Agent or such other Secured Party may have.

Section 8.07. *Counterparts*. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

Section 8.08. *Severability*. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 8.09. *Section Headings*. The Section headings used in this Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

Section 8.10. *Integration*. This Agreement and the other Loan Documents represent the agreement of the Grantors, the Agent and the Secured Parties with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the Agent or any Secured Parties relative to subject matter hereof and thereof not expressly set forth or referred to herein or in the other Loan Documents.

Section 8.11. *Governing Law*. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

Section 8.12. *Submission to Jurisdiction; Waivers*. Each Grantor hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Loan Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such Grantor at its address referred to in Section 8.02 or at such other address of which the Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

Section 8.13. *Acknowledgments*. Each Grantor hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents to which it is a party;

(b) neither the Agent nor any Secured Party has any fiduciary relationship with or duty to any Grantor arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Grantors, on the one hand, and the Agent and Secured Parties, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Secured Parties or among the Grantors and the Secured Parties; and

(d) the Agent may at any time and from time to time appoint a collateral agent to maintain any of the Collateral, maintain books and records regarding any Collateral, release Collateral, and assist in any aspect arising in connection with the Collateral as the Agent may desire; and the Agent may appoint itself, any affiliate or a third party as the Collateral Agent, and all reasonable costs of the Collateral Agent shall be borne by the Grantors;

Section 8.14. *Additional Grantors*. Each Restricted Subsidiary (as defined in the Credit Agreement) of Holdings shall become a Grantor for all purposes of this Agreement upon execution and delivery by such Subsidiary of a Joinder Agreement, substantially in the form of Exhibit B hereto.

Section 8.15. *Releases*. (a) Upon the indefeasible payment in full of all outstanding Secured Obligations, the Collateral shall be automatically released from the Liens created hereby, and this Agreement and all obligations (other than those expressly stated to survive such termination) of the Agent and each Grantor hereunder shall automatically terminate, all without delivery of any instrument or performance of any act by any party, and all rights to the Collateral shall revert to the Grantors.

(a) All or a portion of the Collateral shall be released from the Liens created hereby, and a Grantor may be released from its obligations hereunder, in each case pursuant to and as provided in Section 8.08 of the Credit Agreement. At the request and sole expense of such Grantor, upon the Agent's receipt of the documents required by Section 8.08 of the Credit Agreement, the Agent shall deliver to such Grantor any Collateral held by the Agent hereunder, and execute and deliver to such Grantor such documents as the Grantor shall reasonably request to evidence such termination or release.

Section 8.16. *Waiver of Jury Trial*. EACH GRANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

Section 8.17. *Control Agreements*. In connection with each agreement made at any time pursuant to Sections 9-104 or 8-106 of the Uniform Commercial Code among the Agent, any one or more Grantors, and any depository financial institution or issuer of uncertificated mutual fund shares or other uncertificated securities and any other Person party thereto, the Agent shall not deliver to any such depository or issuer, instructions directing the disposition of the deposit or uncertificated fund shares or other securities unless an Event of Default has occurred and is continuing at such time.

Section 8.18. *Agent Privileges, Powers and Immunities*. In the performance of its obligations, powers and rights hereunder, the Agent shall be entitled to the rights, benefits, privileges, powers and immunities afforded to it as Collateral Agent under the Credit Agreement. The Agent shall take or refrain from taking any discretionary action or exercise any discretionary powers set forth in this Agreement in accordance with, and subject to, the Credit Agreement. Notwithstanding anything to the contrary contained herein and notwithstanding anything contained in Section 9-207 of the New York UCC, the Agent shall have no responsibility for the creation, perfection, priority, sufficiency or protection of any liens securing Secured Obligations (including, but not limited to, no obligation to prepare, record, file, re-record or re-file any financing statement, continuation statement or other instrument in any public office). The permissive rights and authorizations of the Agent hereunder shall not be construed as duties. The Agent shall be entitled to exercise its powers and duties hereunder through designees, specialists, experts or other appointees selected by it in good faith.

[REMAINDER OF PAGE LEFT BLANK INTENTIONALLY]

IN WITNESS WHEREOF, each of the undersigned has caused this Security Agreement to be duly executed and delivered as of the date first above written.

Secured Party:

WILMINGTON TRUST, NATIONAL ASSOCIATION, as Agent

By: /s/ Jeffrey Rose
Name: Jeffrey Rose
Title: Vice President

K. HOVNANIAN ENTERPRISES, INC., as Borrower

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice President Finance and Treasurer

HOVNANIAN ENTERPRISES, INC.

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice President Finance and Treasurer

K. HOV IP, II, INC.

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice President Finance and Treasurer

On behalf of each other entity named in Schedule A hereto

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice President Finance and Treasurer

SCHEDULE A – LIST OF ENTITIES

ARBOR TRAILS, LLC
BUILDER SERVICES NJ, L.L.C.
BUILDER SERVICES PA, L.L.C.
EASTERN NATIONAL TITLE AGENCY, LLC
EASTERN TITLE AGENCY OF ILLINOIS, LLC
EASTERN TITLE AGENCY, INC.
F&W MECHANICAL SERVICES, L.L.C.
FOUNDERS TITLE AGENCY OF MARYLAND, L.L.C.
FOUNDERS TITLE AGENCY, INC.
GLENRISE GROVE, L.L.C.
GOVERNOR'S ABSTRACT CO., INC.
HOMEBUYERS FINANCIAL SERVICES, L.L.C.
HOVNANIAN DEVELOPMENTS OF FLORIDA, INC.
HOVNANIAN ENTERPRISES, INC. (PARENT COMPANY)
HOVNANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP, L.L.C.
K. HOV IP, II, INC.
K. HOVNANIAN ABERDEEN, LLC
K. HOVNANIAN ACQUISITIONS, INC.
K. HOVNANIAN AT 240 MISSOURI, LLC
K. HOVNANIAN AT 4S, LLC
K. HOVNANIAN AT AIRE ON MCDOWELL, LLC
K. HOVNANIAN AT ALISO, LLC
K. HOVNANIAN AT ALLENTOWN, L.L.C.
K. HOVNANIAN AT ANDALUSIA, LLC
K. HOVNANIAN AT ASBURY PARK URBAN RENEWAL, LLC
K. HOVNANIAN AT ASHBY PLACE, LLC
K. HOVNANIAN AT AVENUE ONE, L.L.C.
K. HOVNANIAN AT BAKERSFIELD 463, L.L.C.
K. HOVNANIAN AT BARNEGAT I, L.L.C.
K. HOVNANIAN AT BARNEGAT II, L.L.C.
K. HOVNANIAN AT BEACON PARK AREA 129, LLC
K. HOVNANIAN AT BEACON PARK AREA 137, LLC
K. HOVNANIAN AT BELLA LAGO, LLC
K. HOVNANIAN AT BLACKSTONE, LLC
K. HOVNANIAN AT BOCA DUNES, LLC
K. HOVNANIAN AT BRANCHBURG II, LLC
K. HOVNANIAN AT BRANCHBURG, L.L.C.
K. HOVNANIAN AT BRANCHBURG-VOLLERS, LLC
K. HOVNANIAN AT BRENFORD STATION, LLC
K. HOVNANIAN AT BRIDGEPORT, INC.
K. HOVNANIAN AT BRIDGEWATER I, L.L.C.
K. HOVNANIAN AT BRIDGEWATER II, LLC
K. HOVNANIAN AT BURCH KOVE, LLC
K. HOVNANIAN AT CAMP HILL, L.L.C.

K. HOVNANIAN AT CAMPTON PRAIRIE, LLC
K. HOVNANIAN AT CAPISTRANO, L.L.C.
K. HOVNANIAN AT CARLSBAD, LLC
K. HOVNANIAN AT CATANIA, LLC
K. HOVNANIAN AT CATON'S RESERVE, LLC
K. HOVNANIAN AT CEDAR GROVE III, L.L.C.
K. HOVNANIAN AT CEDAR GROVE URBAN RENEWAL, LLC
K. HOVNANIAN AT CEDAR LANE, LLC
K. HOVNANIAN AT CHARTER WAY, LLC
K. HOVNANIAN AT CHESTERFIELD, L.L.C.
K. HOVNANIAN AT CHRISTINA COURT, LLC
K. HOVNANIAN AT CIELO, L.L.C.
K. HOVNANIAN AT COASTLINE, L.L.C.
K. HOVNANIAN AT COOSAW POINT, LLC
K. HOVNANIAN AT CORAL LAGO, LLC
K. HOVNANIAN AT CORTEZ HILL, LLC
K. HOVNANIAN AT DENVILLE, L.L.C.
K. HOVNANIAN AT DEPTFORD TOWNSHIP, L.L.C.
K. HOVNANIAN AT DOMINGUEZ HILLS, INC.
K. HOVNANIAN AT DOYLESTOWN, LLC
K. HOVNANIAN AT EAST BRANDYWINE, L.L.C.
K. HOVNANIAN AT EAST BRUNSWICK III, LLC
K. HOVNANIAN AT EAST BRUNSWICK, LLC
K. HOVNANIAN AT EAST WINDSOR, LLC
K. HOVNANIAN AT EDEN TERRACE, L.L.C.
K. HOVNANIAN AT EDGEWATER II, L.L.C.
K. HOVNANIAN AT EDGEWATER, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH II, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH, L.L.C.
K. HOVNANIAN AT ESTATES AT WHEATLANDS, LLC
K. HOVNANIAN AT EVERGREEN, L.L.C.
K. HOVNANIAN AT EVESHAM, LLC
K. HOVNANIAN AT FAIRFIELD RIDGE, LLC
K. HOVNANIAN AT FIDDYMENT RANCH, LLC
K. HOVNANIAN AT FIFTH AVENUE, L.L.C.
K. HOVNANIAN AT FLORENCE I, L.L.C.
K. HOVNANIAN AT FLORENCE II, L.L.C.
K. HOVNANIAN AT FOREST MEADOWS, L.L.C.
K. HOVNANIAN AT FOX PATH AT HAMPTON LAKE, LLC
K. HOVNANIAN AT FRANKLIN II, L.L.C.
K. HOVNANIAN AT FRANKLIN, L.L.C.
K. HOVNANIAN AT FREEHOLD TOWNSHIP III, LLC
K. HOVNANIAN AT FRESNO, LLC
K. HOVNANIAN AT GALLERY, LLC
K. HOVNANIAN AT GASLAMP SQUARE, L.L.C.
K. HOVNANIAN AT GENEVA MEADOWS, LLC
K. HOVNANIAN AT GILROY 60, LLC

K. HOVNANIAN AT GILROY, LLC
K. HOVNANIAN AT GREAT NOTCH, L.L.C.
K. HOVNANIAN AT HACKETTSTOWN II, L.L.C.
K. HOVNANIAN AT HAMPTON COVE, LLC
K. HOVNANIAN AT HAMPTON LAKE, LLC
K. HOVNANIAN AT HANOVER ESTATES, LLC
K. HOVNANIAN AT HERSHEY'S MILL, INC.
K. HOVNANIAN AT HIDDEN BROOK, LLC
K. HOVNANIAN AT HILLSBOROUGH, LLC
K. HOVNANIAN AT HILLTOP RESERVE II, LLC
K. HOVNANIAN AT HILLTOP RESERVE, LLC
K. HOVNANIAN AT HOWELL II, LLC
K. HOVNANIAN AT HOWELL III, LLC
K. HOVNANIAN AT HOWELL, LLC
K. HOVNANIAN AT HUDSON POINTE, L.L.C.
K. HOVNANIAN AT HUNTFIELD, LLC
K. HOVNANIAN AT INDIAN WELLS, LLC
K. HOVNANIAN AT ISLAND LAKE, LLC
K. HOVNANIAN AT JACKSON I, L.L.C.
K. HOVNANIAN AT JACKSON, L.L.C.
K. HOVNANIAN AT JAEGER RANCH, LLC
K. HOVNANIAN AT JERSEY CITY IV, L.L.C.
K. HOVNANIAN AT KEYPORT, L.L.C.
K. HOVNANIAN AT LA COSTA GREENS, L.L.C.
K. HOVNANIAN AT LA LAGUNA, L.L.C.
K. HOVNANIAN AT LAKE BURDEN, LLC
K. HOVNANIAN AT LAKE LECLARE, LLC
K. HOVNANIAN AT LAKE RANCHO VIEJO, LLC
K. HOVNANIAN AT LAKE RIDGE ESTATES, LLC
K. HOVNANIAN AT LAKE TERRAPIN, L.L.C.
K. HOVNANIAN AT LEE SQUARE, L.L.C.
K. HOVNANIAN AT LENAH WOODS, LLC
K. HOVNANIAN AT LILY ORCHARD, LLC
K. HOVNANIAN AT LINK FARM, LLC
K. HOVNANIAN AT LITTLE EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR, L.L.C
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LOWER MAKEFIELD TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MORELAND II, L.L.C.
K. HOVNANIAN AT MAGNOLIA PLACE, LLC
K. HOVNANIAN AT MAHWAH VI, INC.
K. HOVNANIAN AT MAIN STREET SQUARE, LLC
K. HOVNANIAN AT MALAN PARK, L.L.C.
K. HOVNANIAN AT MANALAPAN II, L.L.C.
K. HOVNANIAN AT MANALAPAN III, L.L.C.
K. HOVNANIAN AT MANALAPAN V, LLC
K. HOVNANIAN AT MANALAPAN VI, LLC
K. HOVNANIAN AT MANSFIELD II, L.L.C.

K. HOVNANIAN AT MANTECA, LLC
K. HOVNANIAN AT MAPLE AVENUE, L.L.C.
K. HOVNANIAN AT MARLBORO IX, LLC
K. HOVNANIAN AT MARLBORO TOWNSHIP IX, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP V, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP VIII, L.L.C.
K. HOVNANIAN AT MARLBORO VI, L.L.C.
K. HOVNANIAN AT MARPLE, LLC
K. HOVNANIAN AT MEADOWRIDGE VILLAS, LLC
K. HOVNANIAN AT MELANIE MEADOWS, LLC
K. HOVNANIAN AT MENDHAM TOWNSHIP, L.L.C.
K. HOVNANIAN AT MIDDLE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT MIDDLE TOWNSHIP, L.L.C.
K. HOVNANIAN AT MIDDLETOWN II, L.L.C.
K. HOVNANIAN AT MIDDLETOWN III, LLC
K. HOVNANIAN AT MIDDLETOWN, LLC
K. HOVNANIAN AT MILLVILLE I, L.L.C.
K. HOVNANIAN AT MILLVILLE II, L.L.C.
K. HOVNANIAN AT MONROE IV, L.L.C.
K. HOVNANIAN AT MONROE NJ II, LLC
K. HOVNANIAN AT MONROE NJ III, LLC
K. HOVNANIAN AT MONROE NJ, L.L.C.
K. HOVNANIAN AT MONTGOMERY, LLC
K. HOVNANIAN AT MONTVALE II, LLC
K. HOVNANIAN AT MONTVALE, L.L.C.
K. HOVNANIAN AT MORRIS TWP, LLC
K. HOVNANIAN AT MT. LAUREL, LLC
K. HOVNANIAN AT MUIRFIELD, LLC
K. HOVNANIAN AT NORTH BERGEN. L.L.C.
K. HOVNANIAN AT NORTH BRUNSWICK VI, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL II, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL III, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL IV, L.L.C.
K. HOVNANIAN AT NORTH WILDWOOD, L.L.C.
K. HOVNANIAN AT NORTHAMPTON, L.L.C.
K. HOVNANIAN AT NORTHERN WESTCHESTER, INC.
K. HOVNANIAN AT NORTHFIELD, L.L.C.
K. HOVNANIAN AT NORTHRIDGE ESTATES, LLC
K. HOVNANIAN AT NORTON LAKE LLC
K. HOVNANIAN AT NOTTINGHAM MEADOWS, LLC
K. HOVNANIAN AT OAK POINTE, LLC
K. HOVNANIAN AT OCEAN TOWNSHIP, INC
K. HOVNANIAN AT OCEAN VIEW BEACH CLUB, LLC
K. HOVNANIAN AT OCEANPORT, L.L.C.
K. HOVNANIAN AT OLD BRIDGE, L.L.C.
K. HOVNANIAN AT PALM VALLEY, L.L.C.
K. HOVNANIAN AT PARKSIDE, LLC
K. HOVNANIAN AT PARSIPPANY, L.L.C.
K. HOVNANIAN AT PAVILION PARK, LLC
K. HOVNANIAN AT PIAZZA D'ORO, L.L.C.

K. HOVNANIAN AT PIAZZA SERENA, L.L.C
K. HOVNANIAN AT PICKETT RESERVE, LLC
K. HOVNANIAN AT PITTSGROVE, L.L.C.
K. HOVNANIAN AT PLANTATION LAKES, L.L.C.
K. HOVNANIAN AT POINTE 16, LLC
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL V, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VIII, L.L.C.
K. HOVNANIAN AT POSITANO, LLC
K. HOVNANIAN AT PRADO, L.L.C.
K. HOVNANIAN AT PRAIRIE POINTE, LLC
K. HOVNANIAN AT QUAIL CREEK, L.L.C.
K. HOVNANIAN AT RANCHO CABRILLO, LLC
K. HOVNANIAN AT RANDOLPH I, L.L.C.
K. HOVNANIAN AT RAPHO, L.L.C
K. HOVNANIAN AT REDTAIL, LLC
K. HOVNANIAN AT RESERVES AT WHEATLANDS, LLC
K. HOVNANIAN AT RESIDENCE AT DISCOVERY SQUARE, LLC
K. HOVNANIAN AT RIDGEMONT, L.L.C.
K. HOVNANIAN AT ROCK LEDGE, LLC
K. HOVNANIAN AT RODERUCK, L.L.C.
K. HOVNANIAN AT ROSEMARY LANTANA, L.L.C.
K. HOVNANIAN AT SAGE, L.L.C.
K. HOVNANIAN AT SAGEBROOK, LLC
K. HOVNANIAN AT SANTA NELLA, LLC
K. HOVNANIAN AT SAWMILL, INC.
K. HOVNANIAN AT SCOTCH PLAINS, L.L.C.
K. HOVNANIAN AT SEASONS LANDING, LLC
K. HOVNANIAN AT SHELDON GROVE, LLC
K. HOVNANIAN AT SHREWSBURY, LLC
K. HOVNANIAN AT SIGNAL HILL, LLC
K. HOVNANIAN AT SILVER SPRING, L.L.C.
K. HOVNANIAN AT SILVERSTONE, LLC
K. HOVNANIAN AT SKYE ISLE, LLC
K. HOVNANIAN AT SKYE ON MCDOWELL, LLC
K. HOVNANIAN AT SMITHVILLE, INC.
K. HOVNANIAN AT SOMERSET, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK II, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK III, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK, L.L.C.
K. HOVNANIAN AT STANTON, LLC
K. HOVNANIAN AT STATION SQUARE, L.L.C.
K. HOVNANIAN AT SUMMERLAKE, LLC
K. HOVNANIAN AT SUNRIDGE PARK, LLC
K. HOVNANIAN AT SUNRISE TRAIL II, LLC
K. HOVNANIAN AT SUNRISE TRAIL III, LLC
K. HOVNANIAN AT TERRA BELLA TWO, LLC
K. HOVNANIAN AT THE COMMONS AT RICHMOND HILL, LLC
K. HOVNANIAN AT THE CROSBY, LLC

K. HOVNANIAN AT THE MONARCH, L.L.C.
K. HOVNANIAN AT THE PROMENADE AT BEAVER CREEK, LLC
K. HOVNANIAN AT THOMPSON RANCH, LLC
K. HOVNANIAN AT TRAFFORD PLACE, LLC
K. HOVNANIAN AT TRAIL RIDGE, LLC
K. HOVNANIAN AT UPPER PROVIDENCE, LLC
K. HOVNANIAN AT UPPER UWCHLAN II, L.L.C.
K. HOVNANIAN AT UPPER UWCHLAN, L.L.C.
K. HOVNANIAN AT VALLE DEL SOL, LLC
K. HOVNANIAN AT VERONA ESTATES, LLC
K. HOVNANIAN AT VERONA URBAN RENEWAL, L.L.C.
K. HOVNANIAN AT VICTORVILLE, L.L.C.
K. HOVNANIAN AT VINEYARD HEIGHTS, LLC
K. HOVNANIAN AT VISTA DEL SOL, L.L.C.
K. HOVNANIAN AT WALDWICK, LLC
K. HOVNANIAN AT WALKERS GROVE, LLC
K. HOVNANIAN AT WARREN TOWNSHIP II, LLC
K. HOVNANIAN AT WARREN TOWNSHIP, L.L.C.
K. HOVNANIAN AT WATERSTONE, LLC
K. HOVNANIAN AT WAYNE IX, L.L.C.
K. HOVNANIAN AT WEST VIEW ESTATES, L.L.C.
K. HOVNANIAN AT WESTBROOK, LLC
K. HOVNANIAN AT WESTSHORE, LLC
K. HOVNANIAN AT WHEELER RANCH, LLC
K. HOVNANIAN AT WHEELER WOODS, LLC
K. HOVNANIAN AT WHITEMARSH, LLC
K. HOVNANIAN AT WILDWOOD BAYSIDE, L.L.C.
K. HOVNANIAN AT WOODCREEK WEST, LLC
K. HOVNANIAN AT WOOLWICH I, L.L.C.
K. HOVNANIAN BELDEN POINTE, LLC
K. HOVNANIAN BELMONT RESERVE, LLC
K. HOVNANIAN CAMBRIDGE HOMES, L.L.C.
K. HOVNANIAN CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN CLASSICS, L.L.C.
K. HOVNANIAN COMMUNITIES, INC.
K. HOVNANIAN COMPANIES OF CALIFORNIA, INC.
K. HOVNANIAN COMPANIES OF MARYLAND, INC.
K. HOVNANIAN COMPANIES OF NEW YORK, INC.
K. HOVNANIAN COMPANIES OF PENNSYLVANIA, INC.
K. HOVNANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.
K. HOVNANIAN COMPANIES, LLC
K. HOVNANIAN CONSTRUCTION II, INC
K. HOVNANIAN CONSTRUCTION III, INC
K. HOVNANIAN CONSTRUCTION MANAGEMENT, INC.
K. HOVNANIAN CONTRACTORS OF OHIO, LLC
K. HOVNANIAN CRAFTBUILT HOMES OF SOUTH CAROLINA, L.L.C.
K. HOVNANIAN CYPRESS KEY, LLC
K. HOVNANIAN DEVELOPMENTS OF ARIZONA, INC.
K. HOVNANIAN DEVELOPMENTS OF CALIFORNIA, INC.

K. HOVNANIAN DEVELOPMENTS OF D.C., INC.
K. HOVNANIAN DEVELOPMENTS OF DELAWARE, INC.
K. HOVNANIAN DEVELOPMENTS OF GEORGIA, INC.
K. HOVNANIAN DEVELOPMENTS OF ILLINOIS, INC.
K. HOVNANIAN DEVELOPMENTS OF KENTUCKY, INC.
K. HOVNANIAN DEVELOPMENTS OF MARYLAND, INC.
K. HOVNANIAN DEVELOPMENTS OF MINNESOTA, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY II, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW YORK, INC.
K. HOVNANIAN DEVELOPMENTS OF NORTH CAROLINA, INC.
K. HOVNANIAN DEVELOPMENTS OF OHIO, INC.
K. HOVNANIAN DEVELOPMENTS OF PENNSYLVANIA, INC.
K. HOVNANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.
K. HOVNANIAN DEVELOPMENTS OF TEXAS, INC.
K. HOVNANIAN DEVELOPMENTS OF VIRGINIA, INC.
K. HOVNANIAN DEVELOPMENTS OF WEST VIRGINIA, INC.
K. HOVNANIAN DFW AUBURN FARMS, LLC
K. HOVNANIAN DFW BELMONT, LLC
K. HOVNANIAN DFW HARMON FARMS, LLC
K. HOVNANIAN DFW HERITAGE CROSSING, LLC
K. HOVNANIAN DFW HOMESTEAD, LLC
K. HOVNANIAN DFW INSPIRATION, LLC
K. HOVNANIAN DFW LEXINGTON, LLC
K. HOVNANIAN DFW LIBERTY CROSSING, LLC
K. HOVNANIAN DFW LIGHT FARMS II, LLC
K. HOVNANIAN DFW LIGHT FARMS, LLC
K. HOVNANIAN DFW MIDTOWN PARK, LLC
K. HOVNANIAN DFW PALISADES, LLC
K. HOVNANIAN DFW PARKSIDE, LLC
K. HOVNANIAN DFW RIDGEVIEW, LLC
K. HOVNANIAN DFW SEVENTEEN LAKES, LLC
K. HOVNANIAN DFW TRAILWOOD, LLC
K. HOVNANIAN DFW VILLAS AT MUSTANG PARK, LLC
K. HOVNANIAN DFW WELLINGTON, LLC
K. HOVNANIAN DFW WILDRIDGE, LLC
K. HOVNANIAN EASTERN PENNSYLVANIA, L.L.C.
K. HOVNANIAN EDGEBROOK, LLC
K. HOVNANIAN ENTERPRISES, INC.
K. HOVNANIAN ESTATES AT REGENCY, L.L.C.
K. HOVNANIAN ESTATES AT WEKIVA, LLC
K. HOVNANIAN FALLS POINTE, LLC
K. HOVNANIAN FIRST HOMES, L.L.C.
K. HOVNANIAN FLORIDA REALTY, L.L.C.
K. HOVNANIAN FOREST VALLEY, LLC
K. HOVNANIAN FOUR SEASONS @ HISTORIC VIRGINIA, LLC
K. HOVNANIAN FOUR SEASONS AT GOLD HILL, LLC
K. HOVNANIAN GRAND CYPRESS, LLC
K. HOVNANIAN GRANDEFIELD, LLC

K. HOVNANIAN GREAT WESTERN BUILDING COMPANY, LLC
K. HOVNANIAN GREAT WESTERN HOMES, LLC
K. HOVNANIAN HAMPTONS AT OAK CREEK II, L.L.C.
K. HOVNANIAN HIDDEN HOLLOW, LLC
K. HOVNANIAN HIGHLAND RIDGE, LLC
K. HOVNANIAN HOLDINGS NJ, L.L.C.
K. HOVNANIAN HOMES - DFW, L.L.C.
K. HOVNANIAN HOMES AT BROOK MANOR, LLC
K. HOVNANIAN HOMES AT BURKE JUNCTION, LLC
K. HOVNANIAN HOMES AT CAMP SPRINGS, L.L.C.
K. HOVNANIAN HOMES AT CREEKSIDE, LLC
K. HOVNANIAN HOMES AT FOREST RUN, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM PARK TOWNS, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM, L.L.C.
K. HOVNANIAN HOMES AT JONES STATION 1, L.L.C.
K. HOVNANIAN HOMES AT LEIGH MILL, LLC
K. HOVNANIAN HOMES AT MAXWELL PLACE, L.L.C.
K. HOVNANIAN HOMES AT REEDY CREEK, LLC
K. HOVNANIAN HOMES AT RUSSETT, L.L.C.
K. HOVNANIAN HOMES AT SALT CREEK LANDING, LLC
K. HOVNANIAN HOMES AT SHELL HALL, LLC
K. HOVNANIAN HOMES AT ST. JAMES PLACE, LLC
K. HOVNANIAN HOMES AT THE ABBY, LLC
K. HOVNANIAN HOMES AT THE HIGHLANDS, LLC
K. HOVNANIAN HOMES AT THE PADDOCKS, LLC
K. HOVNANIAN HOMES AT THOMPSON'S GRANT, LLC
K. HOVNANIAN HOMES AT WILLOWSFORD GRANT, LLC
K. HOVNANIAN HOMES AT WILLOWSFORD GREENS, LLC
K. HOVNANIAN HOMES NORTHERN CALIFORNIA, INC.
K. HOVNANIAN HOMES OF D.C., L.L.C.
K. HOVNANIAN HOMES OF DELAWARE, L.L.C.
K. HOVNANIAN HOMES OF GEORGIA, L.L.C.
K. HOVNANIAN HOMES OF HOUSTON, L.L.C.
K. HOVNANIAN HOMES OF LONGACRE VILLAGE, L.L.C.
K. HOVNANIAN HOMES OF MARYLAND, L.L.C.
K. HOVNANIAN HOMES OF MINNESOTA AT ARBOR CREEK, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT AUTUMN MEADOWS, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT BRYNWOOD, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT CEDAR HOLLOW, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT FOUNDER'S RIDGE, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT HARPERS STREET WOODS, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT OAKS OF OXBOW, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT REGENT'S POINT, LLC
K. HOVNANIAN HOMES OF MINNESOTA, L.L.C.
K. HOVNANIAN HOMES OF NORTH CAROLINA, INC.
K. HOVNANIAN HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN HOMES OF SOUTH CAROLINA, LLC
K. HOVNANIAN HOMES OF VIRGINIA, INC.
K. HOVNANIAN HOMES OF WEST VIRGINIA, L.L.C.

K. HOVNANIAN HOUSTON CITY HEIGHTS, LLC
K. HOVNANIAN INDIAN TRAILS, LLC
K. HOVNANIAN LADUE RESERVE, LLC
K. HOVNANIAN LAKES OF GREEN, LLC
K. HOVNANIAN LEGACY AT VIA BELLA, LLC
K. HOVNANIAN LIBERTY ON BLUFF CREEK, LLC
K. HOVNANIAN MANALAPAN ACQUISITION, LLC
K. HOVNANIAN MONARCH GROVE, LLC
K. HOVNANIAN NORTH CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTHEAST SERVICES, L.L.C.
K. HOVNANIAN NORTHPOINTE 40S, LLC
K. HOVNANIAN OF HOUSTON II, L.L.C.
K. HOVNANIAN OF OHIO, LLC
K. HOVNANIAN OHIO REALTY, L.L.C.
K. HOVNANIAN PA REAL ESTATE, INC.
K. HOVNANIAN PENNSYLVANIA ACQUISITIONS, L.L.C.
K. HOVNANIAN PORT IMPERIAL URBAN RENEWAL, INC.
K. HOVNANIAN PROPERTIES OF RED BANK, INC.
K. HOVNANIAN REYNOLDS RANCH, LLC
K. HOVNANIAN RIVENDALE, LLC
K. HOVNANIAN RIVERSIDE, LLC
K. HOVNANIAN SCHADY RESERVE, LLC
K. HOVNANIAN SHERWOOD AT REGENCY, LLC
K. HOVNANIAN SHORE ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTH FORK, LLC
K. HOVNANIAN SOUTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTHERN NEW JERSEY, L.L.C.
K. HOVNANIAN STERLING RANCH, LLC
K. HOVNANIAN SUMMIT HOLDINGS, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF KENTUCKY, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES, L.L.C.
K. HOVNANIAN T&C HOMES AT FLORIDA, L.L.C.
K. HOVNANIAN T&C HOMES AT ILLINOIS, L.L.C.
K. HOVNANIAN TIMBRES AT ELM CREEK, LLC
K. HOVNANIAN UNION PARK, LLC
K. HOVNANIAN VENTURE I, L.L.C.
K. HOVNANIAN VILLAGE GLEN, LLC
K. HOVNANIAN WATERBURY, LLC
K. HOVNANIAN WHITE ROAD, LLC
K. HOVNANIAN WINDWARD HOMES, LLC
K. HOVNANIAN WOODLAND POINTE, LLC
K. HOVNANIAN WOODRIDGE PLACE, LLC
K. HOVNANIAN'S FOUR SEASONS AT BAKERSFIELD, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT BEAUMONT, LLC
K. HOVNANIAN'S FOUR SEASONS AT BRIARGATE, LLC
K. HOVNANIAN'S FOUR SEASONS AT CHARLOTTESVILLE, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT HEMET, LLC
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND CONDOMINIUMS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT LOS BANOS, LLC
K. HOVNANIAN'S FOUR SEASONS AT MORENO VALLEY, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT NEW KENT VINEYARDS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT PALM SPRINGS, LLC
K. HOVNANIAN'S FOUR SEASONS AT RENAISSANCE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK II, LLC
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT SILVER MAPLE FARM, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT ST. MARGARETS LANDING, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT THE MANOR II, LLC
K. HOVNANIAN'S FOUR SEASONS AT THE MANOR, LLC
K. HOVNANIAN'S PARKSIDE AT TOWNGATE, L.L.C.
K. HOVNANIAN'S VERANDA AT RIVERPARK II, LLC
K. HOVNANIAN'S VERANDA AT RIVERPARK, LLC
KHH SHELL HALL LOAN ACQUISITION, LLC
LANDARAMA, INC.
LAUREL HIGHLANDS, LLC
M & M AT MONROE WOODS, L.L.C.
M&M AT CHESTERFIELD, L.L.C.
M&M AT CRESCENT COURT, L.L.C.
M&M AT WEST ORANGE, L.L.C.
MATZEL & MUMFORD AT EGG HARBOR, L.L.C.
MCNJ, INC.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF PENNSYLVANIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF WEST VIRGINIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES, L.L.C.
MM-BEACHFRONT NORTH I, LLC
NEW HOME REALTY, LLC
NEW LAND TITLE AGENCY, L.L.C.
PADDOCKS, L.L.C.
PARK TITLE COMPANY, LLC
PINE AYR, LLC
RIDGEMORE UTILITY, L.L.C.
SEABROOK ACCUMULATION CORPORATION
SHELL HALL CLUB AMENITY ACQUISITION, LLC
SHELL HALL LAND ACQUISITION, LLC
STONEBROOK HOMES, INC.
TERRAPIN REALTY, L.L.C.
THE MATZEL & MUMFORD ORGANIZATION, INC
WASHINGTON HOMES, INC.
WESTMINSTER HOMES, INC.
WH PROPERTIES, INC.
WOODMORE RESIDENTIAL, L.L.C.
WTC VENTURES, L.L.C.

SCHEDULE B

COMMERCIAL TORT CLAIMS

None.

SCHEDULE C

ACTIONS REQUIRED TO PERFECT

1. With respect to each Grantor organized under the laws of the state of Arizona as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the Arizona Secretary of State.

2. With respect to each Grantor organized under the laws of the state of California as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the California Secretary of State.

3. With respect to each Grantor organized under the laws of the state of Delaware as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the Delaware Secretary of State.

4. With respect to each Grantor organized under the laws of the District of Columbia as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the District of Columbia Recorder of Deeds.

5. With respect to each Grantor organized under the laws of the state of Florida as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the Florida Secured Transaction Registry.

6. With respect to each Grantor organized under the laws of the state of Georgia as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the Office of the Clerk of Superior Court of any County of Georgia.

7. With respect to each Grantor organized under the laws of the state of Illinois as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the Illinois Secretary of State.

8. With respect to each Grantor organized under the laws of the state of Kentucky as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the Kentucky Secretary of State.

9. With respect to each Grantor organized under the laws of the state of Maryland as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the Maryland State Department of Assessments and Taxation.

10. With respect to each Grantor organized under the laws of the state of Minnesota as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the Minnesota Secretary of State.

11. With respect to each Grantor organized under the laws of the state of New Jersey as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the New Jersey Division of Commercial Recording.

12. With respect to each Grantor organized under the laws of the state of New York as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the New York Secretary of State.

13. With respect to each Grantor organized under the laws of the state of North Carolina as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the North Carolina Secretary of State.

14. With respect to each Grantor organized under the laws of the state of Ohio as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the Ohio Secretary of State.

15. With respect to each Grantor organized under the laws of the state of Pennsylvania as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the Pennsylvania Secretary of the Commonwealth.

16. With respect to each Grantor organized under the laws of the state of South Carolina as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the South Carolina Secretary of State.

17. With respect to each Grantor organized under the laws of the state of Texas as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the Texas Secretary of State.

18. With respect to each Grantor organized under the laws of the state of Virginia as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the Virginia State Corporation Commission.

19. With respect to each Grantor organized under the laws of the state of West Virginia as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the West Virginia Secretary of State.

20. With respect to the Securities Accounts and the Deposit Accounts (other than the Excluded Accounts), the bank with which such Securities Account and such Deposit Account are maintained agreeing that it will comply with instructions originated by the Agent directing disposition of the funds in such Securities Account and such Deposit Account without further consent of the relevant Grantor; provided that the Grantors shall not be required to deliver any such agreements on the Closing Date, but will deliver such agreements as soon as commercially reasonable thereafter, but in no event later than 90 days following the Closing Date.

21. With respect to each Grantor that owns registered or applied for Intellectual Property, the filing of an Intellectual Property Security Agreement that identifies such Grantor's registered and applied for Trademarks, Patents and Copyrights with the United States Patent and Trademark Office or the United States Copyright Office, as applicable.

EXHIBIT A

Form of Intellectual Property Security Agreement

EXHIBIT B

Form of Joinder Agreement

This JOINDER AND ASSUMPTION AGREEMENT is made _____ by _____, a _____ (the "**New Grantor**").

Reference is made to (i) the Credit Agreement dated as of July 29, 2016 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "Credit Agreement") among K. Hovnanian Enterprises, Inc., a California corporation (the "Borrower"), Hovnanian Enterprises, Inc., a Delaware corporation ("Holdings"), each of the other Guarantors party thereto, each of the lenders party thereto and Wilmington Trust, National Association, as Administrative Agent (in such capacity, the "Administrative Agent"), (ii) the Joinder to the Credit Agreement dated [__] pursuant to which the New Grantor became party to the Credit Agreement as a Guarantor, (iii) the Security Agreement dated as of September 8, 2016 by each of the Grantors (as defined therein) in favor of the Administrative Agent, in its capacity as collateral agent (in such capacity, the "Agent") for the benefit of itself and the Lenders (as the same may be modified, supplemented, amended or restated, the "Security Agreement"), (iv) the Pledge Agreement dated as of September 8, 2016 by each of the Pledgors (as defined therein) in favor of the Agent for the benefit of itself and the Lenders (as the same may be modified, supplemented, amended or restated, the "Pledge Agreement"), (v) the First Lien Intercreditor Agreement, dated as of September 8, 2016 among the Borrower, Holdings, the Guarantors party thereto, the Administrative Agent, the Mortgage Tax Collateral Agent and the First Lien Notes Trustee and First Lien Notes Collateral Agent (as the same may be modified, supplemented, amended or restated, the "First Lien Intercreditor Agreement") and (vi) the Amended and Restated Intercreditor Agreement, dated as of September 8, 2016 among the Borrower, Holdings, the Guarantors party thereto, the Administrative Agent, the First Lien Notes Collateral Agent, the First Lien Notes Trustee, the Existing Second Lien Collateral Agent, the Existing Second Lien Trustee, the New Second Lien Notes Collateral Agent, the New Second Lien Notes Trustee, Wilmington Trust, National Association, as Junior Joint Collateral Agent (as defined therein) and the Mortgage Tax Collateral Agent (as the same may be modified, supplemented, amended or restated, the "Amended and Restated Intercreditor Agreement"). Capitalized terms used but not otherwise defined herein shall have the meaning set forth in the Credit Agreement or the Security Agreement or, if not defined therein, the Pledge Agreement.

The New Grantor hereby agrees that effective as of the date hereof it hereby is, and shall be deemed to be, a Grantor under the Security Agreement, the First Lien Intercreditor Agreement and the Amended and Restated Intercreditor Agreement and a Pledgor under the Pledge Agreement and agrees that from the date hereof until the payment in full of the Secured Obligations and the performance of all other obligations of the Borrower under the Loan Documents, New Grantor has assumed the obligations of a Grantor and Pledgor under, and New Grantor shall perform, comply with and be subject to and bound by, jointly and severally, each of the terms, provisions and waivers of, the Security Agreement, the Pledge Agreement, and each of the other Loan Documents which are stated to apply to or are made by a Grantor. Without limiting the generality of the foregoing, the New Grantor hereby represents and warrants that each of the representations and warranties set forth in the Security Agreement and the Pledge Agreement is true and correct as to New Grantor on and as of the date hereof as if made on and as of the date hereof by New Grantor.

New Grantor hereby makes, affirms, and ratifies in favor of the Secured Parties and the Agent, the Security Agreement, the Pledge Agreement and each of the other Loan Documents given by the Grantors to the Agent. In furtherance of the foregoing, New Grantor shall execute and deliver or cause to be executed and delivered at any time and from time to time such further instruments and documents and do or cause to be done such further acts as may be reasonably necessary to carry out more effectively the provisions and purposes of this Joinder Agreement (including, for the avoidance of doubt, the actions described in Section 4.18 of the Indentures).

New Grantor has attached hereto Schedule 1 that supplements Schedules 1(a), 1(c), 2(a), 2(b), 5, 6(a), 6(b), 7, 8, 9 and 10 to the Perfection Certificate and certifies, as of the date hereof, that the supplemental information set forth therein has been prepared by the New Grantor in substantially the form of the equivalent Schedules to the Perfection Certificate, and is complete and correct in all material respects.

IN WITNESS WHEREOF, the New Grantor has duly executed this Joinder Agreement and delivered the same to the Agent for the benefit of the Secured Parties, as of the date and year first written above.

[NAME OF NEW GRANTOR]
By:_____
Title:_____

Schedule 1[2]

[2] Schedules 1(a), 1(c), 2(a), 2(b), 5, 6(a), 6(b), 7, 8, 9 and 10 of the Perfection Certificate to be updated as necessary.

EXHIBIT C

FORM OF PERFECTION CERTIFICATE

[Please see attached.]

Execution Version

PLEDGE AGREEMENT

THIS PLEDGE AGREEMENT[1], dated as of September 8, 2016 (as restated, amended, modified or supplemented from time to time, the "Agreement"), is given by **K. HOVNANIAN ENTERPRISES, INC.**, a California corporation (the "Borrower"), **HOVNANIAN ENTERPRISES, INC.**, a Delaware corporation ("Holdings"), **EACH OF THE UNDERSIGNED PARTIES LISTED ON SCHEDULE A HERETO AND EACH OF THE OTHER PERSONS AND ENTITIES THAT BECOME BOUND HEREBY FROM TIME TO TIME BY JOINDER, ASSUMPTION OR OTHERWISE** (together with the Borrower and Holdings, each a "Pledgor" and collectively the "Pledgors"), as a Pledgor of the equity interests in the Companies (as defined herein), as more fully set forth herein, to **WILMINGTON TRUST**, **NATIONAL ASSOCIATION**, as Administrative Agent in its capacity as collateral agent (in such capacity, the "Agent"), for the benefit of itself and the Lenders (as defined below).

WHEREAS, the Borrower, Holdings, and each of the other Pledgors have entered into the Credit Agreement dated as of July 29, 2016 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "Credit Agreement") with Wilmington Trust, National Association, as Administrative Agent;

WHEREAS, the Borrower, Holdings, the Guarantors party thereto, the Administrative Agent, the Mortgage Tax Collateral Agent, the First Lien Notes Trustee and the First Lien Notes Collateral Agent have entered into the First Lien Intercreditor Agreement dated as of September 8, 2016 (as amended, supplemented, amended or restated or otherwise modified from time to time, the "First Lien Intercreditor Agreement");

WHEREAS, the Loans constitute Super Priority Indebtedness under the First Lien Intercreditor Agreement;

WHEREAS, the Borrower, Holdings, the Guarantors party thereto, the Administrative Agent, the First Lien Notes Collateral Agent, the First Lien Notes Trustee, the Existing Second Lien Collateral Agent, the Existing Second Lien Trustee, the New Second Lien Notes Collateral Agent, the New Second Lien Notes Trustee, Wilmington Trust, National Association, as Junior Joint Collateral Agent (as defined therein) and the Mortgage Tax Collateral Agent have entered into the Amended and Restated Intercreditor Agreement dated as of September 8, 2016 (as amended, supplemented, amended or restated or otherwise modified from time to time, the "Amended and Restated Intercreditor Agreement");

WHEREAS, in connection with the Credit Agreement, the Pledgors are required to execute and deliver this Agreement to secure their obligations with respect to the Credit Agreement and the Loans; and

WHEREAS, each Pledgor owns the outstanding capital stock, shares, securities, member interests, partnership interests and other ownership interests of the Companies.

NOW, THEREFORE, intending to be legally bound hereby, the parties hereto hereby agree as follows:

---

[1] Note that this Pledge Agreement is entered into in connection with the Credit Agreement.

1. Defined Terms.

(a) Except as otherwise expressly provided herein, capitalized terms used in this Agreement (including the recitals above) shall have the respective meanings assigned to them in the Credit Agreement or, if not defined herein or therein, in the First Lien Intercreditor Agreement. Where applicable and except as otherwise expressly provided herein, terms used herein (whether or not capitalized) that are defined in Article 8 or Article 9 of the Uniform Commercial Code as enacted in the State of New York, as amended from time to time (the "Code"), and are not otherwise defined herein, in the Credit Agreement or in the First Lien Intercreditor Agreement shall have the same meanings herein as set forth therein.

(b) "Agreement" shall mean this Pledge Agreement, as the same may be amended, restated, supplemented or otherwise modified from time to time.

(c) "Collateral" shall have the meaning ascribed to such term in Article 2 of the Security Agreement.

(d) "Company" shall mean individually each Restricted Subsidiary, and "Companies" shall mean, collectively, all Restricted Subsidiaries.

(e) "Guarantors" shall mean the collective reference to each Pledgor other than the Borrower.

(f) "Law" shall mean any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, opinion, release, ruling, order, injunction, writ, decree, bond, judgment, authorization or approval, lien or award of or settlement agreement with any Official Body.

(g) "Loan Document" shall mean collectively (a) the Credit Agreement and the Collateral Documents and (b) any other related document or instrument executed and delivered pursuant to any Loan Document described in clause (a) above evidencing or governing any Secured Obligations as the same may be amended, restated or otherwise modified from time to time.

(h) "Margin Stock" shall have the meaning specified in Section 4(a).

(i) "Official Body" shall mean any national, federal, state, local or other governmental or political subdivision or any agency, authority, board, bureau, central bank, commission, department or instrumentality of either, or any court, tribunal, grand jury or arbitrator, in each case whether foreign or domestic.

(j) "Perfection Certificate" shall mean with respect to any Pledgor, a certificate substantially in the form of Schedule C to the Security Agreement, completed and supplemented with the schedules contemplated thereby, and signed by an officer of such Pledgor.

(k) "Pledged Collateral" shall mean and include the following with respect to each Company: (i) the capital stock, shares, securities, investment property, member interests, partnership interests, warrants, options, put rights, call rights, similar rights, and all other ownership or participation interests, in any Company and K. Hovnanian JV Holdings, L.L.C. owned or held by any Pledgor at any time including those in any Company hereafter formed or acquired, and (ii) all rights and privileges pertaining thereto, including without limitation, all present and future securities, shares, capital stock, investment property, dividends, distributions and other ownership interests receivable in respect of or in exchange for any of the foregoing, all present and future rights to subscribe for securities, shares, capital stock, investment property or other ownership interests incident to or arising from ownership of any of the foregoing, all present and future cash, interest, stock or other dividends or distributions paid or payable on any of the foregoing, and all present and future books and records (whether paper, electronic or any other medium) pertaining to any of the foregoing, including, without limitation, all stock record and transfer books and (iii) whatever is received when any of the foregoing is sold, exchanged, replaced or otherwise disposed of, including all proceeds, as such term is defined in the Code, thereof; provided, however, that notwithstanding any of the other provisions set forth in this Agreement, this Agreement shall not constitute a grant of a security interest in, and the Pledged Collateral shall not include, (A) any property or assets constituting "Excluded Property" (as defined in the Credit Agreement) or (B) any property to the extent that such grant of a security interest is prohibited by any applicable Law of an Official Body, requires a consent not obtained of any Official Body pursuant to such Law or is prohibited by, or constitutes a breach or default under or results in the termination of or gives rise to any right of acceleration, modification or cancellation or requires any consent not obtained under, any contract, license, agreement, instrument or other document evidencing or giving rise to such property or any applicable shareholder or similar agreement, except to the extent that such Law or the term in such contract, license, agreement, instrument or other document or shareholder or similar agreement providing for such prohibition, breach, default or termination or requiring such consent is ineffective under applicable Law including Sections 9-406, 9-407, 9-408 or 9-409 of the New York UCC (or any successor provision or provisions). The Agent agrees that, at any Pledgor's reasonable request and expense, it will provide such Pledgor confirmation that the assets described in this paragraph are in fact excluded from the Pledged Collateral during such limited period only upon receipt of an Officers' Certificate and an Opinion of Counsel to that effect. Notwithstanding the foregoing, in the event that Rule 3-16 of Regulation S-X under the Securities Act requires (or is replaced with another rule or regulation, or any other law, rule or regulation is adopted, which would require) the filing with the SEC of separate financial statements (including if the Loans were "Securities" under the Securities Act) of the Borrower, any Guarantor or K. Hovnanian JV Holdings, L.L.C., then the capital stock or other securities of the Borrower, such Guarantor or K. Hovnanian JV Holdings, L.L.C., as applicable, shall automatically be deemed released and not to be and not to have been part of the Pledged Collateral but only to the extent necessary to not be subject to such requirement. In such event, this Agreement may be amended or modified, without the consent of any Lender upon the Agent's receipt of a written authorization from the Borrower stating that such amendment is permitted hereunder, which the Agent shall be entitled to conclusively rely upon, to the extent necessary to evidence the release of the lien created hereby on the shares of capital stock or other securities that are so deemed to no longer constitute part of the Pledged Collateral.

(l) "Secured Obligations" shall mean all advances to, and debts, liabilities, obligations, covenants and duties of, any Loan Party arising under any Loan Document or otherwise with respect to any Loan, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against any Loan Party of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding. Without limiting the generality of the foregoing, the Loan Obligations of the Loan Parties under the Loan Documents include the obligation to pay principal, interest, charges, expenses, fees, Attorney Costs indemnities and other amounts payable by any Loan Party under any Loan Document.

(m) "Secured Parties" shall mean, collectively, the Administrative Agent, the Agent, the Mortgage Tax Collateral Agent, the Lenders, the Supplemental Administrative Agent, if any, and each co-agent or sub-agent appointed by the Administrative Agent from time to time pursuant to Section 8.05 of the Credit Agreement.

(n) "Security Agreement" shall mean the Security Agreement dated as of the date hereof among the Borrower, Holdings and the Grantors party thereto and the Agent, as amended, supplemented, amended and restated or otherwise modified from time to time.

(o) "Security Documents" shall have the meaning specified in Section 3.

2. Grant of Security Interests.

(a) To secure on a first priority perfected basis the prompt and complete payment and performance when due (whether at stated maturity, by acceleration or otherwise) of all Secured Obligations, in full, each Pledgor hereby grants to the Agent a continuing first priority security interest under the Code in and hereby pledges to the Agent, in each case for its benefit and the ratable benefit of the Secured Parties, all of such Pledgor's now existing and hereafter acquired or arising right, title and interest in, to, and under the Pledged Collateral, whether now or hereafter existing and wherever located.

(b) Upon the execution and delivery of this Agreement, each Pledgor shall deliver to the Agent (or with a Person designated by the Agent to hold the Pledged Collateral on behalf of the Agent) in pledge, all of such Pledgor's certificates, instruments or other documents comprising or evidencing the Pledged Collateral, together with undated stock powers or similar transfer documents signed in blank by such Pledgor. In the event that any Pledgor should ever acquire or receive certificates, securities, instruments or other documents evidencing the Pledged Collateral, such Pledgor shall deliver to the Agent in pledge, all such certificates, securities, instruments or other documents which evidence the Pledged Collateral.

3. Further Assurances.

Prior to or concurrently with the execution of this Agreement, and thereafter at any time and from time to time, each Pledgor (in its capacity as a Pledgor and in its capacity as a Company) shall execute and deliver to the Agent all financing statements, continuation financing statements, assignments, certificates and documents of title, affidavits, reports, notices, schedules of account, letters of authority, further pledges, powers of attorney and all other documents (collectively, the "Security Documents") as may be required under applicable law to perfect and continue perfecting and to create and maintain the first priority status of the Agent's security interest in the Pledged Collateral and to fully consummate the transactions contemplated under this Agreement. Each Pledgor authorizes the Agent to record any one or more financing statements under the applicable Uniform Commercial Code with respect to the pledge and security interest herein granted. Each Pledgor hereby irrevocably makes, constitutes and appoints the Agent (and any of the Agent's officers or employees or agents designated by the Agent) as such Pledgor's true and lawful attorney with power to sign the name of such Pledgor on all or any of the Security Documents which, pursuant to applicable law, must be executed, filed, recorded or sent in order to perfect or continue perfecting the Agent's security interest in the Pledged Collateral in any jurisdiction. Such power, being coupled with an interest, is irrevocable until all of the Secured Obligations have been indefeasibly paid, in cash, in full.

4. Representations and Warranties.

Each Pledgor hereby, jointly and severally, represents and warrants to the Agent as follows:

(a) The Pledged Collateral of such Pledgor does not include Margin Stock. "Margin Stock" as used in this clause (a) shall have the meaning ascribed to such term by Regulation U of the Board of Governors of the Federal Reserve System of the United States;

(b) The Pledgor has and will continue to have (or, in the case of after-acquired Pledged Collateral, at the time such Pledgor acquires rights in such Pledged Collateral, will have and will continue to have), title to its Pledged Collateral, free and clear of all Liens other than Permitted Liens;

(c) The capital stock, shares, securities, member interests, partnership interests and other ownership interests constituting the Pledged Collateral of such Pledgor have been duly authorized and validly issued to such Pledgor, are fully paid and nonassessable and constitute one hundred percent (100%) of the issued and outstanding capital stock, member interests or partnership interests of each Company;

(d) Upon the completion of the filings and other actions specified on Schedule B attached hereto, the security interests in the Pledged Collateral granted hereunder by such Pledgor shall be valid, perfected and of first priority, subject to the Lien of no other Person (other than Permitted Liens);

(e) There are no restrictions upon the transfer of the Pledged Collateral (other than restrictions that have been waived pursuant to Section 24 hereof) and such Pledgor has the power and authority and unencumbered right to transfer the Pledged Collateral owned by such Pledgor free of any Lien (other than Permitted Liens) and without obtaining the consent of any other Person;

(f) Such Pledgor has all necessary power to execute, deliver and perform this Agreement;

(g) This Agreement has been duly executed and delivered and constitutes the valid and legally binding obligation of each Pledgor, enforceable in accordance with its terms, except to the extent that enforceability of this Agreement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws affecting the enforceability of creditors' rights generally or limiting the right of specific performance;

(h) Neither the execution or delivery by each Pledgor of this Agreement, nor the compliance with the terms and provisions hereof, will violate any provision of any Law or conflict with or result in a breach of any of the terms, conditions or provisions of any judgment, order, injunction, decree or ruling of any Official Body to which any Pledgor or any of its property is subject or any provision of any material agreement or instrument to which Pledgor is a party or by which such Pledgor or any of its property is bound;

(i) Each Pledgor's exact legal name is as set forth on such Pledgor's signature page hereto;

(j) The jurisdiction of incorporation, formation or organization, as applicable, of each Pledgor is as set forth on Schedule 2(b) to the Perfection Certificate;

(k) Such Pledgor's chief executive office is as set forth on Schedule 2(a) to the Perfection Certificate; and

(l) All rights of such Pledgor in connection with its ownership of each of the Companies are evidenced and governed solely by the stock certificates, instruments or other documents (if any) evidencing ownership of each of the Companies and the organizational documents of each of the Companies, and no shareholder, voting, or other similar agreements are applicable to any of the Pledged Collateral or any of any Pledgor's rights with respect thereto, and no such certificate, instrument or other document provides that any member interest, partnership interest or other intangible ownership interest in any limited liability company or partnership constituting Pledged Collateral is a "security" within the meaning of and subject to Article 8 of the Code, except pursuant to Section 5(f) hereof; and the organizational documents of each Company contain no restrictions on the rights of shareholders, members or partners other than those that normally would apply to a company organized under the laws of the jurisdiction of organization of each of the Companies.

5. General Covenants.

Each Pledgor, jointly and severally, hereby covenants and agrees as follows:

(a) Each Pledgor shall do all reasonable acts that may be necessary and appropriate to maintain, preserve and protect the Pledged Collateral; and each Pledgor shall be responsible for the risk of loss of, damage to, or destruction of the Pledged Collateral owned by such Pledgor, unless such loss is the result of the gross negligence or willful misconduct of the Agent;

(b) Each Pledgor shall appear in and defend any action or proceeding of which such Pledgor is aware which could reasonably be expected to affect, in any material respect, any Pledgor's title to, or the Agent's interest in, the Pledged Collateral or the proceeds thereof; provided, however, that with the prior written consent of the Agent, such Pledgor may settle such actions or proceedings with respect to the Pledged Collateral;

(c) The books and records of each of the Pledgors and Companies, as applicable, shall disclose the Agent's security interest in the Pledged Collateral;

(d) To the extent, following the date hereof, any Pledgor acquires capital stock, shares, securities, member interests, partnership interests, investment property and other ownership interests of any of the Companies or any other Restricted Subsidiary or any of the rights, property or securities, shares, capital stock, member interests, partnership interests, investment property or any other ownership interests described in the definition of Pledged Collateral with respect to any of the Companies or any other Restricted Subsidiary, all such ownership interests shall be subject to the terms hereof and, upon such acquisition, shall be deemed to be hereby pledged to the Agent; and each Pledgor thereupon, in confirmation thereof, shall promptly deliver all such securities, shares, capital stock, member interests, partnership interests, investment property and other ownership interests (to the extent such items are certificated), to the Agent, together with undated stock powers or other similar transfer documents, and all such control agreements, financing statements, and any other documents necessary to implement the provisions and purposes of this Agreement and any other documents as the Agent may request related thereto;

(e) Each Pledgor shall notify the Agent in writing within thirty (30) calendar days after any change in any Pledgor's chief executive office address, legal name, or state of incorporation, formation or organization; and

(f) During the term of this Agreement, no Pledgor shall permit or cause any Company which is a limited liability company or a limited partnership to (and no Pledgor (in its capacity as Company) shall) issue any certificates evidencing the ownership interests of such Company or elect to treat any ownership interests as securities that are subject to Article 8 of the Code unless such securities are immediately delivered to the Agent upon issuance, together with all evidence of such election and issuance and all Security Documents as set forth in Section 3 hereof.

6. Other Rights With Respect to Pledged Collateral.

In addition to the other rights with respect to the Pledged Collateral granted to the Agent hereunder, at any time and from time to time, after and during the continuation of an Event of Default, the Agent, at its option and at the expense of the Pledgors, may, subject to the First Lien Intercreditor Agreement, the Amended and Restated Intercreditor Agreement, any Collateral Agency Agreement and any other intercreditor agreement entered into in connection with Indebtedness permitted under the Credit Agreement, (a) transfer into its own name, or into the name of its nominee, all or any part of the Pledged Collateral, thereafter receiving all dividends, income or other distributions upon the Pledged Collateral; (b) take control of and manage all or any of the Pledged Collateral; (c) apply to the payment of any of the Secured Obligations, whether any be due and payable or not, any moneys, including cash dividends and income from any Pledged Collateral, now or hereafter in the hands of the Agent or any Affiliate of the Agent, on deposit or otherwise, belonging to any Pledgor, as the Agent in its sole discretion shall determine; and (d) do anything which any Pledgor is required but fails to do hereunder. The Agent shall endeavor to provide the Borrower with notice at or about the time of the exercise of its rights pursuant to the preceding sentence, provided that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of any rights or remedies hereunder.

7. Additional Remedies Upon Event of Default.

Upon the occurrence of any Event of Default and while such Event of Default shall be continuing, the Agent shall have, in addition to all rights and remedies of a secured party under the Code or other applicable Law, and in addition to its rights under Section 6 above and under the other Loan Documents, the following rights and remedies, in each case subject to the First Lien Intercreditor Agreement, the Amended and Restated Intercreditor Agreement, any Collateral Agency Agreement and any other intercreditor agreement entered into in connection with Indebtedness permitted under the Credit Agreement:

(a) The Agent may, after ten (10) days' advance notice to a Pledgor, sell, assign, give an option or options to purchase or otherwise dispose of such Pledgor's Pledged Collateral or any part thereof at public or private sale, at any of the Agent's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Agent may deem commercially reasonable. Each Pledgor agrees that ten (10) days' advance notice of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Agent shall not be obligated to make any sale of Pledged Collateral regardless of notice of sale having been given. The Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Each Pledgor recognizes that the Agent may be compelled to resort to one or more private sales of the Pledged Collateral to a restricted group of purchasers who will be obliged to agree, among other things, to acquire such securities, shares, capital stock, member interests, partnership interests, investment property or ownership interests for their own account for investment and not with a view to the distribution or resale thereof.

(b) The proceeds of any collection, sale or other disposition of the Pledged Collateral, or any part thereof, shall, after the Agent has made all deductions of expenses, including, without limitation, reasonable attorneys' fees and disbursements as provided in Section 9.05 of the Credit Agreement, and other expenses incurred in connection with repossession, collection, sale or disposition of such Pledged Collateral or in connection with the enforcement of the Agent's rights with respect to the Pledged Collateral, including in any insolvency, bankruptcy or reorganization proceedings, be applied against the Secured Obligations, whether or not all the same be then due and payable, as provided in the Credit Agreement. The Agent shall incur no liability as a result of the sale of the Pledged Collateral, or any part thereof, at any private sale pursuant to this Section 7 conducted in accordance with the requirements of applicable laws and provided such sale shall not have resulted from the gross negligence, willful misconduct or fraud of the Agent. Each Pledgor hereby waives any claims against the Agent and the other Secured Parties arising by reason of the fact that the price at which the Pledged Collateral may have been sold at such a private sale was less than the price that might have been obtained at a public sale or was less than the aggregate amount of the Secured Obligations, even if the Agent accepts the first offer received and does not offer the Pledged Collateral to more than one offeree, provided that such private sale is conducted in accordance with applicable laws and this Agreement. Each Pledgor hereby agrees that in respect of any sale of any of the Pledged Collateral pursuant to the terms hereof, the Agent is hereby authorized to comply with any limitation or restriction in connection with such sale as it may be advised by counsel is necessary in order to avoid any violation of applicable laws, or in order to obtain any required approval of the sale or of the purchaser by any governmental authority or official, nor shall the Agent be liable or accountable to any Pledgor for any discount allowed by reason of the fact that such Pledged Collateral is sold in compliance with any such limitation or restriction.

8. Agent's Duties.

The powers conferred on the Agent hereunder are solely to protect its interest (on behalf of itself and the Lenders) in the Pledged Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Pledged Collateral in its possession and the accounting for moneys actually received by it hereunder, the Agent shall have no duty as to any Pledged Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Pledged Collateral.

9. Additional Pledgors.

It is anticipated that additional persons may from time to time become Subsidiaries of the Borrower or a Guarantor, each of whom will be required to join this Agreement as a Pledgor hereunder to the extent that such new Subsidiary is required to become a Guarantor under the Credit Agreement and owns equity interests in any other Person that is a Restricted Subsidiary. It is acknowledged and agreed that such new Subsidiaries of the Borrower or a Guarantor may become Pledgors hereunder and will be bound hereby simply by executing and delivering to the Agent a Supplemental Guarantee (in the form of Exhibit I to the Credit Agreement) and a Joinder Agreement in the form of Exhibit B to the Security Agreement. No notice of the addition of any Pledgor shall be required to be given to any pre-existing Pledgor, and each Pledgor hereby consents thereto.

10. No Waiver; Cumulative Remedies.

No failure to exercise, and no delay in exercising, on the part of the Agent, any right, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder preclude any further exercise thereof or the exercise of any other right, power or privilege. No waiver of a single Event of Default shall be deemed a waiver of a subsequent Event of Default. The remedies herein provided are cumulative and not exclusive of any remedies provided under the other Loan Documents or by Law, rule or regulation and the Agent may enforce any one or more remedies hereunder successively or concurrently at its option. Each Pledgor waives any right to require the Agent to proceed against any other Person or to exhaust any of the Pledged Collateral or other security for the Secured Obligations or to pursue any remedy in the Agent's power.

11. Waivers.

Each Pledgor hereby waives any and all defenses which any Pledgor may now or hereafter have based on principles of suretyship, impairment of collateral, or the like and each Pledgor hereby waives any defense to or limitation on its obligations under this Agreement arising out of or based on any event or circumstance referred to in the immediately preceding Section hereof. Without limiting the generality of the foregoing and to the fullest extent permitted by applicable law, each Pledgor hereby further waives each of the following:

(i) All notices, disclosures and demands of any nature which otherwise might be required from time to time to preserve intact any rights against such Pledgor, including the following: any notice of any event or circumstance described in the immediately preceding Section hereof; any notice required by any law, regulation or order now or hereafter in effect in any jurisdiction; any notice of nonpayment, nonperformance, dishonor, or protest under any Loan Document or any of the Secured Obligations; any notice of the incurrence of any Secured Obligation; any notice of any default or any failure on the part of such Pledgor or the Borrower or any other Person to comply with any Loan Document or any of the Secured Obligations or any requirement pertaining to any direct or indirect security for any of the Secured Obligations; and any notice or other information pertaining to the business, operations, condition (financial or otherwise), or prospects of the Borrower or any other Person;

(ii) Any right to any marshalling of assets, to the filing of any claim against such Pledgor or the Borrower or any other Person in the event of any bankruptcy, insolvency, reorganization, or similar proceeding, or to the exercise against such Pledgor or the Borrower, or any other Person of any other right or remedy under or in connection with any Loan Document or any of the Secured Obligations or any direct or indirect security for any of the Secured Obligations; any requirement of promptness or diligence on the part of the Agent, the Administrative Agent, the Lenders or any other Person; any requirement to exhaust any remedies under or in connection with, or to mitigate the damages resulting from default under, any Loan Document or any of the Secured Obligations or any direct or indirect security for any of the Secured Obligations; any benefit of any statute of limitations; and any requirement of acceptance of this Agreement or any other Loan Document, and any requirement that any Pledgor receive notice of any such acceptance; and

(iii) Any defense or other right arising by reason of any Law now or hereafter in effect in any jurisdiction pertaining to election of remedies (including anti-deficiency laws, "one action" laws, or the like), or by reason of any election of remedies or other action or inaction by the Agent, the Administrative Agent or the Lenders (including commencement or completion of any judicial proceeding or nonjudicial sale or other action in respect of collateral security for any of the Secured Obligations), which results in denial or impairment of the right of the Agent, the Administrative Agent or the Lenders to seek a deficiency against the Borrower or any other Person or which otherwise discharges or impairs any of the Secured Obligations.

12. Assignment.

All rights of the Agent under this Agreement shall inure to the benefit of its successors and assigns. All obligations of each Pledgor shall bind its successors and assigns; provided, however, that no Pledgor may assign or transfer any of its rights and obligations hereunder or any interest herein, and any such purported assignment or transfer shall be null and void.

13. Severability.

Any provision (or portion thereof) of this Agreement which shall be held invalid or unenforceable shall be ineffective without invalidating the remaining provisions hereof (or portions thereof).

14. Governing Law.

This Agreement and the rights and obligations of the parties under this Agreement shall be governed by, and construed and interpreted in accordance with, the Law of the State of New York, except to the extent the validity or perfection of the security interests or the remedies hereunder in respect of any Pledged Collateral are governed by the law of a jurisdiction other than the State of New York.

15. Notices.

All notices, requests, demands, directions and other communications (collectively, "notices") given to or made upon any party hereto under the provisions of this Agreement shall be given or made as set forth in Section 9.02 of the Credit Agreement, and the Pledgors (in their capacity as Pledgors and in their capacity as Companies) shall simultaneously send to the Agent any notices such Pledgor or such Company delivers to each other regarding any of the Pledged Collateral.

16. Specific Performance.

Each Pledgor acknowledges and agrees that, in addition to the other rights of the Agent hereunder and under the other Loan Documents, because the Agent's remedies at law for failure of any Pledgor to comply with the provisions hereof relating to the Agent's rights (i) to inspect the books and records related to the Pledged Collateral, (ii) to receive the various notifications any Pledgor is required to deliver hereunder, (iii) to obtain copies of agreements and documents as provided herein with respect to the Pledged Collateral, (iv) to enforce the provisions hereof pursuant to which any Pledgor has appointed the Agent its attorney-in-fact, and (v) to enforce the Agent's remedies hereunder, would be inadequate and that any such failure would not be adequately compensable in damages, such Pledgor agrees that each such provision hereof may be specifically enforced.

17. Voting Rights in Respect of the Pledged Collateral.

So long as no Event of Default shall occur and be continuing under the Credit Agreement, each Pledgor may exercise any and all voting and other consensual rights pertaining to the Pledged Collateral or any part thereof for any purpose not inconsistent with the terms of this Agreement or the other Loan Documents; provided, however, that such Pledgor will not exercise or will refrain from exercising any such voting and other consensual right pertaining to the Pledged Collateral, as the case may be, if such action would have a material adverse effect on the value of any Pledged Collateral. At any time and from time to time, after and during the continuation of an Event of Default, no Pledgor shall be permitted to exercise any of its respective voting and other consensual rights whatsoever pertaining to the Pledged Collateral or any part thereof; provided, however, in addition to the other rights with respect to the Pledged Collateral granted to the Agent, the Administrative Agent and the Lenders for the benefit of itself and the Lenders, hereunder, at any time and from time to time, after and during the continuation of an Event of Default and subject to the First Lien Intercreditor Agreement, the Amended and Restated Intercreditor Agreement, any Collateral Agency Agreement and any other intercreditor agreement entered into in connection with Indebtedness permitted under the Credit Agreement, the Agent may exercise any and all voting and other consensual rights of each and every Pledgor pertaining to the Pledged Collateral or any part thereof. The Agent shall endeavor to provide the Borrower with notice at or about the time of the exercise by Agent of the voting or other consensual rights of such Pledgor pertaining to the Pledged Collateral, provided that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of Agent's rights or remedies hereunder. Without limiting the generality of the foregoing and in addition thereto, Pledgors shall not vote to enable, or take any other action to permit, any Company to: (i) issue any other ownership interests of any nature or to issue any other securities, investment property or other ownership interests convertible into or granting the right to purchase or exchange for any other ownership interests of any nature of any such Company, except as permitted by the Credit Agreement; or (ii) enter into any agreement or undertaking restricting the right or ability of such Pledgor or the Agent to sell, assign or transfer any of the Pledged Collateral without the Agent's prior written consent, except as permitted by the Credit Agreement.

18. Consent to Jurisdiction.

Each Pledgor (as a Pledgor and as a Company) hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Loan Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such Pledgor at its address referred to in Schedule 9.02 of the Credit Agreement or at such other address of which the Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

19. Waiver of Jury Trial.

EXCEPT AS PROHIBITED BY LAW, EACH PLEDGOR (AS A PLEDGOR AND AS A COMPANY), EACH OF THE COMPANIES AND THE AGENT, ON BEHALF OF ITSELF, THE ADMINISTRATIVE AGENT AND THE LENDERS, HEREBY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY A JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER DOCUMENTS OR TRANSACTIONS RELATING THERETO.

20. Entire Agreement; Amendments.

(a) This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements relating to a grant of a security interest in the Pledged Collateral by any Pledgor to the Agent.

(b) Except as expressly provided in (i) Section 9.01 of the Credit Agreement, (ii) Section 9 with respect to additional Pledgors, (iii) Section 21 with respect to the release of Pledgors and Companies, (iv) Section 10.03 of the Credit Agreement and (v) Section 8.01 of the Security Agreement, this Agreement may not be amended or supplemented except by a writing signed by the Agent and the Pledgors.

21. Automatic Release of Related Collateral and Equity.

At any time after the initial execution and delivery of this Agreement to the Agent, the Pledgors and their respective Pledged Collateral and the Companies and K. Hovnanian JV Holdings, L.L.C. may be released from this Agreement in accordance with and pursuant to Section 10.03 of the Credit Agreement. No notice of such release of any Pledgor or such Pledgor's Pledged Collateral shall be required to be given to any other Pledgor and each Pledgor hereby consents thereto.

22. Counterparts; Telecopy Signatures.

This Agreement may be executed in any number of counterparts, and by different parties hereto in separate counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute one and the same instrument. Each Pledgor acknowledges and agrees that a telecopy or electronic (i.e., "e-mail" or "portable document folio" ("pdf")) transmission to the Agent of the signature pages hereof purporting to be signed on behalf of any Pledgor shall constitute effective and binding execution and delivery hereof by such Pledgor.

23. Construction.

The rules of construction contained in Section 1.02 of the Credit Agreement apply to this Agreement.

24. Waiver of Restrictions.

Each Pledgor agrees that any restriction on transfer (if any) of the Pledged Collateral contained in the organizational documents to which such Pledgor is a party, is hereby waived, and further agrees that any such restriction does not apply to the grant of security interest made hereunder or to any transfer of the Pledged Collateral to a Secured Party or any third party in connection with an exercise of remedies hereunder.

25. Agent Privileges, Powers and Immunities.

In the performance of its obligations, powers and rights hereunder, the Agent shall be entitled to the rights, benefits, privileges, powers and immunities afforded to it as Administrative Agent under the Credit Agreement. The Agent shall take or refrain from taking any discretionary action or exercise any discretionary powers set forth in this Agreement in accordance with, and subject to, the Credit Agreement. Notwithstanding anything to the contrary contained herein and notwithstanding anything contained in Section 9-207 of the New York UCC, the Agent shall have no responsibility for the creation, perfection, priority, sufficiency or protection of any liens securing Secured Obligations (including, but not limited to, no obligation to prepare, record, file, re-record or re-file any financing statement, continuation statement or other instrument in any public office). The permissive rights and authorizations of the Agent hereunder shall not be construed as duties. The Agent shall be entitled to exercise its powers and duties hereunder through designees, specialists, experts or other appointees selected by it in good faith.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, and intending to be legally bound, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

WILMINGTON TRUST, NATIONAL ASSOCIATION, as Agent

By: /s/ Jeffrey Rose
Name: Jeffrey Rose
Title: Vice President

[Signature Page to Pledge Agreement]

Pledgors:

K. HOVNANIAN ENTERPRISES, INC.

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice President Finance and Treasurer

HOVNANIAN ENTERPRISES, INC.

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice President Finance and Treasurer

K. HOV IP, II, INC.

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice President Finance and Treasurer

ON BEHALF OF EACH OTHER ENTITY NAMED IN SCHEDULE A HERETO

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice President Finance and Treasurer

SCHEDULE A – LIST OF ENTITIES

ARBOR TRAILS, LLC
BUILDER SERVICES NJ, L.L.C.
BUILDER SERVICES PA, L.L.C.
EASTERN NATIONAL TITLE AGENCY, LLC
EASTERN TITLE AGENCY OF ILLINOIS, LLC
EASTERN TITLE AGENCY, INC.
F&W MECHANICAL SERVICES, L.L.C.
FOUNDERS TITLE AGENCY OF MARYLAND, L.L.C.
FOUNDERS TITLE AGENCY, INC.
GLENRISE GROVE, L.L.C.
GOVERNOR'S ABSTRACT CO., INC.
HOMEBUYERS FINANCIAL SERVICES, L.L.C.
HOVNANIAN DEVELOPMENTS OF FLORIDA, INC.
HOVNANIAN ENTERPRISES, INC. (PARENT COMPANY)
HOVNANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP, L.L.C.
K. HOV IP, II, INC.
K. HOVNANIAN ABERDEEN, LLC
K. HOVNANIAN ACQUISITIONS, INC.
K. HOVNANIAN AT 240 MISSOURI, LLC
K. HOVNANIAN AT 4S, LLC
K. HOVNANIAN AT AIRE ON MCDOWELL, LLC
K. HOVNANIAN AT ALISO, LLC
K. HOVNANIAN AT ALLENTOWN, L.L.C.
K. HOVNANIAN AT ANDALUSIA, LLC
K. HOVNANIAN AT ASBURY PARK URBAN RENEWAL, LLC
K. HOVNANIAN AT ASHBY PLACE, LLC
K. HOVNANIAN AT AVENUE ONE, L.L.C.
K. HOVNANIAN AT BAKERSFIELD 463, L.L.C.
K. HOVNANIAN AT BARNEGAT I, L.L.C.
K. HOVNANIAN AT BARNEGAT II, L.L.C.
K. HOVNANIAN AT BEACON PARK AREA 129, LLC
K. HOVNANIAN AT BEACON PARK AREA 137, LLC
K. HOVNANIAN AT BELLA LAGO, LLC
K. HOVNANIAN AT BLACKSTONE, LLC
K. HOVNANIAN AT BOCA DUNES, LLC
K. HOVNANIAN AT BRANCHBURG II, LLC
K. HOVNANIAN AT BRANCHBURG, L.L.C.
K. HOVNANIAN AT BRANCHBURG-VOLLERS, LLC
K. HOVNANIAN AT BRENFORD STATION, LLC
K. HOVNANIAN AT BRIDGEPORT, INC.
K. HOVNANIAN AT BRIDGEWATER I, L.L.C.
K. HOVNANIAN AT BRIDGEWATER II, LLC
K. HOVNANIAN AT BURCH KOVE, LLC
K. HOVNANIAN AT CAMP HILL, L.L.C.
K. HOVNANIAN AT CAMPTON PRAIRIE, LLC
K. HOVNANIAN AT CAPISTRANO, L.L.C.
K. HOVNANIAN AT CARLSBAD, LLC

K. HOVNANIAN AT CATANIA, LLC
K. HOVNANIAN AT CATON'S RESERVE, LLC
K. HOVNANIAN AT CEDAR GROVE III, L.L.C.
K. HOVNANIAN AT CEDAR GROVE URBAN RENEWAL, LLC
K. HOVNANIAN AT CEDAR LANE, LLC
K. HOVNANIAN AT CHARTER WAY, LLC
K. HOVNANIAN AT CHESTERFIELD, L.L.C.
K. HOVNANIAN AT CHRISTINA COURT, LLC
K. HOVNANIAN AT CIELO, L.L.C.
K. HOVNANIAN AT COASTLINE, L.L.C.
K. HOVNANIAN AT COOSAW POINT, LLC
K. HOVNANIAN AT CORAL LAGO, LLC
K. HOVNANIAN AT CORTEZ HILL, LLC
K. HOVNANIAN AT DENVILLE, L.L.C.
K. HOVNANIAN AT DEPTFORD TOWNSHIP, L.L.C.
K. HOVNANIAN AT DOMINGUEZ HILLS, INC.
K. HOVNANIAN AT DOYLESTOWN, LLC
K. HOVNANIAN AT EAST BRANDYWINE, L.L.C.
K. HOVNANIAN AT EAST BRUNSWICK III, LLC
K. HOVNANIAN AT EAST BRUNSWICK, LLC
K. HOVNANIAN AT EAST WINDSOR, LLC
K. HOVNANIAN AT EDEN TERRACE, L.L.C.
K. HOVNANIAN AT EDGEWATER II, L.L.C.
K. HOVNANIAN AT EDGEWATER, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH II, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH, L.L.C.
K. HOVNANIAN AT ESTATES AT WHEATLANDS, LLC
K. HOVNANIAN AT EVERGREEN, L.L.C.
K. HOVNANIAN AT EVESHAM, LLC
K. HOVNANIAN AT FAIRFIELD RIDGE, LLC
K. HOVNANIAN AT FIDDYMENT RANCH, LLC
K. HOVNANIAN AT FIFTH AVENUE, L.L.C.
K. HOVNANIAN AT FLORENCE I, L.L.C.
K. HOVNANIAN AT FLORENCE II, L.L.C.
K. HOVNANIAN AT FOREST MEADOWS, L.L.C.
K. HOVNANIAN AT FOX PATH AT HAMPTON LAKE, LLC
K. HOVNANIAN AT FRANKLIN II, L.L.C.
K. HOVNANIAN AT FRANKLIN, L.L.C.
K. HOVNANIAN AT FREEHOLD TOWNSHIP III, LLC
K. HOVNANIAN AT FRESNO, LLC
K. HOVNANIAN AT GALLERY, LLC
K. HOVNANIAN AT GASLAMP SQUARE, L.L.C.
K. HOVNANIAN AT GENEVA MEADOWS, LLC
K. HOVNANIAN AT GILROY 60, LLC
K. HOVNANIAN AT GILROY, LLC
K. HOVNANIAN AT GREAT NOTCH, L.L.C.
K. HOVNANIAN AT HACKETTSTOWN II, L.L.C.
K. HOVNANIAN AT HAMPTON COVE, LLC
K. HOVNANIAN AT HAMPTON LAKE, LLC

K. HOVNANIAN AT HANOVER ESTATES, LLC
K. HOVNANIAN AT HERSHEY'S MILL, INC.
K. HOVNANIAN AT HIDDEN BROOK, LLC
K. HOVNANIAN AT HILLSBOROUGH, LLC
K. HOVNANIAN AT HILLTOP RESERVE II, LLC
K. HOVNANIAN AT HILLTOP RESERVE, LLC
K. HOVNANIAN AT HOWELL II, LLC
K. HOVNANIAN AT HOWELL III, LLC
K. HOVNANIAN AT HOWELL, LLC
K. HOVNANIAN AT HUDSON POINTE, L.L.C.
K. HOVNANIAN AT HUNTFIELD, LLC
K. HOVNANIAN AT INDIAN WELLS, LLC
K. HOVNANIAN AT ISLAND LAKE, LLC
K. HOVNANIAN AT JACKSON I, L.L.C.
K. HOVNANIAN AT JACKSON, L.L.C.
K. HOVNANIAN AT JAEGER RANCH, LLC
K. HOVNANIAN AT JERSEY CITY IV, L.L.C.
K. HOVNANIAN AT KEYPORT, L.L.C.
K. HOVNANIAN AT LA COSTA GREENS, L.L.C.
K. HOVNANIAN AT LA LAGUNA, L.L.C.
K. HOVNANIAN AT LAKE BURDEN, LLC
K. HOVNANIAN AT LAKE LECLARE, LLC
K. HOVNANIAN AT LAKE RANCHO VIEJO, LLC
K. HOVNANIAN AT LAKE RIDGE ESTATES, LLC
K. HOVNANIAN AT LAKE TERRAPIN, L.L.C.
K. HOVNANIAN AT LEE SQUARE, L.L.C.
K. HOVNANIAN AT LENAH WOODS, LLC
K. HOVNANIAN AT LILY ORCHARD, LLC
K. HOVNANIAN AT LINK FARM, LLC
K. HOVNANIAN AT LITTLE EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR, L.L.C
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LOWER MAKEFIELD TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MORELAND II, L.L.C.
K. HOVNANIAN AT MAGNOLIA PLACE, LLC
K. HOVNANIAN AT MAHWAH VI, INC.
K. HOVNANIAN AT MAIN STREET SQUARE, LLC
K. HOVNANIAN AT MALAN PARK, L.L.C.
K. HOVNANIAN AT MANALAPAN II, L.L.C.
K. HOVNANIAN AT MANALAPAN III, L.L.C.
K. HOVNANIAN AT MANALAPAN V, LLC
K. HOVNANIAN AT MANALAPAN VI, LLC
K. HOVNANIAN AT MANSFIELD II, L.L.C.
K. HOVNANIAN AT MANTECA, LLC
K. HOVNANIAN AT MAPLE AVENUE, L.L.C.
K. HOVNANIAN AT MARLBORO IX, LLC
K. HOVNANIAN AT MARLBORO TOWNSHIP IX, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP V, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP VIII, L.L.C.
K. HOVNANIAN AT MARLBORO VI, L.L.C.

K. HOVNANIAN AT MARPLE, LLC
K. HOVNANIAN AT MEADOWRIDGE VILLAS, LLC
K. HOVNANIAN AT MELANIE MEADOWS, LLC
K. HOVNANIAN AT MENDHAM TOWNSHIP, L.L.C.
K. HOVNANIAN AT MIDDLE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT MIDDLE TOWNSHIP, L.L.C.
K. HOVNANIAN AT MIDDLETOWN II, L.L.C.
K. HOVNANIAN AT MIDDLETOWN III, LLC
K. HOVNANIAN AT MIDDLETOWN, LLC
K. HOVNANIAN AT MILLVILLE I, L.L.C.
K. HOVNANIAN AT MILLVILLE II, L.L.C.
K. HOVNANIAN AT MONROE IV, L.L.C.
K. HOVNANIAN AT MONROE NJ II, LLC
K. HOVNANIAN AT MONROE NJ III, LLC
K. HOVNANIAN AT MONROE NJ, L.L.C.
K. HOVNANIAN AT MONTGOMERY, LLC
K. HOVNANIAN AT MONTVALE II, LLC
K. HOVNANIAN AT MONTVALE, L.L.C.
K. HOVNANIAN AT MORRIS TWP, LLC
K. HOVNANIAN AT MT. LAUREL, LLC
K. HOVNANIAN AT MUIRFIELD, LLC
K. HOVNANIAN AT NORTH BERGEN. L.L.C.
K. HOVNANIAN AT NORTH BRUNSWICK VI, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL II, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL III, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL IV, L.L.C.
K. HOVNANIAN AT NORTH WILDWOOD, L.L.C.
K. HOVNANIAN AT NORTHAMPTON, L.L.C.
K. HOVNANIAN AT NORTHERN WESTCHESTER, INC.
K. HOVNANIAN AT NORTHFIELD, L.L.C.
K. HOVNANIAN AT NORTHRIDGE ESTATES, LLC
K. HOVNANIAN AT NORTON LAKE LLC
K. HOVNANIAN AT NOTTINGHAM MEADOWS, LLC
K. HOVNANIAN AT OAK POINTE, LLC
K. HOVNANIAN AT OCEAN TOWNSHIP, INC
K. HOVNANIAN AT OCEAN VIEW BEACH CLUB, LLC
K. HOVNANIAN AT OCEANPORT, L.L.C.
K. HOVNANIAN AT OLD BRIDGE, L.L.C.
K. HOVNANIAN AT PALM VALLEY, L.L.C.
K. HOVNANIAN AT PARKSIDE, LLC
K. HOVNANIAN AT PARSIPPANY, L.L.C.
K. HOVNANIAN AT PAVILION PARK, LLC
K. HOVNANIAN AT PIAZZA D'ORO, L.L.C.
K. HOVNANIAN AT PIAZZA SERENA, L.L.C
K. HOVNANIAN AT PICKETT RESERVE, LLC
K. HOVNANIAN AT PITTSGROVE, L.L.C.
K. HOVNANIAN AT PLANTATION LAKES, L.L.C.
K. HOVNANIAN AT POINTE 16, LLC
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL V, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VIII, L.L.C.
K. HOVNANIAN AT POSITANO, LLC

K. HOVNANIAN AT PRADO, L.L.C.
K. HOVNANIAN AT PRAIRIE POINTE, LLC
K. HOVNANIAN AT QUAIL CREEK, L.L.C.
K. HOVNANIAN AT RANCHO CABRILLO, LLC
K. HOVNANIAN AT RANDOLPH I, L.L.C.
K. HOVNANIAN AT RAPHO, L.L.C
K. HOVNANIAN AT REDTAIL, LLC
K. HOVNANIAN AT RESERVES AT WHEATLANDS, LLC
K. HOVNANIAN AT RESIDENCE AT DISCOVERY SQUARE, LLC
K. HOVNANIAN AT RIDGEMONT, L.L.C.
K. HOVNANIAN AT ROCK LEDGE, LLC
K. HOVNANIAN AT RODERUCK, L.L.C.
K. HOVNANIAN AT ROSEMARY LANTANA, L.L.C.
K. HOVNANIAN AT SAGE, L.L.C.
K. HOVNANIAN AT SAGEBROOK, LLC
K. HOVNANIAN AT SANTA NELLA, LLC
K. HOVNANIAN AT SAWMILL, INC.
K. HOVNANIAN AT SCOTCH PLAINS, L.L.C.
K. HOVNANIAN AT SEASONS LANDING, LLC
K. HOVNANIAN AT SHELDON GROVE, LLC
K. HOVNANIAN AT SHREWSBURY, LLC
K. HOVNANIAN AT SIGNAL HILL, LLC
K. HOVNANIAN AT SILVER SPRING, L.L.C.
K. HOVNANIAN AT SILVERSTONE, LLC
K. HOVNANIAN AT SKYE ISLE, LLC
K. HOVNANIAN AT SKYE ON MCDOWELL, LLC
K. HOVNANIAN AT SMITHVILLE, INC.
K. HOVNANIAN AT SOMERSET, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK II, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK III, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK, L.L.C.
K. HOVNANIAN AT STANTON, LLC
K. HOVNANIAN AT STATION SQUARE, L.L.C.
K. HOVNANIAN AT SUMMERLAKE, LLC
K. HOVNANIAN AT SUNRIDGE PARK, LLC
K. HOVNANIAN AT SUNRISE TRAIL II, LLC
K. HOVNANIAN AT SUNRISE TRAIL III, LLC
K. HOVNANIAN AT TERRA BELLA TWO, LLC
K. HOVNANIAN AT THE COMMONS AT RICHMOND HILL, LLC
K. HOVNANIAN AT THE CROSBY, LLC
K. HOVNANIAN AT THE MONARCH, L.L.C.
K. HOVNANIAN AT THE PROMENADE AT BEAVER CREEK, LLC
K. HOVNANIAN AT THOMPSON RANCH, LLC
K. HOVNANIAN AT TRAFFORD PLACE, LLC
K. HOVNANIAN AT TRAIL RIDGE, LLC
K. HOVNANIAN AT UPPER PROVIDENCE, LLC
K. HOVNANIAN AT UPPER UWCHLAN II, L.L.C.
K. HOVNANIAN AT UPPER UWCHLAN, L.L.C.
K. HOVNANIAN AT VALLE DEL SOL, LLC
K. HOVNANIAN AT VERONA ESTATES, LLC
K. HOVNANIAN AT VERONA URBAN RENEWAL, L.L.C.

K. HOVNANIAN AT VICTORVILLE, L.L.C.
K. HOVNANIAN AT VINEYARD HEIGHTS, LLC
K. HOVNANIAN AT VISTA DEL SOL, L.L.C.
K. HOVNANIAN AT WALDWICK, LLC
K. HOVNANIAN AT WALKERS GROVE, LLC
K. HOVNANIAN AT WARREN TOWNSHIP II, LLC
K. HOVNANIAN AT WARREN TOWNSHIP, L.L.C.
K. HOVNANIAN AT WATERSTONE, LLC
K. HOVNANIAN AT WAYNE IX, L.L.C.
K. HOVNANIAN AT WEST VIEW ESTATES, L.L.C.
K. HOVNANIAN AT WESTBROOK, LLC
K. HOVNANIAN AT WESTSHORE, LLC
K. HOVNANIAN AT WHEELER RANCH, LLC
K. HOVNANIAN AT WHEELER WOODS, LLC
K. HOVNANIAN AT WHITEMARSH, LLC
K. HOVNANIAN AT WILDWOOD BAYSIDE, L.L.C.
K. HOVNANIAN AT WOODCREEK WEST, LLC
K. HOVNANIAN AT WOOLWICH I, L.L.C.
K. HOVNANIAN BELDEN POINTE, LLC
K. HOVNANIAN BELMONT RESERVE, LLC
K. HOVNANIAN CAMBRIDGE HOMES, L.L.C.
K. HOVNANIAN CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN CLASSICS, L.L.C.
K. HOVNANIAN COMMUNITIES, INC.
K. HOVNANIAN COMPANIES OF CALIFORNIA, INC.
K. HOVNANIAN COMPANIES OF MARYLAND, INC.
K. HOVNANIAN COMPANIES OF NEW YORK, INC.
K. HOVNANIAN COMPANIES OF PENNSYLVANIA, INC.
K. HOVNANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.
K. HOVNANIAN COMPANIES, LLC
K. HOVNANIAN CONSTRUCTION II, INC
K. HOVNANIAN CONSTRUCTION III, INC
K. HOVNANIAN CONSTRUCTION MANAGEMENT, INC.
K. HOVNANIAN CONTRACTORS OF OHIO, LLC
K. HOVNANIAN CRAFTBUILT HOMES OF SOUTH CAROLINA, L.L.C.
K. HOVNANIAN CYPRESS KEY, LLC
K. HOVNANIAN DEVELOPMENTS OF ARIZONA, INC.
K. HOVNANIAN DEVELOPMENTS OF CALIFORNIA, INC.
K. HOVNANIAN DEVELOPMENTS OF D.C., INC.
K. HOVNANIAN DEVELOPMENTS OF DELAWARE, INC.
K. HOVNANIAN DEVELOPMENTS OF GEORGIA, INC.
K. HOVNANIAN DEVELOPMENTS OF ILLINOIS, INC.
K. HOVNANIAN DEVELOPMENTS OF KENTUCKY, INC.
K. HOVNANIAN DEVELOPMENTS OF MARYLAND, INC.
K. HOVNANIAN DEVELOPMENTS OF MINNESOTA, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY II, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW YORK, INC.
K. HOVNANIAN DEVELOPMENTS OF NORTH CAROLINA, INC.
K. HOVNANIAN DEVELOPMENTS OF OHIO, INC.
K. HOVNANIAN DEVELOPMENTS OF PENNSYLVANIA, INC.

K. HOVNANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.
K. HOVNANIAN DEVELOPMENTS OF TEXAS, INC.
K. HOVNANIAN DEVELOPMENTS OF VIRGINIA, INC.
K. HOVNANIAN DEVELOPMENTS OF WEST VIRGINIA, INC.
K. HOVNANIAN DFW AUBURN FARMS, LLC
K. HOVNANIAN DFW BELMONT, LLC
K. HOVNANIAN DFW HARMON FARMS, LLC
K. HOVNANIAN DFW HERITAGE CROSSING, LLC
K. HOVNANIAN DFW HOMESTEAD, LLC
K. HOVNANIAN DFW INSPIRATION, LLC
K. HOVNANIAN DFW LEXINGTON, LLC
K. HOVNANIAN DFW LIBERTY CROSSING, LLC
K. HOVNANIAN DFW LIGHT FARMS II, LLC
K. HOVNANIAN DFW LIGHT FARMS, LLC
K. HOVNANIAN DFW MIDTOWN PARK, LLC
K. HOVNANIAN DFW PALISADES, LLC
K. HOVNANIAN DFW PARKSIDE, LLC
K. HOVNANIAN DFW RIDGEVIEW, LLC
K. HOVNANIAN DFW SEVENTEEN LAKES, LLC
K. HOVNANIAN DFW TRAILWOOD, LLC
K. HOVNANIAN DFW VILLAS AT MUSTANG PARK, LLC
K. HOVNANIAN DFW WELLINGTON, LLC
K. HOVNANIAN DFW WILDRIDGE, LLC
K. HOVNANIAN EASTERN PENNSYLVANIA, L.L.C.
K. HOVNANIAN EDGEBROOK, LLC
K. HOVNANIAN ENTERPRISES, INC.
K. HOVNANIAN ESTATES AT REGENCY, L.L.C.
K. HOVNANIAN ESTATES AT WEKIVA, LLC
K. HOVNANIAN FALLS POINTE, LLC
K. HOVNANIAN FIRST HOMES, L.L.C.
K. HOVNANIAN FLORIDA REALTY, L.L.C.
K. HOVNANIAN FOREST VALLEY, LLC
K. HOVNANIAN FOUR SEASONS @ HISTORIC VIRGINIA, LLC
K. HOVNANIAN FOUR SEASONS AT GOLD HILL, LLC
K. HOVNANIAN GRAND CYPRESS, LLC
K. HOVNANIAN GRANDEFIELD, LLC
K. HOVNANIAN GREAT WESTERN BUILDING COMPANY, LLC
K. HOVNANIAN GREAT WESTERN HOMES, LLC
K. HOVNANIAN HAMPTONS AT OAK CREEK II, L.L.C.
K. HOVNANIAN HIDDEN HOLLOW, LLC
K. HOVNANIAN HIGHLAND RIDGE, LLC
K. HOVNANIAN HOLDINGS NJ, L.L.C.
K. HOVNANIAN HOMES - DFW, L.L.C.
K. HOVNANIAN HOMES AT BROOK MANOR, LLC
K. HOVNANIAN HOMES AT BURKE JUNCTION, LLC
K. HOVNANIAN HOMES AT CAMP SPRINGS, L.L.C.
K. HOVNANIAN HOMES AT CREEKSIDE, LLC
K. HOVNANIAN HOMES AT FOREST RUN, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM PARK TOWNS, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM, L.L.C.
K. HOVNANIAN HOMES AT JONES STATION 1, L.L.C.

K. HOVNANIAN HOMES AT LEIGH MILL, LLC
K. HOVNANIAN HOMES AT MAXWELL PLACE, L.L.C.
K. HOVNANIAN HOMES AT REEDY CREEK, LLC
K. HOVNANIAN HOMES AT RUSSETT, L.L.C.
K. HOVNANIAN HOMES AT SALT CREEK LANDING, LLC
K. HOVNANIAN HOMES AT SHELL HALL, LLC
K. HOVNANIAN HOMES AT ST. JAMES PLACE, LLC
K. HOVNANIAN HOMES AT THE ABBY, LLC
K. HOVNANIAN HOMES AT THE HIGHLANDS, LLC
K. HOVNANIAN HOMES AT THE PADDOCKS, LLC
K. HOVNANIAN HOMES AT THOMPSON'S GRANT, LLC
K. HOVNANIAN HOMES AT WILLOWSFORD GRANT, LLC
K. HOVNANIAN HOMES AT WILLOWSFORD GREENS, LLC
K. HOVNANIAN HOMES NORTHERN CALIFORNIA, INC.
K. HOVNANIAN HOMES OF D.C., L.L.C.
K. HOVNANIAN HOMES OF DELAWARE, L.L.C.
K. HOVNANIAN HOMES OF GEORGIA, L.L.C.
K. HOVNANIAN HOMES OF HOUSTON, L.L.C.
K. HOVNANIAN HOMES OF LONGACRE VILLAGE, L.L.C.
K. HOVNANIAN HOMES OF MARYLAND, L.L.C.
K. HOVNANIAN HOMES OF MINNESOTA AT ARBOR CREEK, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT AUTUMN MEADOWS, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT BRYNWOOD, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT CEDAR HOLLOW, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT FOUNDER'S RIDGE, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT HARPERS STREET WOODS, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT OAKS OF OXBOW, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT REGENT'S POINT, LLC
K. HOVNANIAN HOMES OF MINNESOTA, L.L.C.
K. HOVNANIAN HOMES OF NORTH CAROLINA, INC.
K. HOVNANIAN HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN HOMES OF SOUTH CAROLINA, LLC
K. HOVNANIAN HOMES OF VIRGINIA, INC.
K. HOVNANIAN HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN HOUSTON CITY HEIGHTS, LLC
K. HOVNANIAN INDIAN TRAILS, LLC
K. HOVNANIAN LADUE RESERVE, LLC
K. HOVNANIAN LAKES OF GREEN, LLC
K. HOVNANIAN LEGACY AT VIA BELLA, LLC
K. HOVNANIAN LIBERTY ON BLUFF CREEK, LLC
K. HOVNANIAN MANALAPAN ACQUISITION, LLC
K. HOVNANIAN MONARCH GROVE, LLC
K. HOVNANIAN NORTH CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTHEAST SERVICES, L.L.C.
K. HOVNANIAN NORTHPOINTE 40S, LLC
K. HOVNANIAN OF HOUSTON II, L.L.C.
K. HOVNANIAN OF OHIO, LLC
K. HOVNANIAN OHIO REALTY, L.L.C.
K. HOVNANIAN PA REAL ESTATE, INC.
K. HOVNANIAN PENNSYLVANIA ACQUISITIONS, L.L.C.

K. HOVNANIAN PORT IMPERIAL URBAN RENEWAL, INC.
K. HOVNANIAN PROPERTIES OF RED BANK, INC.
K. HOVNANIAN REYNOLDS RANCH, LLC
K. HOVNANIAN RIVENDALE, LLC
K. HOVNANIAN RIVERSIDE, LLC
K. HOVNANIAN SCHADY RESERVE, LLC
K. HOVNANIAN SHERWOOD AT REGENCY, LLC
K. HOVNANIAN SHORE ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTH FORK, LLC
K. HOVNANIAN SOUTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTHERN NEW JERSEY, L.L.C.
K. HOVNANIAN STERLING RANCH, LLC
K. HOVNANIAN SUMMIT HOLDINGS, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF KENTUCKY, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES, L.L.C.
K. HOVNANIAN T&C HOMES AT FLORIDA, L.L.C.
K. HOVNANIAN T&C HOMES AT ILLINOIS, L.L.C.
K. HOVNANIAN TIMBRES AT ELM CREEK, LLC
K. HOVNANIAN UNION PARK, LLC
K. HOVNANIAN VENTURE I, L.L.C.
K. HOVNANIAN VILLAGE GLEN, LLC
K. HOVNANIAN WATERBURY, LLC
K. HOVNANIAN WHITE ROAD, LLC
K. HOVNANIAN WINDWARD HOMES, LLC
K. HOVNANIAN WOODLAND POINTE, LLC
K. HOVNANIAN WOODRIDGE PLACE, LLC
K. HOVNANIAN'S FOUR SEASONS AT BAKERSFIELD, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT BEAUMONT, LLC
K. HOVNANIAN'S FOUR SEASONS AT BRIARGATE, LLC
K. HOVNANIAN'S FOUR SEASONS AT CHARLOTTESVILLE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT HEMET, LLC
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND CONDOMINIUMS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT LOS BANOS, LLC
K. HOVNANIAN'S FOUR SEASONS AT MORENO VALLEY, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT NEW KENT VINEYARDS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT PALM SPRINGS, LLC
K. HOVNANIAN'S FOUR SEASONS AT RENAISSANCE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK II, LLC
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT SILVER MAPLE FARM, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT ST. MARGARETS LANDING, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT THE MANOR II, LLC
K. HOVNANIAN'S FOUR SEASONS AT THE MANOR, LLC
K. HOVNANIAN'S PARKSIDE AT TOWNGATE, L.L.C.
K. HOVNANIAN'S VERANDA AT RIVERPARK II, LLC
K. HOVNANIAN'S VERANDA AT RIVERPARK, LLC
KHH SHELL HALL LOAN ACQUISITION, LLC
LANDARAMA, INC.

LAUREL HIGHLANDS, LLC
M & M AT MONROE WOODS, L.L.C.
M&M AT CHESTERFIELD, L.L.C.
M&M AT CRESCENT COURT, L.L.C.
M&M AT WEST ORANGE, L.L.C.
MATZEL & MUMFORD AT EGG HARBOR, L.L.C.
MCNJ, INC.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF PENNSYLVANIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF WEST VIRGINIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES, L.L.C.
MM-BEACHFRONT NORTH I, LLC
NEW HOME REALTY, LLC
NEW LAND TITLE AGENCY, L.L.C.
PADDOCKS, L.L.C.
PARK TITLE COMPANY, LLC
PINE AYR, LLC
RIDGEMORE UTILITY, L.L.C.
SEABROOK ACCUMULATION CORPORATION
SHELL HALL CLUB AMENITY ACQUISITION, LLC
SHELL HALL LAND ACQUISITION, LLC
STONEBROOK HOMES, INC.
TERRAPIN REALTY, L.L.C.
THE MATZEL & MUMFORD ORGANIZATION, INC
WASHINGTON HOMES, INC.
WESTMINSTER HOMES, INC.
WH PROPERTIES, INC.
WOODMORE RESIDENTIAL, L.L.C.
WTC VENTURES, L.L.C.

SCHEDULE B

Actions to Perfect

1. With respect to each Pledgor organized under the laws of the state of Arizona as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Pledged Collateral with the Arizona Secretary of State.

2. With respect to each Pledgor organized under the laws of the state of California as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Pledged Collateral with the California Secretary of State.

3. With respect to each Pledgor organized under the laws of the state of Delaware as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Pledged Collateral with the Delaware Secretary of State.

4. With respect to each Pledgor organized under the laws of the District of Columbia as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Pledged Collateral with the District of Columbia Recorder of Deeds.

5. With respect to each Pledgor organized under the laws of the state of Florida as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Pledged Collateral with the Florida Secured Transaction Registry.

6. With respect to each Pledgor organized under the laws of the state of Georgia as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Pledged Collateral with the Office of the Clerk of Superior Court of any County of Georgia.

7. With respect to each Pledgor organized under the laws of the state of Illinois as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Pledged Collateral with the Illinois Secretary of State.

8. With respect to each Pledgor organized under the laws of the state of Kentucky as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Pledged Collateral with the Kentucky Secretary of State.

9. With respect to each Pledgor organized under the laws of the state of Maryland as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Pledged Collateral with the Maryland State Department of Assessments and Taxation.

10. With respect to each Pledgor organized under the laws of the state of Minnesota as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Pledged Collateral with the Minnesota Secretary of State.

11. With respect to each Pledgor organized under the laws of the state of New Jersey as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Pledged Collateral with the New Jersey Division of Commercial Recording.

12. With respect to each Pledgor organized under the laws of the state of New York as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Pledged Collateral with the New York Secretary of State.

13. With respect to each Pledgor organized under the laws of the state of North Carolina as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Pledged Collateral with the North Carolina Secretary of State.

14. With respect to each Pledgor organized under the laws of the state of Ohio as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Pledged Collateral with the Ohio Secretary of State.

15. With respect to each Pledgor organized under the laws of the state of Pennsylvania as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Pledged Collateral with the Pennsylvania Secretary of the Commonwealth.

16. With respect to each Pledgor organized under the laws of the state of South Carolina as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Pledged Collateral with the South Carolina Secretary of State.

17. With respect to each Pledgor organized under the laws of the state of Texas as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Pledged Collateral with the Texas Secretary of State.

18. With respect to each Pledgor organized under the laws of the state of Virginia as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Pledged Collateral with the Virginia State Corporation Commission.

19. With respect to each Pledgor organized under the laws of the state of West Virginia as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Pledged Collateral with the West Virginia Secretary of State.

20. With respect to the Pledged Collateral constituting certificated securities, delivery of the certificates representing such Pledged Collateral to the Agent in registered form, indorsed in blank, by an effective endorsement or accompanied by undated stock powers with respect thereto duly indorsed in blank by an effective endorsement.

Execution Version

TRADEMARK SECURITY AGREEMENT

This Trademark Security Agreement (the "**Agreement**"), dated as of September 8, 2016 is made by K. HOV IP, II, INC., a California corporation ("the **Grantor**") in favor of Wilmington Trust, National Association, as Administrative Agent in its capacity as collateral agent (in such capacity, the "**Agent**") for the benefit of itself and the Lenders (as defined below).

WHEREAS, K. Hovnanian Enterprises, Inc., a California corporation (the "**Borrower**"), Hovnanian Enterprises, Inc., a Delaware corporation ("**Holdings**"), and each of the other guarantors party thereto (the "**Guarantors**") have entered into the Credit Agreement dated as of July 29, 2016 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "**Credit Agreement**") with Wilmington Trust, National Association, as administrative agent (in such capacity, the "**Administrative Agent**"), pursuant to which the Borrower may borrow up to $75,000,000 in term loans (collectively, the "**Loans**") upon the terms and subject to the conditions set forth therein;

WHEREAS, the Borrower, Holdings, the Guarantors party thereto, the Administrative Agent, the Mortgage Tax Collateral Agent, the First Lien Notes Trustee and the First Lien Notes Collateral Agent have entered into the First Lien Intercreditor Agreement dated as of September 8, 2016 (as amended, supplemented, amended or restated or otherwise modified from time to time, the "**First-Lien Intercreditor Agreement**");

WHEREAS, the Term Loans constitute Super Priority Indebtedness under the First-Lien Intercreditor Agreement;

WHEREAS, the Borrower, Holdings, the Guarantors party thereto, the Administrative Agent, the First Lien Notes Collateral Agent, the First Lien Notes Trustee, the Existing Second Lien Collateral Agent, the Existing Second Lien Trustee, the New Second Lien Notes Collateral Agent, the New Second Lien Notes Trustee, Wilmington Trust, National Association, as Junior Joint Collateral Agent (as defined therein) and the Mortgage Tax Collateral Agent have entered into the Amended and Restated Intercreditor Agreement dated as of September 8, 2016 (as amended, supplemented, amended or restated or otherwise modified from time to time, the "**Amended and Restated Intercreditor Agreement**");

WHEREAS, the Borrower is a member of an affiliated group of companies that includes Holdings, the Borrower's parent company, and each other Guarantor;

WHEREAS, the Borrower and the other Guarantors are engaged in related businesses, and each Guarantor will derive substantial direct and indirect benefit from the borrowing of Term Loans; and

WHEREAS, pursuant to and under the Credit Agreement and the Security Agreement dated as of September 8, 2016 (the "**Security Agreement**") among the Borrower, Holdings, each of the signatories listed on Schedule A thereto (together with any other entity that may become a party thereto) and the Agent, the Grantor has agreed to enter into this Agreement in order to grant a security interest to the Agent in certain Trademarks as security for such loans and other obligations as more fully described herein.

NOW, THEREFORE, intending to be legally bound hereby, the parties hereto agree as follows:

1. Defined Terms. Except as otherwise expressly provided herein, (a) capitalized terms used in this Agreement shall have the respective meanings assigned to them in the Credit Agreement or the Security Agreement, as applicable, and (b) the rules of construction set forth in Section 1.02 of the Credit Agreement shall apply to this Agreement. Where applicable and except as otherwise expressly provided herein or in the First-Lien Intercreditor Agreement, terms used herein (whether or not capitalized) shall have the respective meanings assigned to them in the Uniform Commercial Code as enacted in New York as amended from time to time (the "**Code**").

2. To secure the full payment and performance of all Secured Obligations, the Grantor hereby grants to the Agent a security interest in the entire right, title and interest of such Grantor in and to all of its Trademarks, including, without limitation, any of the foregoing referred to in Schedule A; provided, however, that notwithstanding any of the other provisions set forth in this Section 2 (and notwithstanding any recording of the Agent's Lien made in the U.S. Patent and Trademark Office, or other registry office in any other jurisdiction), this Agreement shall not constitute a grant of a security interest in (i) any property or assets constituting "Excluded Property" (as defined in the Credit Agreement) or (ii) any property to the extent that such grant of a security interest is prohibited by any applicable Law of an Official Body, requires a consent not obtained of any Official Body pursuant to such Law or is prohibited by, or constitutes a breach or default under or results in the termination of or gives rise to any right of acceleration, modification or cancellation or requires any consent not obtained under, any contract, license, agreement, instrument or other document evidencing or giving rise to such property, except to the extent that such Law or the term in such contract, license, agreement, instrument or other document or similar agreement providing for such prohibition, breach, default or termination or requiring such consent is ineffective under applicable Law including 9-406, 9-407, 9-408 or 9-409 of the New York UCC (or any successor provision or provisions); provided, further, that no security interest shall be granted in any United States "intent-to-use" trademark or service mark applications unless and until acceptable evidence of use of the trademark or service mark has been filed with and accepted by the U.S. Patent and Trademark Office pursuant to Section 1(c) or Section 1(d) of the Lanham Act (U.S.C. 1051, et seq.), and to the extent that, and solely during the period in which, the grant of a security interest therein would impair the validity or enforceability of such "intent-to-use" trademark or service mark applications under applicable federal Law. After such period and after such evidence of use has been filed and accepted, the Grantor acknowledges that such interest in such trademark or service mark applications will become part of the Collateral. The Agent agrees that, at the Grantor's reasonable request and expense, it will provide such Grantor confirmation that the assets described in this paragraph are in fact excluded from the Collateral during such limited period only upon receipt of an Officer's Certificate and an Opinion of Counsel to that effect.

3. The Grantor covenants and warrants that:

(a) To the knowledge of the Grantor, on the date hereof, all material Intellectual Property owned by the Grantor is valid, subsisting and unexpired, has not been abandoned and does not, to the knowledge of the Grantor, infringe the intellectual property rights of any other Person;

(b) The Grantor is the owner of each item of Intellectual Property listed on Schedule A, free and clear of any and all Liens or claims of others except for the Permitted Liens. The Grantor has not filed or consented to the filing of any financing statement or other public notice with respect to all or any part of the Collateral in any public office, except as contemplated by the Security Agreement or as permitted by the Credit Agreement;

4. The Grantor agrees that, until all of the Secured Obligations shall have been indefeasibly satisfied in full, it will not enter into any agreement (for example, a license agreement) which is inconsistent with Grantor's obligations under this Agreement, without the Agent's prior written consent which shall not be unreasonably withheld or delayed, except Grantor may license Intellectual Property in the ordinary course of business without the Agent's consent to suppliers, agents, independent contractors and customers to facilitate the manufacture and use of such Grantor's products or services; and may otherwise take those actions permitted by the Credit Agreement.

5. All of the Agent's rights and remedies with respect to the Intellectual Property, whether established hereby, by the Security Agreement or by the Credit Agreement or by any other agreements or by Law, shall be cumulative and may be exercised singularly or concurrently. In the event of any irreconcilable inconsistency in the terms of this Agreement and the Security Agreement, the Security Agreement shall control.

6. The provisions of this Agreement are severable, and if any clause or provision shall be held invalid and unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any clause or provision of this Agreement in any jurisdiction.

7. The benefits and burdens of this Agreement shall inure to the benefit of and be binding upon the respective successors and permitted assigns of the parties; provided, however, that except as permitted by the Credit Agreement, the Grantor may not assign or transfer any of its rights or obligations hereunder or any interest herein and any such purported assignment or transfer shall be null and void.

8. This Agreement and the rights and obligations of the parties under this Agreement shall be governed by, and construed and interpreted in accordance with, the Law of the State of New York.

9. The Grantor hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the Grantor at its address referred to in Section 8.02 of the Security Agreement or at such other address of which the Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

10. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

11. THE GRANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY A JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

12. All notices, requests and demands to or upon the Agent or the Grantor shall be effected in the manner provided for in Section 9.02 of the Credit Agreement.

13. In the performance of its obligations, powers and rights hereunder, the Agent shall be entitled to the rights, benefits, privileges, powers and immunities afforded to it as Administrative Agent under the Credit Agreement. The Agent shall take or refrain from taking any discretionary action or exercise any discretionary powers set forth in this Agreement in accordance with, and subject to, the Credit Agreement. Notwithstanding anything to the contrary contained herein and notwithstanding anything contained in Section 9-207 of the New York UCC, the Agent shall have no responsibility for the creation, perfection, priority, sufficiency or protection of any liens securing Secured Obligations (including, but not limited to, no obligation to prepare, record, file, re-record or re-file any financing statement, continuation statement or other instrument in any public office). The permissive rights and authorizations of the Agent hereunder shall not be construed as duties. The Agent shall be entitled to exercise its powers and duties hereunder through designees, specialists, experts or other appointees selected by it in good faith

[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, each of the undersigned has caused this Trademark Security Agreement to be duly executed and delivered as of the date first above written.

WILMINGTON TRUST, NATIONAL ASSOCIATION as Agent

By: /s/ Jeffrey Rose
Name: Jeffrey Rose
Title: Vice President

Grantor:

K. HOV IP, II, INC.

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice President Finance and Treasurer

SCHEDULE A
LIST OF UNITED STATES REGISTERED AND APPLIED FOR TRADEMARKS

Trademark	Application No. / Registration No.
55 NEVER LOOKED SO GOOD	4035326
EVERY CORNER	86722536
FROM YOUR HOME TO OURS	3682068
HOME DESIGN GALLERY	3017498
HOVNANIAN ENTERPRISES	3782845
HOVNANIAN ENTERPRISES, INC. and Design	3786278
IF YOU'RE NOT 55, YOU'LL WISH YOU WERE	3564614
K HOVNANIAN HOMES and Design	3493815
K. HOVNANIAN	3579682
KHOV	2710008
KHOV.COM	2544720
LET'S BUILD IT TOGETHER	2965030
LIFE. STYLE. CHOICES.	2725754
LIVE COASTAL	86823726
M&M MATZEL & MUMFORD Design	3485602
MATZEL & MUMFORD	3071666
NATURE TECHNOLOGY EFFICIENCY and Design	4152642
NATURE TECHNOLOGY EFFICIENCY and Design	4204392
NATURE TECHNOLOGY EFFICIENCY	4116384
NATURE TECHNOLOGY EFFICIENCY	4116385
THE FIRST NAME IN LASTING VALUE	1418620
THE NAME BEHIND THE DREAM	3832465
WONDER HOMES	2671912
STYLESUITE	4126920
Design	2040802
BRIGHTON HOMES	2412033
BRIGHTON HOMES	2395356

Exhibit 10(u)

Execution Version

AMENDED AND RESTATED
SECOND LIEN SECURITY AGREEMENT

made by

K. HOVNANIAN ENTERPRISES, INC.,
HOVNANIAN ENTERPRISES, INC.

and certain of their respective Subsidiaries

in favor of

WILMINGTON TRUST, NATIONAL ASSOCIATION

as Collateral Agent

Dated as of September 8, 2016

TABLE OF CONTENTS

AMENDED AND RESTATED SECOND LIEN SECURITY AGREEMENT

THIS AMENDED AND RESTATED SECOND LIEN SECURITY AGREEMENT (this "**Agreement**"), dated as of September 8, 2016, is made by K. Hovnanian Enterprises, Inc., a California corporation (the "**Issuer**"), Hovnanian Enterprises, Inc., a Delaware corporation ("**Hovnanian**"), and each of the signatories listed on Schedule A hereto (the Issuer, Hovnanian and such signatories, together with any other entity that may become a party hereto as provided herein, the "**Grantors**"), in favor of Wilmington Trust, National Association, as Joint Collateral Agent (as defined below) (in such capacity, the "**Collateral Agent**") for the benefit of itself, the Trustees (as defined below), the Notes Collateral Agents (as defined below) and the Noteholders (as defined below).

W I T N E S S E T H:

WHEREAS, the Issuer, Hovnanian and each of the other guarantors party thereto entered into the Indenture dated as of October 2, 2012 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "**9.125% Indenture**") with Wilmington Trust, National Association, as trustee (in such capacity, the "**9.125% Trustee**") and as collateral agent (in such capacity, the "**9.125% Collateral Agent**"), pursuant to which the Issuer has issued, and may from time to time issue, 9.125% Senior Secured Second Lien Notes due 2020 (collectively, the "**9.125% Notes**") upon the terms and subject to the conditions set forth therein;

WHEREAS, in connection with the 9.125% Indenture, the Grantors entered into the Second Lien Security Agreement, dated as of October 2, 2012 (as heretofore amended, supplemented, amended and restated or otherwise modified from time to time, the "**Existing Security Agreement**"), in favor of the 9.125% Collateral Agent, for the benefit of itself, the 9.125% Trustee and the 9.125% Noteholders (as defined below);

WHEREAS, the Issuer, Hovnanian and each of the other Guarantors party thereto have entered into the Indenture dated as of September 8, 2016 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "**10.000% Indenture**" and together with the 9.125% Indenture, the "**Indentures**") with Wilmington Trust, National Association, as trustee (in such capacity, the "**10.000% Trustee**" and together with the 9.125% Trustee, the "**Trustees**") and collateral agent (in such capacity, the "**10.000% Collateral Agent**" and together with the 9.125% Collateral Agent, the "**Notes Collateral Agents**"), pursuant to which the Issuer has issued, and may from time to time issue, its 10.000% Senior Secured Second Lien Notes due 2018 (collectively, the "**10.000% Notes**" and together with the 9.125% Notes, the "**Secured Notes**") upon the terms and subject to the conditions set forth therein;

WHEREAS, in connection with the 10.000% Indenture, the Issuer, Hovnanian, each of the other Grantors, the 9.125% Collateral Agent and the 10.000% Collateral Agent have entered into the Second Lien Collateral Agency Agreement, dated as of September 8, 2016 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "**Second Lien Collateral Agency Agreement**"), pursuant to which the Issuer and the 10.000% Collateral Agent appointed the 9.125% Collateral Agent to act as collateral agent on behalf of the 10.000% Secured Parties, in addition to acting as collateral agent on behalf of the 9.125% Secured Parties, pursuant to this Agreement and the other Security Documents (the 9.125% Collateral Agent, in such capacity as collateral agent for the Secured Parties, the "**Joint Collateral Agent**") and the 9.125% Collateral Agent accepted such appointment;

WHEREAS, the Issuer, Hovnanian and each of the other Guarantors party thereto have entered into the Credit Agreement, dated as of July 29, 2016, as amended, supplemented, amended and restated or otherwise modified from time to time, with Wilmington Trust, National Association, in its capacity as administrative agent acting as collateral agent (in such capacity, the "**Senior Credit Agreement Administrative Agent**") and the lenders party thereto;

WHEREAS, the Issuer, Hovnanian and each of the other Guarantors party thereto entered into the Indenture, dated as of October 2, 2012, with Wilmington Trust, National Association, as trustee (in such capacity, the "**Senior Notes Trustee**") and as collateral agent (in such capacity, the "**Senior Notes Collateral Agent**"), pursuant to which the Issuer has issued, and may from time to time issue, its 7.25% Senior Secured First Lien Notes due 2020 upon the terms and subject to the conditions set forth therein;

WHEREAS, the Issuer, Hovnanian, the Grantors party thereto, the Senior Notes Trustee, the Senior Notes Collateral Agent, the Senior Credit Agreement Administrative Agent, the 9.125% Trustee, the 9.125% Collateral Agent, the 10.000% Trustee, the 10.000% Collateral Agent, the Joint Collateral Agent and the Mortgage Tax Collateral Agent have entered into the Amended and Restated Intercreditor Agreement dated as of September 8, 2016 (as amended, supplemented, amended or restated or otherwise modified from time to time, the "**Intercreditor Agreement**");

WHEREAS, the Secured Notes constitute Second-Lien Indebtedness under the Intercreditor Agreement;

WHEREAS, the Issuer is a member of an affiliated group of companies that includes Hovnanian, the Issuer's parent company, and each other Grantor;

WHEREAS, the Issuer and the other Grantors are engaged in related businesses, and each Grantor will derive substantial direct and indirect benefit from the Secured Notes; and

NOW, THEREFORE, intending to be legally bound hereby, the parties hereto hereby agree to amend and restate the Existing Security Agreement in its entirety as follows:

ARTICLE 1
DEFINED TERMS

Section 1.01. *Definitions.* (a) Definitions set forth above are incorporated herein and unless otherwise defined herein, terms defined in the Indentures and used herein shall have the meanings respectively given to them in the Indentures or, if not defined herein or therein, in the Intercreditor Agreement, and the following terms are used herein as defined in the New York UCC: Accounts, Chattel Paper, Commercial Tort Claims, Deposit Account, Documents, Equipment, Electronic Chattel Paper, Farm Products, Fixtures, General Intangibles, Goods, Payment Intangibles, Instruments, Inventory, Investment Property, Letter of Credit Rights, Payment Intangibles, Securities Accounts, Software and Supporting Obligations.

(b) The following terms shall have the following meanings:

"**9.125% Noteholder**": "Holder" or "Holder of Notes" as defined in the 9.125% Indenture.

"**9.125% Secured Obligations**": all Indebtedness and other Obligations under, and as defined in, the 9.125% Indenture, the 9.125% Notes, the Guarantees (as defined in the 9.125% Indenture) and the related Noteholder Collateral Documents, together with any extensions, renewals, replacements or refundings thereof and all costs and expenses of enforcement and collection, including reasonable attorney's fees, expenses and disbursements.

"**9.125% Secured Parties**": the collective reference to the Collateral Agent, the 9.125% Trustee, the 9.125% Collateral Agent and the 9.125% Noteholders, in each case to which Secured Obligations are owed.

"**10.000% Noteholder**": "Holder" or "Holder of Notes" as defined in the 10.000% Indenture.

"**10.000% Secured Obligations**": all Indebtedness and other Obligations under, and as defined in, the 10.000% Indenture, the 10.000% Notes, the Guarantees (as defined in the 10.000% Indenture) and the related Noteholder Collateral Documents, together with any extensions, renewals, replacements or refundings thereof and all costs and expenses of enforcement and collection, including reasonable attorney's fees, expenses and disbursements.

"**10.000% Secured Parties**": the collective reference to the Collateral Agent, the 10.000% Trustee, the 10.000% Collateral Agent and the 10.000% Noteholders, in each case to which Secured Obligations are owed.

"**Additional Pari Passu Liens**": any liens on the Collateral which secure Additional Secured Obligations on an equal and ratable basis with the Secured Obligations, provided that such liens are permitted by the Indentures.

"**Additional Pari Passu Collateral Agent**": the Collateral Agent or other representative with respect to any Additional Secured Obligations in favor of which any Additional Pari Passu Liens are granted.

"**Additional Secured Obligations**": any obligations arising pursuant to any Indebtedness permitted to be secured on a pari passu basis with the Secured Notes pursuant to the Indentures (including for the avoidance of doubt any guarantees with respect thereto).

"**Agreement**": this Amended and Restated Second Lien Security Agreement, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"**Cash Equivalents**": (i) cash, marketable direct obligations of the United States of America or any agency thereof, and certificates of deposit, demand deposits, time deposits, or repurchase agreements issued by any bank with a capital and surplus of at least $25,000,000 organized under the laws of the United States of America or any state thereof, state or municipal securities with a rating of A-1 or better by Standard & Poor's or by Moody's or F-1 by Fitch, provided that such obligations, certificates of deposit, demand deposits, time deposits, and repurchase agreements have a maturity of less than one year from the date of purchase, and (ii) investment grade commercial paper or debt or commercial paper issued by any bank with a capital and surplus of at least $25,000,000 organized under the laws of the United States of America or any state thereof having a maturity date of one year or less from the date of purchase, and (iii) funds holding assets primarily consisting of those described in clauses (i) and (ii).

"**Collateral**": as defined in Article 2.

"**Collateral Agency Agreement**": an intercreditor or collateral agency agreement entered into between the Additional Pari Passu Collateral Agent(s) and the Collateral Agent on terms reasonably satisfactory to the Collateral Agent, the Issuer and Hovnanian, setting forth the respective rights of the Secured Parties and the Additional Pari Passu Collateral Agent(s) and the holders of Additional Secured Obligations with respect to the Collateral and in a form substantially similar to the Second Lien Collateral Agency Agreement.

"**Contracts**": any contracts and agreements for the purchase, acquisition or sale of real or personal property or the receipt or performance of services, any contract rights relating thereto, and all other rights to such contract or agreements and any right to payment for or to receive moneys due or to become due for items sold or leased or for services rendered, together with all rights of any Grantor to damages arising thereunder or to perform and to exercise all remedies thereunder.

"**Copyright Licenses**": any written agreement naming any Grantor as licensor or licensee, granting any right under any Copyright, including, without limitation, the grant of rights to distribute, exploit and sell materials derived from any Copyright.

"**Copyrights**": (i) all copyrights arising under the laws of the United States, any other country or any political subdivision thereof, whether registered or unregistered and whether published or unpublished, all registrations and recordings thereof, and all applications in connection therewith, including, without limitation, all registrations, recordings and applications in the United States Copyright Office, and (ii) the right to obtain all renewals thereof.

"**Deposit Accounts**": the collective reference to each Deposit Account (as such term is defined in Section 1.01(a) hereof) in the name of the applicable Grantor, together with any one or more securities accounts into which any monies on deposit in any such Deposit Account may be swept or otherwise transferred now or hereafter and from time to time, and any additional, substitute or successor Deposit Account.

"**Discharge of Senior Claims**": has the meaning set forth in the Intercreditor Agreement.

"**Event of Default**" shall mean an "Event of Default" as defined in either the 9.125% Indenture or the 10.000% Indenture.

"**Excluded Accounts**" shall mean at any time those deposit, checking or securities accounts of any of the Grantors (i) that individually have an average monthly balance (over the most recent ended 3-month period) less than $250,000 and which together do not have an average monthly balance (for such 3-month period) in excess of $2,000,000 in the aggregate, (ii) all escrow accounts (in which funds are held for or of others by virtue of customary real estate practice or contractual or legal requirements), (iii) the account holding amounts dedicated to the "Marie Fund" established by the Grantors for the benefit of their employees (so long as the Grantors' deposits therein and withdrawals therefrom are consistent with past practice) and (iv) such other accounts with respect to which Hovnanian determines that the cost of perfecting a Lien thereon is excessive in relation to the benefit thereof (as reasonably determined by Hovnanian's Board of Directors in a board resolution delivered to the Collateral Agent).

"**Guarantors**": the collective reference to each Grantor other than the Issuer.

"**Intellectual Property**": the collective reference to all rights, priorities and privileges, whether arising under United States, multinational or foreign laws, in, to and under the Copyrights, the Copyright Licenses, the Patents, the Patent Licenses, the Trademarks and the Trademark Licenses, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

"**Investment Property**": the collective reference to (i) all "investment property" as such term is defined in Section 9-102(a)(49) of the New York UCC, and (ii) whether or not constituting "investment property" as so defined, all Pledged Notes.

"**Law**": any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, opinion, release, ruling, order, injunction, writ, decree, bond, judgment, authorization or approval, lien or award of or settlement agreement with any Official Body.

"**New York UCC**": the Uniform Commercial Code as from time to time in effect in the State of New York.

"**Noteholders**": the collective reference to the 9.125% Noteholders and the 10.000% Noteholders.

"**Noteholder Collateral Document**": any agreement, document or instrument pursuant to which a Lien is granted by the Issuer or any Guarantor to secure any Secured Obligations or under which rights or remedies with respect to any such Liens are governed, as the same may be amended, restated or otherwise modified from time to time.

"**Noteholder Documents**": collectively, (a) the Indentures, the Secured Notes and the Noteholder Collateral Documents and (b) any other related document or instrument executed and delivered pursuant to any Noteholder Document described in clause (a) above evidencing or governing any Secured Obligations as the same may be amended, restated or otherwise modified from time to time.

"**Official Body**": any national, federal, state, local or other governmental or political subdivision or any agency, authority, board, bureau, central bank, commission, department or instrumentality of either, or any court, tribunal, grand jury or arbitrator, in each case whether foreign or domestic.

"**Patent License**": all written agreements providing for the grant by or to any Grantor of any right to manufacture, use or sell any invention covered in whole or in part by a Patent.

"**Patents**": (i) all letters patent of the United States, any other country or any political subdivision thereof, all reissues and extensions thereof, (ii) all applications for letters patent of the United States or any other country and all divisions, continuations and continuations-in-part thereof, and (iii) all rights to obtain any reissues or extensions of the foregoing.

"**Perfection Agent**": (i) prior to the Discharge of Senior Claims, the Controlling Senior Collateral Agent (including, with respect to any Collateral delivered to or held by the Perfection Agent, in its capacity as bailee for the Collateral Agent, the Trustees, the Notes Collateral Agents and the Noteholders under Section 5.5 of the Intercreditor Agreement) and (ii) thereafter, the Collateral Agent.

"**Perfection Certificate**": with respect to any Grantor, a certificate substantially in the form of Exhibit C, completed and supplemented with the schedules contemplated thereby, and signed by an officer of such Grantor.

"**Pledged Notes**": all promissory notes issued to or held by any Grantor.

"**Proceeds**": all "proceeds" as such term is defined in Section 9-102(a)(64) of the New York UCC and, in any event, shall include, without limitation, all dividends or other income from the Investment Property, collections thereon or distributions or payments with respect thereto.

"**Receivable**": any right to payment for real or personal property sold or leased or for services rendered, whether or not such right is evidenced by a Contract, an Instrument or Chattel Paper and whether or not it has been earned by performance (including, without limitation, any Account).

"**Secured Obligations**": the collective reference to the 9.125% Secured Obligations and the 10.000% Secured Obligations.

"**Secured Parties**": the collective reference to the 9.125% Secured Parties and the 10.000% Secured Parties.

"**Securities Accounts**": the collective reference to the securities accounts in the name of the applicable Grantor and any additional, substitute or successor account.

"**Trademark License**": any written agreement providing for the grant by or to any Grantor of any right to use any Trademark.

"**Trademarks**": (i) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos and other source or business identifiers, and all goodwill associated therewith, now owned or hereafter acquired, all registrations and recordings thereof, and all applications in connection therewith, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, and all common-law rights related thereto, and (ii) the right to obtain all renewals thereof.

"**Vehicles**": all cars, trucks, trailers, construction and earth moving equipment and other vehicles covered by a certificate of title law of any state and all tires and other appurtenances to any of the foregoing.

Section 1.02. *Other Definitional Provisions.*

(a) The words "hereof," "herein", "hereto" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section and Schedule references are to this Agreement unless otherwise specified.

(b) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

(c) Where the context requires, terms relating to the Collateral or any part thereof, when used in relation to a Grantor, shall refer to such Grantor's Collateral or the relevant part thereof.

ARTICLE 2
GRANT OF SECURITY INTEREST

Each Grantor hereby grants to the Collateral Agent, for the ratable benefit of the Secured Parties, a security interest in, all of the following property now owned or at any time hereafter acquired by such Grantor or in which such Grantor now has or at any time in the future may acquire any right, title or interest (collectively, the "**Collateral**"), as collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Secured Obligations:

(a) all Accounts;

(b) all Chattel Paper (including, Electronic Chattel Paper);

(c) all Commercial Tort Claims (including those claims listed on Schedule B hereto, in which the claim amount individually exceeds $2,000,000, as such schedule is amended or supplemented from time to time);

(d) all Contracts;

(e) all Securities Accounts;

(f) all Deposit Accounts;

(g) all Documents (other than title documents with respect to vehicles);

(h) all Equipment;

(i) all Fixtures;

(j) all General Intangibles;

(k) all Goods;

(l) all Instruments;

(m) all Intellectual Property;

(n) all Inventory;

(o) all Investment Property;

(p) all letters of credit;

(q) all Letter of Credit Rights;

(r) all Payment Intangibles;

(s) all Vehicles and title documents with respect to Vehicles;

(t) all Receivables;

(u) all Software;

(v) all Supporting Obligations;

(w) to the extent, if any, not included in clauses (a) through (v) above, each and every other item of personal property whether now existing or hereafter arising or acquired;

(x) all books and records pertaining to any of the Collateral; and

(y) to the extent not otherwise included, all Proceeds, Supporting Obligations and products of any and all of the foregoing and all collateral security and guarantees given by any Person with respect to any of the foregoing;

provided, *however*, that notwithstanding any of the other provisions set forth in this Article 2 (and notwithstanding any recording of the Collateral Agent's Lien in the U.S. Patent and Trademark Office or other registry office in any jurisdiction), this Agreement shall not constitute a grant of a security interest in, and the Collateral shall not include, (i) any property or assets constituting "Excluded Property" (as defined in the Indentures) or (ii) any property to the extent that such grant of a security interest is prohibited by any applicable Law of an Official Body, requires a consent not obtained of any Official Body pursuant to such Law or is prohibited by, or constitutes a breach or default under or results in the termination of or gives rise to any right of acceleration, modification or cancellation or requires any consent not obtained under, any contract, license, agreement, instrument or other document evidencing or giving rise to such property or, in the case of any Investment Property, or Pledged Note, any applicable shareholder or similar agreement, except to the extent that such Law or the term in such contract, license, agreement, instrument or other document or shareholder or similar agreement providing for such prohibition, breach, default or termination or requiring such consent is ineffective under applicable Law including Sections 9-406, 9-407, 9-408 or 9-409 of the New York UCC (or any successor provision or provisions); *provided*, *further*, that no security interest shall be granted in United States "intent-to-use" trademark or service mark applications unless and until acceptable evidence of use of the trademark or service mark has been filed with and accepted by the U.S. Patent and Trademark Office pursuant to Section 1(c) or Section 1(d) of the Lanham Act (U.S.C. 1051, et. seq.), and to the extent that, and solely during the period in which, the grant of a security interest therein would impair the validity or enforceability of such intent-to-use trademark or service mark applications under applicable federal Law. After such period and after such evidence of use has been filed and accepted, each Grantor acknowledges that such interest in such trademark or service mark applications will become part of the Collateral. The Collateral Agent agrees that, at any Grantor's reasonable request and expense, it will provide such Grantor confirmation that the assets described in this paragraph are in fact excluded from the Collateral during such limited period only upon receipt of an Officers' Certificate or an Opinion of Counsel to that effect. Notwithstanding the foregoing, in the event that Rule 3-16 of Regulation S-X under the Securities Act requires (or is replaced with another rule or regulation, or any other law, rule or regulation is adopted, which would require) the filing with the SEC of separate financial statements of the Issuer, any Guarantor or of K. Hovnanian JV Holdings, L.L.C., then the capital stock or other securities of the Issuer, such Guarantor or of K. Hovnanian JV Holdings, L.L.C., as applicable, shall automatically be deemed released and not to be and not to have been part of the Collateral but only to the extent necessary to not be subject to such requirement. In such event, this Agreement may be amended or modified, without the consent of any Noteholder, upon the Collateral Agent's receipt of an Officers' Certificate from the Issuer stating that such amendment is permitted hereunder and that all conditions precedent to such amendment have been complied with, which the Collateral Agent shall be entitled to conclusively rely upon, to the extent necessary to evidence the release of the lien created hereby on the shares of capital stock or other securities that are so deemed to no longer constitute part of the Collateral.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES

To induce the Noteholders to purchase the Secured Notes and to enter into this Agreement, each Grantor hereby represents and warrants to the Collateral Agent and each other Secured Party that:

Section 3.01. *Title; No Other Liens.* Except for the security interest granted to the Collateral Agent for the ratable benefit of the Secured Parties pursuant to this Agreement, such Grantor owns each item of the Collateral free and clear of any and all Liens or claims of others except for the Permitted Liens. None of the Grantors has filed or consented to the filing of any financing statement or other public notice with respect to all or any part of the Collateral in any public office, except with respect to Liens pursuant to the Existing Security Agreement and Permitted Liens.

Section 3.02. *Perfected Liens.* The security interests granted pursuant to this Agreement (a) constitute valid perfected (to the extent such security interest can be perfected by such filings or actions set forth on Schedule C) security interests in all of the Collateral in favor of the Collateral Agent, for the ratable benefit of the Secured Parties, as collateral security for the Secured Obligations, enforceable in accordance with the terms hereof against all creditors of such Grantor and any Persons purporting to purchase any Collateral from such Grantor and (b) are prior to all other Liens on the Collateral in existence on the date hereof except for Permitted Liens.

Section 3.03. *Jurisdiction of Organization; Chief Executive Office.* On the date hereof, such Grantor's exact legal name, jurisdiction of organization, identification number from the jurisdiction of organization (if any), and the location of such Grantor's chief executive office or sole place of business or principal residence, as the case may be, are specified in the Perfection Certificate.

Section 3.04. *Farm Products.* None of the Collateral constitutes, or is the Proceeds of, Farm Products.

Section 3.05. *Investment Property.* Such Grantor is the record and beneficial owner of, and has good title to, the Investment Property pledged by it hereunder, free of any and all Liens or options in favor of, or claims of, any other Person, except the Permitted Liens.

Section 3.06. *Receivables.* No amount payable in excess of $2,000,000 in the aggregate to all Grantors under or in connection with any Receivables is evidenced by any Instrument or Chattel Paper which has not been delivered to the Perfection Agent.

Section 3.07. *Perfection Certificate*. The Perfection Certificate has been duly prepared, completed and executed and the information set forth therein, including the exact legal name and jurisdiction of organization of each Grantor, is correct and complete in all material respects as of September 8, 2016.

ARTICLE 4
COVENANTS

Each Grantor covenants and agrees with the Collateral Agent and the other Secured Parties that, from and after the date of this Agreement until the payment in full of all outstanding Secured Obligations:

Section 4.01. *Maintenance of Perfected Security Interest; Further Documentation.* (a) Such Grantor shall maintain the security interest created by this Agreement as a perfected security interest to the extent required by this Agreement having at least the priority described in Section 3.02 and shall defend such security interest against the claims and demands of all Persons whomsoever other than any holder of Permitted Liens.

(b) At any time and from time to time, and at the sole expense of such Grantor, such Grantor will promptly and duly execute and deliver, and have recorded, such further instruments and documents and take such further actions as shall be required by applicable law for the purpose of obtaining, perfecting or preserving the security interests purported to be granted under this Agreement and of the rights and remedies herein granted, including, without limitation, (i) filing any financing or continuation statements under the Uniform Commercial Code (or other similar laws) in effect in any jurisdiction with respect to the security interests created hereby and (ii) subject to Section 4.18(d) of the Indentures, in the case of the Deposit Accounts, Investment Property, Letter of Credit Rights and the Securities Accounts and any other relevant Collateral, taking any actions necessary to enable the Perfection Agent to obtain "control" (within the meaning of the applicable Uniform Commercial Code) with respect thereto, provided that the Grantor shall not be required to take any of the actions set forth in this clause (ii) with respect to Excluded Accounts.

(c) If any Grantor shall at any time acquire a Commercial Tort Claim, in which the claim amount individually exceeds $2,000,000, such Grantor shall promptly notify the Collateral Agent in a writing signed by such Grantor of the details thereof and grant to the Collateral Agent for the benefit of the Secured Parties in such writing a security interest therein and in the Proceeds thereof, with such writing to be in form and substance required by applicable law and such writing shall constitute a supplement to Schedule B hereto.

Section 4.02. *Changes In Name, Etc.* Such Grantor will, within thirty (30) calendar days after any change its jurisdiction of organization or change its name, provide written notice thereof to the Collateral Agent.

Section 4.03. *Delivery of Instruments, Certificated Securities and Chattel Paper.* If any amount in excess of $2,000,000 in the aggregate payable under or in connection with any of the Collateral shall be or become evidenced by any Instrument, certificated security or Chattel Paper, such Instrument, certificated security or Chattel Paper shall be promptly delivered to the Perfection Agent, duly indorsed, to be held as Collateral pursuant to this Agreement in a manner reasonably satisfactory to the Perfection Agent.

Section 4.04. *Intellectual Property.* (a) Whenever such Grantor, either by itself or through any agent, employee, licensee or designee, shall file an application for the registration of any Intellectual Property with the United States Patent and Trademark Office, the United States Copyright Office or any similar office or any political subdivision thereof, such Grantor shall report such filing to the Collateral Agent on or before the date upon which Hovnanian is required to file reports with the Trustee pursuant to Section 4.15 of the Indentures for the fiscal quarter in which such filing occurs. Such Grantor shall execute and deliver, and have recorded, any and all agreements, instruments, documents, and papers as may be necessary to create and perfect the Collateral Agent's and the other Secured Parties' security interest in any registered or applied for Copyright, Patent or Trademark and the goodwill and General Intangibles of such Grantor relating thereto or represented thereby. Nothing in this Agreement prevents any Grantor from discontinuing the use or maintenance of its Intellectual Property if such Grantor determines in its reasonable business judgment that such discontinuance is desirable in the conduct of its business.

(b) Such Grantor's obligations under Section 4.04(a) above shall include executing and delivering, and having recorded, with respect to such Collateral, an agreement substantially in the form of the Trademark / Patent / Copyright Security Agreement attached hereto as Exhibit A.

ARTICLE 5
Investing Amounts in the Securities Accounts

Section 5.01. *Investments.* If requested by the Issuer in writing, the Perfection Agent will, from time to time, invest amounts on deposit in the Deposit Accounts or Securities Accounts in which the Collateral Agent for the benefit of the Secured Parties holds a perfected security interest, subject only to the Liens of the Senior Claims and Permitted Liens, in Cash Equivalents pursuant to the written instructions of the Issuer. All investments may, at the option of the Perfection Agent, be made in the name of the Perfection Agent or a nominee of the Perfection Agent and in a manner that preserves the Issuer's ownership of, and the Collateral Agent's perfected Lien on, such investments, subject only to the Liens of the Senior Claims and Permitted Liens. Subject to the Intercreditor Agreement and the Second Lien Collateral Agency Agreement, all income received from such investments shall accrue for the benefit of the Issuer and shall be credited (promptly upon receipt by the Perfection Agent) to a Deposit Account or Securities Account, in which the Collateral Agent for the benefit of the Secured Parties holds a perfected security interest, subject only to the Liens of the Senior Claims and Permitted Liens. The Issuer will only direct the Collateral Agent to make investments in which the Collateral Agent can obtain a perfected security interest, subject only to the Liens of the Senior Claims and Permitted Liens, and the Issuer hereby agrees to execute promptly any documents which may be required to implement or effectuate the provisions of this Section.

Section 5.02. *Liability.* The Collateral Agent shall have no responsibility to the Issuer for any loss or liability arising in respect of the investments in the Deposit Accounts or Securities Accounts in which the Collateral Agent for the benefit of the Secured Parties holds a perfected security interest, subject only to the Liens of the Senior Claims and Permitted Liens (including, without limitation, as a result of the liquidation of any thereof before maturity), except to the extent that such loss or liability is found to be based on the Collateral Agent's gross negligence or willful misconduct as determined by a final and nonappealable decision of a court of competent jurisdiction.

ARTICLE 6
REMEDIAL PROVISIONS

Section 6.01. *Certain Matters Relating to Receivables.*

(a) At any time during the continuance of an Event of Default subject to the Intercreditor Agreement and the Second Lien Collateral Agency Agreement, the Collateral Agent shall have the right to make test verifications of the Receivables in any manner and through any medium that it reasonably considers advisable, and each Grantor shall furnish all such assistance and information as the Collateral Agent may require in connection with such test verifications. The Collateral Agent shall endeavor to provide the Issuer with notice at or about the time of such verifications, *provided* that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of such remedy or the Collateral Agent's rights hereunder.

(b) Each Grantor is authorized to collect such Grantor's Receivables and, subject to the Intercreditor Agreement and the Second Lien Collateral Agency Agreement, the Collateral Agent may curtail or terminate said authority at any time after the occurrence and during the continuance of an Event of Default. The Collateral Agent shall endeavor to provide the Issuer with notice at or about the time of the exercise of its rights pursuant to the preceding sentence, provided that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of any rights or remedies hereunder. Subject to the Intercreditor Agreement and the Second Lien Collateral Agency Agreement, if requested in writing by the Collateral Agent at any time after the occurrence and during the continuance of an Event of Default, any payments of Receivables, when collected by any Grantor, (i) shall be forthwith (and, in any event, within two Business Days) deposited by such Grantor in the exact form received, duly indorsed by such Grantor to the Perfection Agent if required, in a collateral account maintained under the sole dominion and control of the Perfection Agent, subject to withdrawal by the Perfection Agent to be applied (x) prior to the Discharge of Senior Claims, in accordance with the Intercreditor Agreement and (y) thereafter pursuant to Section 6.04 below, and (ii) until so turned over, shall be held by such Grantor in trust for the Perfection Agent and the Secured Parties, segregated from other funds of such Grantor.

(c) Subject to the Intercreditor Agreement and the Second Lien Collateral Agency Agreement, at the Collateral Agent's written request at any time after the occurrence and during the continuance of an Event of Default, each Grantor shall deliver to the Perfection Agent all original and other documents evidencing, and relating to, the agreements and transactions which gave rise to the Receivables, including without limitation, all original orders, invoices and shipping receipts.

Section 6.02. *Communications with Obligors: Grantors Remain Liable.*

(a) Subject to the Intercreditor Agreement and the Second Lien Collateral Agency Agreement, the Collateral Agent in its own name or in the name of others may after the occurrence and during the continuance of an Event of Default communicate with obligors under the Receivables and parties to the Contracts to verify with them to the Collateral Agent's satisfaction the existence, amount and terms of any Receivables or Contracts. The Collateral Agent shall endeavor to provide the Issuer with notice at or about the time of the exercise of its rights pursuant to the preceding sentence, *provided* that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of any rights or remedies hereunder.

(b) Subject to the Intercreditor Agreement and the Second Lien Collateral Agency Agreement, upon the written request of the Collateral Agent at any time after the occurrence and during the continuance of an Event of Default, each Grantor shall notify obligors on the Receivables and parties to the Contracts that the Receivables and the Contracts, as the case may be, have been assigned to the Collateral Agent for the ratable benefit of the Secured Parties and that payments in respect thereof shall be made directly to the Collateral Agent.

(c) Anything herein to the contrary notwithstanding, each Grantor shall remain liable under each of the Receivables and Contracts to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise thereto. Neither the Collateral Agent nor any Secured Party shall have any obligation or liability under any Receivable (or any agreement giving rise thereto) or Contract by reason of or arising out of this Agreement or the receipt by the Collateral Agent or any Secured Party of any payment relating thereto, nor shall the Collateral Agent or any Secured Party be obligated in any manner to perform any of the obligations of any Grantor under or pursuant to any Receivable (or any agreement giving rise thereto) or Contract, to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party thereunder, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

Section 6.03. *Proceeds to Be Turned Over to Collateral Agent.* In addition to the rights of the Collateral Agent and the Secured Parties specified in Section 6.01 with respect to payments of Receivables, and subject to the Intercreditor Agreement and the Second Lien Collateral Agency Agreement, if an Event of Default shall occur and be continuing, upon written request from the Collateral Agent, all Proceeds received by any Grantor consisting of cash, checks and other near-cash items shall be held by such Grantor in trust for the Perfection Agent and the Secured Parties, segregated from other funds of such Grantor, and shall, forthwith upon receipt by such Grantor, be turned over to the Perfection Agent in the exact form received by such Grantor (duly indorsed by such Grantor to the Perfection Agent, if requested). All Proceeds received by the Perfection Agent hereunder shall be held by the Perfection Agent in a collateral account maintained under its sole dominion and control. All such Proceeds while held by the Perfection Agent in a collateral account (or by such Grantor in trust for the Collateral Agent and the Secured Parties) shall continue to be held as collateral security for all the Secured Obligations and shall not constitute payment thereof until applied as provided in Section 6.04.

Section 6.04. *Application of Proceeds*. If an Event of Default shall have occurred and be continuing, at any time at the Collateral Agent's election, subject to the Intercreditor Agreement and the Second Lien Collateral Agency Agreement, the Collateral Agency Agreement and any other intercreditor or collateral agency agreement entered into in connection with Indebtedness permitted under the Indentures, the Collateral Agent may apply all or any part of the Collateral, whether or not held in the Deposit Accounts, the Securities Accounts or any other collateral account, in payment of the Secured Obligations in the order set forth in the Second Lien Collateral Agency Agreement.

Section 6.05. *Code and Other Remedies.* Subject to the Intercreditor Agreement and the Second Lien Collateral Agency Agreement, if an Event of Default shall occur and be continuing, the Collateral Agent, on behalf of the Secured Parties, may exercise, in addition to all other rights and remedies granted to them in this Agreement and in any other instrument or agreement securing, evidencing or relating to the Secured Obligations, all rights and remedies of a secured party under the New York UCC or any other applicable law. Without limiting the generality of the foregoing, the Collateral Agent, without prior demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any prior notice required by law referred to below) to or upon any Grantor or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances, subject to the Intercreditor Agreement and the Second Lien Collateral Agency Agreement, forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give option or options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of the Collateral Agent or any Secured Party or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The Collateral Agent shall endeavor to provide the Issuer with notice at or about the time of the exercise of remedies in the proceeding sentence, *provided* that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of such remedies or the Collateral Agent's rights hereunder. The Collateral Agent or any Secured Party shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in any Grantor, which right or equity is hereby waived and released. Each Grantor further agrees, at the Collateral Agent's request, to assemble the Collateral and make it available to the Collateral Agent at places which the Collateral Agent shall reasonably select, whether at such Grantor's premises or elsewhere. Subject to the Intercreditor Agreement and the Second Lien Collateral Agency Agreement, the Collateral Agent shall apply the proceeds of any action taken by it pursuant to this Section 6.05 against the Secured Obligations, whether or not then due and payable, as provided in the Second Lien Collateral Agency Agreement, and only after such application and after the payment by the Collateral Agent of any other amount required by any provision of law, including, without limitation, Section 9-615(a)(3) of the New York UCC, need the Collateral Agent account for the surplus, if any, to any Grantor. To the extent permitted by applicable law, each Grantor waives all claims, damages and demands it may acquire against the Collateral Agent or any Secured Party arising out of the exercise by them of any rights hereunder. If any prior notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least 10 days before such sale or other disposition.

The Collateral Agent shall incur no liability as a result of the sale of the Collateral, or any part thereof, at any private sale pursuant to this Article 6 conducted in accordance with the requirements of applicable laws. Each Grantor hereby waives any claims against the Collateral Agent and the other Secured Parties arising by reason of the fact that the price at which the Collateral may have been sold at such a private sale was less than the price that might have been obtained at a public sale or was less than the aggregate amount of the Secured Obligations, even if the Collateral Agent accepts the first offer received and does not offer the Collateral to more than one offeree, provided that such private sale is conducted in accordance with applicable laws and this Agreement. Each Grantor hereby agrees that in respect of any sale of any of the Collateral pursuant to the terms hereof, the Collateral Agent is hereby authorized to comply with any limitation or restriction in connection with such sale as it may be advised by counsel is necessary in order to avoid any violation of applicable laws, or in order to obtain any required approval of the sale or of the purchaser by any governmental authority or official, nor shall the Collateral Agent be liable or accountable to any Grantor for any discount allowed by reason of the fact that such Collateral is sold in compliance with any such limitation or restriction.

Section 6.06. *Subordination.* Each Grantor hereby agrees that, upon the occurrence and during the continuance of an Event of Default, unless otherwise agreed by the Collateral Agent, all Indebtedness owing to it by the Issuer or any Subsidiary of the Issuer shall be fully subordinated to the indefeasible payment in full in cash of the Secured Obligations.

Section 6.07. *Deficiency.* Each Grantor shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay the Secured Obligations and the fees, expenses and disbursements of any attorneys employed by the Collateral Agent or any Secured Party to collect such deficiency.

ARTICLE 7
The Collateral Agent

Section 7.01. *Collateral Agent's Appointment as Attorney-in-fact, Etc.* (a) Subject to the Intercreditor Agreement and the Second Lien Collateral Agency Agreement, each Grantor hereby irrevocably constitutes and appoints the Collateral Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Grantor and in the name of such Grantor or in its own name, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement, and, without limiting the generality of the foregoing, each Grantor hereby gives the Collateral Agent the power and right, on behalf of such Grantor, without prior notice to or assent by such Grantor, to do any or all of the following:

(i) following the occurrence of an Event of Default, in the name of such Grantor or its own name, or otherwise, take possession of and indorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due under any Receivable or Contract or with respect to any other Collateral and file any claim or take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Collateral Agent for the purpose of collecting any and all such moneys due under any Receivable or Contract or with respect to any other Collateral whenever payable;

(ii) in the case of any Intellectual Property, execute and deliver, and have recorded, any and all agreements, instruments, documents and papers as is necessary to evidence the Collateral Agent's and the Secured Parties' security interest in such Intellectual Property and the goodwill and General Intangibles of such Grantors relating thereto or represented thereby;

(iii) pay or discharge taxes and Liens levied or placed on or threatened against the Collateral, effect any repairs or any insurance called for by the terms of this Agreement and pay all or any part of the premiums therefor and the costs thereof;

(iv) execute, in connection with any sale provided for in Section 6.05, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral; and

(v) (A) direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due or to become due thereunder directly to the Collateral Agent or as the Collateral Agent shall direct; (B) ask or demand for, collect, and receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral; (C) sign and indorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other documents in connection with any of the Collateral; (D) commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any portion thereof and to enforce any other right in respect of any Collateral; (E) defend any suit, action or proceeding brought against such Grantor with respect to any Collateral; (F) settle, compromise or adjust any such suit, action or proceeding and, in connection therewith, give such discharges or releases as the Collateral Agent may deem appropriate; (G) assign any Copyright, Patent or Trademark (along with the goodwill of the business to which any such Copyright, Patent or Trademark pertains), through the world for such term or terms, on such conditions, in such manner, as is necessary; and (H) generally, sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Collateral Agent were the absolute owner thereof for all purposes, and do, at the Collateral Agent's option and such Grantor's expense, at any time, or from time to time, all acts and things which the Collateral Agent deems necessary to protect, preserve or realize upon the Collateral and the Collateral Agent's and the Secured Parties' security interests therein and to effect the intent of this Agreement, all as fully and effectively as such Grantor might do.

The Collateral Agent shall endeavor to provide the Issuer with notice at or about the time of the exercise of its rights in the preceding clause (a), *provided* that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of any rights or remedies hereunder.

(b) Subject to the Intercreditor Agreement and the Second Lien Collateral Agency Agreement, if any Grantor fails to perform or comply with any of its agreements contained herein, the Collateral Agent, at its option, but without any obligation so to do, may perform or comply, or otherwise cause performance or compliance, with such agreement.

(c) The expenses of the Collateral Agent incurred in connection with actions undertaken as provided in this Section 7.01, together with, if past due, interest thereon at a rate per annum equal to the interest rate on the 9.125% Notes (or, if no 9.125% Notes are outstanding at such time, the 10.000% Notes), from the date when due to the Collateral Agent to the date reimbursed by the relevant Grantor, shall be payable by such Grantor to the Collateral Agent upon not less than five (5) Business Days' notice.

(d) Each Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. All powers, authorizations and agencies contained in this Agreement are coupled with an interest and are irrevocable until this Agreement is terminated and the security interests created hereby are released.

Section 7.02. *Duty of Collateral Agent.* The Collateral Agent's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the New York UCC or otherwise, shall be to deal with it in the same manner as the Collateral Agent deals with similar property for its own account. Neither the Collateral Agent, any Secured Party nor any of their respective officers, directors, employees or agents shall be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of any Grantor or any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof. The powers conferred on the Collateral Agent and the Secured Parties hereunder are solely to protect the Collateral Agent's and the Secured Parties' interests in the Collateral and shall not impose any duty upon the Collateral Agent or any Secured Party to exercise any such powers. The Collateral Agent and the Secured Parties shall be accountable only for amounts that they actually receive as a result of the exercise of such powers, and neither they nor any of their officers, directors, employees or agents shall be responsible to any Grantor for any act or failure to act hereunder, except for their own gross negligence or willful misconduct.

Section 7.03. *Execution of Financing Statements.* Pursuant to any applicable law, each Grantor authorizes the Collateral Agent to file or record financing statements and other filing or recording documents or instruments with respect to the Collateral without the signature of such Grantor in such form and in such offices as required by applicable law to perfect the security interests of the Collateral Agent under this Agreement. Each Grantor authorizes the Collateral Agent to use the collateral description "all personal property" or "all assets" in any such financing statements.

Section 7.04. *Authority of Collateral Agent.* Each Grantor acknowledges that the rights and responsibilities of the Collateral Agent under this Agreement with respect to any action taken by the Collateral Agent or the exercise or non-exercise by the Collateral Agent of any option, voting right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Agreement shall, as between the Collateral Agent and the Secured Parties, be governed by the Indentures, the Second Lien Collateral Agency Agreement and by such other agreements with respect thereto as may exist from time to time among them, but, as between the Collateral Agent and the Grantors, the Collateral Agent shall be conclusively presumed to be acting as agent for the Secured Parties with full and valid authority so to act or refrain from acting, and no Grantor shall be under any obligation, or entitlement, to make any inquiry respecting such authority.

ARTICLE 8
MISCELLANEOUS

Section 8.01. *Amendments in Writing.* None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified except in accordance with the Indentures. For the avoidance of doubt, the Issuer and the Collateral Agent may, without the consent of the Noteholders, enter into amendments or other modifications of this Agreement or any other Noteholder Collateral Document (including by entering into any Collateral Agency Agreement or any other new or supplemental agreements) to the extent contemplated by this Agreement, Section 9.01 of the 9.125% Indenture and Section 9.1 of the 10.000% Indenture and Section 8.2(b) of the Intercreditor Agreement.

Section 8.02. *Notices.* All notices, requests and demands to or upon the Collateral Agent or any Grantor hereunder shall be effected in the manner provided for in Section 13.03 of the 9.125% Indenture and Section 13.3 of the 10.000% Indenture.

Section 8.03. *No Waiver by Course of Conduct; Cumulative Remedies.* Neither the Collateral Agent nor any Secured Party shall by any act (except by a written instrument pursuant to Section 8.01), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default. No failure to exercise, nor any delay in exercising, on the part of the Collateral Agent or any Secured Party, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Collateral Agent or any Secured Party of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Collateral Agent or such Secured Party would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.

Section 8.04. *Enforcement Expenses; Indemnification.* (a) Each Grantor jointly and severally agrees to pay, indemnify against or reimburse each Secured Party and the Collateral Agent for all its costs and expenses incurred in enforcing or preserving any rights under this Agreement and the other Noteholder Documents to which such Grantor is a party, including, without limitation, the reasonable fees, expenses and disbursements of counsel (including the allocated fees and expenses of in-house counsel) to the Collateral Agent and the Secured Parties.

(b) Each Grantor agrees to pay, and to save the Collateral Agent and the Secured Parties harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all stamp, excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral or in connection with any of the transactions contemplated by this Agreement.

(c) Each Grantor agrees to pay, and to save the Collateral Agent and the Secured Parties harmless from, any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement to the extent the Issuer would be required to do so pursuant to Section 7.07 of the 9.125% Indenture and Section 7.7 of the 10.000% Indenture except those resulting from the Collateral Agent's or any Secured Party's willful misconduct or gross negligence.

(d) The agreements in this Section 8.04 shall survive repayment of the Secured Obligations, termination of the Noteholder Documents and resignation or removal of the Collateral Agent.

Section 8.05. *Successors and Assigns.* This Agreement shall be binding upon the successors and assigns of each Grantor and shall inure to the benefit of the Collateral Agent and the Secured Parties and their successors and assigns; *provided* that except as permitted by the Indentures, no Grantor may assign, transfer or delegate any of its rights or obligations under this Agreement without the prior written consent of the Collateral Agent.

Section 8.06. *Set-off.* Subject to the Intercreditor Agreement and the Second Lien Collateral Agency Agreement, each Grantor hereby irrevocably authorizes the Collateral Agent and each other Secured Party at any time and from time to time while an Event of Default has occurred and is continuing, without notice to such Grantor or any other Grantor, any such notice being expressly waived by each Grantor, to set-off and appropriate and apply any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by the Collateral Agent or such other Secured Party to or for the credit or the account of such Grantor, or any part thereof in such amounts as the Collateral Agent or such other Secured Party may elect, against and on account of the obligations and liabilities of such Grantor to the Collateral Agent or such other Secured Party hereunder and claims of every nature and description of the Collateral Agent or such other Secured Party against such Grantor, in any currency, whether arising hereunder, under the Indentures or any other Noteholder Document, as the Collateral Agent or such other Secured Party may elect, whether or not the Collateral Agent or any other Secured Party has made any demand for payment and although such obligations, liabilities and claims may be contingent or unmatured. The Collateral Agent and each other Secured Party shall endeavor to notify the Issuer promptly of any such set-off and the application made by the Collateral Agent or such other Secured Party of the proceeds thereof, *provided* that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Collateral Agent and each other Secured Party under this Section 8.06 are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Collateral Agent or such other Secured Party may have.

Section 8.07. *Counterparts.* This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

Section 8.08. *Severability.* Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 8.09. *Section Headings.* The Section headings used in this Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

Section 8.10. *Integration.* This Agreement and the other Noteholder Documents represent the agreement of the Grantors, the Collateral Agent and the Secured Parties with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the Collateral Agent or any Secured Parties relative to subject matter hereof and thereof not expressly set forth or referred to herein or in the other Noteholder Documents.

Section 8.11. *Governing Law.* THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

Section 8.12. *Submission to Jurisdiction; Waivers.* Each Grantor hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Noteholder Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such Grantor at its address referred to in Section 8.02 or at such other address of which the Collateral Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

Section 8.13. *Acknowledgements.* Each Grantor hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Noteholder Documents to which it is a party;

(b) neither the Collateral Agent nor any Secured Party has any fiduciary relationship with or duty to any Grantor arising out of or in connection with this Agreement or any of the other Noteholder Documents, and the relationship between the Grantors, on the one hand, and the Collateral Agent and Secured Parties, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Noteholder Documents or otherwise exists by virtue of the transactions contemplated hereby among the Secured Parties or among the Grantors and the Secured Parties; and

(d) the Collateral Agent may at any time and from time to time appoint a collateral agent to maintain any of the Collateral, maintain books and records regarding any Collateral, release Collateral, and assist in any aspect arising in connection with the Collateral as the Collateral Agent may desire; and the Collateral Agent may appoint itself, any affiliate or a third party as the Collateral Agent, and all reasonable costs of the Collateral Agent shall be borne by the Grantors;

Section 8.14. *Additional Grantors.* Each Restricted Subsidiary (as defined in the Indentures) of Hovnanian shall become a Grantor for all purposes of this Agreement upon execution and delivery by such Subsidiary of a Joinder Agreement, substantially in the form of Exhibit B hereto.

Section 8.15. *Releases.* (a) Upon the indefeasible payment in full of all outstanding Secured Obligations, the Collateral shall be automatically released from the Liens created hereby, and this Agreement and all obligations (other than those expressly stated to survive such termination) of the Collateral Agent and each Grantor hereunder shall automatically terminate, all without delivery of any instrument or performance of any act by any party, and all rights to the Collateral shall revert to the Grantors.

(b) All or a portion of the Collateral shall be released from the Liens created hereby, and a Grantor may be released from its obligations hereunder, in each case pursuant to and as provided in Section 11.04 of the 9.125% Indenture and Section 11.4 of the 10.000% Indenture. At the request and sole expense of such Grantor, upon the Collateral Agent's receipt of the documents required by Section 11.04 of the 9.125% Indenture and Section 11.4 of the 10.000% Indenture, the Collateral Agent shall deliver to such Grantor any Collateral held by the Collateral Agent hereunder, and execute and deliver to such Grantor such documents as the Grantor shall reasonably request to evidence such termination or release.

(c) None of the Grantors, the Collateral Agent, the 9.125% Collateral Agent, the 10.000% Collateral Agent or any Trustee is authorized to, and each agrees not to, make any filing (including the filing of Uniform Commercial Code termination statements) to reflect on public record the termination and release of any security interest granted hereunder or in any other Noteholder Collateral Document except in connection with a termination or release permitted by Sections 8.15(a) or (b) of this Agreement.

Section 8.16. *Waiver of Jury Trial.* EACH GRANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER NOTEHOLDER DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

Section 8.17. *Intercreditor Agreement and Second Lien Collateral Agency Agreement.* Notwithstanding anything herein to the contrary, the lien and security interest granted to the Collateral Agent pursuant to this Agreement and the exercise of any right or remedy by the Collateral Agent hereunder are subject to the provisions of the Intercreditor Agreement and the Second Lien Collateral Agency Agreement. In the event of any conflict between the terms of the Intercreditor Agreement and this Agreement, the terms of the Intercreditor Agreement shall govern. In the event of any conflict between the terms of the Second Lien Collateral Agency Agreement and this Agreement, the terms of the Second Lien Collateral Agency Agreement shall govern.

Section 8.18. *Control Agreements.* In connection with each agreement made at any time pursuant to Sections 9-104 or 8-106 of the Uniform Commercial Code among the Collateral Agent, any one or more Grantors, and any depository financial institution or issuer of uncertificated mutual fund shares or other uncertificated securities and any other Person party thereto, the Collateral Agent shall not deliver to any such depository or issuer, instructions directing the disposition of the deposit or uncertificated fund shares or other securities unless an Event of Default has occurred and is continuing at such time.

Section 8.19. *Collateral Agent Privileges, Powers and Immunities.* In the performance of its obligations, powers and rights hereunder, the Collateral Agent shall be entitled to the rights, benefits, privileges, powers and immunities afforded to it as Collateral Agent under the Indentures and the Second Lien Collateral Agency Agreement. The Collateral Agent shall be entitled to refuse to take or refrain from taking any discretionary action or exercise any discretionary powers set forth in this Agreement unless specifically authorized under the Indentures or it has received with respect thereto written direction of the Issuer, the Noteholders or the Trustees in accordance with the Indentures (it being understood and agreed that the actions and directions set forth in Section 9.01 of the 9.125% Indenture and Section 9.1 of the 10.000% Indenture are not discretionary) and the Second Lien Collateral Agency Agreement. Notwithstanding anything to the contrary contained herein and notwithstanding anything contained in Section 9-207 of the New York UCC, the Collateral Agent shall have no responsibility for the creation, perfection, priority, sufficiency or protection of any liens securing Secured Obligations (including, but not limited to, no obligation to prepare, record, file, re-record or re-file any financing statement, continuation statement or other instrument in any public office). The permissive rights and authorizations of the Collateral Agent hereunder shall not be construed as duties. The Collateral Agent shall be entitled to exercise its powers and duties hereunder through designees, specialists, experts or other appointees selected by it with due care and shall not be liable for the negligence or misconduct of such appointees.

[REMAINDER OF PAGE LEFT BLANK INTENTIONALLY]

IN WITNESS WHEREOF, each of the undersigned has caused this Security Agreement to be duly executed and delivered as of the date first above written.

Secured Party:

WILMINGTON TRUST, NATIONAL ASSOCIATION, as Collateral Agent

By: /s/ John T. Needham, Jr.
Name: John T. Needham, Jr.
Title: Vice President

K. HOVNANIAN ENTERPRISES, INC., as Issuer

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice-President—Finance and Treasurer

HOVNANIAN ENTERPRISES, INC.

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice-President—Finance and Treasurer

K. HOV IP, II, INC.

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice-President—Finance and Treasurer

[Signature Page to Second Lien Security Agreement]

On behalf of each other entity named in Schedule A hereto

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice-President—Finance and Treasurer

[Signature Page to Second Lien Security Agreement]

SCHEDULE A – LIST OF ENTITIES

ARBOR TRAILS, LLC
BUILDER SERVICES NJ, L.L.C.
BUILDER SERVICES PA, L.L.C.
EASTERN NATIONAL TITLE AGENCY, LLC
EASTERN TITLE AGENCY OF ILLINOIS, LLC
EASTERN TITLE AGENCY, INC.
F&W MECHANICAL SERVICES, L.L.C.
FOUNDERS TITLE AGENCY OF MARYLAND, L.L.C.
FOUNDERS TITLE AGENCY, INC.
GLENRISE GROVE, L.L.C.
GOVERNOR'S ABSTRACT CO., INC.
HOMEBUYERS FINANCIAL SERVICES, L.L.C.
HOVNANIAN DEVELOPMENTS OF FLORIDA, INC.
HOVNANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP, L.L.C.
K. HOVNANIAN ABERDEEN, LLC
K. HOVNANIAN ACQUISITIONS, INC.
K. HOVNANIAN AT 240 MISSOURI, LLC
K. HOVNANIAN AT 4S, LLC
K. HOVNANIAN AT AIRE ON MCDOWELL, LLC
K. HOVNANIAN AT ALISO, LLC
K. HOVNANIAN AT ALLENTOWN, L.L.C.
K. HOVNANIAN AT ANDALUSIA, LLC
K. HOVNANIAN AT ASBURY PARK URBAN RENEWAL, LLC
K. HOVNANIAN AT ASHBY PLACE, LLC
K. HOVNANIAN AT AVENUE ONE, L.L.C.
K. HOVNANIAN AT BAKERSFIELD 463, L.L.C.
K. HOVNANIAN AT BARNEGAT I, L.L.C.
K. HOVNANIAN AT BARNEGAT II, L.L.C.
K. HOVNANIAN AT BEACON PARK AREA 129, LLC
K. HOVNANIAN AT BEACON PARK AREA 137, LLC
K. HOVNANIAN AT BELLA LAGO, LLC
K. HOVNANIAN AT BLACKSTONE, LLC
K. HOVNANIAN AT BOCA DUNES, LLC
K. HOVNANIAN AT BRANCHBURG II, LLC
K. HOVNANIAN AT BRANCHBURG, L.L.C.
K. HOVNANIAN AT BRANCHBURG-VOLLERS, LLC
K. HOVNANIAN AT BRENFORD STATION, LLC
K. HOVNANIAN AT BRIDGEPORT, INC.
K. HOVNANIAN AT BRIDGEWATER I, L.L.C.
K. HOVNANIAN AT BRIDGEWATER II, LLC
K. HOVNANIAN AT BURCH KOVE, LLC
K. HOVNANIAN AT CAMP HILL, L.L.C.

K. HOVNANIAN AT CAMPTON PRAIRIE, LLC
K. HOVNANIAN AT CAPISTRANO, L.L.C.
K. HOVNANIAN AT CARLSBAD, LLC
K. HOVNANIAN AT CATANIA, LLC
K. HOVNANIAN AT CATON'S RESERVE, LLC
K. HOVNANIAN AT CEDAR GROVE III, L.L.C.
K. HOVNANIAN AT CEDAR GROVE URBAN RENEWAL, LLC
K. HOVNANIAN AT CEDAR LANE, LLC
K. HOVNANIAN AT CHARTER WAY, LLC
K. HOVNANIAN AT CHESTERFIELD, L.L.C.
K. HOVNANIAN AT CHRISTINA COURT, LLC
K. HOVNANIAN AT CIELO, L.L.C.
K. HOVNANIAN AT COASTLINE, L.L.C.
K. HOVNANIAN AT COOSAW POINT, LLC
K. HOVNANIAN AT CORAL LAGO, LLC
K. HOVNANIAN AT CORTEZ HILL, LLC
K. HOVNANIAN AT DENVILLE, L.L.C.
K. HOVNANIAN AT DEPTFORD TOWNSHIP, L.L.C.
K. HOVNANIAN AT DOMINGUEZ HILLS, INC.
K. HOVNANIAN AT DOYLESTOWN, LLC
K. HOVNANIAN AT EAST BRANDYWINE, L.L.C.
K. HOVNANIAN AT EAST BRUNSWICK III, LLC
K. HOVNANIAN AT EAST BRUNSWICK, LLC
K. HOVNANIAN AT EAST WINDSOR, LLC
K. HOVNANIAN AT EDEN TERRACE, L.L.C.
K. HOVNANIAN AT EDGEWATER II, L.L.C.
K. HOVNANIAN AT EDGEWATER, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH II, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH, L.L.C.
K. HOVNANIAN AT ESTATES AT WHEATLANDS, LLC
K. HOVNANIAN AT EVERGREEN, L.L.C.
K. HOVNANIAN AT EVESHAM, LLC
K. HOVNANIAN AT FAIRFIELD RIDGE, LLC
K. HOVNANIAN AT FIDDYMENT RANCH, LLC
K. HOVNANIAN AT FIFTH AVENUE, L.L.C.
K. HOVNANIAN AT FLORENCE I, L.L.C.
K. HOVNANIAN AT FLORENCE II, L.L.C.
K. HOVNANIAN AT FOREST MEADOWS, L.L.C.
K. HOVNANIAN AT FOX PATH AT HAMPTON LAKE, LLC
K. HOVNANIAN AT FRANKLIN II, L.L.C.
K. HOVNANIAN AT FRANKLIN, L.L.C.
K. HOVNANIAN AT FREEHOLD TOWNSHIP III, LLC
K. HOVNANIAN AT FRESNO, LLC
K. HOVNANIAN AT GALLERY, LLC

K. HOVNANIAN AT GASLAMP SQUARE, L.L.C.
K. HOVNANIAN AT GENEVA MEADOWS, LLC
K. HOVNANIAN AT GILROY 60, LLC
K. HOVNANIAN AT GILROY, LLC
K. HOVNANIAN AT GREAT NOTCH, L.L.C.
K. HOVNANIAN AT HACKETTSTOWN II, L.L.C.
K. HOVNANIAN AT HAMPTON COVE, LLC
K. HOVNANIAN AT HAMPTON LAKE, LLC
K. HOVNANIAN AT HANOVER ESTATES, LLC
K. HOVNANIAN AT HERSHEY'S MILL, INC.
K. HOVNANIAN AT HIDDEN BROOK, LLC
K. HOVNANIAN AT HILLSBOROUGH, LLC
K. HOVNANIAN AT HILLTOP RESERVE II, LLC
K. HOVNANIAN AT HILLTOP RESERVE, LLC
K. HOVNANIAN AT HOWELL II, LLC
K. HOVNANIAN AT HOWELL III, LLC
K. HOVNANIAN AT HOWELL, LLC
K. HOVNANIAN AT HUDSON POINTE, L.L.C.
K. HOVNANIAN AT HUNTFIELD, LLC
K. HOVNANIAN AT INDIAN WELLS, LLC
K. HOVNANIAN AT ISLAND LAKE, LLC
K. HOVNANIAN AT JACKSON I, L.L.C.
K. HOVNANIAN AT JACKSON, L.L.C.
K. HOVNANIAN AT JAEGER RANCH, LLC
K. HOVNANIAN AT JERSEY CITY IV, L.L.C.
K. HOVNANIAN AT KEYPORT, L.L.C.
K. HOVNANIAN AT LA COSTA GREENS, L.L.C.
K. HOVNANIAN AT LA LAGUNA, L.L.C.
K. HOVNANIAN AT LAKE BURDEN, LLC
K. HOVNANIAN AT LAKE LECLARE, LLC
K. HOVNANIAN AT LAKE RANCHO VIEJO, LLC
K. HOVNANIAN AT LAKE RIDGE ESTATES, LLC
K. HOVNANIAN AT LAKE TERRAPIN, L.L.C.
K. HOVNANIAN AT LEE SQUARE, L.L.C.
K. HOVNANIAN AT LENAH WOODS, LLC
K. HOVNANIAN AT LILY ORCHARD, LLC
K. HOVNANIAN AT LINK FARM, LLC
K. HOVNANIAN AT LITTLE EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR, L.L.C
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LOWER MAKEFIELD TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MORELAND II, L.L.C.
K. HOVNANIAN AT MAGNOLIA PLACE, LLC
K. HOVNANIAN AT MAHWAH VI, INC.
K. HOVNANIAN AT MAIN STREET SQUARE, LLC

K. HOVNANIAN AT MALAN PARK, L.L.C.
K. HOVNANIAN AT MANALAPAN II, L.L.C.
K. HOVNANIAN AT MANALAPAN III, L.L.C.
K. HOVNANIAN AT MANALAPAN V, LLC
K. HOVNANIAN AT MANALAPAN VI, LLC
K. HOVNANIAN AT MANSFIELD II, L.L.C.
K. HOVNANIAN AT MANTECA, LLC
K. HOVNANIAN AT MAPLE AVENUE, L.L.C.
K. HOVNANIAN AT MARLBORO IX, LLC
K. HOVNANIAN AT MARLBORO TOWNSHIP IX, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP V, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP VIII, L.L.C.
K. HOVNANIAN AT MARLBORO VI, L.L.C.
K. HOVNANIAN AT MARPLE, LLC
K. HOVNANIAN AT MEADOWRIDGE VILLAS, LLC
K. HOVNANIAN AT MELANIE MEADOWS, LLC
K. HOVNANIAN AT MENDHAM TOWNSHIP, L.L.C.
K. HOVNANIAN AT MIDDLE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT MIDDLE TOWNSHIP, L.L.C.
K. HOVNANIAN AT MIDDLETOWN II, L.L.C.
K. HOVNANIAN AT MIDDLETOWN III, LLC
K. HOVNANIAN AT MIDDLETOWN, LLC
K. HOVNANIAN AT MILLVILLE I, L.L.C.
K. HOVNANIAN AT MILLVILLE II, L.L.C.
K. HOVNANIAN AT MONROE IV, L.L.C.
K. HOVNANIAN AT MONROE NJ II, LLC
K. HOVNANIAN AT MONROE NJ III, LLC
K. HOVNANIAN AT MONROE NJ, L.L.C.
K. HOVNANIAN AT MONTGOMERY, LLC
K. HOVNANIAN AT MONTVALE II, LLC
K. HOVNANIAN AT MONTVALE, L.L.C.
K. HOVNANIAN AT MORRIS TWP, LLC
K. HOVNANIAN AT MT. LAUREL, LLC
K. HOVNANIAN AT MUIRFIELD, LLC
K. HOVNANIAN AT NORTH BERGEN. L.L.C.
K. HOVNANIAN AT NORTH BRUNSWICK VI, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL II, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL III, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL IV, L.L.C.
K. HOVNANIAN AT NORTH WILDWOOD, L.L.C.
K. HOVNANIAN AT NORTHAMPTON, L.L.C.
K. HOVNANIAN AT NORTHERN WESTCHESTER, INC.
K. HOVNANIAN AT NORTHFIELD, L.L.C.
K. HOVNANIAN AT NORTHRIDGE ESTATES, LLC
K. HOVNANIAN AT NORTON LAKE LLC
K. HOVNANIAN AT NOTTINGHAM MEADOWS, LLC

K. HOVNANIAN AT OAK POINTE, LLC
K. HOVNANIAN AT OCEAN TOWNSHIP, INC
K. HOVNANIAN AT OCEAN VIEW BEACH CLUB, LLC
K. HOVNANIAN AT OCEANPORT, L.L.C.
K. HOVNANIAN AT OLD BRIDGE, L.L.C.
K. HOVNANIAN AT PALM VALLEY, L.L.C.
K. HOVNANIAN AT PARKSIDE, LLC
K. HOVNANIAN AT PARSIPPANY, L.L.C.
K. HOVNANIAN AT PAVILION PARK, LLC
K. HOVNANIAN AT PIAZZA D'ORO, L.L.C.
K. HOVNANIAN AT PIAZZA SERENA, L.L.C
K. HOVNANIAN AT PICKETT RESERVE, LLC
K. HOVNANIAN AT PITTSGROVE, L.L.C.
K. HOVNANIAN AT PLANTATION LAKES, L.L.C.
K. HOVNANIAN AT POINTE 16, LLC
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL V, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VIII, L.L.C.
K. HOVNANIAN AT POSITANO, LLC
K. HOVNANIAN AT PRADO, L.L.C.
K. HOVNANIAN AT PRAIRIE POINTE, LLC
K. HOVNANIAN AT QUAIL CREEK, L.L.C.
K. HOVNANIAN AT RANCHO CABRILLO, LLC
K. HOVNANIAN AT RANDOLPH I, L.L.C.
K. HOVNANIAN AT RAPHO, L.L.C
K. HOVNANIAN AT REDTAIL, LLC
K. HOVNANIAN AT RESERVES AT WHEATLANDS, LLC
K. HOVNANIAN AT RESIDENCE AT DISCOVERY SQUARE, LLC
K. HOVNANIAN AT RIDGEMONT, L.L.C.
K. HOVNANIAN AT ROCK LEDGE, LLC
K. HOVNANIAN AT RODERUCK, L.L.C.
K. HOVNANIAN AT ROSEMARY LANTANA, L.L.C.
K. HOVNANIAN AT SAGE, L.L.C.
K. HOVNANIAN AT SAGEBROOK, LLC
K. HOVNANIAN AT SANTA NELLA, LLC
K. HOVNANIAN AT SAWMILL, INC.
K. HOVNANIAN AT SCOTCH PLAINS, L.L.C.
K. HOVNANIAN AT SEASONS LANDING, LLC
K. HOVNANIAN AT SHELDON GROVE, LLC
K. HOVNANIAN AT SHREWSBURY, LLC
K. HOVNANIAN AT SIGNAL HILL, LLC
K. HOVNANIAN AT SILVER SPRING, L.L.C.
K. HOVNANIAN AT SILVERSTONE, LLC
K. HOVNANIAN AT SKYE ISLE, LLC
K. HOVNANIAN AT SKYE ON MCDOWELL, LLC
K. HOVNANIAN AT SMITHVILLE, INC.
K. HOVNANIAN AT SOMERSET, LLC

K. HOVNANIAN AT SOUTH BRUNSWICK II, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK III, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK, L.L.C.
K. HOVNANIAN AT STANTON, LLC
K. HOVNANIAN AT STATION SQUARE, L.L.C.
K. HOVNANIAN AT SUMMERLAKE, LLC
K. HOVNANIAN AT SUNRIDGE PARK, LLC
K. HOVNANIAN AT SUNRISE TRAIL II, LLC
K. HOVNANIAN AT SUNRISE TRAIL III, LLC
K. HOVNANIAN AT TERRA BELLA TWO, LLC
K. HOVNANIAN AT THE COMMONS AT RICHMOND HILL, LLC
K. HOVNANIAN AT THE CROSBY, LLC
K. HOVNANIAN AT THE MONARCH, L.L.C.
K. HOVNANIAN AT THE PROMENADE AT BEAVER CREEK, LLC
K. HOVNANIAN AT THOMPSON RANCH, LLC
K. HOVNANIAN AT TRAFFORD PLACE, LLC
K. HOVNANIAN AT TRAIL RIDGE, LLC
K. HOVNANIAN AT UPPER PROVIDENCE, LLC
K. HOVNANIAN AT UPPER UWCHLAN II, L.L.C.
K. HOVNANIAN AT UPPER UWCHLAN, L.L.C.
K. HOVNANIAN AT VALLE DEL SOL, LLC
K. HOVNANIAN AT VERONA ESTATES, LLC
K. HOVNANIAN AT VERONA URBAN RENEWAL, L.L.C.
K. HOVNANIAN AT VICTORVILLE, L.L.C.
K. HOVNANIAN AT VINEYARD HEIGHTS, LLC
K. HOVNANIAN AT VISTA DEL SOL, L.L.C.
K. HOVNANIAN AT WALDWICK, LLC
K. HOVNANIAN AT WALKERS GROVE, LLC
K. HOVNANIAN AT WARREN TOWNSHIP II, LLC
K. HOVNANIAN AT WARREN TOWNSHIP, L.L.C.
K. HOVNANIAN AT WATERSTONE, LLC
K. HOVNANIAN AT WAYNE IX, L.L.C.
K. HOVNANIAN AT WEST VIEW ESTATES, L.L.C.
K. HOVNANIAN AT WESTBROOK, LLC
K. HOVNANIAN AT WESTSHORE, LLC
K. HOVNANIAN AT WHEELER RANCH, LLC
K. HOVNANIAN AT WHEELER WOODS, LLC
K. HOVNANIAN AT WHITEMARSH, LLC
K. HOVNANIAN AT WILDWOOD BAYSIDE, L.L.C.
K. HOVNANIAN AT WOODCREEK WEST, LLC
K. HOVNANIAN AT WOOLWICH I, L.L.C.
K. HOVNANIAN BELDEN POINTE, LLC
K. HOVNANIAN BELMONT RESERVE, LLC
K. HOVNANIAN CAMBRIDGE HOMES, L.L.C.
K. HOVNANIAN CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN CLASSICS, L.L.C.

K. HOVNANIAN COMMUNITIES, INC.
K. HOVNANIAN COMPANIES OF CALIFORNIA, INC.
K. HOVNANIAN COMPANIES OF MARYLAND, INC.
K. HOVNANIAN COMPANIES OF NEW YORK, INC.
K. HOVNANIAN COMPANIES OF PENNSYLVANIA, INC.
K. HOVNANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.
K. HOVNANIAN COMPANIES, LLC
K. HOVNANIAN CONSTRUCTION II, INC
K. HOVNANIAN CONSTRUCTION III, INC
K. HOVNANIAN CONSTRUCTION MANAGEMENT, INC.
K. HOVNANIAN CONTRACTORS OF OHIO, LLC
K. HOVNANIAN CRAFTBUILT HOMES OF SOUTH CAROLINA, L.L.C.
K. HOVNANIAN CYPRESS KEY, LLC
K. HOVNANIAN DEVELOPMENTS OF ARIZONA, INC.
K. HOVNANIAN DEVELOPMENTS OF CALIFORNIA, INC.
K. HOVNANIAN DEVELOPMENTS OF D.C., INC.
K. HOVNANIAN DEVELOPMENTS OF DELAWARE, INC.
K. HOVNANIAN DEVELOPMENTS OF GEORGIA, INC.
K. HOVNANIAN DEVELOPMENTS OF ILLINOIS, INC.
K. HOVNANIAN DEVELOPMENTS OF KENTUCKY, INC.
K. HOVNANIAN DEVELOPMENTS OF MARYLAND, INC.
K. HOVNANIAN DEVELOPMENTS OF MINNESOTA, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY II, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW YORK, INC.
K. HOVNANIAN DEVELOPMENTS OF NORTH CAROLINA, INC.
K. HOVNANIAN DEVELOPMENTS OF OHIO, INC.
K. HOVNANIAN DEVELOPMENTS OF PENNSYLVANIA, INC.
K. HOVNANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.
K. HOVNANIAN DEVELOPMENTS OF TEXAS, INC.
K. HOVNANIAN DEVELOPMENTS OF VIRGINIA, INC.
K. HOVNANIAN DEVELOPMENTS OF WEST VIRGINIA, INC.
K. HOVNANIAN DFW AUBURN FARMS, LLC
K. HOVNANIAN DFW BELMONT, LLC
K. HOVNANIAN DFW HARMON FARMS, LLC
K. HOVNANIAN DFW HERITAGE CROSSING, LLC
K. HOVNANIAN DFW HOMESTEAD, LLC
K. HOVNANIAN DFW INSPIRATION, LLC
K. HOVNANIAN DFW LEXINGTON, LLC
K. HOVNANIAN DFW LIBERTY CROSSING, LLC
K. HOVNANIAN DFW LIGHT FARMS II, LLC
K. HOVNANIAN DFW LIGHT FARMS, LLC
K. HOVNANIAN DFW MIDTOWN PARK, LLC
K. HOVNANIAN DFW PALISADES, LLC
K. HOVNANIAN DFW PARKSIDE, LLC
K. HOVNANIAN DFW RIDGEVIEW, LLC

K. HOVNANIAN DFW SEVENTEEN LAKES, LLC
K. HOVNANIAN DFW TRAILWOOD, LLC
K. HOVNANIAN DFW VILLAS AT MUSTANG PARK, LLC
K. HOVNANIAN DFW WELLINGTON, LLC
K. HOVNANIAN DFW WILDRIDGE, LLC
K. HOVNANIAN EASTERN PENNSYLVANIA, L.L.C.
K. HOVNANIAN EDGEBROOK, LLC
K. HOVNANIAN ESTATES AT REGENCY, L.L.C.
K. HOVNANIAN ESTATES AT WEKIVA, LLC
K. HOVNANIAN FALLS POINTE, LLC
K. HOVNANIAN FIRST HOMES, L.L.C.
K. HOVNANIAN FLORIDA REALTY, L.L.C.
K. HOVNANIAN FOREST VALLEY, LLC
K. HOVNANIAN FOUR SEASONS @ HISTORIC VIRGINIA, LLC
K. HOVNANIAN FOUR SEASONS AT GOLD HILL, LLC
K. HOVNANIAN GRAND CYPRESS, LLC
K. HOVNANIAN GRANDEFIELD, LLC
K. HOVNANIAN GREAT WESTERN BUILDING COMPANY, LLC
K. HOVNANIAN GREAT WESTERN HOMES, LLC
K. HOVNANIAN HAMPTONS AT OAK CREEK II, L.L.C.
K. HOVNANIAN HIDDEN HOLLOW, LLC
K. HOVNANIAN HIGHLAND RIDGE, LLC
K. HOVNANIAN HOLDINGS NJ, L.L.C.
K. HOVNANIAN HOMES - DFW, L.L.C.
K. HOVNANIAN HOMES AT BROOK MANOR, LLC
K. HOVNANIAN HOMES AT BURKE JUNCTION, LLC
K. HOVNANIAN HOMES AT CAMP SPRINGS, L.L.C.
K. HOVNANIAN HOMES AT CREEKSIDE, LLC
K. HOVNANIAN HOMES AT FOREST RUN, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM PARK TOWNS, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM, L.L.C.
K. HOVNANIAN HOMES AT JONES STATION 1, L.L.C.
K. HOVNANIAN HOMES AT LEIGH MILL, LLC
K. HOVNANIAN HOMES AT MAXWELL PLACE, L.L.C.
K. HOVNANIAN HOMES AT REEDY CREEK, LLC
K. HOVNANIAN HOMES AT RUSSETT, L.L.C.
K. HOVNANIAN HOMES AT SALT CREEK LANDING, LLC
K. HOVNANIAN HOMES AT SHELL HALL, LLC
K. HOVNANIAN HOMES AT ST. JAMES PLACE, LLC
K. HOVNANIAN HOMES AT THE ABBY, LLC
K. HOVNANIAN HOMES AT THE HIGHLANDS, LLC
K. HOVNANIAN HOMES AT THE PADDOCKS, LLC
K. HOVNANIAN HOMES AT THOMPSON'S GRANT, LLC
K. HOVNANIAN HOMES AT WILLOWSFORD GRANT, LLC
K. HOVNANIAN HOMES AT WILLOWSFORD GREENS, LLC
K. HOVNANIAN HOMES NORTHERN CALIFORNIA, INC.

K. HOVNANIAN HOMES OF D.C., L.L.C.
K. HOVNANIAN HOMES OF DELAWARE, L.L.C.
K. HOVNANIAN HOMES OF GEORGIA, L.L.C.
K. HOVNANIAN HOMES OF HOUSTON, L.L.C.
K. HOVNANIAN HOMES OF LONGACRE VILLAGE, L.L.C.
K. HOVNANIAN HOMES OF MARYLAND, L.L.C.
K. HOVNANIAN HOMES OF MINNESOTA AT ARBOR CREEK, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT AUTUMN MEADOWS, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT BRYNWOOD, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT CEDAR HOLLOW, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT FOUNDER'S RIDGE, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT HARPERS STREET WOODS, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT OAKS OF OXBOW, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT REGENT'S POINT, LLC
K. HOVNANIAN HOMES OF MINNESOTA, L.L.C.
K. HOVNANIAN HOMES OF NORTH CAROLINA, INC.
K. HOVNANIAN HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN HOMES OF SOUTH CAROLINA, LLC
K. HOVNANIAN HOMES OF VIRGINIA, INC.
K. HOVNANIAN HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN HOUSTON CITY HEIGHTS, LLC
K. HOVNANIAN INDIAN TRAILS, LLC
K. HOVNANIAN LADUE RESERVE, LLC
K. HOVNANIAN LAKES OF GREEN, LLC
K. HOVNANIAN LEGACY AT VIA BELLA, LLC
K. HOVNANIAN LIBERTY ON BLUFF CREEK, LLC
K. HOVNANIAN MANALAPAN ACQUISITION, LLC
K. HOVNANIAN MONARCH GROVE, LLC
K. HOVNANIAN NORTH CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTHEAST SERVICES, L.L.C.
K. HOVNANIAN NORTHPOINTE 40S, LLC
K. HOVNANIAN OF HOUSTON II, L.L.C.
K. HOVNANIAN OF OHIO, LLC
K. HOVNANIAN OHIO REALTY, L.L.C.
K. HOVNANIAN PA REAL ESTATE, INC.
K. HOVNANIAN PENNSYLVANIA ACQUISITIONS, L.L.C.
K. HOVNANIAN PORT IMPERIAL URBAN RENEWAL, INC.
K. HOVNANIAN PROPERTIES OF RED BANK, INC.
K. HOVNANIAN REYNOLDS RANCH, LLC
K. HOVNANIAN RIVENDALE, LLC
K. HOVNANIAN RIVERSIDE, LLC
K. HOVNANIAN SCHADY RESERVE, LLC
K. HOVNANIAN SHERWOOD AT REGENCY, LLC
K. HOVNANIAN SHORE ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTH FORK, LLC

K. HOVNANIAN SOUTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTHERN NEW JERSEY, L.L.C.
K. HOVNANIAN STERLING RANCH, LLC
K. HOVNANIAN SUMMIT HOLDINGS, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF KENTUCKY, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES, L.L.C.
K. HOVNANIAN T&C HOMES AT FLORIDA, L.L.C.
K. HOVNANIAN T&C HOMES AT ILLINOIS, L.L.C.
K. HOVNANIAN TIMBRES AT ELM CREEK, LLC
K. HOVNANIAN UNION PARK, LLC
K. HOVNANIAN VENTURE I, L.L.C.
K. HOVNANIAN VILLAGE GLEN, LLC
K. HOVNANIAN WATERBURY, LLC
K. HOVNANIAN WHITE ROAD, LLC
K. HOVNANIAN WINDWARD HOMES, LLC
K. HOVNANIAN WOODLAND POINTE, LLC
K. HOVNANIAN WOODRIDGE PLACE, LLC
K. HOVNANIAN'S FOUR SEASONS AT BAKERSFIELD, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT BEAUMONT, LLC
K. HOVNANIAN'S FOUR SEASONS AT BRIARGATE, LLC
K. HOVNANIAN'S FOUR SEASONS AT CHARLOTTESVILLE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT HEMET, LLC
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND CONDOMINIUMS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT LOS BANOS, LLC
K. HOVNANIAN'S FOUR SEASONS AT MORENO VALLEY, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT NEW KENT VINEYARDS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT PALM SPRINGS, LLC
K. HOVNANIAN'S FOUR SEASONS AT RENAISSANCE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK II, LLC
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT SILVER MAPLE FARM, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT ST. MARGARETS LANDING, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT THE MANOR II, LLC
K. HOVNANIAN'S FOUR SEASONS AT THE MANOR, LLC
K. HOVNANIAN'S PARKSIDE AT TOWNGATE, L.L.C.
K. HOVNANIAN'S VERANDA AT RIVERPARK II, LLC
K. HOVNANIAN'S VERANDA AT RIVERPARK, LLC
KHH SHELL HALL LOAN ACQUISITION, LLC
LANDARAMA, INC.
LAUREL HIGHLANDS, LLC
M & M AT MONROE WOODS, L.L.C.
M&M AT CHESTERFIELD, L.L.C.
M&M AT CRESCENT COURT, L.L.C.

M&M AT WEST ORANGE, L.L.C.
MATZEL & MUMFORD AT EGG HARBOR, L.L.C.
MCNJ, INC.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF PENNSYLVANIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF WEST VIRGINIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES, L.L.C.
MM-BEACHFRONT NORTH I, LLC
NEW HOME REALTY, LLC
NEW LAND TITLE AGENCY, L.L.C.
PADDOCKS, L.L.C.
PARK TITLE COMPANY, LLC
PINE AYR, LLC
RIDGEMORE UTILITY, L.L.C.
SEABROOK ACCUMULATION CORPORATION
SHELL HALL CLUB AMENITY ACQUISITION, LLC
SHELL HALL LAND ACQUISITION, LLC
STONEBROOK HOMES, INC.
TERRAPIN REALTY, L.L.C.
THE MATZEL & MUMFORD ORGANIZATION, INC
WASHINGTON HOMES, INC.
WESTMINSTER HOMES, INC.
WH PROPERTIES, INC.
WOODMORE RESIDENTIAL, L.L.C.
WTC VENTURES, L.L.C.

SCHEDULE B

COMMERCIAL TORT CLAIMS

None.

SCHEDULE C

ACTIONS REQUIRED TO PERFECT

1. With respect to each Grantor organized under the laws of the state of Arizona as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the Arizona Secretary of State.

2. With respect to each Grantor organized under the laws of the state of California as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the California Secretary of State.

3. With respect to each Grantor organized under the laws of the state of Delaware as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the Delaware Secretary of State.

4. With respect to each Grantor organized under the laws of the District of Columbia as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the District of Columbia Recorder of Deeds.

5. With respect to each Grantor organized under the laws of the state of Florida as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the Florida Secured Transaction Registry.

6. With respect to each Grantor organized under the laws of the state of Georgia as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the Office of the Clerk of Superior Court of any County of Georgia.

7. With respect to each Grantor organized under the laws of the state of Illinois as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the Illinois Secretary of State.

8. With respect to each Grantor organized under the laws of the state of Kentucky as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the Kentucky Secretary of State.

9. With respect to each Grantor organized under the laws of the state of Maryland as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the Maryland State Department of Assessments and Taxation.

10. With respect to each Grantor organized under the laws of the state of Minnesota as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the Minnesota Secretary of State.

11. With respect to each Grantor organized under the laws of the state of New Jersey as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the New Jersey Division of Commercial Recording.

12. With respect to each Grantor organized under the laws of the state of New York as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the New York Secretary of State.

13. With respect to each Grantor organized under the laws of the state of North Carolina as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the North Carolina Secretary of State.

14. With respect to each Grantor organized under the laws of the state of Ohio as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the Ohio Secretary of State.

15. With respect to each Grantor organized under the laws of the state of Pennsylvania as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the Pennsylvania Secretary of the Commonwealth.

16. With respect to each Grantor organized under the laws of the state of South Carolina as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the South Carolina Secretary of State.

17. With respect to each Grantor organized under the laws of the state of Texas as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the Texas Secretary of State.

18. With respect to each Grantor organized under the laws of the state of Virginia as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the Virginia State Corporation Commission.

19. With respect to each Grantor organized under the laws of the state of West Virginia as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the West Virginia Secretary of State.

20. With respect to the Securities Accounts and the Deposit Accounts (other than the Excluded Accounts), the bank with which such Securities Account and such Deposit Account are maintained agreeing that it will comply with instructions originated by the Perfection Agent directing disposition of the funds in such Securities Account and such Deposit Account without further consent of the relevant Grantor; provided that the Grantors shall not be required to deliver any such agreements on September 8, 2016, but will deliver such agreements as soon as commercially reasonable thereafter, but in no event later than 90 days following September 8, 2016.

21. With respect to each Grantor that owns registered or applied for Intellectual Property, the filing of a Trademark / Patent / Copyright Security Agreement that identifies such Grantor's registered and applied for Trademarks, Patents and Copyrights with the United States Patent and Trademark Office or the United States Copyright Office, as applicable.

EXHIBIT A

Form of Trademark / Patent / Copyright Agreement

TRADEMARK / PATENT / COPYRIGHT SECURITY AGREEMENT

This Trademark / Patent / Copyright Security Agreement (the "**Agreement**"), dated as of [_____], [____] is made by [__], a [__] (the "**Grantor**") in favor of Wilmington Trust, National Association, as Collateral Agent (in such capacity, the "**Collateral Agent**") for the benefit of itself, the Trustees (as defined below), the Notes Collateral Agents (as defined below) and the Noteholders.

WHEREAS, K. Hovnanian Enterprises, Inc., a California corporation (the "**Issuer**"), Hovnanian Enterprises, Inc., a Delaware corporation ("**Hovnanian**") and each of the other Guarantors party thereto entered into the Indenture dated as of October 2, 2012 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "**9.125% Indenture**") with Wilmington Trust, National Association, as trustee (in such capacity, the "**9.125% Trustee**") and as collateral agent (in such capacity, the "**9.125% Collateral Agent**"), pursuant to which the Issuer has issued, and may from time to time issue, 9.125% Senior Secured Second Lien Notes due 2020 (collectively, the "**9.125% Notes**") upon the terms and subject to the conditions set forth therein;

WHEREAS, in connection with the 9.125% Indenture, the Grantors entered into the Second Lien Security Agreement, dated as of October 2, 2012 (as heretofore amended, supplemented, amended and restated or otherwise modified from time to time, the "**Existing Security Agreement**"), in favor of the 9.125% Collateral Agent, for the benefit of itself, the 9.125% Trustee and the 9.125% Noteholders;

WHEREAS, the Issuer, Hovnanian and each of the other Guarantors party thereto have entered into the Indenture dated as of September 8, 2016 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "**10.000% Indenture**" and together with the 9.125% Indenture, the "**Indentures**") with Wilmington Trust, National Association, as trustee (in such capacity, the "**10.000% Trustee**" and together with the 9.125% Trustee, the "**Trustees**") and collateral agent (in such capacity, the "**10.000% Collateral Agent**" and together with the 9.125% Collateral Agent, the "**Notes Collateral Agents**"), pursuant to which the Issuer has issued, and may from time to time issue, its 10.000% Senior Secured Second Lien Notes due 2018 (collectively, the "**10.000% Notes**" and together with the 9.125% Notes, the "**Secured Notes**") upon the terms and subject to the conditions set forth therein;

WHEREAS, in connection with the 10.000% Indenture, the Issuer, Hovnanian, each of the other Grantors, the 9.125% Collateral Agent and the 10.000% Collateral Agent have entered into the Second Lien Collateral Agency Agreement, dated as of September 8, 2016 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "**Second Lien Collateral Agency Agreement**"), pursuant to which the Issuer and the 10.000% Collateral Agent appointed the 9.125% Collateral Agent to act as collateral agent on behalf of the 10.000% Secured Parties, in addition to acting as collateral agent on behalf of the 9.125% Secured Parties, pursuant to this Agreement and the other Security Documents (the 9.125% Collateral Agent, in such capacity as collateral agent for the Secured Parties, the "**Joint Collateral Agent**") and the 9.125% Collateral Agent accepted such appointment;

WHEREAS, the Issuer, Hovnanian and each of the other Guarantors party thereto have entered into the Credit Agreement, dated as of July 29, 2016, as amended, supplemented, amended and restated or otherwise modified from time to time, with Wilmington Trust, National Association, in its capacity as administrative agent acting as collateral agent (in such capacity, the "**Senior Credit Agreement Administrative Agent**") and the lenders party thereto;

WHEREAS, the Issuer, Hovnanian and each of the other Guarantors party thereto entered into the Indenture, dated as of October 2, 2012, with Wilmington Trust, National Association, as trustee (in such capacity, the "**Senior Notes Trustee**") and as collateral agent (in such capacity, the "**Senior Notes Collateral Agent**"), pursuant to which the Issuer has issued, and may from time to time issue, its 7.25% Senior Secured First Lien Notes due 2020 upon the terms and subject to the conditions set forth therein;

WHEREAS, the Issuer, Hovnanian, the Grantors party thereto, the Senior Notes Trustee, the Senior Notes Collateral Agent, the Senior Credit Agreement Administrative Agent, the 9.125% Trustee, the 9.125% Collateral Agent, the 10.000% Trustee, the 10.000% Collateral Agent, the Joint Collateral Agent and the Mortgage Tax Collateral Agent have entered into the Amended and Restated Intercreditor Agreement dated as of September 8, 2016 (as amended, supplemented, amended or restated or otherwise modified from time to time, the "**Intercreditor Agreement**");

WHEREAS, the Secured Notes constitute Second-Lien Indebtedness under the Intercreditor Agreement;

WHEREAS, the Issuer is a member of an affiliated group of companies that includes Hovnanian, the Issuer's parent company, and each other Grantor;

WHEREAS, the Issuer and the other Grantors are engaged in related businesses, and each Grantor will derive substantial direct and indirect benefit from the Secured Notes;

WHEREAS, pursuant to and under the Indentures and the Amended and Restated Second Lien Security Agreement dated as of September 8, 2016 (the "**Security Agreement**") among the Grantors party thereto (together with any other entity that may become a party thereto) and the Collateral Agent, the Grantor has agreed to enter into this Agreement in order to grant a security interest to the Collateral Agent in certain Intellectual Property as security for such loans and other obligations as more fully described herein; and

NOW, THEREFORE, intending to be legally bound hereby, the parties hereto agree as follows:

1. Defined Terms. Except as otherwise expressly provided herein, (i) capitalized terms used in this Agreement shall have the respective meanings assigned to them in the Security Agreement and (ii) the rules of construction set forth in Section 1.02 of the Indentures shall apply to this Agreement. Where applicable and except as otherwise expressly provided herein, terms used herein (whether or not capitalized) shall have the respective meanings assigned to them in the Uniform Commercial Code as enacted in New York as amended from time to time (the "**Code**").

2. To secure the full payment and performance of all Secured Obligations, the Grantor hereby grants to the Collateral Agent a security interest in the entire right, title and interest of such Grantor in and to all of its [Trademark/Patent/Copyrights], including those set forth on Schedule A; *provided*, *however*, that notwithstanding any of the other provisions set forth in this Section 2 (and notwithstanding any recording of the Collateral Agent's Lien made in the U.S. Patent and Trademark Office, U.S. Copyright Office, or other registry office in any other jurisdiction), this Agreement shall not constitute a grant of a security interest in any property to the extent that such grant of a security interest is prohibited by any applicable Law of an Official Body, requires a consent not obtained of any Official Body pursuant to such Law or is prohibited by, or constitutes a breach or default under or results in the termination of or gives rise to any right of acceleration, modification or cancellation or requires any consent not obtained under, any contract, license, agreement, instrument or other document evidencing or giving rise to such property, except to the extent that such Law or the term in such contract, license, agreement, instrument or other document or similar agreement providing for such prohibition, breach, default or termination or requiring such consent is ineffective under applicable Law including 9-406, 9-407, 9-408 or 9-409 of the New York UCC (or any successor provision or provisions); *provided, further*, that no security interest shall be granted in any United States "intent-to-use" trademark or service mark applications unless and until acceptable evidence of use of the trademark or service mark has been filed with and accepted by the U.S. Patent and Trademark Office pursuant to Section 1(c) or Section 1(d) of the Lanham Act (U.S.C. 1051, et seq.), and to the extent that, and solely during the period in which, the grant of a security interest therein would impair the validity or enforceability of such "intent-to-use" trademark or service mark applications under applicable federal Law. After such period and after such evidence of use has been filed and accepted, the Grantor acknowledges that such interest in such trademark or service mark applications will become part of the Collateral. The Collateral Agent agrees that, at the Grantor's reasonable request and expense, it will provide such Grantor confirmation that the assets described in this paragraph are in fact excluded from the Collateral during such limited period only upon receipt of an Officer's Certificate or an Opinion of Counsel to that effect.

3. The Grantor covenants and warrants that:

(a) To the knowledge of the Grantor, on the date hereof, all material Intellectual Property owned by the Grantor is valid, subsisting and unexpired, has not been abandoned and does not, to the knowledge of the Grantor, infringe the intellectual property rights of any other Person;

(b) The Grantor is the owner of each item of Intellectual Property listed on Schedule A, free and clear of any and all Liens or claims of others except for the Permitted Liens. No financing statement or other public notice with respect to all or any part of the Collateral is on file or of record in any public office, except as permitted pursuant to this Agreement or as permitted by the Indentures;

4. The Grantor agrees that, until all of the Secured Obligations shall have been indefeasibly satisfied in full, it will not enter into any agreement (for example, a license agreement) which is inconsistent with the Grantor's obligations under this Agreement, without the Collateral Agent's prior written consent which shall not be unreasonably withheld except that the Grantor may license technology in the ordinary course of business without the Collateral Agent's consent to suppliers and customers to facilitate the manufacture and use of the Grantor's products.

5. The Collateral Agent shall have, in addition to all other rights and remedies given it by this Agreement and those rights and remedies set forth in the Security Agreement and the Indentures, those allowed by applicable Law and the rights and remedies of a secured party under the Uniform Commercial Code as enacted in any jurisdiction in which the Intellectual Property may be located and, without limiting the generality of the foregoing, solely if an Event of Default has occurred and is continuing, the Collateral Agent may immediately, without demand of performance and without other notice (except as set forth below) or demand whatsoever to the Grantor, all of which are hereby expressly waived, and without advertisement, sell at public or private sale or otherwise realize upon, in a city that the Collateral Agent shall designate by notice to the Grantor, in Pittsburgh, Pennsylvania or elsewhere, the whole or from time to time any part of the Intellectual Property, or any interest which the Grantor may have therein and, after deducting from the proceeds of sale or other disposition of the Intellectual Property all expenses (including fees and expenses for brokers and attorneys), shall apply the remainder of such proceeds toward the payment of the Secured Obligations as the Collateral Agent, in its sole discretion, shall determine. Any remainder of the proceeds after payment in full of the Secured Obligations shall be paid over to the Grantor. Notice of any sale or other disposition of the Intellectual Property shall be given to the Grantor at least ten (10) days before the time of any intended public or private sale or other disposition of the Intellectual Property is to be made, which the Grantor hereby agrees shall be reasonable notice of such sale or other disposition. At any such sale or other disposition, the Collateral Agent may, to the extent permissible under applicable Law, purchase the whole or any part of the Intellectual Property sold, free from any right of redemption on the part of the Grantor, which right is hereby waived and released. The Collateral Agent shall endeavor to provide the Borrower with notice at or about the time of the exercise of remedies in the preceding sentence, provided that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of such remedies or the Collateral Agent's rights hereunder.

6. All of Collateral Agent's rights and remedies with respect to the Intellectual Property, whether established hereby, by the Security Agreement or by the Indentures or by any other agreements or by Law, shall be cumulative and may be exercised singularly or concurrently. In the event of any irreconcilable inconsistency in the terms of this Agreement and the Security Agreement, the Security Agreement shall control.

7. The provisions of this Agreement are severable, and if any clause or provision shall be held invalid and unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any clause or provision of this Agreement in any jurisdiction.

8. The benefits and burdens of this Agreement shall inure to the benefit of and be binding upon the respective successors and permitted assigns of the parties, provided, however, that except as permitted by the Indentures, the Grantor may not assign or transfer any of its rights or obligations hereunder or any interest herein and any such purported assignment or transfer shall be null and void.

9. This Agreement and the rights and obligations of the parties under this agreement shall be governed by, and construed and interpreted in accordance with, the Law of the State of New York.

10. The Grantor (i) hereby irrevocably submits to the nonexclusive general jurisdiction of the courts of the State of New York and the courts of the United States of America for the Southern District of New York, or any successor to said court (hereinafter referred to as the "New York Courts") for purposes of any suit, action or other proceeding which relates to this Agreement or any other Noteholder Document, (ii) to the extent permitted by applicable Law, hereby waives and agrees not to assert by way of motion, as a defense or otherwise in any such suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of the New York Courts, that such suit, action or proceeding is brought in an inconvenient forum, that the venue of such suit, action or proceeding is improper, or that this Agreement or any Noteholder Document may not be enforced in or by the New York Courts, (iii) hereby agrees not to seek, and hereby waives, any collateral review by any other court, which may be called upon to enforce the judgment of any of the New York Courts, of the merits of any such suit, action or proceeding or the jurisdiction of the New York Courts, and (iv) waives personal service of any and all process upon it and consents that all such service of process be made by certified or registered mail addressed as provided in Section 13 hereof or at such other address of which the Collateral Agent shall have been notified pursuant thereto and service so made shall be deemed to be completed upon actual receipt thereof. Nothing herein shall limit any Secured Party's right to bring any suit, action or other proceeding against the Grantor or any of any of the Grantor's assets or to serve process on the Grantor by any means authorized by Law.

11. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

12. THE GRANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY A JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER NOTEHOLDER DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

13. All notices, requests and demands to or upon the Collateral Agent or the Grantor shall be effected in the manner provided for in Section 13.03 of the 9.125% Indenture and Section 13.3 of the 10.000% Indenture.

14. In the performance of its obligations, powers and rights hereunder, the Collateral Agent shall be entitled to the rights, benefits, privileges, powers and immunities afforded to it as Collateral Agent under the Indentures. The Collateral Agent shall be entitled to refuse to take or refrain from taking any discretionary action or exercise any discretionary powers set forth in the Security Agreement unless it has received with respect thereto written direction of the Issuer or a majority of Noteholders in accordance with the Indentures. Notwithstanding anything to the contrary contained herein, the Collateral Agent shall have no responsibility for the creation, perfection, priority, sufficiency or protection of any liens securing Secured Obligations (including, but not limited to, no obligation to prepare, record, file, re-record or re-file any financing statement, continuation statement or other instrument in any public office). The permissive rights and authorizations of the Collateral Agent hereunder shall not be construed as duties. The Collateral Agent shall be entitled to exercise its powers and duties hereunder through designees, specialists, experts or other appointees selected by it in good faith.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, each of the undersigned has caused this Trademark / Patent / Copyright Security Agreement to be duly executed and delivered as of the date first above written.

WILMINGTON TRUST,
NATIONAL ASSOCIATION,
as Collateral Agent

By: _____
Name:
Title:

Grantor:

[Name of Grantor]

By: _____
Name:
Title:

EXHIBIT B

Form of Joinder Agreement

This JOINDER AND ASSUMPTION AGREEMENT is made _____ by _____, a _____ (the "**New Grantor**").

Reference is made to (i) the Indenture dated as of September 8, 2016 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "10.000% Indenture") among K. Hovnanian Enterprises, Inc., a California corporation (the "Issuer"), Hovnanian Enterprises, Inc., a Delaware corporation ("Hovnanian"), each of the other Guarantors party thereto and Wilmington Trust, National Association, as trustee (in such capacity, the "10.000% Trustee") and collateral agent (in such capacity, the "10.000% Collateral Agent"), pursuant to which the Issuer has issued, and may from time to time issue, its 10.000% Senior Secured Second Lien Notes due 2018, (ii) the Supplemental Indenture dated [●] pursuant to which the New Grantor became party to the 10.000% Indenture as a Guarantor, (iii) the Indenture dated as of October 2, 2012 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "9.125% Indenture") among the Issuer, Hovnanian, each of the other Guarantors party thereto and Wilmington Trust, National Association, as trustee (in such capacity, the "9.125% Trustee") and collateral agent (in such capacity, the "9.125% Collateral Agent"), pursuant to which the Issuer has issued, and may from time to time issue, its 9.125% Senior Secured Second Lien Notes due 2020, (iv) the Supplemental Indenture dated [●] pursuant to which the New Grantor became party to the 9.125% Indenture as a Guarantor, (v) the Amended and Restated Second Lien Security Agreement dated as of September 8, 2016 by each of the Grantors (as defined therein) in favor of the Joint Collateral Agent (in such capacity, the "Collateral Agent") for the benefit of itself and the other Secured Parties (as the same may be modified, supplemented, amended or restated, the "Security Agreement"), (vi) the Amended and Restated Second Lien Pledge Agreement dated as of September 8, 2016 by each of the Pledgors (as defined therein) in favor of the Collateral Agent for the benefit of itself and the other Secured Parties (as the same may be modified, supplemented, amended or restated, the "Pledge Agreement"), (vii) the Amended and Restated Intercreditor Agreement, dated as of September 8, 2016 among the Issuer, Hovnanian, the Guarantors party thereto, the Senior Notes Trustee, the Senior Notes Collateral Agent, the Senior Credit Agreement Administrative Agent, the 9.125% Trustee, the 9.125% Collateral Agent, the 10.000% Trustee, the 10.000% Collateral Agent, the Collateral Agent and the Mortgage Tax Collateral Agent (as the same may be modified, supplemented, amended or restated, the "Intercreditor Agreement") and (viii) the Second Lien Collateral Agency Agreement dated as of September 8, 2016 by and among the 9.125% Collateral Agent, the 10.000% Collateral Agent, the Collateral Agent, Hovnanian, the Issuer and the other Grantors party thereto (as the same may be modified, supplemented, amended or restated, the "Second Lien Collateral Agency Agreement"). Capitalized terms used but not otherwise defined herein shall have the meaning set forth in the Security Agreement or, if not defined therein, the Pledge Agreement.

The New Grantor hereby agrees that effective as of the date hereof it hereby is, and shall be deemed to be, a Grantor under the Security Agreement, the Intercreditor Agreement and the Second Lien Collateral Agency Agreement and a Pledgor under the Pledge Agreement and agrees that from the date hereof until the payment in full of the Secured Obligations and the performance of all other obligations of Issuer under the Noteholder Documents, New Grantor has assumed the obligations of a Grantor and Pledgor under, and New Grantor shall perform, comply with and be subject to and bound by, jointly and severally, each of the terms, provisions and waivers of, the Security Agreement, the Pledge Agreement, the Intercreditor Agreement, the Second Lien Collateral Agency Agreement and each of the other Noteholder Documents which are stated to apply to or are made by a Grantor. Without limiting the generality of the foregoing, the New Grantor hereby represents and warrants that each of the representations and warranties set forth in the Security Agreement and the Pledge Agreement is true and correct as to New Grantor on and as of the date hereof as if made on and as of the date hereof by New Grantor.

New Grantor hereby makes, affirms, and ratifies in favor of the Secured Parties and the Collateral Agent the Security Agreement, the Pledge Agreement and each of the other Noteholder Documents given by the Grantors to the Collateral Agent. In furtherance of the foregoing, New Grantor shall execute and deliver or cause to be executed and delivered at any time and from time to time such further instruments and documents and do or cause to be done such further acts as may be reasonably necessary to carry out more effectively the provisions and purposes of this Joinder Agreement (including, for the avoidance of doubt, the actions described in Section 4.18 of the Indentures).

New Grantor has attached hereto Schedule 1 that supplements Schedules 1(a), 1(c), 2(a), 2(b), 5, 6(a), 6(b), 7, 8, 9 and 10 to the Perfection Certificate and certifies, as of the date hereof, that the supplemental information set forth therein has been prepared by the New Grantor in substantially the form of the equivalent Schedules to the Perfection Certificate, and is complete and correct in all material respects.

IN WITNESS WHEREOF, the New Grantor has duly executed this Joinder Agreement and delivered the same to the Collateral Agent for the benefit of the Secured Parties, as of the date and year first written above.

[NAME OF NEW GRANTOR]

By:_____

Title:_____

EXHIBIT C

FORM OF PERFECTION CERTIFICATE

[Please see attached.]

Exhibit 10(v)

Execution Version

AMENDED AND RESTATED SECOND LIEN PLEDGE AGREEMENT

THIS AMENDED AND RESTATED SECOND LIEN PLEDGE AGREEMENT, dated as of September 8, 2016 (as restated, amended, modified or supplemented from time to time, this "Agreement"), is given by **K. HOVNANIAN ENTERPRISES, INC.**, a California corporation (the "Issuer"), **HOVNANIAN ENTERPRISES, INC.**, a Delaware corporation ("Hovnanian"), **EACH OF THE UNDERSIGNED PARTIES LISTED ON SCHEDULE A HERETO AND EACH OF THE OTHER PERSONS AND ENTITIES THAT BECOME BOUND HEREBY FROM TIME TO TIME BY JOINDER, ASSUMPTION OR OTHERWISE** (together with the Issuer and Hovnanian, each a "Pledgor" and collectively the "Pledgors"), as a Pledgor of the equity interests in the Companies (as defined herein), as more fully set forth herein, to **WILMINGTON TRUST**, **NATIONAL ASSOCIATION**, in its capacity as Joint Collateral Agent (as defined below), for the benefit of itself, the Trustees (as defined below), the Notes Collateral Agents (as defined below) and the Noteholders (as defined below) (the "Collateral Agent").

WHEREAS, the Issuer, Hovnanian, and each of the other guarantors party thereto entered into the Indenture dated as of October 2, 2012 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "9.125% Indenture") with Wilmington Trust, National Association, as trustee (in such capacity, the "9.125% Trustee") and as collateral agent (in such capacity, the "9.125% Collateral Agent"), pursuant to which the Issuer has issued, and may from time to time issue, 9.125% Senior Secured Second Lien Notes due 2020 (collectively, the "9.125% Notes") upon the terms and subject to the conditions set forth therein;

WHEREAS, in connection with the 9.125% Indenture, the Pledgors entered into the Second Lien Pledge Agreement, dated as of October 2, 2012 (as heretofore amended, supplemented, amended and restated or otherwise modified from time to time, the "Existing Pledge Agreement"), in favor of the 9.125% Collateral Agent, for the benefit of itself, the 9.125% Trustee and the 9.125% Noteholders (as defined below);

WHEREAS, the Issuer, Hovnanian and each of the other guarantors party thereto entered into the Indenture dated as of September 8, 2016 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "10.000% Indenture" and together with the 9.125% Indenture, the "Indentures") with Wilmington Trust, National Association, as trustee (in such capacity, the "10.000% Trustee" and together with the 9.125% Trustee, the "Trustees") and collateral agent (in such capacity, the "10.000% Collateral Agent" and together with the 9.125% Collateral Agent, the "Notes Collateral Agents"), pursuant to which the Issuer has issued, and may from time to time issue, its 10.000% Senior Secured Second Lien Notes due 2018 (collectively, the "10.000% Notes" and together with the 9.125% Notes, the "Secured Notes") upon the terms and subject to the conditions set forth therein;

WHEREAS, in connection with the 10.000% Indenture, the Issuer, Hovnanian, each of the other Pledgors, the 9.125% Collateral Agent and the 10.000% Collateral Agent entered into the Second Lien Collateral Agency Agreement, dated as of September 8, 2016 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "Second Lien Collateral Agency Agreement"), pursuant to which the Issuer and the 10.000% Collateral Agent appointed the 9.125% Collateral Agent to act as collateral agent on behalf of the 10.000% Secured Parties, in addition to acting as collateral agent on behalf of the 9.125% Secured Parties, pursuant to this Agreement and the other Security Documents (the 9.125% Collateral Agent, in such capacity as collateral agent for the Secured Parties, the "Joint Collateral Agent") and the 9.125% Collateral Agent accepted such appointment;

WHEREAS, the Issuer, Hovnanian and each of the other Guarantors party thereto entered into the Credit Agreement, dated as of July 29, 2016, as amended, supplemented, amended and restated or otherwise modified from time to time, with Wilmington Trust, National Association, in its capacity as administrative agent acting as collateral agent (in such capacity, the "Senior Credit Agreement Administrative Agent") and the lenders party thereto;

WHEREAS, the Issuer, Hovnanian and each of the other Guarantors party thereto entered into the Indenture, dated as of October 2, 2012, with Wilmington Trust, National Association, as trustee (in such capacity, the "Senior Notes Trustee") and as collateral agent (in such capacity, the "Senior Notes Collateral Agent"), pursuant to which the Issuer has issued, and may from time to time issue, its 7.25% Senior Secured First Lien Notes due 2020 upon the terms and subject to the conditions set forth therein;

WHEREAS, the Issuer, Hovnanian, the Grantors party thereto, the Senior Notes Trustee, the Senior Notes Collateral Agent, the Senior Credit Agreement Administrative Agent, the 9.125% Trustee, the 9.125% Collateral Agent, the 10.000% Trustee, the 10.000% Collateral Agent, the Joint Collateral Agent and the Mortgage Tax Collateral Agent have entered into the Amended and Restated Intercreditor Agreement dated as of September 8, 2016 (as amended, supplemented, amended or restated or otherwise modified from time to time, the "Intercreditor Agreement");

WHEREAS, the Secured Notes constitute Second-Lien Indebtedness under the Intercreditor Agreement;

WHEREAS, in connection with the Indentures, the Pledgors are required to execute and deliver this Agreement to secure their obligations with respect to the Indentures and the Secured Notes; and

WHEREAS, each Pledgor owns the outstanding capital stock, shares, securities, member interests, partnership interests and other ownership interests of the Companies.

NOW, THEREFORE, intending to be legally bound hereby, the parties hereto hereby agree to amend and restate the Existing Pledge Agreement in its entirety as follows:

1. Defined Terms.

(a) Except as otherwise expressly provided herein, capitalized terms used in this Agreement (including the recitals above) shall have the respective meanings assigned to them in the Indentures or, if not defined herein or therein, in the Intercreditor Agreement. Where applicable and except as otherwise expressly provided herein, terms used herein (whether or not capitalized) that are defined in Article 8 or Article 9 of the Uniform Commercial Code as enacted in the State of New York, as amended from time to time (the "Code"), and are not otherwise defined herein, in the Indentures or in the Intercreditor Agreement shall have the same meanings herein as set forth therein.

(b) "9.125% Noteholder" shall mean a "Holder" or "Holder of Notes" as defined in the 9.125% Indenture.

(c) "9.125% Secured Obligations" shall mean all Indebtedness and other Obligations under, and as defined in, the 9.125% Indenture, the 9.125% Notes, the Guarantees (as defined in the 9.125% Indenture) and the related Noteholder Collateral Documents, together with any extensions, renewals, replacements or refundings thereof and all costs and expenses of enforcement and collection, including reasonable attorney's fees, expenses and disbursements.

(d) "9.125% Secured Parties" shall mean the collective reference to the Collateral Agent, the 9.125% Trustee, the 9.125% Collateral Agent and the 9.125% Noteholders, in each case to which Secured Obligations are owed.

(e) "10.000% Noteholder" shall mean a "Holder" or "Holder of Notes" as defined in the 10.000% Indenture.

(f) "10.000% Secured Obligations" shall mean all Indebtedness and other Obligations under, and as defined in, the 10.000% Indenture, the 10.000% Notes, the Guarantees (as defined in the 10.000% Indenture) and the related Noteholder Collateral Documents, together with any extensions, renewals, replacements or refundings thereof and all costs and expenses of enforcement and collection, including reasonable attorney's fees, expenses and disbursements.

(g) "10.000% Secured Parties" shall mean the collective reference to the Collateral Agent, the 10.000% Trustee, the 10.000% Collateral Agent and the 10.000% Noteholders, in each case to which Secured Obligations are owed.

(h) "Collateral Agency Agreement" shall have the meaning ascribed to such term in the Security Agreement.

(i) "Company" shall mean individually each Restricted Subsidiary, and "Companies" shall mean, collectively, all Restricted Subsidiaries.

(j) "Law" shall mean any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, opinion, release, ruling, order, injunction, writ, decree, bond, judgment, authorization or approval, lien or award of or settlement agreement with any Official Body.

(k) "Margin Stock" shall have the meaning specified in Section 4(a).

(l) "Noteholders" shall mean the collective reference to the 9.125% Noteholders and the 10.000% Noteholders.

(m) "Noteholder Collateral Document" shall mean any agreement, document or instrument pursuant to which a Lien is granted by the Issuer or any Guarantor to secure any Secured Obligations or under which rights or remedies with respect to any such Liens are governed, as the same may be amended, restated or otherwise modified from time to time.

(n) "Noteholder Documents" shall mean collectively (a) the Indentures, the Secured Notes and the Noteholder Collateral Documents and (b) any other related document or instrument executed and delivered pursuant to any Noteholder Document described in clause (a) above evidencing or governing any Secured Obligations as the same may be amended, restated or otherwise modified from time to time.

(o) "Official Body" shall mean any national, federal, state, local or other governmental or political subdivision or any agency, authority, board, bureau, central bank, commission, department or instrumentality of either, or any court, tribunal, grand jury or arbitrator, in each case whether foreign or domestic.

(p) "Perfection Agent" shall mean (i) prior to the Discharge of Senior Claims, the Controlling Senior Collateral Agent (including, with respect to any Pledged Collateral delivered to or held by the Perfection Agent, in its capacity as bailee for the Collateral Agent, the Trustees, the Notes Collateral Agents and the Noteholders under Section 5.5 of the Intercreditor Agreement) and (ii) thereafter, the Collateral Agent.

(q) "Perfection Certificate" shall mean with respect to any Pledgor, a certificate substantially in the form of Exhibit C to the Security Agreement, completed and supplemented with the schedules contemplated thereby, and signed by an officer of such Pledgor.

(r) "Pledged Collateral" shall mean and include the following with respect to each Company: (i) the capital stock, shares, securities, investment property, member interests, partnership interests, warrants, options, put rights, call rights, similar rights, and all other ownership or participation interests, in any Company and K. Hovnanian JV Holdings, L.L.C. owned or held by any Pledgor at any time including those in any Company hereafter formed or acquired, (ii) all rights and privileges pertaining thereto, including without limitation, all present and future securities, shares, capital stock, investment property, dividends, distributions and other ownership interests receivable in respect of or in exchange for any of the foregoing, all present and future rights to subscribe for securities, shares, capital stock, investment property or other ownership interests incident to or arising from ownership of any of the foregoing, all present and future cash, interest, stock or other dividends or distributions paid or payable on any of the foregoing, and all present and future books and records (whether paper, electronic or any other medium) pertaining to any of the foregoing, including, without limitation, all stock record and transfer books and (iii) whatever is received when any of the foregoing is sold, exchanged, replaced or otherwise disposed of, including all proceeds, as such term is defined in the Code, thereof; provided, however, that notwithstanding any of the other provisions set forth in this Agreement, this Agreement shall not constitute a grant of a security interest in, and the Pledged Collateral shall not include, (i) any property or assets constituting "Excluded Property" (as defined in the Indentures) or (ii) any property to the extent that such grant of a security interest is prohibited by any applicable Law of an Official Body, requires a consent not obtained of any Official Body pursuant to such Law or is prohibited by, or constitutes a breach or default under or results in the termination of or gives rise to any right of acceleration, modification or cancellation or requires any consent not obtained under, any contract, license, agreement, instrument or other document evidencing or giving rise to such property or, in the case of any Investment Property, or Pledged Note, any applicable shareholder or similar agreement governing such Investment Property, or Pledged Note except to the extent that such Law or the term in such contract, license, agreement, instrument or other document or shareholder or similar agreement providing for such prohibition, breach, default or termination or requiring such consent is ineffective under applicable Law including Sections 9-406, 9-407, 9-408 or 9-409 of the New York UCC (or any successor provision or provisions). The Collateral Agent agrees that, at any Pledgor's reasonable request and expense, it will provide such Pledgor confirmation that the assets described in this paragraph are in fact excluded from the Pledged Collateral during such limited period only upon receipt of an Officers' Certificate or an Opinion of Counsel to that effect. Notwithstanding the foregoing, in the event that Rule 3-16 of Regulation S-X under the Securities Act requires (or is replaced with another rule or regulation, or any other law, rule or regulation is adopted, which would require) the filing with the SEC of separate financial statements of the Issuer, any Guarantor or K. Hovnanian JV Holdings, L.L.C., then the capital stock or other securities of the Issuer, such Guarantor or K. Hovnanian JV Holdings, L.L.C., as applicable, shall automatically be deemed released and not to be and not to have been part of the Pledged Collateral but only to the extent necessary to not be subject to such requirement. In such event, this Agreement may be amended or modified, without the consent of any Noteholder upon the Collateral Agent's receipt of an Officers' Certificate from the Issuer stating that such amendment is permitted hereunder and that all conditions precedent to such amendment have been complied with, which the Collateral Agent shall be entitled to conclusively rely upon, to the extent necessary to evidence the release of the lien created hereby on the shares of capital stock or other securities that are so deemed to no longer constitute part of the Pledged Collateral.

(s) "Secured Obligations" shall mean the collective reference to the 9.125% Secured Obligations and the 10.000% Secured Obligations.

(t) "Secured Parties" shall mean the collective reference to the 9.125% Secured Parties and the 10.000% Secured Parties.

(u) "Security Agreement" shall mean the Amended and Restated Second Lien Security Agreement dated as of the date hereof among the Issuer, Hovnanian and certain of their respective subsidiaries and the Collateral Agent, as amended, supplemented, amended and restated or otherwise modified from time to time.

2. Grant of Security Interests.

(a) To secure the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of all Secured Obligations, in full, each Pledgor hereby grants to the Collateral Agent a continuing security interest under the Code in and hereby pledges to the Collateral Agent, in each case for its benefit and the ratable benefit of the Secured Parties, all of such Pledgor's now existing and hereafter acquired or arising right, title and interest in, to, and under the Pledged Collateral, whether now or hereafter existing and wherever located, subject only to the Liens securing the Senior Claims and other Permitted Liens.

(b) Upon the execution and delivery of this Agreement, each Pledgor shall deliver to and deposit with the Perfection Agent (or with a Person designated by the Perfection Agent to hold the Pledged Collateral on behalf of the Perfection Agent) in pledge, all of such Pledgor's certificates, instruments or other documents comprising or evidencing the Pledged Collateral, together with undated stock powers or similar transfer documents signed in blank by such Pledgor. In the event that any Pledgor should ever acquire or receive certificates, securities, instruments or other documents evidencing the Pledged Collateral, such Pledgor shall deliver to and deposit with the Perfection Agent in pledge, all such certificates, securities, instruments or other documents which evidence the Pledged Collateral.

3. Further Assurances.

Prior to or concurrently with the execution of this Agreement, and thereafter at any time and from time to time, subject to the terms of the Intercreditor Agreement and the Second Lien Collateral Agency Agreement, each Pledgor (in its capacity as a Pledgor and in its capacity as a Company) shall execute and deliver to the Collateral Agent all financing statements, continuation financing statements, assignments, certificates and documents of title, affidavits, reports, notices, schedules of account, letters of authority, further pledges, powers of attorney and all other documents (collectively, the "Security Documents") as may be required under applicable law to perfect and continue perfecting and to create and maintain the status of the Collateral Agent's security interest in the Pledged Collateral, subject only to the Liens securing the Senior Claims and other Permitted Liens and to fully consummate the transactions contemplated under this Agreement. Each Pledgor shall record any one or more financing statements under the applicable Uniform Commercial Code with respect to the pledge and security interest herein granted. Each Pledgor hereby irrevocably makes, constitutes and appoints the Collateral Agent (and any of the Collateral Agent's officers or employees or agents designated by the Collateral Agent) as such Pledgor's true and lawful attorney with power to sign the name of such Pledgor on all or any of the Security Documents which, pursuant to applicable law, must be executed, filed, recorded or sent in order to perfect or continue perfecting the Collateral Agent's security interest in the Pledged Collateral in any jurisdiction. Such power, being coupled with an interest, is irrevocable until all of the Secured Obligations have been indefeasibly paid, in cash, in full.

4. Representations and Warranties.

Each Pledgor hereby, jointly and severally, represents and warrants to the Collateral Agent as follows:

(a) The Pledged Collateral of such Pledgor does not include Margin Stock. "Margin Stock" as used in this clause (a) shall have the meaning ascribed to such term by Regulation U of the Board of Governors of the Federal Reserve System of the United States;

(b) The Pledgor has and will continue to have (or, in the case of after-acquired Pledged Collateral, at the time such Pledgor acquires rights in such Pledged Collateral, will have and will continue to have), title to its Pledged Collateral, free and clear of all Liens other than Permitted Liens;

(c) The capital stock, shares, securities, member interests, partnership interests and other ownership interests constituting the Pledged Collateral of such Pledgor have been duly authorized and validly issued to such Pledgor, are fully paid and nonassessable and constitute one hundred percent (100%) of the issued and outstanding capital stock, member interests or partnership interests of each Company;

(d) Upon the completion of the filings and other actions specified on Schedule B attached hereto, the security interests in the Pledged Collateral granted hereunder by such Pledgor shall be valid and perfected, subject to the Lien of no other Person (other than Permitted Liens);

(e) There are no restrictions upon the transfer of the Pledged Collateral (other than restrictions that have been waived pursuant to Section 24 hereof) and such Pledgor has the power and authority and unencumbered right to transfer the Pledged Collateral owned by such Pledgor free of any Lien (other than Permitted Liens) and without obtaining the consent of any other Person;

(f) Such Pledgor has all necessary power to execute, deliver and perform this Agreement;

(g) This Agreement has been duly executed and delivered and constitutes the valid and legally binding obligation of each Pledgor, enforceable in accordance with its terms, except to the extent that enforceability of this Agreement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws affecting the enforceability of creditors' rights generally or limiting the right of specific performance;

(h) Neither the execution or delivery by each Pledgor of this Agreement, nor the compliance with the terms and provisions hereof, will violate any provision of any Law or conflict with or result in a breach of any of the terms, conditions or provisions of any judgment, order, injunction, decree or ruling of any Official Body to which any Pledgor or any of its property is subject or any provision of any material agreement or instrument to which Pledgor is a party or by which such Pledgor or any of its property is bound;

(i) Each Pledgor's exact legal name is as set forth on such Pledgor's signature page hereto;

(j) The jurisdiction of incorporation, formation or organization, as applicable, of each Pledgor is as set forth on Schedule 1(a) to the Perfection Certificate;

(k) Such Pledgor's chief executive office is as set forth on Schedule 2(a) to the Perfection Certificate; and

(l) All rights of such Pledgor in connection with its ownership of each of the Companies are evidenced and governed solely by the stock certificates, instruments or other documents (if any) evidencing ownership of each of the Companies and the organizational documents of each of the Companies, and no shareholder, voting, or other similar agreements are applicable to any of the Pledged Collateral or any of any Pledgor's rights with respect thereto, and no such certificate, instrument or other document provides that any member interest, partnership interest or other intangible ownership interest in any limited liability company or partnership constituting Pledged Collateral is a "security" within the meaning of and subject to Article 8 of the Code, except pursuant to Section 5(f) hereof; and the organizational documents of each Company contain no restrictions (other than restrictions that have been waived pursuant to Section 24 hereof) on the rights of shareholders, members or partners other than those that normally would apply to a company organized under the laws of the jurisdiction of organization of each of the Companies.

5. General Covenants.

Each Pledgor, jointly and severally, hereby covenants and agrees as follows:

(a) Each Pledgor shall do all reasonable acts that may be necessary and appropriate to maintain, preserve and protect the Pledged Collateral; and each Pledgor shall be responsible for the risk of loss of, damage to, or destruction of the Pledged Collateral owned by such Pledgor, unless such loss is the result of the gross negligence or willful misconduct of the Collateral Agent;

(b) Each Pledgor shall appear in and defend any action or proceeding of which such Pledgor is aware which could reasonably be expected to affect, in any material respect, any Pledgor's title to, or the Collateral Agent's interest in, the Pledged Collateral or the proceeds thereof; provided, however, that with the prior written consent of the Collateral Agent, such Pledgor may settle such actions or proceedings with respect to the Pledged Collateral;

(c) The books and records of each of the Pledgors and Companies, as applicable, shall disclose the Collateral Agent's security interest in the Pledged Collateral;

(d) To the extent, following the date hereof, any Pledgor acquires capital stock, shares, securities, member interests, partnership interests, investment property and other ownership interests of any of the Companies or any other Restricted Subsidiary or any of the rights, property or securities, shares, capital stock, member interests, partnership interests, investment property or any other ownership interests described in the definition of Pledged Collateral with respect to any of the Companies or any other Restricted Subsidiary, all such ownership interests shall be subject to the terms hereof and, upon such acquisition, shall be deemed to be hereby pledged to the Collateral Agent; and each Pledgor thereupon, in confirmation thereof, shall promptly deliver all such securities, shares, capital stock, member interests, partnership interests, investment property and other ownership interests (to the extent such items are certificated), to the Perfection Agent, together with undated stock powers or other similar transfer documents, and all such control agreements, financing statements, and any other documents necessary to implement the provisions and purposes of this Agreement or as the Perfection Agent may request related thereto;

(e) Each Pledgor shall notify the Collateral Agent in writing within thirty (30) calendar days after any change in any Pledgor's chief executive office address, legal name, or state of incorporation, formation or organization; and

(f) During the term of this Agreement, no Pledgor shall permit or cause any Company which is a limited liability company or a limited partnership to (and no Pledgor (in its capacity as Company) shall) issue any certificates evidencing the ownership interests of such Company or elect to treat any ownership interests as securities that are subject to Article 8 of the Code unless such securities are immediately delivered to the Perfection Agent upon issuance, together with all evidence of such election and issuance and all Security Documents as set forth in Section 3 hereof.

6. Other Rights With Respect to Pledged Collateral.

In addition to the other rights with respect to the Pledged Collateral granted to the Collateral Agent hereunder, at any time and from time to time, after and during the continuation of an Event of Default, the Collateral Agent, at its option and at the expense of the Pledgors, may, subject to the Intercreditor Agreement, the Second Lien Collateral Agency Agreement, any Collateral Agency Agreement and any other intercreditor agreement entered into in connection with Indebtedness permitted under the Indentures: (a) transfer into its own name, or into the name of its nominee, all or any part of the Pledged Collateral, thereafter receiving all dividends, income or other distributions upon the Pledged Collateral; (b) take control of and manage all or any of the Pledged Collateral; (c) apply to the payment of any of the Secured Obligations, whether any be due and payable or not, any moneys, including cash dividends and income from any Pledged Collateral, now or hereafter in the hands of the Collateral Agent or any Affiliate of the Collateral Agent, on deposit or otherwise, belonging to any Pledgor, as the Collateral Agent in its sole discretion shall determine; and (d) do anything which any Pledgor is required but fails to do hereunder. The Collateral Agent shall endeavor to provide the Issuer with notice at or about the time of the exercise of its rights pursuant to the preceding sentence, provided that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of any rights or remedies hereunder.

7. Additional Remedies Upon Event of Default.

Upon the occurrence of any Event of Default and while such Event of Default shall be continuing, the Collateral Agent shall have, in addition to all rights and remedies of a secured party under the Code or other applicable Law, and in addition to its rights under Section 6 above and under the other Noteholder Documents, the following rights and remedies, in each case subject to the Intercreditor Agreement, the Second Lien Collateral Agency Agreement, any Collateral Agency Agreement and any other intercreditor agreement entered into in connection with Indebtedness permitted under the Indentures:

(a) The Collateral Agent may, after ten (10) days' advance notice to a Pledgor, sell, assign, give an option or options to purchase or otherwise dispose of such Pledgor's Pledged Collateral or any part thereof at public or private sale, at any of the Collateral Agent's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Collateral Agent may deem commercially reasonable. Each Pledgor agrees that ten (10) days' advance notice of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Collateral Agent shall not be obligated to make any sale of Pledged Collateral regardless of notice of sale having been given. The Collateral Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Each Pledgor recognizes that the Collateral Agent may be compelled to resort to one or more private sales of the Pledged Collateral to a restricted group of purchasers who will be obliged to agree, among other things, to acquire such securities, shares, capital stock, member interests, partnership interests, investment property or ownership interests for their own account for investment and not with a view to the distribution or resale thereof.

(b) The proceeds of any collection, sale or other disposition of the Pledged Collateral, or any part thereof, shall be applied against the Secured Obligations, whether or not all the same be then due and payable, as provided in the Second Lien Collateral Agency Agreement. The Collateral Agent shall incur no liability as a result of the sale of the Pledged Collateral, or any part thereof, at any private sale pursuant to this Section 7 conducted in accordance with the requirements of applicable laws. Each Pledgor hereby waives any claims against the Collateral Agent and the other Secured Parties arising by reason of the fact that the price at which the Pledged Collateral may have been sold at such a private sale was less than the price that might have been obtained at a public sale or was less than the aggregate amount of the Secured Obligations, even if the Collateral Agent accepts the first offer received and does not offer the Pledged Collateral to more than one offeree, provided that such private sale is conducted in accordance with applicable laws and this Agreement. Each Pledgor hereby agrees that in respect of any sale of any of the Pledged Collateral pursuant to the terms hereof, the Collateral Agent is hereby authorized to comply with any limitation or restriction in connection with such sale as it may be advised by counsel is necessary in order to avoid any violation of applicable laws, or in order to obtain any required approval of the sale or of the purchaser by any governmental authority or official, nor shall the Collateral Agent be liable or accountable to any Pledgor for any discount allowed by reason of the fact that such Pledged Collateral is sold in compliance with any such limitation or restriction.

8. Collateral Agent's Duties.

The powers conferred on the Collateral Agent hereunder are solely to protect its interest (on behalf of itself, the Notes Collateral Agents, the Trustees and the Noteholders) in the Pledged Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Pledged Collateral in its possession and the accounting for moneys actually received by it hereunder, the Collateral Agent shall have no duty as to any Pledged Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Pledged Collateral.

9. Additional Pledgors.

It is anticipated that additional persons may from time to time become Subsidiaries of the Issuer or a Guarantor, each of whom will be required to join this Agreement as a Pledgor hereunder to the extent that such new Subsidiary is required to become a Guarantor under the Indentures and owns equity interests in any other Person that is a Restricted Subsidiary. It is acknowledged and agreed that such new Subsidiaries of the Issuer or a Guarantor may become Pledgors hereunder and will be bound hereby simply by executing and delivering to the Collateral Agent a Supplemental Indenture (in the form of Exhibit B to the Indentures) and a Joinder Agreement in the form of Exhibit B to the Security Agreement. No notice of the addition of any Pledgor shall be required to be given to any pre-existing Pledgor, and each Pledgor hereby consents thereto.

10. No Waiver; Cumulative Remedies.

No failure to exercise, and no delay in exercising, on the part of the Collateral Agent, any right, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder preclude any further exercise thereof or the exercise of any other right, power or privilege. No waiver of a single Event of Default shall be deemed a waiver of a subsequent Event of Default. The remedies herein provided are cumulative and not exclusive of any remedies provided under the other Noteholder Documents or by Law, rule or regulation and the Collateral Agent may enforce any one or more remedies hereunder successively or concurrently at its option. Each Pledgor waives any right to require the Collateral Agent to proceed against any other Person or to exhaust any of the Pledged Collateral or other security for the Secured Obligations or to pursue any remedy in the Collateral Agent's power.

11. Waivers.

Each Pledgor hereby waives any and all defenses which any Pledgor may now or hereafter have based on principles of suretyship, impairment of collateral, or the like and each Pledgor hereby waives any defense to or limitation on its obligations under this Agreement arising out of or based on any event or circumstance referred to in the immediately preceding Section hereof. Without limiting the generality of the foregoing and to the fullest extent permitted by applicable law, each Pledgor hereby further waives each of the following:

(i) All notices, disclosures and demands of any nature which otherwise might be required from time to time to preserve intact any rights against such Pledgor, including the following: any notice of any event or circumstance described in the immediately preceding Section hereof; any notice required by any law, regulation or order now or hereafter in effect in any jurisdiction; any notice of nonpayment, nonperformance, dishonor, or protest under any Noteholder Document or any of the Secured Obligations; any notice of the incurrence of any Secured Obligation; any notice of any default or any failure on the part of such Pledgor or the Issuer or any other Person to comply with any Noteholder Document or any of the Secured Obligations or any requirement pertaining to any direct or indirect security for any of the Secured Obligations; and any notice or other information pertaining to the business, operations, condition (financial or otherwise), or prospects of the Issuer or any other Person;

(ii) Any right to any marshalling of assets, to the filing of any claim against such Pledgor or the Issuer or any other Person in the event of any bankruptcy, insolvency, reorganization, or similar proceeding, or to the exercise against such Pledgor or the Issuer, or any other Person of any other right or remedy under or in connection with any Noteholder Document or any of the Secured Obligations or any direct or indirect security for any of the Secured Obligations; any requirement of promptness or diligence on the part of the Collateral Agent, the Notes Collateral Agents, the Trustees, the Noteholders or any other Person; any requirement to exhaust any remedies under or in connection with, or to mitigate the damages resulting from default under, any Noteholder Document or any of the Secured Obligations or any direct or indirect security for any of the Secured Obligations; any benefit of any statute of limitations; and any requirement of acceptance of this Agreement or any other Noteholder Document, and any requirement that any Pledgor receive notice of any such acceptance; and

(iii) Any defense or other right arising by reason of any Law now or hereafter in effect in any jurisdiction pertaining to election of remedies (including anti-deficiency laws, "one action" laws, or the like), or by reason of any election of remedies or other action or inaction by the Collateral Agent, the Notes Collateral Agents, the Trustees or the Noteholders (including commencement or completion of any judicial proceeding or nonjudicial sale or other action in respect of collateral security for any of the Secured Obligations), which results in denial or impairment of the right of the Collateral Agent, the Trustees or the Noteholders to seek a deficiency against the Issuer or any other Person or which otherwise discharges or impairs any of the Secured Obligations.

12. Assignment.

All rights of the Collateral Agent under this Agreement shall inure to the benefit of its successors and assigns. All obligations of each Pledgor shall bind its successors and assigns; provided, however, that no Pledgor may assign or transfer any of its rights and obligations hereunder or any interest herein, and any such purported assignment or transfer shall be null and void.

13. Severability.

Any provision (or portion thereof) of this Agreement which shall be held invalid or unenforceable shall be ineffective without invalidating the remaining provisions hereof (or portions thereof).

14. Governing Law.

This Agreement and the rights and obligations of the parties under this Agreement shall be governed by, and construed and interpreted in accordance with, the Law of the State of New York, except to the extent the validity or perfection of the security interests or the remedies hereunder in respect of any Pledged Collateral are governed by the law of a jurisdiction other than the State of New York.

15. Notices.

All notices, requests, demands, directions and other communications (collectively, "notices") given to or made upon any party hereto under the provisions of this Agreement shall be given or made as set forth in Section 13.03 of the 9.125% Indenture and 13.3 of the 10.000% Indenture, and the Pledgors (in their capacity as Pledgors and in their capacity as Companies) shall simultaneously send to the Collateral Agent any notices such Pledgor or such Company delivers to each other regarding any of the Pledged Collateral.

16. Specific Performance.

Each Pledgor acknowledges and agrees that, in addition to the other rights of the Collateral Agent hereunder and under the other Noteholder Documents, because the Collateral Agent's remedies at law for failure of any Pledgor to comply with the provisions hereof relating to the Collateral Agent's rights (i) to inspect the books and records related to the Pledged Collateral, (ii) to receive the various notifications any Pledgor is required to deliver hereunder, (iii) to obtain copies of agreements and documents as provided herein with respect to the Pledged Collateral, (iv) to enforce the provisions hereof pursuant to which any Pledgor has appointed the Collateral Agent its attorney-in-fact and (v) to enforce the Collateral Agent's remedies hereunder, would be inadequate and that any such failure would not be adequately compensable in damages, such Pledgor agrees that each such provision hereof may be specifically enforced, subject to the Intercreditor Agreement and the Second Lien Collateral Agency Agreement.

17. Voting Rights in Respect of the Pledged Collateral.

So long as no Event of Default shall occur and be continuing under the Indentures, each Pledgor may exercise any and all voting and other consensual rights pertaining to the Pledged Collateral or any part thereof for any purpose not inconsistent with the terms of this Agreement or the other Noteholder Documents; provided, however, that such Pledgor will not exercise or will refrain from exercising any such voting and other consensual right pertaining to the Pledged Collateral, as the case may be, if such action would have a material adverse effect on the value of any Pledged Collateral. At any time and from time to time, after and during the continuation of an Event of Default, no Pledgor shall be permitted to exercise any of its respective voting and other consensual rights whatsoever pertaining to the Pledged Collateral or any part thereof; provided, however, in addition to the other rights with respect to the Pledged Collateral granted to the Collateral Agent, the Trustees and the Noteholders for the benefit of itself, the Notes Collateral Agents, the Trustees and the Noteholders, hereunder, at any time and from time to time, after and during the continuation of an Event of Default and subject to the provisions of the Intercreditor Agreement, the Second Lien Collateral Agency Agreement, any Collateral Agency Agreement and any other intercreditor agreement entered into in connection with Indebtedness permitted under the Indentures, the Collateral Agent may exercise any and all voting and other consensual rights of each and every Pledgor pertaining to the Pledged Collateral or any part thereof. The Collateral Agent shall endeavor to provide the Issuer with notice at or about the time of the exercise by Collateral Agent of the voting or other consensual rights of such Pledgor pertaining to the Pledged Collateral, provided that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of Collateral Agent's rights or remedies hereunder. Without limiting the generality of the foregoing and in addition thereto, Pledgors shall not vote to enable, or take any other action to permit, any Company to: (i) issue any other ownership interests of any nature or to issue any other securities, investment property or other ownership interests convertible into or granting the right to purchase or exchange for any other ownership interests of any nature of any such Company, except as permitted by the Indentures; or (ii) enter into any agreement or undertaking restricting the right or ability of such Pledgor or the Collateral Agent to sell, assign or transfer any of the Pledged Collateral without the Collateral Agent's prior written consent, except as permitted by the Indentures.

18. Consent to Jurisdiction.

Each Pledgor (as a Pledgor and as a Company) hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Noteholder Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such Pledgor at its address referred to in Section 8.02 of the Security Agreement or at such other address of which the Collateral Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

19. Waiver of Jury Trial.

EXCEPT AS PROHIBITED BY LAW, EACH PLEDGOR (AS A PLEDGOR AND AS A COMPANY), EACH OF THE COMPANIES AND THE COLLATERAL AGENT, ON BEHALF OF ITSELF, THE TRUSTEES, THE NOTES COLLATERAL AGENTS AND THE NOTEHOLDERS, HEREBY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY A JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER DOCUMENTS OR TRANSACTIONS RELATING THERETO.

20. Entire Agreement; Amendments.

(a) This Agreement and the other Noteholder Documents constitute the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements relating to a grant of a security interest in the Pledged Collateral by any Pledgor to the Collateral Agent.

(b) At any time after the initial execution and delivery of this Agreement to the Collateral Agent, the Notes Collateral Agents, the Trustees and the Noteholders, additional Persons may become parties to this Agreement and thereby acquire the duties and rights of being Pledgors hereunder by executing and delivering to the Collateral Agent a Joinder Agreement pursuant to the Security Agreement. No notice of the addition of any Pledgor shall be required to be given to any pre-existing Pledgor and each Pledgor hereby consents thereto.

(c) Except as expressly provided in (i) Section 9.01 of the 9.125% Indenture and Section 9.1 of the 10.000% Indenture, (ii) Section 9 with respect to additional Pledgors, (iii) Section 21 with respect to the release of Pledgors and Companies, (iv) Section 11.04 of the 9.125% Indenture and Section 11.4 of the 10.000% Indenture and (v) Section 8.01 of the Security Agreement, this Agreement may not be amended or supplemented except by a writing signed by the Collateral Agent and the Pledgors.

21. Automatic Release of Related Collateral and Equity.

At any time after the initial execution and delivery of this Agreement to the Collateral Agent, the Pledgors and their respective Pledged Collateral and the Companies and K. Hovnanian JV Holdings, L.L.C. may be released from this Agreement in accordance with and pursuant to Section 11.04 of the 9.125% Indenture and Section 11.4 of the 10.000% Indenture, or at the times and to the extent required by the Intercreditor Agreement and the Second Lien Collateral Agency Agreement. No notice of such release of any Pledgor or such Pledgor's Pledged Collateral shall be required to be given to any other Pledgor and each Pledgor hereby consents thereto.

22. Counterparts; Electronic Transmission of Signatures.

This Agreement may be executed in any number of counterparts, and by different parties hereto in separate counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute one and the same instrument. Each Pledgor acknowledges and agrees that a telecopy or electronic (i.e., "e-mail" or "portable document folio" ("pdf")) transmission to the Collateral Agent of the signature pages hereof purporting to be signed on behalf of any Pledgor shall constitute effective and binding execution and delivery hereof by such Pledgor.

23. Construction.

The rules of construction contained in Section 1.02 of the 9.125% Indenture and Section 1.2 of the 10.000% Indenture apply to this Agreement.

24. Waiver of Restrictions.

Each Pledgor agrees that any restriction on transfer (if any) of the Pledged Collateral contained in the organizational documents to which such Pledgor is a party, is hereby waived, and further agrees that any such restriction does not apply to the grant of security interest made hereunder or to any transfer of the Pledged Collateral to a Secured Party or any third party in connection with an exercise of remedies hereunder.

25. Intercreditor Agreement and the Second Lien Collateral Agency Agreement.

Notwithstanding anything herein to the contrary, the lien and security interest granted to the Collateral Agent pursuant to this Agreement and the exercise of any right or remedy by the Collateral Agent hereunder are subject to the provisions of the Intercreditor Agreement and the Second Lien Collateral Agency Agreement. In the event of any conflict between the terms of the Intercreditor Agreement and this Agreement, the terms of the Intercreditor Agreement shall govern. In the event of any conflict between the terms of the Second Lien Collateral Agency Agreement and this Agreement, the terms of the Second Lien Collateral Agency Agreement shall govern.

26. Collateral Agent Privileges, Powers and Immunities.

In the performance of its obligations, powers and rights hereunder, the Collateral Agent shall be entitled to the rights, benefits, privileges, powers and immunities afforded to it as Collateral Agent under the Indentures and the Second Lien Collateral Agency Agreement. The Collateral Agent shall take or refrain from taking any discretionary action or exercise any discretionary powers set forth in this Agreement in accordance with, and subject to, the Indentures (it being understood and agreed that the actions and directions set forth in Section 9.01 of the 9.125% Indenture and Section 9.1 of the 10.000% Indenture are not discretionary) and the Second Lien Collateral Agency Agreement. Notwithstanding anything to the contrary contained herein and notwithstanding anything contained in Section 9-207 of the New York UCC, the Collateral Agent shall have no responsibility for the creation, perfection, priority, sufficiency or protection of any liens securing Secured Obligations (including, but not limited to, no obligation to prepare, record, file, re-record or re-file any financing statement, continuation statement or other instrument in any public office). The permissive rights and authorizations of the Collateral Agent hereunder shall not be construed as duties. The Collateral Agent shall be entitled to exercise its powers and duties hereunder through designees, specialists, experts or other appointees selected by it with due care and shall not be liable for the negligence or misconduct of such appointees.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, and intending to be legally bound, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

WILMINGTON TRUST, NATIONAL ASSOCIATION, as Collateral Agent

By: /s/ John T. Needham, Jr.
Name: John T. Needham, Jr.
Title: Vice President

[Signature Page to Second Lien Pledge Agreement]

Pledgors:

K. HOVNANIAN ENTERPRISES, INC.

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice-President—Finance and Treasurer

HOVNANIAN ENTERPRISES, INC.

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice-President—Finance and Treasurer

K. HOV IP, II, INC.

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice-President—Finance and Treasurer

ON BEHALF OF EACH OTHER ENTITY NAMED IN SCHEDULE A HERETO

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice-President—Finance and Treasurer

[Signature Page to Second Lien Pledge Agreement]

SCHEDULE A
TO
PLEDGE AGREEMENT

ARBOR TRAILS, LLC
BUILDER SERVICES NJ, L.L.C.
BUILDER SERVICES PA, L.L.C.
EASTERN NATIONAL TITLE AGENCY, LLC
EASTERN TITLE AGENCY OF ILLINOIS, LLC
EASTERN TITLE AGENCY, INC.
F&W MECHANICAL SERVICES, L.L.C.
FOUNDERS TITLE AGENCY OF MARYLAND, L.L.C.
FOUNDERS TITLE AGENCY, INC.
GLENRISE GROVE, L.L.C.
GOVERNOR'S ABSTRACT CO., INC.
HOMEBUYERS FINANCIAL SERVICES, L.L.C.
HOVNANIAN DEVELOPMENTS OF FLORIDA, INC.
HOVNANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP, L.L.C.
K. HOVNANIAN ABERDEEN, LLC
K. HOVNANIAN ACQUISITIONS, INC.
K. HOVNANIAN AT 240 MISSOURI, LLC
K. HOVNANIAN AT 4S, LLC
K. HOVNANIAN AT AIRE ON MCDOWELL, LLC
K. HOVNANIAN AT ALISO, LLC
K. HOVNANIAN AT ALLENTOWN, L.L.C.
K. HOVNANIAN AT ANDALUSIA, LLC
K. HOVNANIAN AT ASBURY PARK URBAN RENEWAL, LLC
K. HOVNANIAN AT ASHBY PLACE, LLC
K. HOVNANIAN AT AVENUE ONE, L.L.C.
K. HOVNANIAN AT BAKERSFIELD 463, L.L.C.
K. HOVNANIAN AT BARNEGAT I, L.L.C.
K. HOVNANIAN AT BARNEGAT II, L.L.C.
K. HOVNANIAN AT BEACON PARK AREA 129, LLC
K. HOVNANIAN AT BEACON PARK AREA 137, LLC
K. HOVNANIAN AT BELLA LAGO, LLC
K. HOVNANIAN AT BLACKSTONE, LLC
K. HOVNANIAN AT BOCA DUNES, LLC
K. HOVNANIAN AT BRANCHBURG II, LLC
K. HOVNANIAN AT BRANCHBURG, L.L.C.
K. HOVNANIAN AT BRANCHBURG-VOLLERS, LLC
K. HOVNANIAN AT BRENFORD STATION, LLC
K. HOVNANIAN AT BRIDGEPORT, INC.
K. HOVNANIAN AT BRIDGEWATER I, L.L.C.
K. HOVNANIAN AT BRIDGEWATER II, LLC
K. HOVNANIAN AT BURCH KOVE, LLC

K. HOVNANIAN AT CAMP HILL, L.L.C.
K. HOVNANIAN AT CAMPTON PRAIRIE, LLC
K. HOVNANIAN AT CAPISTRANO, L.L.C.
K. HOVNANIAN AT CARLSBAD, LLC
K. HOVNANIAN AT CATANIA, LLC
K. HOVNANIAN AT CATON'S RESERVE, LLC
K. HOVNANIAN AT CEDAR GROVE III, L.L.C.
K. HOVNANIAN AT CEDAR GROVE URBAN RENEWAL, LLC
K. HOVNANIAN AT CEDAR LANE, LLC
K. HOVNANIAN AT CHARTER WAY, LLC
K. HOVNANIAN AT CHESTERFIELD, L.L.C.
K. HOVNANIAN AT CHRISTINA COURT, LLC
K. HOVNANIAN AT CIELO, L.L.C.
K. HOVNANIAN AT COASTLINE, L.L.C.
K. HOVNANIAN AT COOSAW POINT, LLC
K. HOVNANIAN AT CORAL LAGO, LLC
K. HOVNANIAN AT CORTEZ HILL, LLC
K. HOVNANIAN AT DENVILLE, L.L.C.
K. HOVNANIAN AT DEPTFORD TOWNSHIP, L.L.C.
K. HOVNANIAN AT DOMINGUEZ HILLS, INC.
K. HOVNANIAN AT DOYLESTOWN, LLC
K. HOVNANIAN AT EAST BRANDYWINE, L.L.C.
K. HOVNANIAN AT EAST BRUNSWICK III, LLC
K. HOVNANIAN AT EAST BRUNSWICK, LLC
K. HOVNANIAN AT EAST WINDSOR, LLC
K. HOVNANIAN AT EDEN TERRACE, L.L.C.
K. HOVNANIAN AT EDGEWATER II, L.L.C.
K. HOVNANIAN AT EDGEWATER, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH II, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH, L.L.C.
K. HOVNANIAN AT ESTATES AT WHEATLANDS, LLC
K. HOVNANIAN AT EVERGREEN, L.L.C.
K. HOVNANIAN AT EVESHAM, LLC
K. HOVNANIAN AT FAIRFIELD RIDGE, LLC
K. HOVNANIAN AT FIDDYMENT RANCH, LLC
K. HOVNANIAN AT FIFTH AVENUE, L.L.C.
K. HOVNANIAN AT FLORENCE I, L.L.C.
K. HOVNANIAN AT FLORENCE II, L.L.C.
K. HOVNANIAN AT FOREST MEADOWS, L.L.C.
K. HOVNANIAN AT FOX PATH AT HAMPTON LAKE, LLC
K. HOVNANIAN AT FRANKLIN II, L.L.C.
K. HOVNANIAN AT FRANKLIN, L.L.C.
K. HOVNANIAN AT FREEHOLD TOWNSHIP III, LLC
K. HOVNANIAN AT FRESNO, LLC

K. HOVNANIAN AT GALLERY, LLC
K. HOVNANIAN AT GASLAMP SQUARE, L.L.C.
K. HOVNANIAN AT GENEVA MEADOWS, LLC
K. HOVNANIAN AT GILROY 60, LLC
K. HOVNANIAN AT GILROY, LLC
K. HOVNANIAN AT GREAT NOTCH, L.L.C.
K. HOVNANIAN AT HACKETTSTOWN II, L.L.C.
K. HOVNANIAN AT HAMPTON COVE, LLC
K. HOVNANIAN AT HAMPTON LAKE, LLC
K. HOVNANIAN AT HANOVER ESTATES, LLC
K. HOVNANIAN AT HERSHEY'S MILL, INC.
K. HOVNANIAN AT HIDDEN BROOK, LLC
K. HOVNANIAN AT HILLSBOROUGH, LLC
K. HOVNANIAN AT HILLTOP RESERVE II, LLC
K. HOVNANIAN AT HILLTOP RESERVE, LLC
K. HOVNANIAN AT HOWELL II, LLC
K. HOVNANIAN AT HOWELL III, LLC
K. HOVNANIAN AT HOWELL, LLC
K. HOVNANIAN AT HUDSON POINTE, L.L.C.
K. HOVNANIAN AT HUNTFIELD, LLC
K. HOVNANIAN AT INDIAN WELLS, LLC
K. HOVNANIAN AT ISLAND LAKE, LLC
K. HOVNANIAN AT JACKSON I, L.L.C.
K. HOVNANIAN AT JACKSON, L.L.C.
K. HOVNANIAN AT JAEGER RANCH, LLC
K. HOVNANIAN AT JERSEY CITY IV, L.L.C.
K. HOVNANIAN AT KEYPORT, L.L.C.
K. HOVNANIAN AT LA COSTA GREENS, L.L.C.
K. HOVNANIAN AT LA LAGUNA, L.L.C.
K. HOVNANIAN AT LAKE BURDEN, LLC
K. HOVNANIAN AT LAKE LECLARE, LLC
K. HOVNANIAN AT LAKE RANCHO VIEJO, LLC
K. HOVNANIAN AT LAKE RIDGE ESTATES, LLC
K. HOVNANIAN AT LAKE TERRAPIN, L.L.C.
K. HOVNANIAN AT LEE SQUARE, L.L.C.
K. HOVNANIAN AT LENAH WOODS, LLC
K. HOVNANIAN AT LILY ORCHARD, LLC
K. HOVNANIAN AT LINK FARM, LLC
K. HOVNANIAN AT LITTLE EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR, L.L.C
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LOWER MAKEFIELD TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MORELAND II, L.L.C.
K. HOVNANIAN AT MAGNOLIA PLACE, LLC
K. HOVNANIAN AT MAHWAH VI, INC.

K. HOVNANIAN AT MAIN STREET SQUARE, LLC
K. HOVNANIAN AT MALAN PARK, L.L.C.
K. HOVNANIAN AT MANALAPAN II, L.L.C.
K. HOVNANIAN AT MANALAPAN III, L.L.C.
K. HOVNANIAN AT MANALAPAN V, LLC
K. HOVNANIAN AT MANALAPAN VI, LLC
K. HOVNANIAN AT MANSFIELD II, L.L.C.
K. HOVNANIAN AT MANTECA, LLC
K. HOVNANIAN AT MAPLE AVENUE, L.L.C.
K. HOVNANIAN AT MARLBORO IX, LLC
K. HOVNANIAN AT MARLBORO TOWNSHIP IX, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP V, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP VIII, L.L.C.
K. HOVNANIAN AT MARLBORO VI, L.L.C.
K. HOVNANIAN AT MARPLE, LLC
K. HOVNANIAN AT MEADOWRIDGE VILLAS, LLC
K. HOVNANIAN AT MELANIE MEADOWS, LLC
K. HOVNANIAN AT MENDHAM TOWNSHIP, L.L.C.
K. HOVNANIAN AT MIDDLE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT MIDDLE TOWNSHIP, L.L.C.
K. HOVNANIAN AT MIDDLETOWN II, L.L.C.
K. HOVNANIAN AT MIDDLETOWN III, LLC
K. HOVNANIAN AT MIDDLETOWN, LLC
K. HOVNANIAN AT MILLVILLE I, L.L.C.
K. HOVNANIAN AT MILLVILLE II, L.L.C.
K. HOVNANIAN AT MONROE IV, L.L.C.
K. HOVNANIAN AT MONROE NJ II, LLC
K. HOVNANIAN AT MONROE NJ III, LLC
K. HOVNANIAN AT MONROE NJ, L.L.C.
K. HOVNANIAN AT MONTGOMERY, LLC
K. HOVNANIAN AT MONTVALE II, LLC
K. HOVNANIAN AT MONTVALE, L.L.C.
K. HOVNANIAN AT MORRIS TWP, LLC
K. HOVNANIAN AT MT. LAUREL, LLC
K. HOVNANIAN AT MUIRFIELD, LLC
K. HOVNANIAN AT NORTH BERGEN. L.L.C.
K. HOVNANIAN AT NORTH BRUNSWICK VI, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL II, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL III, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL IV, L.L.C.
K. HOVNANIAN AT NORTH WILDWOOD, L.L.C.
K. HOVNANIAN AT NORTHAMPTON, L.L.C.
K. HOVNANIAN AT NORTHERN WESTCHESTER, INC.
K. HOVNANIAN AT NORTHFIELD, L.L.C.
K. HOVNANIAN AT NORTHRIDGE ESTATES, LLC
K. HOVNANIAN AT NORTON LAKE LLC

K. HOVNANIAN AT NOTTINGHAM MEADOWS, LLC
K. HOVNANIAN AT OAK POINTE, LLC
K. HOVNANIAN AT OCEAN TOWNSHIP, INC
K. HOVNANIAN AT OCEAN VIEW BEACH CLUB, LLC
K. HOVNANIAN AT OCEANPORT, L.L.C.
K. HOVNANIAN AT OLD BRIDGE, L.L.C.
K. HOVNANIAN AT PALM VALLEY, L.L.C.
K. HOVNANIAN AT PARKSIDE, LLC
K. HOVNANIAN AT PARSIPPANY, L.L.C.
K. HOVNANIAN AT PAVILION PARK, LLC
K. HOVNANIAN AT PIAZZA D'ORO, L.L.C.
K. HOVNANIAN AT PIAZZA SERENA, L.L.C
K. HOVNANIAN AT PICKETT RESERVE, LLC
K. HOVNANIAN AT PITTSGROVE, L.L.C.
K. HOVNANIAN AT PLANTATION LAKES, L.L.C.
K. HOVNANIAN AT POINTE 16, LLC
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL V, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VIII, L.L.C.
K. HOVNANIAN AT POSITANO, LLC
K. HOVNANIAN AT PRADO, L.L.C.
K. HOVNANIAN AT PRAIRIE POINTE, LLC
K. HOVNANIAN AT QUAIL CREEK, L.L.C.
K. HOVNANIAN AT RANCHO CABRILLO, LLC
K. HOVNANIAN AT RANDOLPH I, L.L.C.
K. HOVNANIAN AT RAPHO, L.L.C
K. HOVNANIAN AT REDTAIL, LLC
K. HOVNANIAN AT RESERVES AT WHEATLANDS, LLC
K. HOVNANIAN AT RESIDENCE AT DISCOVERY SQUARE, LLC
K. HOVNANIAN AT RIDGEMONT, L.L.C.
K. HOVNANIAN AT ROCK LEDGE, LLC
K. HOVNANIAN AT RODERUCK, L.L.C.
K. HOVNANIAN AT ROSEMARY LANTANA, L.L.C.
K. HOVNANIAN AT SAGE, L.L.C.
K. HOVNANIAN AT SAGEBROOK, LLC
K. HOVNANIAN AT SANTA NELLA, LLC
K. HOVNANIAN AT SAWMILL, INC.
K. HOVNANIAN AT SCOTCH PLAINS, L.L.C.
K. HOVNANIAN AT SEASONS LANDING, LLC
K. HOVNANIAN AT SHELDON GROVE, LLC
K. HOVNANIAN AT SHREWSBURY, LLC
K. HOVNANIAN AT SIGNAL HILL, LLC
K. HOVNANIAN AT SILVER SPRING, L.L.C.
K. HOVNANIAN AT SILVERSTONE, LLC
K. HOVNANIAN AT SKYE ISLE, LLC
K. HOVNANIAN AT SKYE ON MCDOWELL, LLC
K. HOVNANIAN AT SMITHVILLE, INC.

K. HOVNANIAN AT SOMERSET, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK II, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK III, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK, L.L.C.
K. HOVNANIAN AT STANTON, LLC
K. HOVNANIAN AT STATION SQUARE, L.L.C.
K. HOVNANIAN AT SUMMERLAKE, LLC
K. HOVNANIAN AT SUNRIDGE PARK, LLC
K. HOVNANIAN AT SUNRISE TRAIL II, LLC
K. HOVNANIAN AT SUNRISE TRAIL III, LLC
K. HOVNANIAN AT TERRA BELLA TWO, LLC
K. HOVNANIAN AT THE COMMONS AT RICHMOND HILL, LLC
K. HOVNANIAN AT THE CROSBY, LLC
K. HOVNANIAN AT THE MONARCH, L.L.C.
K. HOVNANIAN AT THE PROMENADE AT BEAVER CREEK, LLC
K. HOVNANIAN AT THOMPSON RANCH, LLC
K. HOVNANIAN AT TRAFFORD PLACE, LLC
K. HOVNANIAN AT TRAIL RIDGE, LLC
K. HOVNANIAN AT UPPER PROVIDENCE, LLC
K. HOVNANIAN AT UPPER UWCHLAN II, L.L.C.
K. HOVNANIAN AT UPPER UWCHLAN, L.L.C.
K. HOVNANIAN AT VALLE DEL SOL, LLC
K. HOVNANIAN AT VERONA ESTATES, LLC
K. HOVNANIAN AT VERONA URBAN RENEWAL, L.L.C.
K. HOVNANIAN AT VICTORVILLE, L.L.C.
K. HOVNANIAN AT VINEYARD HEIGHTS, LLC
K. HOVNANIAN AT VISTA DEL SOL, L.L.C.
K. HOVNANIAN AT WALDWICK, LLC
K. HOVNANIAN AT WALKERS GROVE, LLC
K. HOVNANIAN AT WARREN TOWNSHIP II, LLC
K. HOVNANIAN AT WARREN TOWNSHIP, L.L.C.
K. HOVNANIAN AT WATERSTONE, LLC
K. HOVNANIAN AT WAYNE IX, L.L.C.
K. HOVNANIAN AT WEST VIEW ESTATES, L.L.C.
K. HOVNANIAN AT WESTBROOK, LLC
K. HOVNANIAN AT WESTSHORE, LLC
K. HOVNANIAN AT WHEELER RANCH, LLC
K. HOVNANIAN AT WHEELER WOODS, LLC
K. HOVNANIAN AT WHITEMARSH, LLC
K. HOVNANIAN AT WILDWOOD BAYSIDE, L.L.C.
K. HOVNANIAN AT WOODCREEK WEST, LLC
K. HOVNANIAN AT WOOLWICH I, L.L.C.
K. HOVNANIAN BELDEN POINTE, LLC
K. HOVNANIAN BELMONT RESERVE, LLC
K. HOVNANIAN CAMBRIDGE HOMES, L.L.C.
K. HOVNANIAN CENTRAL ACQUISITIONS, L.L.C.

K. HOVNANIAN CLASSICS, L.L.C.
K. HOVNANIAN COMMUNITIES, INC.
K. HOVNANIAN COMPANIES OF CALIFORNIA, INC.
K. HOVNANIAN COMPANIES OF MARYLAND, INC.
K. HOVNANIAN COMPANIES OF NEW YORK, INC.
K. HOVNANIAN COMPANIES OF PENNSYLVANIA, INC.
K. HOVNANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.
K. HOVNANIAN COMPANIES, LLC
K. HOVNANIAN CONSTRUCTION II, INC
K. HOVNANIAN CONSTRUCTION III, INC
K. HOVNANIAN CONSTRUCTION MANAGEMENT, INC.
K. HOVNANIAN CONTRACTORS OF OHIO, LLC
K. HOVNANIAN CRAFTBUILT HOMES OF SOUTH CAROLINA, L.L.C.
K. HOVNANIAN CYPRESS KEY, LLC
K. HOVNANIAN DEVELOPMENTS OF ARIZONA, INC.
K. HOVNANIAN DEVELOPMENTS OF CALIFORNIA, INC.
K. HOVNANIAN DEVELOPMENTS OF D.C., INC.
K. HOVNANIAN DEVELOPMENTS OF DELAWARE, INC.
K. HOVNANIAN DEVELOPMENTS OF GEORGIA, INC.
K. HOVNANIAN DEVELOPMENTS OF ILLINOIS, INC.
K. HOVNANIAN DEVELOPMENTS OF KENTUCKY, INC.
K. HOVNANIAN DEVELOPMENTS OF MARYLAND, INC.
K. HOVNANIAN DEVELOPMENTS OF MINNESOTA, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY II, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW YORK, INC.
K. HOVNANIAN DEVELOPMENTS OF NORTH CAROLINA, INC.
K. HOVNANIAN DEVELOPMENTS OF OHIO, INC.
K. HOVNANIAN DEVELOPMENTS OF PENNSYLVANIA, INC.
K. HOVNANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.
K. HOVNANIAN DEVELOPMENTS OF TEXAS, INC.
K. HOVNANIAN DEVELOPMENTS OF VIRGINIA, INC.
K. HOVNANIAN DEVELOPMENTS OF WEST VIRGINIA, INC.
K. HOVNANIAN DFW AUBURN FARMS, LLC
K. HOVNANIAN DFW BELMONT, LLC
K. HOVNANIAN DFW HARMON FARMS, LLC
K. HOVNANIAN DFW HERITAGE CROSSING, LLC
K. HOVNANIAN DFW HOMESTEAD, LLC
K. HOVNANIAN DFW INSPIRATION, LLC
K. HOVNANIAN DFW LEXINGTON, LLC
K. HOVNANIAN DFW LIBERTY CROSSING, LLC
K. HOVNANIAN DFW LIGHT FARMS II, LLC
K. HOVNANIAN DFW LIGHT FARMS, LLC
K. HOVNANIAN DFW MIDTOWN PARK, LLC
K. HOVNANIAN DFW PALISADES, LLC
K. HOVNANIAN DFW PARKSIDE, LLC

K. HOVNANIAN DFW RIDGEVIEW, LLC
K. HOVNANIAN DFW SEVENTEEN LAKES, LLC
K. HOVNANIAN DFW TRAILWOOD, LLC
K. HOVNANIAN DFW VILLAS AT MUSTANG PARK, LLC
K. HOVNANIAN DFW WELLINGTON, LLC
K. HOVNANIAN DFW WILDRIDGE, LLC
K. HOVNANIAN EASTERN PENNSYLVANIA, L.L.C.
K. HOVNANIAN EDGEBROOK, LLC
K. HOVNANIAN ESTATES AT REGENCY, L.L.C.
K. HOVNANIAN ESTATES AT WEKIVA, LLC
K. HOVNANIAN FALLS POINTE, LLC
K. HOVNANIAN FIRST HOMES, L.L.C.
K. HOVNANIAN FLORIDA REALTY, L.L.C.
K. HOVNANIAN FOREST VALLEY, LLC
K. HOVNANIAN FOUR SEASONS @ HISTORIC VIRGINIA, LLC
K. HOVNANIAN FOUR SEASONS AT GOLD HILL, LLC
K. HOVNANIAN GRAND CYPRESS, LLC
K. HOVNANIAN GRANDEFIELD, LLC
K. HOVNANIAN GREAT WESTERN BUILDING COMPANY, LLC
K. HOVNANIAN GREAT WESTERN HOMES, LLC
K. HOVNANIAN HAMPTONS AT OAK CREEK II, L.L.C.
K. HOVNANIAN HIDDEN HOLLOW, LLC
K. HOVNANIAN HIGHLAND RIDGE, LLC
K. HOVNANIAN HOLDINGS NJ, L.L.C.
K. HOVNANIAN HOMES - DFW, L.L.C.
K. HOVNANIAN HOMES AT BROOK MANOR, LLC
K. HOVNANIAN HOMES AT BURKE JUNCTION, LLC
K. HOVNANIAN HOMES AT CAMP SPRINGS, L.L.C.
K. HOVNANIAN HOMES AT CREEKSIDE, LLC
K. HOVNANIAN HOMES AT FOREST RUN, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM PARK TOWNS, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM, L.L.C.
K. HOVNANIAN HOMES AT JONES STATION 1, L.L.C.
K. HOVNANIAN HOMES AT LEIGH MILL, LLC
K. HOVNANIAN HOMES AT MAXWELL PLACE, L.L.C.
K. HOVNANIAN HOMES AT REEDY CREEK, LLC
K. HOVNANIAN HOMES AT RUSSETT, L.L.C.
K. HOVNANIAN HOMES AT SALT CREEK LANDING, LLC
K. HOVNANIAN HOMES AT SHELL HALL, LLC
K. HOVNANIAN HOMES AT ST. JAMES PLACE, LLC
K. HOVNANIAN HOMES AT THE ABBY, LLC
K. HOVNANIAN HOMES AT THE HIGHLANDS, LLC
K. HOVNANIAN HOMES AT THE PADDOCKS, LLC
K. HOVNANIAN HOMES AT THOMPSON'S GRANT, LLC
K. HOVNANIAN HOMES AT WILLOWSFORD GRANT, LLC
K. HOVNANIAN HOMES AT WILLOWSFORD GREENS, LLC

K. HOVNANIAN HOMES NORTHERN CALIFORNIA, INC.
K. HOVNANIAN HOMES OF D.C., L.L.C.
K. HOVNANIAN HOMES OF DELAWARE, L.L.C.
K. HOVNANIAN HOMES OF GEORGIA, L.L.C.
K. HOVNANIAN HOMES OF HOUSTON, L.L.C.
K. HOVNANIAN HOMES OF LONGACRE VILLAGE, L.L.C.
K. HOVNANIAN HOMES OF MARYLAND, L.L.C.
K. HOVNANIAN HOMES OF MINNESOTA AT ARBOR CREEK, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT AUTUMN MEADOWS, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT BRYNWOOD, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT CEDAR HOLLOW, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT FOUNDER'S RIDGE, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT HARPERS STREET WOODS, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT OAKS OF OXBOW, LLC
K. HOVNANIAN HOMES OF MINNESOTA AT REGENT'S POINT, LLC
K. HOVNANIAN HOMES OF MINNESOTA, L.L.C.
K. HOVNANIAN HOMES OF NORTH CAROLINA, INC.
K. HOVNANIAN HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN HOMES OF SOUTH CAROLINA, LLC
K. HOVNANIAN HOMES OF VIRGINIA, INC.
K. HOVNANIAN HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN HOUSTON CITY HEIGHTS, LLC
K. HOVNANIAN INDIAN TRAILS, LLC
K. HOVNANIAN LADUE RESERVE, LLC
K. HOVNANIAN LAKES OF GREEN, LLC
K. HOVNANIAN LEGACY AT VIA BELLA, LLC
K. HOVNANIAN LIBERTY ON BLUFF CREEK, LLC
K. HOVNANIAN MANALAPAN ACQUISITION, LLC
K. HOVNANIAN MONARCH GROVE, LLC
K. HOVNANIAN NORTH CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTHEAST SERVICES, L.L.C.
K. HOVNANIAN NORTHPOINTE 40S, LLC
K. HOVNANIAN OF HOUSTON II, L.L.C.
K. HOVNANIAN OF OHIO, LLC
K. HOVNANIAN OHIO REALTY, L.L.C.
K. HOVNANIAN PA REAL ESTATE, INC.
K. HOVNANIAN PENNSYLVANIA ACQUISITIONS, L.L.C.
K. HOVNANIAN PORT IMPERIAL URBAN RENEWAL, INC.
K. HOVNANIAN PROPERTIES OF RED BANK, INC.
K. HOVNANIAN REYNOLDS RANCH, LLC
K. HOVNANIAN RIVENDALE, LLC
K. HOVNANIAN RIVERSIDE, LLC
K. HOVNANIAN SCHADY RESERVE, LLC
K. HOVNANIAN SHERWOOD AT REGENCY, LLC
K. HOVNANIAN SHORE ACQUISITIONS, L.L.C.

K. HOVNANIAN SOUTH FORK, LLC
K. HOVNANIAN SOUTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTHERN NEW JERSEY, L.L.C.
K. HOVNANIAN STERLING RANCH, LLC
K. HOVNANIAN SUMMIT HOLDINGS, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF KENTUCKY, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES, L.L.C.
K. HOVNANIAN T&C HOMES AT FLORIDA, L.L.C.
K. HOVNANIAN T&C HOMES AT ILLINOIS, L.L.C.
K. HOVNANIAN TIMBRES AT ELM CREEK, LLC
K. HOVNANIAN UNION PARK, LLC
K. HOVNANIAN VENTURE I, L.L.C.
K. HOVNANIAN VILLAGE GLEN, LLC
K. HOVNANIAN WATERBURY, LLC
K. HOVNANIAN WHITE ROAD, LLC
K. HOVNANIAN WINDWARD HOMES, LLC
K. HOVNANIAN WOODLAND POINTE, LLC
K. HOVNANIAN WOODRIDGE PLACE, LLC
K. HOVNANIAN'S FOUR SEASONS AT BAKERSFIELD, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT BEAUMONT, LLC
K. HOVNANIAN'S FOUR SEASONS AT BRIARGATE, LLC
K. HOVNANIAN'S FOUR SEASONS AT CHARLOTTESVILLE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT HEMET, LLC
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND CONDOMINIUMS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT LOS BANOS, LLC
K. HOVNANIAN'S FOUR SEASONS AT MORENO VALLEY, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT NEW KENT VINEYARDS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT PALM SPRINGS, LLC
K. HOVNANIAN'S FOUR SEASONS AT RENAISSANCE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK II, LLC
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT SILVER MAPLE FARM, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT ST. MARGARETS LANDING, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT THE MANOR II, LLC
K. HOVNANIAN'S FOUR SEASONS AT THE MANOR, LLC
K. HOVNANIAN'S PARKSIDE AT TOWNGATE, L.L.C.
K. HOVNANIAN'S VERANDA AT RIVERPARK II, LLC
K. HOVNANIAN'S VERANDA AT RIVERPARK, LLC
KHH SHELL HALL LOAN ACQUISITION, LLC
LANDARAMA, INC.
LAUREL HIGHLANDS, LLC
M & M AT MONROE WOODS, L.L.C.
M&M AT CHESTERFIELD, L.L.C.

M&M AT CRESCENT COURT, L.L.C.
M&M AT WEST ORANGE, L.L.C.
MATZEL & MUMFORD AT EGG HARBOR, L.L.C.
MCNJ, INC.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF PENNSYLVANIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF WEST VIRGINIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES, L.L.C.
MM-BEACHFRONT NORTH I, LLC
NEW HOME REALTY, LLC
NEW LAND TITLE AGENCY, L.L.C.
PADDOCKS, L.L.C.
PARK TITLE COMPANY, LLC
PINE AYR, LLC
RIDGEMORE UTILITY, L.L.C.
SEABROOK ACCUMULATION CORPORATION
SHELL HALL CLUB AMENITY ACQUISITION, LLC
SHELL HALL LAND ACQUISITION, LLC
STONEBROOK HOMES, INC.
TERRAPIN REALTY, L.L.C.
THE MATZEL & MUMFORD ORGANIZATION, INC
WASHINGTON HOMES, INC.
WESTMINSTER HOMES, INC.
WH PROPERTIES, INC.
WOODMORE RESIDENTIAL, L.L.C.
WTC VENTURES, L.L.C.

SCHEDULE B

Actions to Perfect

1. With respect to each Pledgor organized under the laws of the state of Arizona as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Pledged Collateral with the Arizona Secretary of State.

2. With respect to each Pledgor organized under the laws of the state of California as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Pledged Collateral with the California Secretary of State.

3. With respect to each Pledgor organized under the laws of the state of Delaware as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Pledged Collateral with the Delaware Secretary of State.

4. With respect to each Pledgor organized under the laws of the District of Columbia as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Pledged Collateral with the District of Columbia Recorder of Deeds.

5. With respect to each Pledgor organized under the laws of the state of Florida as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Pledged Collateral with the Florida Secured Transaction Registry.

6. With respect to each Pledgor organized under the laws of the state of Georgia as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Pledged Collateral with the Office of the Clerk of Superior Court of any County of Georgia.

7. With respect to each Pledgor organized under the laws of the state of Illinois as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Pledged Collateral with the Illinois Secretary of State.

8. With respect to each Pledgor organized under the laws of the state of Kentucky as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Pledged Collateral with the Kentucky Secretary of State.

9. With respect to each Pledgor organized under the laws of the state of Maryland as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Pledged Collateral with the Maryland State Department of Assessments and Taxation.

10. With respect to each Pledgor organized under the laws of the state of Minnesota as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Pledged Collateral with the Minnesota Secretary of State.

11. With respect to each Pledgor organized under the laws of the state of New Jersey as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Pledged Collateral with the New Jersey Division of Commercial Recording.

12. With respect to each Pledgor organized under the laws of the state of New York as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Pledged Collateral with the New York Secretary of State.

13. With respect to each Pledgor organized under the laws of the state of North Carolina as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Pledged Collateral with the North Carolina Secretary of State.

14. With respect to each Pledgor organized under the laws of the state of Ohio as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Pledged Collateral with the Ohio Secretary of State.

15. With respect to each Pledgor organized under the laws of the state of Pennsylvania as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Pledged Collateral with the Pennsylvania Secretary of the Commonwealth.

16. With respect to each Pledgor organized under the laws of the state of South Carolina as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Pledged Collateral with the South Carolina Secretary of State.

17. With respect to each Pledgor organized under the laws of the state of Texas as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Pledged Collateral with the Texas Secretary of State.

18. With respect to each Pledgor organized under the laws of the state of Virginia as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Pledged Collateral with the Virginia State Corporation Commission.

19. With respect to each Pledgor organized under the laws of the state of West Virginia as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Pledged Collateral with the West Virginia Secretary of State.

20. With respect to the Pledged Collateral constituting certificated securities, delivery of the certificates representing such Pledged Collateral to the Perfection Agent in registered form, indorsed in blank, by an effective endorsement or accompanied by undated stock powers with respect thereto duly indorsed in blank by an effective endorsement.

Exhibit 10(w)

Execution Version

AMENDED AND RESTATED SECOND LIEN INTELLECTUAL PROPERTY SECURITY AGREEMENT

This Amended and Restated Second Lien Intellectual Property Security Agreement (this "**Agreement**"), dated as of September 8, 2016 is made by K. HOV IP, II, INC., a Delaware corporation ("the **Grantor**") in favor of Wilmington Trust, National Association, as Joint Collateral Agent (as defined below) (in such capacity, the "**Collateral Agent**") for the benefit of itself, the Trustees (as defined below) and the Noteholders (as defined below).

WHEREAS, the Issuer, Hovnanian and each of the other Guarantors party thereto entered into the Indenture dated as of October 2, 2012 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "**9.125% Indenture**") with Wilmington Trust, National Association, as trustee (in such capacity, the "**9.125% Trustee**") and as collateral agent (in such capacity, the "**9.125% Collateral Agent**"), pursuant to which the Issuer has issued, and may from time to time issue, 9.125% Senior Secured Second Lien Notes due 2020 (collectively, the "**9.125% Notes**") upon the terms and subject to the conditions set forth therein;

WHEREAS, in connection with the 9.125% Indenture, the Grantors entered into the Second Lien Intellectual Property Security Agreement, dated as of October 2, 2012 (as heretofore amended, supplemented, amended and restated or otherwise modified from time to time, the "**Existing IP Security Agreement**"), in favor of the 9.125% Collateral Agent, for the benefit of itself, the 9.125% Trustee and the 9.125% Noteholders (as defined below);

WHEREAS, the Issuer, Hovnanian and each of the other Guarantors party thereto have entered into the Indenture, dated as of September 8, 2016 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "**10.000% Indenture**" and together with the 9.125% Indenture, the "**Indentures**"), with Wilmington Trust, National Association, as trustee (in such capacity, the "**10.000% Trustee**" and together with the 9.125% Trustee, the "**Trustees**") and collateral agent (in such capacity, the "**10.000% Collateral Agent**"), pursuant to which the Issuer has issued, and may from time to time issue, its 10.000% Senior Secured Second Lien Notes due 2018 (collectively, the "**10.000% Notes**" and together with the 9.125% Notes, the "**Secured Notes**") upon the terms and subject to the conditions set forth therein;

WHEREAS, in connection with the 10.000% Indenture, the Issuer, Hovnanian, each of the other Grantors, the 9.125% Collateral Agent and the 10.000% Collateral Agent have entered into the Second Lien Collateral Agency Agreement, dated as of September 8, 2016 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "**Second Lien Collateral Agency Agreement**"), pursuant to which the Issuer and the 10.000% Collateral Agent appointed the 9.125% Collateral Agent to act as collateral agent on behalf of the 10.000% Secured Parties, in addition to acting as collateral agent on behalf of the 9.125% Secured Parties, pursuant to this Agreement and the other Security Documents (the 9.125% Collateral Agent, in such capacity as collateral agent for the Secured Parties, the "**Joint Collateral Agent**") and the 9.125% Collateral Agent accepted such appointment;

WHEREAS, in connection with the 10.000% Indenture the Issuer, Hovnanian and each of the other Guarantors party thereto have entered into the Credit Agreement, dated as of July 29, 2016, as amended, supplemented, amended and restated or otherwise modified from time to time, with Wilmington Trust, National Association, as administrative agent (in such capacity, the "**Senior Credit Agreement Administrative Agent**") and collateral agent (in such capacity, the "**Senior Credit Agreement Collateral Agent**") and the lenders party thereto;

WHEREAS, the Issuer, Hovnanian and each of the other Guarantors party thereto entered into the Indenture, dated as of October 2, 2012, with Wilmington Trust, National Association, as trustee (in such capacity, the "**Senior Notes Trustee**") and as collateral agent (in such capacity, the "**Senior Notes Collateral Agent**"), pursuant to which the Issuer has issued, and may from time to time issue, its 7.25% Senior Secured First Lien Notes due 2020 upon the terms and subject to the conditions set forth therein;

WHEREAS, the Issuer, Hovnanian, the Grantors party thereto, the Senior Notes Trustee, the Senior Notes Collateral Agent, the Senior Credit Agreement Administrative Agent, the Senior Credit Agreement Collateral Agent, the 9.125% Trustee, the 9.125% Collateral Agent, the 10.000% Trustee, the 10.000% Collateral Agent, the Joint Collateral Agent and the Mortgage Tax Collateral Agent have entered into the Amended and Restated Intercreditor Agreement dated as of September 8, 2016 (as amended, supplemented, amended or restated or otherwise modified from time to time, the "**Intercreditor Agreement**");

WHEREAS, the Secured Notes constitute Second-Lien Indebtedness under the Intercreditor Agreement;

WHEREAS, the Issuer is a member of an affiliated group of companies that includes Hovnanian, the Issuer's parent company, and each other Guarantor;

WHEREAS, the Issuer and the Guarantors are engaged in related businesses, and each Guarantor will derive substantial direct and indirect benefit from the issuance of the Secured Notes; and

WHEREAS, pursuant to and under the Indenture and the Amended and Restated Second Lien Security Agreement dated as of September 8, 2016 (the "**Security Agreement**") among the Issuer, Hovnanian, each of the signatories listed on Schedule A thereto (together with any other entity that may become a party thereto) and the Collateral Agent, the Grantor has agreed to enter into this Agreement in order to grant a security interest to the Collateral Agent in certain Patents, Trademarks, Copyrights and other Intellectual Property as security for such loans and other obligations as more fully described herein.

NOW, THEREFORE, intending to be legally bound hereby, the parties hereto agree as follows:

1. Defined Terms. Except as otherwise expressly provided herein, (a) capitalized terms used in this Agreement shall have the respective meanings assigned to them in the Security Agreement and (b) the rules of construction set forth in Section 1.02 of the Indenture shall apply to this Agreement. Where applicable and except as otherwise expressly provided herein or in the Intercreditor Agreement, terms used herein (whether or not capitalized) shall have the respective meanings assigned to them in the Uniform Commercial Code as enacted in New York as amended from time to time (the "**Code**").

2. To secure the full payment and performance of all Secured Obligations, the Grantor hereby grants to the Collateral Agent a security interest in the entire right, title and interest of such Grantor in and to all of its Intellectual Property, including, without limitation, any of the foregoing referred to in Schedule A; provided, however, that notwithstanding any of the other provisions set forth in this Section 2 (and notwithstanding any recording of the Collateral Agent's Lien made in the U.S. Patent and Trademark Office, U.S. Copyright Office, or other registry office in any other jurisdiction), this Agreement shall not constitute a grant of a security interest in (i) any property or assets constituting "Excluded Property" (as defined in the Indenture) or (ii) any property to the extent that such grant of a security interest is prohibited by any applicable Law of an Official Body, requires a consent not obtained of any Official Body pursuant to such Law or is prohibited by, or constitutes a breach or default under or results in the termination of or gives rise to any right of acceleration, modification or cancellation or requires any consent not obtained under, any contract, license, agreement, instrument or other document evidencing or giving rise to such property, except to the extent that such Law or the term in such contract, license, agreement, instrument or other document or similar agreement providing for such prohibition, breach, default or termination or requiring such consent is ineffective under applicable Law including 9-406, 9-407, 9-408 or 9-409 of the New York UCC (or any successor provision or provisions); *provided, further*, that no security interest shall be granted in any United States "intent-to-use" trademark or service mark applications unless and until acceptable evidence of use of the trademark or service mark has been filed with and accepted by the U.S. Patent and Trademark Office pursuant to Section 1(c) or Section 1(d) of the Lanham Act (U.S.C. 1051, et seq.), and to the extent that, and solely during the period in which, the grant of a security interest therein would impair the validity or enforceability of such "intent-to-use" trademark or service mark applications under applicable federal Law. After such period and after such evidence of use has been filed and accepted, the Grantor acknowledges that such interest in such trademark or service mark applications will become part of the Collateral. The Collateral Agent agrees that, at the Grantor's reasonable request and expense, it will provide such Grantor confirmation that the assets described in this paragraph are in fact excluded from the Collateral during such limited period only upon receipt of an Officer's Certificate or an Opinion of Counsel to that effect.

3. The Grantor covenants and warrants that:

(a) To the knowledge of the Grantor, on the date hereof, all material Intellectual Property owned by the Grantor is valid, subsisting and unexpired, has not been abandoned and does not, to the knowledge of the Grantor, infringe the intellectual property rights of any other Person;

(b) The Grantor is the owner of each item of Intellectual Property listed on Schedule A, free and clear of any and all Liens or claims of others except for the Permitted Liens. The Grantor has not filed or consented to the filing of any financing statement or other public notice with respect to all or any part of the Collateral in any public office, except as contemplated by the Security Agreement or as permitted by the Indentures;

4. The Grantor agrees that, until all of the Secured Obligations shall have been indefeasibly satisfied in full, it will not enter into any agreement (for example, a license agreement) which is inconsistent with Grantor's obligations under this Agreement, without the Agent's prior written consent which shall not be unreasonably withheld or delayed except Grantor may license Intellectual Property in the ordinary course of business without the Agent's consent to suppliers, agents, independent contractors and customers to facilitate the manufacture and use of such Grantor's products or services; and may otherwise take those actions permitted by the Indentures.

5. All of the Collateral Agent's rights and remedies with respect to the Intellectual Property, whether established hereby, by the Security Agreement or by the Indenture or by any other agreements or by Law, shall be cumulative and may be exercised singularly or concurrently. In the event of any irreconcilable inconsistency in the terms of this Agreement and the Security Agreement, the Security Agreement shall control.

6. The provisions of this Agreement are severable, and if any clause or provision shall be held invalid and unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any clause or provision of this Agreement in any jurisdiction.

7. The benefits and burdens of this Agreement shall inure to the benefit of and be binding upon the respective successors and permitted assigns of the parties; provided, however, that except as permitted by the Indenture, the Grantor may not assign or transfer any of its rights or obligations hereunder or any interest herein and any such purported assignment or transfer shall be null and void.

8. This Agreement and the rights and obligations of the parties under this Agreement shall be governed by, and construed and interpreted in accordance with, the Law of the State of New York.

9. The Grantor hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the Grantor at its address referred to in Section 8.02 of the Security Agreement or at such other address of which the Collateral Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

10. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

11. THE GRANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY A JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER NOTEHOLDER DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

12. All notices, requests and demands to or upon the Collateral Agent or the Grantor shall be effected in the manner provided for in Section 13.03 of the Indenture.

13. In the performance of its obligations, powers and rights hereunder, the Collateral Agent shall be entitled to the rights, benefits, privileges, powers and immunities afforded to it as Collateral Agent under the Indenture. The Collateral Agent shall be entitled to refuse to take or refrain from taking any discretionary action or exercise any discretionary powers set forth in this Agreement unless specifically authorized under the Indenture or it has received with respect thereto written direction of the Issuer, the Noteholders or the Trustee in accordance with the Indenture (it being understood and agreed that the actions and directions set forth in Section 9.01 of the Indenture are not discretionary). Notwithstanding anything to the contrary contained herein and notwithstanding anything contained in Section 9-207 of the New York UCC, the Collateral Agent shall have no responsibility for the creation, perfection, priority, sufficiency or protection of any liens securing Secured Obligations (including, but not limited to, no obligation to prepare, record, file, re-record or re-file any financing statement, continuation statement or other instrument in any public office). The permissive rights and authorizations of the Collateral Agent hereunder shall not be construed as duties. The Collateral Agent shall be entitled to exercise its powers and duties hereunder through designees, specialists, experts or other appointees selected by it in good faith.

14. Notwithstanding anything herein to the contrary, the lien and security interest granted to the Collateral Agent pursuant to this Agreement and the exercise of any right or remedy by the Collateral Agent hereunder are subject to the provisions of the Intercreditor Agreement. In the event of any conflict between the terms of the Intercreditor Agreement and this Agreement, the terms of the Intercreditor Agreement shall govern.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, each of the undersigned has caused this Intellectual Property Security Agreement to be duly executed and delivered as of the date first above written.

WILMINGTON TRUST, NATIONAL ASSOCIATION as Collateral Agent

By: /s/ John T. Needham, Jr.
Name: John T. Needham, Jr.
Title: Vice President

Grantor:

K. HOV IP, II, INC.

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice-President—Finance and Treasurer

[Signature Page to Second Lien IP Security Agreement]

SCHEDULE A
LIST OF UNITED STATES REGISTERED AND APPLIED FOR PATENTS, COPYRIGHTS AND TRADEMARKS

Trademark	Application No. / Registration No.
55 NEVER LOOKED SO GOOD	4035326
EVERY CORNER	86722536
FROM YOUR HOME TO OURS	3682068
HOME DESIGN GALLERY	3017498
HOVNANIAN ENTERPRISES	3782845
HOVNANIAN ENTERPRISES, INC. and Design	3786278
IF YOU'RE NOT 55, YOU'LL WISH YOU WERE	3564614
K HOVNANIAN HOMES and Design	3493815
K. HOVNANIAN	3579682
KHOV	2710008
KHOV.COM	2544720
LET'S BUILD IT TOGETHER	2965030
LIFE. STYLE. CHOICES.	2725754
LIVE COASTAL	86823726
M&M MATZEL & MUMFORD Design	3485602
MATZEL & MUMFORD	3071666
NATURE TECHNOLOGY EFFICIENCY and Design	4152642
NATURE TECHNOLOGY EFFICIENCY and Design	4204392
NATURE TECHNOLOGY EFFICIENCY	4116384
NATURE TECHNOLOGY EFFICIENCY	4116385
THE FIRST NAME IN LASTING VALUE	1418620
THE NAME BEHIND THE DREAM	3832465
WONDER HOMES	2671912
STYLESUITE	4126920
Design	2040802
BRIGHTON HOMES	2412033
BRIGHTON HOMES	2395356

Exhibit 10(x)

Execution Version

AMENDED AND RESTATED
FIRST LIEN SECURITY AGREEMENT

made by

K. HOVNANIAN JV HOLDINGS, L.L.C.
AND THE OTHER GRANTORS FROM TIME TO TIME PARTIES HERETO

in favor of

WILMINGTON TRUST, NATIONAL ASSOCIATION

as Collateral Agent

Dated as of September 8, 2016

TABLE OF CONTENTS

AMENDED AND RESTATED FIRST LIEN SECURITY AGREEMENT

THIS AMENDED AND RESTATED FIRST LIEN SECURITY AGREEMENT (this "**Agreement**"), dated as of September 8, 2016, is made by K. Hovnanian JV Holdings, L.L.C. ("**JV Holdings**") and each of the undersigned parties listed on Schedule A hereto (the "**Initial Grantors**"; and the Initial Grantors, together with any other entity (other than the Collateral Agent (as defined below) or its successors) that may become a party hereto as provided herein, the "**Grantors**"), in favor of Wilmington Trust, National Association, as Joint Collateral Agent (as defined below) (in such capacity, the "**Collateral Agent**") for the benefit of itself, the Trustees (as defined below), the Notes Collateral Agents (as defined below) and the Noteholders (as defined below).

W I T N E S S E T H:

WHEREAS, K. Hovnanian Enterprises, Inc., a California corporation (the "**Issuer**"), Hovnanian Enterprises, Inc., a Delaware corporation ("**Hovnanian**"), and each of the other Guarantors party thereto (including the Initial Grantors) entered into the Indenture dated as of November 1, 2011 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "**2011 Indenture**") with Wilmington Trust, National Association, as trustee (in such capacity, the "**2011 Trustee**") and as collateral agent (in such capacity, the "**2011 Collateral Agent**"), pursuant to which the Issuer has issued, and may from time to time issue, 2.00% Senior Secured Notes due 2021 (the "**2.00% Notes**") and 5.00% Senior Secured Notes due 2021 (the "**5.00% Notes**" and together with the 2.00% Notes, the "**2011 Notes**") upon the terms and subject to the conditions set forth therein;

WHEREAS, in connection with the 2011 Indenture, the Grantors entered into the First Lien Security Agreement, dated as of November 1, 2011 (as heretofore amended, supplemented, amended and restated or otherwise modified from time to time, the "**Existing Security Agreement**"), in favor of the 2011 Collateral Agent, for the benefit of itself, the 2011 Trustee and the 2011 Noteholders (as defined below);

WHEREAS, the Issuer, Hovnanian and each of the other Guarantors party thereto have entered into the Indenture dated as of September 8, 2016 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "**9.50% Indenture**" and together with the 2011 Indenture, the "**Indentures**") with Wilmington Trust, National Association, as trustee (in such capacity, the "**9.50% Trustee**" and together with the 2011 Trustee, the "**Trustees**") and collateral agent (in such capacity, the "**9.50% Collateral Agent**" and together with the 2011 Collateral Agent, the "**Notes Collateral Agents**"), pursuant to which the Issuer has issued, and may from time to time issue, its 9.50% Senior Secured Notes due 2020 (collectively, the "**9.50% Notes**" and together with the 2011 Notes, the "**Secured Notes**") upon the terms and subject to the conditions set forth therein;

WHEREAS, in connection with the 9.50% Indenture, the Issuer, Hovnanian, each of the other Grantors, the 9.50% Collateral Agent and the 2011 Collateral Agent have entered into the First Lien Collateral Agency Agreement, dated as of September 8, 2016 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "**First Lien Collateral Agency Agreement**"), pursuant to which the Issuer and the 9.50% Collateral Agent appointed the 2011 Collateral Agent to act as collateral agent on behalf of the 9.50% Secured Parties, in addition to acting as collateral agent on behalf of the 2011 Secured Parties, pursuant to this Agreement and the other Security Documents (the 2011 Collateral Agent, in such capacity as collateral agent for the Secured Parties, the "**Joint Collateral Agent**") and the 2011 Collateral Agent accepted such appointment;

WHEREAS, the Issuer is a member of an affiliated group of companies that includes Hovnanian, the Issuer's parent company, and each Grantor;

WHEREAS, the Issuer and the Grantors are engaged in related businesses, and each Grantor will derive substantial direct and indirect benefit from the issuance of the Secured Notes; and

NOW, THEREFORE, intending to be legally bound hereby, the parties hereto hereby agree to amend and restate the Existing Security Agreement in its entirety as follows:

ARTICLE 1
DEFINED TERMS

Section 1.01. *Definitions.* (a) Definitions set forth above are incorporated herein and unless otherwise defined herein, terms defined in the Indentures and used herein shall have the meanings respectively given to them in the Indentures, and the following terms are used herein as defined in the New York UCC: Accounts, Chattel Paper, Commercial Tort Claims, Deposit Account, Documents, Equipment, Electronic Chattel Paper, Farm Products, Fixtures, General Intangibles, Goods, Payment Intangibles, Instruments, Inventory, Investment Property, Letter of Credit Rights, Payment Intangibles, Securities Accounts, Software and Supporting Obligations.

(b) The following terms shall have the following meanings:

"**9.50% Noteholder**": "Holder" or "Holder of Notes" as defined in the 9.50% Indenture.

"**9.50% Secured Obligations**": all Indebtedness and other Obligations under, and as defined in, the 9.50% Indenture, the 9.50% Notes, the Guarantees (as defined in the 9.50% Indenture) and the related Noteholder Collateral Documents, together with any extensions, renewals, replacements or refundings thereof and all costs and expenses of enforcement and collection, including reasonable attorney's fees, expenses and disbursements.

"**9.50% Secured Parties**": the collective reference to the Collateral Agent, the 9.50% Trustee, the 9.50% Collateral Agent and the 9.50% Noteholders, in each case to which Secured Obligations are owed.

"**2011 Noteholder**": "Holder" or "Holder of Notes" as defined in the 2011 Indenture.

"**2011 Secured Obligations**": all Indebtedness and other Obligations under, and as defined in, the 2011 Indenture, the 2011 Notes, the Guarantees (as defined in the 2011 Indenture) and the related Noteholder Collateral Documents, together with any extensions, renewals, replacements or refundings thereof and all costs and expenses of enforcement and collection, including reasonable attorney's fees, expenses and disbursements.

"**2011 Secured Parties**": the collective reference to the Collateral Agent, the 2011 Trustee, the 2011 Collateral Agent and the 2011 Noteholders, in each case to which Secured Obligations are owed.

"**Additional Pari Passu Liens**": any liens on the Collateral which secure Additional Secured Obligations on an equal and ratable basis with the Secured Obligations, provided that such liens are permitted by clauses (a)(ii) or (a)(iii) of the definition of Permitted Collateral Liens in the Indentures.

"**Additional Pari Passu Collateral Agent**": the Collateral Agent or other representative with respect to any Additional Secured Obligations in favor of which any Additional Pari Passu Liens are granted.

"**Additional Secured Obligations**": any obligations arising pursuant to any Indebtedness permitted to be secured on a pari passu basis with the Secured Notes pursuant to clauses (a)(ii) or (a)(iii) of the definition of Permitted Collateral Liens in the Indentures (including for the avoidance of doubt any guarantees with respect thereto).

"**Agreement**": this Amended and Restated First Lien Security Agreement, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"**Cash Equivalents**": (i) cash, marketable direct obligations of the United States of America or any agency thereof, and certificates of deposit, demand deposits, time deposits, or repurchase agreements issued by any bank with a capital and surplus of at least $25,000,000 organized under the laws of the United States of America or any state thereof, state or municipal securities with a rating of A-1 or better by Standard & Poor's or by Moody's or F-1 by Fitch, provided that such obligations, certificates of deposit, demand deposits, time deposits, and repurchase agreements have a maturity of less than one year from the date of purchase, and (ii) investment grade commercial paper or debt or commercial paper issued by any bank with a capital and surplus of at least $25,000,000 organized under the laws of the United States of America or any state thereof having a maturity date of one year or less from the date of purchase, and (iii) funds holding assets primarily consisting of those described in clause (i) and (ii).

"**Collateral**": as defined in Article 2.

"**Collateral Agency Agreement**": an intercreditor or collateral agency agreement entered into between the Additional Pari Passu Collateral Agent(s) and the Collateral Agent on terms reasonably satisfactory to the Collateral Agent, the Issuer and Hovnanian, setting forth the respective rights of the Secured Parties and the Additional Pari Passu Collateral Agent(s) and the holders of Additional Secured Obligations with respect to the Collateral and in a form substantially similar to the First Lien Collateral Agency Agreement.

"**Contracts**": any contracts and agreements for the purchase, acquisition or sale of real or personal property or the receipt or performance of services, any contract rights relating thereto, and all other rights to such contract or agreements and any right to payment for or to receive moneys due or to become due for items sold or leased or for services rendered, together with all rights of any Grantor to damages arising thereunder or to perform and to exercise all remedies thereunder.

"**Collateral Account**": any collateral account established by the Collateral Agent as provided in Section 6.01 or 6.03.

"**Copyright Licenses**": any written agreement naming any Grantor as licensor or licensee, granting any right under any Copyright, including, without limitation, the grant of rights to distribute, exploit and sell materials derived from any Copyright.

"**Copyrights**": (i) all copyrights arising under the laws of the United States, any other country or any political subdivision thereof, whether registered or unregistered and whether published or unpublished, all registrations and recordings thereof, and all applications in connection therewith, including, without limitation, all registrations, recordings and applications in the United States Copyright Office, and (ii) the right to obtain all renewals thereof.

"**Deposit Accounts**": the collective reference to each Deposit Account (as such term is defined in Section 1.01(a) hereof) in the name of the applicable Grantor, together with any one or more securities accounts into which any monies on deposit in any such Deposit Account may be swept or otherwise transferred now or hereafter and from time to time, and any additional, substitute or successor Deposit Account.

"**Event of Default**" shall mean an "Event of Default" as defined in either the 2011 Indenture or the 9.50% Indenture.

"**Excluded Accounts**" shall mean at any time those deposit, checking or securities accounts of any of the Grantors (i) that individually have an average monthly balance (over the most recent ended 3-month period) less than $250,000 and which together do not have an average monthly balance (for such 3-month period) in excess of $500,000 in the aggregate, (ii) all escrow accounts (in which funds are held for or of others by virtue of customary real estate practice or contractual or legal requirements).

"**Intellectual Property**": the collective reference to all rights, priorities and privileges, whether arising under United States, multinational or foreign laws, in, to and under the Copyrights, the Copyright Licenses, the Patents, the Patent Licenses, the Trademarks and the Trademark Licenses, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

"**Investment Property**": the collective reference to (i) all "investment property" as such term is defined in Section 9-102(a)(49) of the New York UCC, and (ii) whether or not constituting "investment property" as so defined, all Pledged Notes.

"**Law**": any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, opinion, release, ruling, order, injunction, writ, decree, bond, judgment, authorization or approval, lien or award of or settlement agreement with any Official Body.

"**New York UCC**": the Uniform Commercial Code as from time to time in effect in the State of New York.

"**Noteholders**": the collective reference to the 2011 Noteholders and the 9.50% Noteholders.

"**Noteholder Collateral Document**": any agreement, document or instrument pursuant to which a Lien is granted by any Grantor to secure any Secured Obligations or under which rights or remedies with respect to any such Liens are governed, as the same may be amended, restated or otherwise modified from time to time.

"**Noteholder Documents**": collectively, (a) the Indentures, the Secured Notes and the Noteholder Collateral Documents and (b) any other related document or instrument executed and delivered pursuant to any Noteholder Document described in clause (a) above evidencing or governing any Secured Obligations as the same may be amended, restated or otherwise modified from time to time.

"**Official Body**": any national, federal, state, local or other governmental or political subdivision or any agency, authority, board, bureau, central bank, commission, department or instrumentality of either, or any court, tribunal, grand jury or arbitrator, in each case whether foreign or domestic.

"**Patent License**": all written agreements providing for the grant by or to any Grantor of any right to manufacture, use or sell any invention covered in whole or in part by a Patent.

"**Patents**": (i) all letters patent of the United States, any other country or any political subdivision thereof, all reissues and extensions thereof, (ii) all applications for letters patent of the United States or any other country and all divisions, continuations and continuations-in-part thereof, and (iii) all rights to obtain any reissues or extensions of the foregoing.

"**Perfection Certificate**": with respect to any Grantor, a certificate substantially in the form of Exhibit C, completed and supplemented with the schedules contemplated thereby, and signed by an officer of such Grantor.

"**Pledged Notes**": all promissory notes issued to or held by any Grantor.

"**Proceeds**": all "proceeds" as such term is defined in Section 9-102(a)(64) of the New York UCC and, in any event, shall include, without limitation, all dividends or other income from the Investment Property, collections thereon or distributions or payments with respect thereto.

"**Receivable**": any right to payment for real or personal property sold or leased or for services rendered, whether or not such right is evidenced by a Contract, an Instrument or Chattel Paper and whether or not it has been earned by performance (including, without limitation, any Account).

"**Secured Obligations**": the collective reference to the 2011 Secured Obligations and the 9.50% Secured Obligations.

"**Secured Parties**": the collective reference to the 2011 Secured Parties and the 9.50% Secured Parties.

"**Securities Accounts**": the collective reference to the securities accounts in the name of the applicable Grantor and any additional, substitute or successor account.

"**Trademark License**": any written agreement providing for the grant by or to any Grantor of any right to use any Trademark.

"**Trademarks**": (i) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos and other source or business identifiers, and all goodwill associated therewith, now owned or hereafter acquired, all registrations and recordings thereof, and all applications in connection therewith, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, and all common-law rights related thereto, and (ii) the right to obtain all renewals thereof.

"**Vehicles**": all cars, trucks, trailers, construction and earth moving equipment and other vehicles covered by a certificate of title law of any state and all tires and other appurtenances to any of the foregoing.

Section 1.02. *Other Definitional Provisions.*

(a) The words "hereof," "herein", "hereto" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section and Schedule references are to this Agreement unless otherwise specified.

(b) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

(c) Where the context requires, terms relating to the Collateral or any part thereof, when used in relation to a Grantor, shall refer to such Grantor's Collateral or the relevant part thereof.

ARTICLE 2
GRANT OF SECURITY INTEREST

Each Grantor hereby grants to the Collateral Agent, for the ratable benefit of the Secured Parties, a security interest in, all of the following property now owned or at any time hereafter acquired by such Grantor or in which such Grantor now has or at any time in the future may acquire any right, title or interest (collectively, the "**Collateral**"), as collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Secured Obligations:

(a) all Accounts;

(b) all Chattel Paper (including, Electronic Chattel Paper);

(c) all Commercial Tort Claims (including those claims listed on Schedule B hereto, in which the claim amount individually exceeds $2,000,000, as such schedule is amended or supplemented from time to time);

(d) all Contracts;

(e) all Securities Accounts;

(f) all Deposit Accounts;

(g) all Documents (other than title documents with respect to vehicles);

(h) all Equipment;

(i) all Fixtures;

(j) all General Intangibles;

(k) all Goods;

(l) all Instruments;

(m) all Intellectual Property;

(n) all Inventory;

(o) all Investment Property;

(p) all letters of credit;

(q) all Letter of Credit Rights;

(r) all Payment Intangibles;

(s) all Vehicles and title documents with respect to Vehicles;

(t) all Receivables;

(u) all Software;

(v) all Supporting Obligations;

(w) to the extent, if any, not included in clauses (a) through (v) above, each and every other item of personal property whether now existing or hereafter arising or acquired;

(x) all books and records pertaining to any of the Collateral; and

(y) to the extent not otherwise included, all Proceeds, Supporting Obligations and products of any and all of the foregoing and all collateral security and guarantees given by any Person with respect to any of the foregoing;

provided, *however*, that notwithstanding any of the other provisions set forth in this Article 2 (and notwithstanding any recording of the Collateral Agent's Lien in the U.S. Patent and Trademark Office or other registry office in any jurisdiction), this Agreement shall not constitute a grant of a security interest in, and the Collateral shall not include, (i) any property or assets constituting "Excluded Property" (as defined in the Indentures) or (ii) any property to the extent that such grant of a security interest is prohibited by any applicable Law of an Official Body, requires a consent not obtained of any Official Body pursuant to such Law or is prohibited by, or constitutes a breach or default under or results in the termination of or gives rise to any right of acceleration, modification or cancellation or requires any consent not obtained under, any contract, license, agreement, instrument or other document evidencing or giving rise to such property or, in the case of any Investment Property, or Pledged Note, any applicable shareholder or similar agreement governing such Investment Property, or Pledged Note, except to the extent that such Law or the term in such contract, license, agreement, instrument or other document or shareholder or similar agreement providing for such prohibition, breach, default or termination or requiring such consent is ineffective under applicable Law including Sections 9-406, 9-407, 9-408 or 9-409 of the New York UCC (or any successor provision or provisions); *provided*, *further*, that no security interest shall be granted in United States "intent-to-use" trademark or service mark applications unless and until acceptable evidence of use of the trademark or service mark has been filed with and accepted by the U.S. Patent and Trademark Office pursuant to Section 1(c) or Section 1(d) of the Lanham Act (U.S.C. 1051, et. seq.), and to the extent that, and solely during the period in which, the grant of a security interest therein would impair the validity or enforceability of such intent-to-use trademark or service mark applications under applicable federal Law. After such period and after such evidence of use has been filed and accepted, each Grantor acknowledges that such interest in such trademark or service mark applications will become part of the Collateral. The Collateral Agent agrees that, at any Grantor's reasonable request and expense, it will provide such Grantor confirmation that the assets described in this paragraph are in fact excluded from the Collateral during such limited period only upon receipt of an Officers' Certificate or an Opinion of Counsel to that effect. Notwithstanding the foregoing, in the event that Rule 3-16 of Regulation S-X under the Securities Act requires (or is replaced with another rule or regulation, or any other law, rule or regulation is adopted, which would require) the filing with the SEC of separate financial statements of any Grantor, then the capital stock or other securities of such Grantor shall automatically be deemed released and not to be and not to have been part of the Collateral but only to the extent necessary to not be subject to such requirement. In such event, this Agreement may be amended or modified, without the consent of any Noteholder, upon the Collateral Agent's receipt of an Officers' Certificate from the Issuer stating that such amendment is permitted hereunder and that all conditions precedent to such amendment have been complied with, which the Collateral Agent shall be entitled to conclusively rely upon, to the extent necessary to evidence the release of the lien created hereby on the shares of capital stock or other securities that are so deemed to no longer constitute part of the Collateral.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES

To induce the Noteholders to purchase the Secured Notes and to enter into this Agreement, each Grantor hereby represents and warrants to the Collateral Agent and each other Secured Party that:

Section 3.01. *Title; No Other Liens.* Except for the security interest granted to the Collateral Agent for the ratable benefit of the Secured Parties pursuant to this Agreement, such Grantor owns each item of the Collateral free and clear of any and all Liens or claims of others except for the Permitted Liens. None of the Grantors has filed or consented to the filing of any financing statement or other public notice with respect to all or any part of the Collateral in any public office, except with respect to Liens pursuant to the Existing Security Agreement and Permitted Liens.

Section 3.02. *Perfected Liens.* The security interests granted pursuant to this Agreement (a) constitute valid perfected (to the extent such security interest can be perfected by such filings or actions set forth on Schedule C) security interests in all of the Collateral in favor of the Collateral Agent, for the ratable benefit of the Secured Parties, as collateral security for the Secured Obligations, enforceable in accordance with the terms hereof against all creditors of such Grantor and any Persons purporting to purchase any Collateral from such Grantor and (b) are prior to all other Liens on the Collateral in existence on the date hereof except for Permitted Liens.

Section 3.03. *Jurisdiction of Organization; Chief Executive Office.* On the date hereof, such Grantor's exact legal name, jurisdiction of organization, identification number from the jurisdiction of organization (if any), and the location of such Grantor's chief executive office or sole place of business or principal residence, as the case may be, are specified in the Perfection Certificate.

Section 3.04. *Farm Products.* None of the Collateral constitutes, or is the Proceeds of, Farm Products.

Section 3.05. *Investment Property.* Such Grantor is the record and beneficial owner of, and has good title to, the Investment Property pledged by it hereunder, free of any and all Liens or options in favor of, or claims of, any other Person, except the Permitted Liens.

Section 3.06. *Receivables.* No amount payable in excess of $1,000,000 in the aggregate to all Grantors under or in connection with any Receivables is evidenced by any Instrument or Chattel Paper which has not been delivered to the Collateral Agent.

Section 3.07. *Perfection Certificate*. The Perfection Certificate has been duly prepared, completed and executed and the information set forth therein, including the exact legal name and jurisdiction of organization of each Grantor, is correct and complete in all material respects as of September 8, 2016.

ARTICLE 4
COVENANTS

Each Grantor covenants and agrees with the Collateral Agent and the other Secured Parties that, from and after the date of this Agreement until the payment in full of all outstanding Secured Obligations:

Section 4.01. *Maintenance of Perfected Security Interest; Further Documentation.* (a) Such Grantor shall maintain the security interest created by this Agreement as a perfected security interest to the extent required by this Agreement having at least the priority described in Section 3.02 and shall defend such security interest against the claims and demands of all Persons whomsoever other than any holder of Permitted Liens.

(b) At any time and from time to time, and at the sole expense of such Grantor, such Grantor will promptly and duly execute and deliver, and have recorded, such further instruments and documents and take such further actions as shall be required by applicable law for the purpose of obtaining, perfecting or preserving the security interests purported to be granted under this Agreement and of the rights and remedies herein granted, including, without limitation, (i) filing any financing or continuation statements under the Uniform Commercial Code (or other similar laws) in effect in any jurisdiction with respect to the security interests created hereby and (ii) subject to Section 4.18(d) of the Indentures, in the case of the Deposit Accounts, Investment Property, Letter of Credit Rights and the Securities Accounts and any other relevant Collateral, taking any actions necessary to enable the Collateral Agent to obtain "control" (within the meaning of the applicable Uniform Commercial Code) with respect thereto, provided that the Grantor shall not be required to take any of the actions set forth in this clause (ii) with respect to Excluded Accounts.

(c) If any Grantor shall at any time acquire a Commercial Tort Claim, in which the claim amount individually exceeds $2,000,000, such Grantor shall promptly notify the Collateral Agent in a writing signed by such Grantor of the details thereof and grant to the Collateral Agent for the benefit of the Secured Parties in such writing a security interest therein and in the Proceeds thereof, with such writing to be in form and substance required by applicable law and such writing shall constitute a supplement to Schedule B hereto.

Section 4.02. *Changes In Name, Etc.* Such Grantor will, within thirty (30) calendar days after any change its jurisdiction of organization or change its name, provide written notice thereof to the Collateral Agent.

Section 4.03. *Delivery of Instruments, Certificated Securities and Chattel Paper.* If any amount in excess of $1,000,000 in the aggregate payable under or in connection with any of the Collateral shall be or become evidenced by any Instrument, certificated security or Chattel Paper, such Instrument, certificated security or Chattel Paper shall be promptly delivered to the Collateral Agent, duly indorsed, to be held as Collateral pursuant to this Agreement in a manner reasonably satisfactory to the Collateral Agent.

Section 4.04. *Intellectual Property.* (a) Whenever such Grantor, either by itself or through any agent, employee, licensee or designee, shall file an application for the registration of any Intellectual Property with the United States Patent and Trademark Office, the United States Copyright Office or any similar office or any political subdivision thereof, such Grantor shall report such filing to the Collateral Agent on or before the date upon which Hovnanian is required to file reports with the Trustee pursuant to Section 4.15 of the Indentures for the fiscal quarter in which such filing occurs. Such Grantor shall execute and deliver, and have recorded, any and all agreements, instruments, documents, and papers as may be necessary to create and perfect the Collateral Agent's and the other Secured Parties' security interest in any registered or applied for Copyright, Patent or Trademark and the goodwill and General Intangibles of such Grantor relating thereto or represented thereby. Nothing in this Agreement prevents any Grantor from discontinuing the use or maintenance of its Intellectual Property if such Grantor determines in its reasonable business judgment that such discontinuance is desirable in the conduct of its business.

(b) Such Grantor's obligations under Section 4.04(a) above shall include executing and delivering, and having recorded, with respect to such Collateral, an agreement substantially in the form of the Trademark / Patent / Copyright Security Agreement attached hereto as Exhibit A.

ARTICLE 5
Investing Amounts in the Securities Accounts

Section 5.01. *Investments.* If requested by any Grantor in writing, the Collateral Agent will, from time to time, invest amounts on deposit in the Deposit Accounts or Securities Accounts in which the Collateral Agent for the benefit of the Secured Parties holds a first priority, perfected security interest in Cash Equivalents pursuant to the written instructions of any Grantor. All investments may, at the option of the Collateral Agent, be made in the name of the Collateral Agent or a nominee of the Collateral Agent and in a manner that preserves such Grantor's ownership of, and the Collateral Agent's perfected first priority Lien on, such investments (it being understood that the Grantors shall be responsible for ensuring the preservation of the Collateral Agent's perfected first priority Lien). Subject to the First Lien Collateral Agency Agreement, all income received from such investments shall accrue for the benefit of the applicable Grantor and shall be credited (promptly upon receipt by the Collateral Agent) to a Deposit Account or Securities Account, in which the Collateral Agent for the benefit of the Secured Parties holds a first priority perfected security interest. The Grantors will only direct the Collateral Agent to make investments in which the Collateral Agent can obtain a first priority perfected security interest and each Grantor hereby agrees to execute promptly any documents which may be required to implement or effectuate the provisions of this Section.

Section 5.02. *Liability.* The Collateral Agent shall have no responsibility to the Issuer or any Grantor for any loss or liability arising in respect of the investments in the Deposit Accounts or Securities Accounts in which the Collateral Agent for the benefit of the Secured Parties holds a first priority perfected security interest (including, without limitation, as a result of the liquidation of any thereof before maturity), except to the extent that such loss or liability is found to be based on the Collateral Agent's gross negligence or willful misconduct as determined by a final and nonappealable decision of a court of competent jurisdiction.

ARTICLE 6
REMEDIAL PROVISIONS

Section 6.01. *Certain Matters Relating to Receivables.*

(a) At any time during the continuance of an Event of Default, subject to the First Lien Collateral Agency Agreement, the Collateral Agent shall have the right to make test verifications of the Receivables in any manner and through any medium that it reasonably considers advisable, and each Grantor shall furnish all such assistance and information as the Collateral Agent may require in connection with such test verifications. The Collateral Agent shall endeavor to provide the Issuer with notice at or about the time of such verifications, *provided* that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of such remedy or the Collateral Agent's rights hereunder.

(b) Each Grantor is authorized to collect such Grantor's Receivables and, subject to the First Lien Collateral Agency Agreement, the Collateral Agent may curtail or terminate said authority at any time after the occurrence and during the continuance of an Event of Default. The Collateral Agent shall endeavor to provide the Issuer with notice at or about the time of the exercise of its rights pursuant to the preceding sentence, provided that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of any rights or remedies hereunder. Subject to the First Lien Collateral Agency Agreement, if requested in writing by the Collateral Agent at any time after the occurrence and during the continuance of an Event of Default, any payments of Receivables, when collected by any Grantor, (i) shall be forthwith (and, in any event, within two Business Days) deposited by such Grantor in the exact form received, duly indorsed by such Grantor to the Collateral Agent if required, in a Collateral Account maintained under the sole dominion and control of the Collateral Agent, subject to withdrawal by the Collateral Agent for the account of the Secured Parties to be applied pursuant to Section 6.04 below, and (ii) until so turned over, shall be held by such Grantor in trust for the Collateral Agent and the Secured Parties, segregated from other funds of such Grantor.

(c) Subject to the First Lien Collateral Agency Agreement, at the Collateral Agent's written request at any time after the occurrence and during the continuance of an Event of Default, each Grantor shall deliver to the Collateral Agent all original and other documents evidencing, and relating to, the agreements and transactions which gave rise to the Receivables, including without limitation, all original orders, invoices and shipping receipts.

Section 6.02. *Communications with Obligors: Grantors Remain Liable.*

(a) Subject to the First Lien Collateral Agency Agreement, the Collateral Agent in its own name or in the name of others may after the occurrence and during the continuance of an Event of Default communicate with obligors under the Receivables and parties to the Contracts to verify with them to the Collateral Agent's satisfaction the existence, amount and terms of any Receivables or Contracts. The Collateral Agent shall endeavor to provide the Issuer with notice at or about the time of the exercise of its rights pursuant to the preceding sentence, *provided* that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of any rights or remedies hereunder.

(b) Subject to the First Lien Collateral Agency Agreement, upon the written request of the Collateral Agent at any time after the occurrence and during the continuance of an Event of Default, each Grantor shall notify obligors on the Receivables and parties to the Contracts that the Receivables and the Contracts, as the case may be, have been assigned to the Collateral Agent for the ratable benefit of the Secured Parties and that payments in respect thereof shall be made directly to the Collateral Agent.

(c) Anything herein to the contrary notwithstanding, each Grantor shall remain liable under each of the Receivables and Contracts to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise thereto. Neither the Collateral Agent nor any Secured Party shall have any obligation or liability under any Receivable (or any agreement giving rise thereto) or Contract by reason of or arising out of this Agreement or the receipt by the Collateral Agent or any Secured Party of any payment relating thereto, nor shall the Collateral Agent or any Secured Party be obligated in any manner to perform any of the obligations of any Grantor under or pursuant to any Receivable (or any agreement giving rise thereto) or Contract, to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party thereunder, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

Section 6.03. *Proceeds to Be Turned Over to Collateral Agent.* In addition to the rights of the Collateral Agent and the Secured Parties specified in Section 6.01 with respect to payments of Receivables, and subject to the First Lien Collateral Agency Agreement, if an Event of Default shall occur and be continuing, upon written request from the Collateral Agent, all Proceeds received by any Grantor consisting of cash, checks and other near-cash items shall be held by such Grantor in trust for the Collateral Agent and the Secured Parties, segregated from other funds of such Grantor, and shall, forthwith upon receipt by such Grantor, be turned over to the Collateral Agent in the exact form received by such Grantor (duly indorsed by such Grantor to the Collateral Agent, if requested). All Proceeds received by the Collateral Agent hereunder shall be held by the Collateral Agent in a Collateral Account maintained under its sole dominion and control. All such Proceeds while held by the Collateral Agent in a Collateral Account (or by such Grantor in trust for the Collateral Agent and the Secured Parties) shall continue to be held as collateral security for all the Secured Obligations and shall not constitute payment thereof until applied as provided in Section 6.04.

Section 6.04. *Application of Proceeds*. If an Event of Default shall have occurred and be continuing, at any time at the Collateral Agent's election, subject to the First Lien Collateral Agency Agreement, any Collateral Agency Agreement and any other intercreditor or collateral agency agreement entered into in connection with Indebtedness permitted under the Indentures, the Collateral Agent may apply all or any part of the Collateral, whether or not held in the Deposit Accounts, the Securities Accounts or any other Collateral Account, in payment of the Secured Obligations in the order set forth in the First Lien Collateral Agency Agreement.

Section 6.05. *Code and Other Remedies.* Subject to the First Lien Collateral Agency Agreement, if an Event of Default shall occur and be continuing, the Collateral Agent, on behalf of the Secured Parties, may exercise, in addition to all other rights and remedies granted to them in this Agreement and in any other instrument or agreement securing, evidencing or relating to the Secured Obligations, all rights and remedies of a secured party under the New York UCC or any other applicable law. Without limiting the generality of the foregoing, the Collateral Agent, without prior demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any prior notice required by law referred to below) to or upon any Grantor or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances, subject to the First Lien Collateral Agency Agreement, forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give option or options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of the Collateral Agent or any Secured Party or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The Collateral Agent shall endeavor to provide the applicable Grantor with notice at or about the time of the exercise of remedies in the proceeding sentence, *provided* that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of such remedies or the Collateral Agent's rights hereunder. The Collateral Agent or any Secured Party shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in any Grantor, which right or equity is hereby waived and released. Each Grantor further agrees, at the Collateral Agent's request, to assemble the Collateral and make it available to the Collateral Agent at places which the Collateral Agent shall reasonably select, whether at such Grantor's premises or elsewhere. Subject to the First Lien Collateral Agency Agreement, the Collateral Agent shall apply the proceeds of any action taken by it pursuant to this Section 6.05 against the Secured Obligations, whether or not then due and payable, as provided in the First Lien Collateral Agency Agreement, and only after such application and after the payment by the Collateral Agent of any other amount required by any provision of law, including, without limitation, Section 9-615(a)(3) of the New York UCC, need the Collateral Agent account for the surplus, if any, to any Grantor. To the extent permitted by applicable law, each Grantor waives all claims, damages and demands it may acquire against the Collateral Agent or any Secured Party arising out of the exercise by them of any rights hereunder. If any prior notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least 10 days before such sale or other disposition.

The Collateral Agent shall incur no liability as a result of the sale of the Collateral, or any part thereof, at any private sale pursuant to this Article 6 conducted in accordance with the requirements of applicable laws. Each Grantor hereby waives any claims against the Collateral Agent and the other Secured Parties arising by reason of the fact that the price at which the Collateral may have been sold at such a private sale was less than the price that might have been obtained at a public sale or was less than the aggregate amount of the Secured Obligations, even if the Collateral Agent accepts the first offer received and does not offer the Collateral to more than one offeree, provided that such private sale is conducted in accordance with applicable laws and this Agreement. Each Grantor hereby agrees that in respect of any sale of any of the Collateral pursuant to the terms hereof, the Collateral Agent is hereby authorized to comply with any limitation or restriction in connection with such sale as it may be advised by counsel is necessary in order to avoid any violation of applicable laws, or in order to obtain any required approval of the sale or of the purchaser by any governmental authority or official, nor shall the Collateral Agent be liable or accountable to any Grantor for any discount allowed by reason of the fact that such Collateral is sold in compliance with any such limitation or restriction.

Section 6.06. *Subordination.* Each Grantor hereby agrees that, upon the occurrence and during the continuance of an Event of Default, unless otherwise agreed by the Collateral Agent, all Indebtedness owing to it by the Issuer or any Subsidiary of the Issuer shall be fully subordinated to the indefeasible payment in full in cash of the Secured Obligations.

Section 6.07. *Deficiency.* Each Grantor shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay the Secured Obligations and the fees, expenses and disbursements of any attorneys employed by the Collateral Agent or any Secured Party to collect such deficiency.

ARTICLE 7
The Collateral Agent

Section 7.01. *Collateral Agent's Appointment as Attorney-in-fact, Etc.* (a) Subject to the First Lien Collateral Agency Agreement, each Grantor hereby irrevocably constitutes and appoints the Collateral Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Grantor and in the name of such Grantor or in its own name, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement, and, without limiting the generality of the foregoing, each Grantor hereby gives the Collateral Agent the power and right, on behalf of such Grantor, without prior notice to or assent by such Grantor, to do any or all of the following:

(i) following the occurrence of an Event of Default, in the name of such Grantor or its own name, or otherwise, take possession of and indorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due under any Receivable or Contract or with respect to any other Collateral and file any claim or take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Collateral Agent for the purpose of collecting any and all such moneys due under any Receivable or Contract or with respect to any other Collateral whenever payable;

(ii) in the case of any Intellectual Property, execute and deliver, and have recorded, any and all agreements, instruments, documents and papers as is necessary to evidence the Collateral Agent's and the Secured Parties' security interest in such Intellectual Property and the goodwill and General Intangibles of such Grantors relating thereto or represented thereby;

(iii) pay or discharge taxes and Liens levied or placed on or threatened against the Collateral, effect any repairs or any insurance called for by the terms of this Agreement and pay all or any part of the premiums therefor and the costs thereof;

(iv) execute, in connection with any sale provided for in Section 6.05, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral; and

(v) (A) direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due or to become due thereunder directly to the Collateral Agent or as the Collateral Agent shall direct; (B) ask or demand for, collect, and receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral; (C) sign and indorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other documents in connection with any of the Collateral; (D) commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any portion thereof and to enforce any other right in respect of any Collateral; (E) defend any suit, action or proceeding brought against such Grantor with respect to any Collateral; (F) settle, compromise or adjust any such suit, action or proceeding and, in connection therewith, give such discharges or releases as the Collateral Agent may deem appropriate; (G) assign any Copyright, Patent or Trademark (along with the goodwill of the business to which any such Copyright, Patent or Trademark pertains), through the world for such term or terms, on such conditions, in such manner, as is necessary; and (H) generally, sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Collateral Agent were the absolute owner thereof for all purposes, and do, at the Collateral Agent's option and such Grantor's expense, at any time, or from time to time, all acts and things which the Collateral Agent deems necessary to protect, preserve or realize upon the Collateral and the Collateral Agent's and the Secured Parties' security interests therein and to effect the intent of this Agreement, all as fully and effectively as such Grantor might do.

The Collateral Agent shall endeavor to provide the Issuer with notice at or about the time of the exercise of its rights in the preceding clause (a), *provided* that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of any rights or remedies hereunder.

(b) Subject to the First Lien Collateral Agency Agreement, if any Grantor fails to perform or comply with any of its agreements contained herein, the Collateral Agent, at its option, but without any obligation so to do, may perform or comply, or otherwise cause performance or compliance, with such agreement.

(c) The expenses of the Collateral Agent incurred in connection with actions undertaken as provided in this Section 7.01, together with, if past due, interest thereon at a rate per annum equal to the interest rate on the 5.00% Notes (or, if no 5.00% Notes are outstanding at such time, the 2.00% Notes), from the date when due to the Collateral Agent to the date reimbursed by the relevant Grantor, shall be payable by such Grantor to the Collateral Agent upon not less than five (5) Business Days' notice.

(d) Each Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. All powers, authorizations and agencies contained in this Agreement are coupled with an interest and are irrevocable until this Agreement is terminated and the security interests created hereby are released.

Section 7.02. *Duty of Collateral Agent.* The Collateral Agent's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the New York UCC or otherwise, shall be to deal with it in the same manner as the Collateral Agent deals with similar property for its own account. Neither the Collateral Agent, any Secured Party nor any of their respective officers, directors, employees or agents shall be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of any Grantor or any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof. The powers conferred on the Collateral Agent and the Secured Parties hereunder are solely to protect the Collateral Agent's and the Secured Parties' interests in the Collateral and shall not impose any duty upon the Collateral Agent or any Secured Party to exercise any such powers. The Collateral Agent and the Secured Parties shall be accountable only for amounts that they actually receive as a result of the exercise of such powers, and neither they nor any of their officers, directors, employees or agents shall be responsible to any Grantor for any act or failure to act hereunder, except for their own gross negligence or willful misconduct.

Section 7.03. *Execution of Financing Statements.* Pursuant to any applicable law, each Grantor authorizes the Collateral Agent to file or record financing statements and other filing or recording documents or instruments with respect to the Collateral without the signature of such Grantor in such form and in such offices as required by applicable law to perfect the security interests of the Collateral Agent under this Agreement. Each Grantor authorizes the Collateral Agent to use the collateral description "all personal property" or "all assets" in any such financing statements.

Section 7.04. *Authority of Collateral Agent.* Each Grantor acknowledges that the rights and responsibilities of the Collateral Agent under this Agreement with respect to any action taken by the Collateral Agent or the exercise or non-exercise by the Collateral Agent of any option, voting right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Agreement shall, as between the Collateral Agent and the Secured Parties, be governed by the Indentures, the First Lien Collateral Agency Agreement and by such other agreements with respect thereto as may exist from time to time among them, but, as between the Collateral Agent and the Grantors, the Collateral Agent shall be conclusively presumed to be acting as agent for the Secured Parties with full and valid authority so to act or refrain from acting, and no Grantor shall be under any obligation, or entitlement, to make any inquiry respecting such authority.

ARTICLE 8
MISCELLANEOUS

Section 8.01. *Amendments in Writing.* None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified except in accordance with the Indentures. For the avoidance of doubt, the Issuer and the Collateral Agent may, without the consent of the Noteholders, enter into amendments or other modifications of this Agreement or any other Noteholder Collateral Document (including by entering into any Collateral Agency Agreement or any other new or supplemental agreements) in connection with the incurrence of Additional Secured Obligations and the granting of Additional Pari Passu Liens, to the extent such incurrence or grant is permitted by, and in accordance with, the Indentures (which shall be established by and stated in an Officer's Certificate and Opinion of Counsel which the Collateral Agent shall be entitled to receive prior to entering into any such amendment).

Section 8.02. *Notices.* All notices, requests and demands to or upon the Collateral Agent or any Grantor hereunder shall be effected in the manner provided for in Section 13.03 of the Indentures.

Section 8.03. *No Waiver by Course of Conduct; Cumulative Remedies.* Neither the Collateral Agent nor any Secured Party shall by any act (except by a written instrument pursuant to Section 8.01), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default. No failure to exercise, nor any delay in exercising, on the part of the Collateral Agent or any Secured Party, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Collateral Agent or any Secured Party of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Collateral Agent or such Secured Party would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.

Section 8.04. *Enforcement Expenses; Indemnification.* (a) Each Grantor jointly and severally agrees to pay, indemnify against or reimburse each Secured Party and the Collateral Agent for all its costs and expenses incurred in enforcing or preserving any rights under this Agreement and the other Noteholder Documents to which such Grantor is a party, including, without limitation, the reasonable fees, expenses and disbursements of counsel (including the allocated fees and expenses of in-house counsel) to the Collateral Agent and the Secured Parties.

(b) Each Grantor agrees to pay, and to save the Collateral Agent and the Secured Parties harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all stamp, excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral or in connection with any of the transactions contemplated by this Agreement.

(c) Each Grantor agrees to pay, and to save the Collateral Agent and the Secured Parties harmless from, any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement to the extent the Issuer would be required to do so pursuant to Section 7.06 of the 9.50% Indenture or Section 7.07 of the 2011 Indenture except those resulting from the Collateral Agent's or any Secured Party's willful misconduct or gross negligence.

(d) The agreements in this Section 8.04 shall survive repayment of the Secured Obligations, termination of the Noteholder Documents and resignation or removal of the Collateral Agent.

Section 8.05. *Successors and Assigns.* This Agreement shall be binding upon the successors and assigns of each Grantor and shall inure to the benefit of the Collateral Agent and the Secured Parties and their successors and assigns; *provided* that except as permitted by the Indentures, no Grantor may assign, transfer or delegate any of its rights or obligations under this Agreement without the prior written consent of the Collateral Agent.

Section 8.06. *Set-off.* Subject to the First Lien Collateral Agency Agreement, each Grantor hereby irrevocably authorizes the Collateral Agent and each other Secured Party at any time and from time to time while an Event of Default has occurred and is continuing, without notice to such Grantor or any other Grantor, any such notice being expressly waived by each Grantor, to set-off and appropriate and apply any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by the Collateral Agent or such other Secured Party to or for the credit or the account of such Grantor, or any part thereof in such amounts as the Collateral Agent or such other Secured Party may elect, against and on account of the obligations and liabilities of such Grantor to the Collateral Agent or such other Secured Party hereunder and claims of every nature and description of the Collateral Agent or such other Secured Party against such Grantor, in any currency, whether arising hereunder, under the Indentures or any other Noteholder Document, as the Collateral Agent or such other Secured Party may elect, whether or not the Collateral Agent or any other Secured Party has made any demand for payment and although such obligations, liabilities and claims may be contingent or unmatured. The Collateral Agent and each other Secured Party shall endeavor to notify the Issuer promptly of any such set-off and the application made by the Collateral Agent or such other Secured Party of the proceeds thereof, *provided* that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Collateral Agent and each other Secured Party under this Section 8.06 are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Collateral Agent or such other Secured Party may have.

Section 8.07. *Counterparts.* This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

Section 8.08. *Severability.* Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 8.09. *Section Headings.* The Section headings used in this Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

Section 8.10. *Integration.* This Agreement and the other Noteholder Documents represent the agreement of the Grantors, the Collateral Agent and the Secured Parties with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the Collateral Agent or any Secured Parties relative to subject matter hereof and thereof not expressly set forth or referred to herein or in the other Noteholder Documents.

Section 8.11. *Governing Law.* THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

Section 8.12. *Submission to Jurisdiction; Waivers.* Each Grantor hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Noteholder Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such Grantor at its address referred to in Section 8.02 or at such other address of which the Collateral Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

Section 8.13. *Acknowledgements.* Each Grantor hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Noteholder Documents to which it is a party;

(b) neither the Collateral Agent nor any Secured Party has any fiduciary relationship with or duty to any Grantor arising out of or in connection with this Agreement or any of the other Noteholder Documents, and the relationship between the Grantors, on the one hand, and the Collateral Agent and Secured Parties, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Noteholder Documents or otherwise exists by virtue of the transactions contemplated hereby among the Secured Parties or among the Grantors and the Secured Parties; and

(d) the Collateral Agent may at any time and from time to time appoint a collateral agent to maintain any of the Collateral, maintain books and records regarding any Collateral, release Collateral, and assist in any aspect arising in connection with the Collateral as the Collateral Agent may desire; and the Collateral Agent may appoint itself, any affiliate or a third party as the Collateral Agent, and all reasonable costs of the Collateral Agent shall be borne by the Grantors;

Section 8.14. *Additional Grantors.* Each Restricted Subsidiary (as defined in the Indentures) of JV Holdings shall become a Grantor for all purposes of this Agreement upon execution and delivery by such Subsidiary of a Joinder Agreement, substantially in the form of Exhibit B hereto.

Section 8.15. *Releases.* (a) Upon the indefeasible payment in full of all outstanding Secured Obligations, the Collateral shall be automatically released from the Liens created hereby, and this Agreement and all obligations (other than those expressly stated to survive such termination) of the Collateral Agent and each Grantor hereunder shall automatically terminate, all without delivery of any instrument or performance of any act by any party, and all rights to the Collateral shall revert to the Grantors.

(b) All or a portion of the Collateral shall be released from the Liens created hereby, and a Grantor may be released from its obligations hereunder, in each case pursuant to and as provided in Section 11.04 of the Indentures. At the request and sole expense of such Grantor, upon the Collateral Agent's receipt of the documents required by Section 11.04 of the Indentures, the Collateral Agent shall deliver to such Grantor any Collateral held by the Collateral Agent hereunder, and execute and deliver to such Grantor such documents as the Grantor shall reasonably request to evidence such termination or release.

(c) None of the Grantors, the Collateral Agent, the 2011 Collateral Agent, the 9.50% Collateral Agent or any Trustee is authorized to, and each agrees not to, make any filing (including the filing of Uniform Commercial Code termination statements) to reflect on public record the termination and release of any security interest granted hereunder or in any other Noteholder Collateral Document except in connection with a termination or release permitted by Sections 8.15(a) or (b) of this Agreement.

Section 8.16. *Waiver of Jury Trial.* EACH GRANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER NOTEHOLDER DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

Section 8.17. *First Lien Collateral Agency Agreement.* Notwithstanding anything herein to the contrary, the lien and security interest granted to the Collateral Agent pursuant to this Agreement and the exercise of any right or remedy by the Collateral Agent hereunder are subject to the provisions of the First Lien Collateral Agency Agreement. In the event of any conflict between the terms of the First Lien Collateral Agency Agreement and this Agreement, the terms of the First Lien Collateral Agency Agreement shall govern.

Section 8.18. *Control Agreements.* In connection with each agreement made at any time pursuant to Sections 9-104 or 8-106 of the Uniform Commercial Code among the Collateral Agent, any one or more Grantors, and any depository financial institution or issuer of uncertificated mutual fund shares or other uncertificated securities and any other Person party thereto, the Collateral Agent shall not deliver to any such depository or issuer, instructions directing the disposition of the deposit or uncertificated fund shares or other securities unless an Event of Default has occurred and is continuing at such time.

Section 8.19. *Collateral Agent Privileges, Powers and Immunities.* In the performance of its obligations, powers and rights hereunder, the Collateral Agent shall be entitled to the rights, benefits, privileges, powers and immunities afforded to it as Collateral Agent under the Indentures and the First Lien Collateral Agency Agreement. The Collateral Agent shall be entitled to refuse to take or refrain from taking any discretionary action or exercise any discretionary powers set forth in this Agreement unless it has received with respect thereto written direction of the Issuer or a majority of Noteholders in accordance with the Indentures and the First Lien Collateral Agency Agreement. Notwithstanding anything to the contrary contained herein and notwithstanding anything contained in Section 9-207 of the New York UCC, the Collateral Agent shall have no responsibility for the creation, perfection, priority, sufficiency or protection of any liens securing Secured Obligations (including, but not limited to, no obligation to prepare, record, file, re-record or re-file any financing statement, continuation statement or other instrument in any public office). The permissive rights and authorizations of the Collateral Agent hereunder shall not be construed as duties. The Collateral Agent shall be entitled to exercise its powers and duties hereunder through designees, specialists, experts or other appointees selected by it with due care and shall not be liable for the negligence or misconduct of such appointees.

[REMAINDER OF PAGE LEFT BLANK INTENTIONALLY]

IN WITNESS WHEREOF, each of the undersigned has caused this Security Agreement to be duly executed and delivered as of the date first above written.

Secured Party:

WILMINGTON TRUST, NATIONAL ASSOCIATION, as Collateral Agent

By: /s/ John T. Needham, Jr.
Name: John T. Needham, Jr.
Title: Vice President

K. HOVNANIAN JV HOLDINGS, L.L.C.

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice-President—Finance and Treasurer

On behalf of each other entity named in Schedule A hereto

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice-President—Finance and Treasurer

[Signature Page to First Lien Security Agreement]

SCHEDULE A – LIST OF ENTITIES

K. HOVNANIAN AT EAGLE HEIGHTS, LLC
K. HOVNANIAN AT SUNRISE TRAIL, LLC
K. HOVNANIAN BUILDING COMPANY, LLC
K. HOVNANIAN COMPANIES OF ARIZONA, LLC
K. HOVNANIAN AT LADD RANCH, LLC
K. HOVNANIAN AT MERIDIAN HILLS, LLC
K. HOVNANIAN JV SERVICES COMPANY, L.L.C.
K. HOVNANIAN'S SONATA AT THE PRESERVE, LLC
K. HOVNANIAN HOMES AT PARKSIDE, LLC
K. HOVNANIAN PARKSIDE HOLDINGS, LLC
HOMEBUYERS FINANCIAL USA, LLC
HOVWEST LAND ACQUISITION, LLC
K. HOVNANIAN AT CEDAR LANE ESTATES, LLC
K. HOVNANIAN HOMES OF DELAWARE I, LLC
K. HOVNANIAN HOVWEST HOLDINGS, L.L.C.
K. HOVNANIAN AMBER GLEN, LLC
K. HOVNANIAN AT MYSTIC DUNES, LLC
K. HOVNANIAN AT THE HIGHLANDS AT SUMMERLAKE GROVE, LLC
K. HOVNANIAN AT VALLETTA, LLC
K. HOVNANIAN CYPRESS CREEK, LLC
K. HOVNANIAN HOMES OF FLORIDA I, LLC
K. HOVNANIAN LAKE PARKER, LLC
K. HOVNANIAN MONTCLAIRE ESTATES, LLC
K. HOVNANIAN SERENO, LLC
K. HOVNANIAN TERRALARGO, LLC
AMBER RIDGE, LLC
K. HOVNANIAN AT AMBERLEY WOODS, LLC
K. HOVNANIAN AT BRADWELL ESTATES, LLC
K. HOVNANIAN AT ORCHARD MEADOWS, LLC
K. HOVNANIAN AT RANDALL HIGHLANDS, LLC
K. HOVNANIAN AT RIVER HILLS, LLC
K. HOVNANIAN AT SILVERWOOD GLEN, LLC
K. HOVNANIAN AT TAMARACK SOUTH LLC
K. HOVNANIAN AT TANGLEWOOD OAKS, LLC
K. HOVNANIAN HOMES OF MARYLAND I, LLC
K. HOVNANIAN HOMES OF MARYLAND II, LLC
K. HOVNANIAN AT FREEHOLD TOWNSHIP II, LLC
K. HOVNANIAN AT MANALAPAN IV, LLC
K. HOVNANIAN AT MORRIS TWP II, LLC
K. HOVNANIAN TBD, LLC
K. HOVNANIAN'S FOUR SEASONS AT MALIND BLUFF, LLC
K. HOVNANIAN DFW BERKSHIRE II, LLC
K. HOVNANIAN DFW BERKSHIRE, LLC
K. HOVNANIAN DFW CARILLON, LLC

K. HOVNANIAN DFW HEATHERWOOD, LLC
K. HOVNANIAN DFW HERON POND, LLC
K. HOVNANIAN DFW MAXWELL CREEK, LLC
K. HOVNANIAN DFW MUSTANG LAKES, LLC
K. HOVNANIAN DFW RICHWOODS, LLC
K. HOVNANIAN AT CANTER V, LLC
K. HOVNANIAN AT DOMINION CROSSING, LLC
K. HOVNANIAN AT EMBREY MILL, LLC
K. HOVNANIAN AT HUNTER'S POND, LLC
K. HOVNANIAN AT NICHOLSON, LLC
K. HOVNANIAN AT PELHAM'S REACH, LLC
K. HOVNANIAN AT RAYMOND FARM, LLC
K. HOVNANIAN AT VILLAGE OF ROUND HILL, LLC
K. HOVNANIAN AT WATERFORD, LLC
K. HOVNANIAN AT WELLSPRINGS, LLC
K. HOVNANIAN HOMES AT WILLOWSFORD GRANGE, LLC
K. HOVNANIAN HOMES AT WILLOWSFORD NEW, LLC
K. HOVNANIAN HOMES OF VIRGINIA I, LLC

SCHEDULE B

COMMERCIAL TORT CLAIMS

None.

SCHEDULE C

ACTIONS REQUIRED TO PERFECT

1. With respect to each Grantor organized under the laws of the state of California as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the California Secretary of State.

2. With respect to each Grantor organized under the laws of the state of Delaware as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the Delaware Secretary of State.

3. With respect to each Grantor organized under the laws of the state of North Carolina as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the North Carolina Secretary of State.

4. With respect to each Grantor organized under the laws of the state of Virginia as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the Virginia State Corporation Commission.

EXHIBIT A

Form of Trademark / Patent / Copyright Agreement

TRADEMARK / PATENT / COPYRIGHT SECURITY AGREEMENT

This Trademark / Patent / Copyright Security Agreement (the "**Agreement**"), dated as of [_____], [____] is made by [__], a [__] (the "**Grantor**") in favor of Wilmington Trust, National Association, as Collateral Agent (in such capacity, the "**Collateral Agent**") for the benefit of itself, the Trustees (as defined below), the Notes Collateral Agents (as defined below) and the Noteholders.

WHEREAS, K. Hovnanian Enterprises, Inc., a California corporation (the "**Issuer**"), Hovnanian Enterprises, Inc., a Delaware corporation ("**Hovnanian**"), and each of the other Guarantors party thereto (including the Initial Grantors) entered into the Indenture dated as of November 1, 2011 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "**2011 Indenture**") with Wilmington Trust, National Association, as trustee (in such capacity, the "**2011 Trustee**") and as collateral agent (in such capacity, the "**2011 Collateral Agent**"), pursuant to which the Issuer has issued, and may from time to time issue, 2.00% Senior Secured Notes due 2021 (the "**2.00% Notes**") and 5.00% Senior Secured Notes due 2021 (the "**5.00% Notes**" and together with the 2.00% Notes, the "**2011 Notes**") upon the terms and subject to the conditions set forth therein;

WHEREAS, in connection with the 2011 Indenture, the Grantors entered into the First Lien Security Agreement, dated as of November 1, 2011 (as heretofore amended, supplemented, amended and restated or otherwise modified from time to time, the "**Existing Security Agreement**"), in favor of the 2011 Collateral Agent, for the benefit of itself, the 2011 Trustee and the 2011 Noteholders;

WHEREAS, the Issuer, Hovnanian and each of the other Guarantors party thereto have entered into the Indenture dated as of September 8, 2016 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "**9.50% Indenture**" and together with the 2011 Indenture, the "**Indentures**") with Wilmington Trust, National Association, as trustee (in such capacity, the "**9.50% Trustee**" and together with the 2011 Trustee, the "**Trustees**") and collateral agent (in such capacity, the "**9.50% Collateral Agent**" and together with the 2011 Collateral Agent, the "**Notes Collateral Agents**"), pursuant to which the Issuer has issued, and may from time to time issue, its 9.50% Senior Secured Notes due 2020 (collectively, the "**9.50% Notes**" and together with the 2011 Notes, the "**Secured Notes**") upon the terms and subject to the conditions set forth therein;

WHEREAS, in connection with the 9.50% Indenture, the Issuer, Hovnanian, each of the other Grantors, the 9.50% Collateral Agent and the 2011 Collateral Agent have entered into the First Lien Collateral Agency Agreement, dated as of September 8, 2016 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "**First Lien Collateral Agency Agreement**"), pursuant to which the Issuer and the 9.50% Collateral Agent appointed the 2011 Collateral Agent to act as collateral agent on behalf of the 9.50% Secured Parties, in addition to acting as collateral agent on behalf of the 2011 Secured Parties, pursuant to this Agreement and the other Security Documents (the 2011 Collateral Agent, in such capacity as collateral agent for the Secured Parties, the "**Joint Collateral Agent**") and the 2011 Collateral Agent accepted such appointment;

WHEREAS, the Issuer is a member of an affiliated group of companies that includes Hovnanian, the Issuer's parent company, and each Grantor;

WHEREAS, the Issuer and the Grantors are engaged in related businesses, and each Grantor will derive substantial direct and indirect benefit from the issuance of the Secured Notes;

WHEREAS, pursuant to and under the Indentures and the Amended and Restated First Lien Security Agreement dated as of September 8, 2016 (the "**Security Agreement**") among the Initial Grantors party thereto (together with any other entity that may become a party thereto) and the Collateral Agent, the Grantor has agreed to enter into this Agreement in order to grant a security interest to the Collateral Agent in certain Intellectual Property as security for such loans and other obligations as more fully described herein; and

NOW, THEREFORE, intending to be legally bound hereby, the parties hereto agree as follows:

1. Defined Terms. Except as otherwise expressly provided herein, (i) capitalized terms used in this Agreement shall have the respective meanings assigned to them in the Security Agreement and (ii) the rules of construction set forth in Section 1.02 of the Indentures shall apply to this Agreement. Where applicable and except as otherwise expressly provided herein, terms used herein (whether or not capitalized) shall have the respective meanings assigned to them in the Uniform Commercial Code as enacted in New York as amended from time to time (the "**Code**").

2. To secure the full payment and performance of all Secured Obligations, the Grantor hereby grants to the Collateral Agent a security interest in the entire right, title and interest of such Grantor in and to all of its [Trademark/Patent/Copyrights], including those set forth on Schedule A; *provided*, *however*, that notwithstanding any of the other provisions set forth in this Section 2 (and notwithstanding any recording of the Collateral Agent's Lien made in the U.S. Patent and Trademark Office, U.S. Copyright Office, or other registry office in any other jurisdiction), this Agreement shall not constitute a grant of a security interest in any property to the extent that such grant of a security interest is prohibited by any applicable Law of an Official Body, requires a consent not obtained of any Official Body pursuant to such Law or is prohibited by, or constitutes a breach or default under or results in the termination of or gives rise to any right of acceleration, modification or cancellation or requires any consent not obtained under, any contract, license, agreement, instrument or other document evidencing or giving rise to such property, except to the extent that such Law or the term in such contract, license, agreement, instrument or other document or similar agreement providing for such prohibition, breach, default or termination or requiring such consent is ineffective under applicable Law including 9-406, 9-407, 9-408 or 9-409 of the New York UCC (or any successor provision or provisions); *provided, further*, that no security interest shall be granted in any United States "intent-to-use" trademark or service mark applications unless and until acceptable evidence of use of the trademark or service mark has been filed with and accepted by the U.S. Patent and Trademark Office pursuant to Section 1(c) or Section 1(d) of the Lanham Act (U.S.C. 1051, et seq.), and to the extent that, and solely during the period in which, the grant of a security interest therein would impair the validity or enforceability of such "intent-to-use" trademark or service mark applications under applicable federal Law. After such period and after such evidence of use has been filed and accepted, the Grantor acknowledges that such interest in such trademark or service mark applications will become part of the Collateral. The Collateral Agent agrees that, at the Grantor's reasonable request and expense, it will provide such Grantor confirmation that the assets described in this paragraph are in fact excluded from the Collateral during such limited period only upon receipt of an Officer's Certificate or an Opinion of Counsel to that effect.

3. The Grantor covenants and warrants that:

(a) To the knowledge of the Grantor, on the date hereof, all material Intellectual Property owned by the Grantor is valid, subsisting and unexpired, has not been abandoned and does not, to the knowledge of the Grantor, infringe the intellectual property rights of any other Person;

(b) The Grantor is the owner of each item of Intellectual Property listed on Schedule A, free and clear of any and all Liens or claims of others except for the Permitted Liens. No financing statement or other public notice with respect to all or any part of the Collateral is on file or of record in any public office, except as permitted pursuant to this Agreement or as permitted by the Indentures;

4. The Grantor agrees that, until all of the Secured Obligations shall have been indefeasibly satisfied in full, it will not enter into any agreement (for example, a license agreement) which is inconsistent with the Grantor's obligations under this Agreement, without the Collateral Agent's prior written consent which shall not be unreasonably withheld except that the Grantor may license technology in the ordinary course of business without the Collateral Agent's consent to suppliers and customers to facilitate the manufacture and use of the Grantor's products.

5. The Collateral Agent shall have, in addition to all other rights and remedies given it by this Agreement and those rights and remedies set forth in the Security Agreement and the Indentures, those allowed by applicable Law and the rights and remedies of a secured party under the Uniform Commercial Code as enacted in any jurisdiction in which the Intellectual Property may be located and, without limiting the generality of the foregoing, solely if an Event of Default has occurred and is continuing, the Collateral Agent may immediately, without demand of performance and without other notice (except as set forth below) or demand whatsoever to the Grantor, all of which are hereby expressly waived, and without advertisement, sell at public or private sale or otherwise realize upon, in a city that the Collateral Agent shall designate by notice to the Grantor, in Pittsburgh, Pennsylvania or elsewhere, the whole or from time to time any part of the Intellectual Property, or any interest which the Grantor may have therein and, after deducting from the proceeds of sale or other disposition of the Intellectual Property all expenses (including fees and expenses for brokers and attorneys), shall apply the remainder of such proceeds toward the payment of the Secured Obligations as the Collateral Agent, in its sole discretion, shall determine. Any remainder of the proceeds after payment in full of the Secured Obligations shall be paid over to the Grantor. Notice of any sale or other disposition of the Intellectual Property shall be given to the Grantor at least ten (10) days before the time of any intended public or private sale or other disposition of the Intellectual Property is to be made, which the Grantor hereby agrees shall be reasonable notice of such sale or other disposition. At any such sale or other disposition, the Collateral Agent may, to the extent permissible under applicable Law, purchase the whole or any part of the Intellectual Property sold, free from any right of redemption on the part of the Grantor, which right is hereby waived and released. The Collateral Agent shall endeavor to provide the Borrower with notice at or about the time of the exercise of remedies in the preceding sentence, provided that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of such remedies or the Collateral Agent's rights hereunder.

6. All of the Collateral Agent's rights and remedies with respect to the Intellectual Property, whether established hereby, by the Security Agreement or by the Indentures or by any other agreements or by Law, shall be cumulative and may be exercised singularly or concurrently. In the event of any irreconcilable inconsistency in the terms of this Agreement and the Security Agreement, the Security Agreement shall control.

7. The provisions of this Agreement are severable, and if any clause or provision shall be held invalid and unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any clause or provision of this Agreement in any jurisdiction.

8. The benefits and burdens of this Agreement shall inure to the benefit of and be binding upon the respective successors and permitted assigns of the parties, provided, however, that except as permitted by the Indentures, the Grantor may not assign or transfer any of its rights or obligations hereunder or any interest herein and any such purported assignment or transfer shall be null and void.

9. This Agreement and the rights and obligations of the parties under this agreement shall be governed by, and construed and interpreted in accordance with, the Law of the State of New York.

10. The Grantor (i) hereby irrevocably submits to the nonexclusive general jurisdiction of the courts of the State of New York and the courts of the United States of America for the Southern District of New York, or any successor to said court (hereinafter referred to as the "New York Courts") for purposes of any suit, action or other proceeding which relates to this Agreement or any other Noteholder Document, (ii) to the extent permitted by applicable Law, hereby waives and agrees not to assert by way of motion, as a defense or otherwise in any such suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of the New York Courts, that such suit, action or proceeding is brought in an inconvenient forum, that the venue of such suit, action or proceeding is improper, or that this Agreement or any Noteholder Document may not be enforced in or by the New York Courts, (iii) hereby agrees not to seek, and hereby waives, any collateral review by any other court, which may be called upon to enforce the judgment of any of the New York Courts, of the merits of any such suit, action or proceeding or the jurisdiction of the New York Courts, and (iv) waives personal service of any and all process upon it and consents that all such service of process be made by certified or registered mail addressed as provided in Section 13 hereof or at such other address of which the Collateral Agent shall have been notified pursuant thereto and service so made shall be deemed to be completed upon actual receipt thereof. Nothing herein shall limit any Secured Party's right to bring any suit, action or other proceeding against the Grantor or any of any of the Grantor's assets or to serve process on the Grantor by any means authorized by Law.

11. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

12. THE GRANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY A JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER NOTEHOLDER DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

13. All notices, requests and demands to or upon the Collateral Agent or the Grantor shall be effected in the manner provided for in Section 13.03 of the Indentures.

14. In the performance of its obligations, powers and rights hereunder, the Collateral Agent shall be entitled to the rights, benefits, privileges, powers and immunities afforded to it as Collateral Agent under the Indentures. The Collateral Agent shall be entitled to refuse to take or refrain from taking any discretionary action or exercise any discretionary powers set forth in the Security Agreement unless it has received with respect thereto written direction of the Issuer or a majority of Noteholders in accordance with the Indentures. Notwithstanding anything to the contrary contained herein, the Collateral Agent shall have no responsibility for the creation, perfection, priority, sufficiency or protection of any liens securing Secured Obligations (including, but not limited to, no obligation to prepare, record, file, re-record or re-file any financing statement, continuation statement or other instrument in any public office). The permissive rights and authorizations of the Collateral Agent hereunder shall not be construed as duties. The Collateral Agent shall be entitled to exercise its powers and duties hereunder through designees, specialists, experts or other appointees selected by it in good faith.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, each of the undersigned has caused this Trademark / Patent / Copyright Security Agreement to be duly executed and delivered as of the date first above written.

WILMINGTON TRUST, NATIONAL ASSOCIATION, as Collateral Agent

By: _____
Name:
Title:

Grantor:

[Name of Grantor]

By: _____
Name:
Title:

EXHIBIT B

Form of Joinder Agreement

This JOINDER AND ASSUMPTION AGREEMENT is made _____ by _____, a _____ (the "**New Grantor**").

Reference is made to (i) the Indenture dated as of September 8, 2016 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "9.50% Indenture") among K. Hovnanian Enterprises, Inc., a California corporation (the "Issuer"), Hovnanian Enterprises, Inc., a Delaware corporation ("Hovnanian"), each of the other Guarantors party thereto and Wilmington Trust, National Association, as trustee (in such capacity, the "9.50% Trustee") and collateral agent (in such capacity, the "9.50% Collateral Agent"), pursuant to which the Issuer has issued, and may from time to time issue, its 9.50% Senior Secured Notes due 2020, (ii) the Supplemental Indenture dated [__] pursuant to which the New Grantor became party to the 9.50% Indenture as a Guarantor, (iii) the Indenture dated as of November 1, 2011 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "2011 Indenture") among the Issuer, Hovnanian, each of the other Guarantors party thereto and Wilmington Trust, National Association, as trustee (in such capacity, the "2011 Trustee") and collateral agent (in such capacity, the "2011 Collateral Agent"), pursuant to which the Issuer has issued, and may from time to time issue, its 2.00% Senior Secured Notes due 2021 and its 5.00% Senior Secured Notes due 2021, (iv) the Supplemental Indenture dated [__] pursuant to which the New Grantor became party to the 2011 Indenture as a Guarantor, (v) the Amended and Restated First Lien Security Agreement dated as of September 8, 2016 by each of the Grantors (as defined therein) in favor of the Joint Collateral Agent (in such capacity, the "Collateral Agent") for the benefit of itself and the other Secured Parties (as the same may be modified, supplemented, amended or restated, the "Security Agreement"), (vi) the Amended and Restated First Lien Pledge Agreement dated as of September 8, 2016 by each of the Pledgors (as defined therein) in favor of the Collateral Agent for the benefit of itself and the other Secured Parties (as the same may be modified, supplemented, amended or restated, the "Pledge Agreement") and (viii) the First Lien Collateral Agency Agreement dated as of September 8, 2016 by and among the 2011 Collateral Agent, the 9.50% Collateral Agent, the Collateral Agent, Hovnanian, the Issuer and the Grantors party thereto (as the same may be modified, supplemented, amended or restated, the "First Lien Collateral Agency Agreement"). Capitalized terms used but not otherwise defined herein shall have the meaning set forth in the Security Agreement or, if not defined therein, the Pledge Agreement.

The New Grantor hereby agrees that effective as of the date hereof it hereby is, and shall be deemed to be, a Grantor under the Security Agreement and the First Lien Collateral Agency Agreement and a Pledgor under the Pledge Agreement and agrees that from the date hereof until the payment in full of the Secured Obligations and the performance of all other obligations of Issuer under the Noteholder Documents, New Grantor has assumed the obligations of a Grantor and Pledgor under, and New Grantor shall perform, comply with and be subject to and bound by, jointly and severally, each of the terms, provisions and waivers of, the Security Agreement, the Pledge Agreement, the First Lien Collateral Agency Agreement and each of the other Noteholder Documents which are stated to apply to or are made by a Grantor. Without limiting the generality of the foregoing, the New Grantor hereby represents and warrants that each of the representations and warranties set forth in the Security Agreement and the Pledge Agreement is true and correct as to New Grantor on and as of the date hereof as if made on and as of the date hereof by New Grantor.

New Grantor hereby makes, affirms, and ratifies in favor of the Secured Parties and the Collateral Agent the Security Agreement, the Pledge Agreement and each of the other Noteholder Documents given by the Grantors to the Collateral Agent. In furtherance of the foregoing, New Grantor shall execute and deliver or cause to be executed and delivered at any time and from time to time such further instruments and documents and do or cause to be done such further acts as may be reasonably necessary to carry out more effectively the provisions and purposes of this Joinder Agreement (including, for the avoidance of doubt, the actions described in Section 4.18 of the Indentures).

New Grantor has attached hereto Schedule 1 that supplements Schedules 1(a), 1(c), 2(a), 2(b), 5, 6(a), 6(b), 7, 8, 9 and 10 to the Perfection Certificate and certifies, as of the date hereof, that the supplemental information set forth therein has been prepared by the New Grantor in substantially the form of the equivalent Schedules to the Perfection Certificate, and is complete and correct in all material respects.

IN WITNESS WHEREOF, the New Grantor has duly executed this Joinder Agreement and delivered the same to the Collateral Agent for the benefit of the Secured Parties, as of the date and year first written above.

[NAME OF NEW GRANTOR]

By:_____

Title:_____

EXHIBIT C

FORM OF PERFECTION CERTIFICATE

[Please see attached.]

Exhibit 10(y)

Execution Version

AMENDED AND RESTATED FIRST LIEN PLEDGE AGREEMENT

THIS AMENDED AND RESTATED FIRST LIEN PLEDGE AGREEMENT, dated as of September 8, 2016 (as restated, amended, modified or supplemented from time to time, this "Agreement"), is given by **K. HOVNANIAN JV HOLDINGS, L.L.C.** ("JV Holdings"), **EACH OF THE UNDERSIGNED PARTIES LISTED ON SCHEDULE A HERETO AND EACH OF THE OTHER PERSONS AND ENTITIES THAT BECOME BOUND HEREBY FROM TIME TO TIME BY JOINDER, ASSUMPTION OR OTHERWISE** (each a "Pledgor" and collectively the "Pledgors"), as a pledgor of the equity interests in the Companies (as defined herein), as more fully set forth herein, to **WILMINGTON TRUST**, **NATIONAL ASSOCIATION**, in its capacity as Joint Collateral Agent (as defined below), for the benefit of itself, the Trustees (as defined below), the Notes Collateral Agents (as defined below) and the Noteholders (as defined below) (the "Collateral Agent").

WHEREAS, K. Hovnanian Enterprises, Inc., a California corporation (the "Issuer"), Hovnanian Enterprises, Inc., a Delaware corporation ("Hovnanian"), and each of the other guarantors party thereto (including the Initial Grantors) entered into the Indenture dated as of November 1, 2011 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "2011 Indenture") with Wilmington Trust, National Association, as trustee (in such capacity, the "2011 Trustee") and as collateral agent (in such capacity, the "2011 Collateral Agent"), pursuant to which the Issuer has issued, and may from time to time issue, (i) 2.00% Senior Secured Notes due 2021 (the "2.00% Notes") and (ii) 5.00% Senior Secured Notes due 2021 (the "5.00% Notes", and, together with the 2.00% Notes, the "2011 Notes") upon the terms and subject to the conditions set forth therein;

WHEREAS, in connection with the 2011 Indenture, the Pledgors entered into the First Lien Pledge Agreement, dated as of November 1, 2011 (as heretofore amended, supplemented, amended and restated or otherwise modified from time to time, the "Existing Pledge Agreement"), in favor of the 2011 Collateral Agent, for the benefit of itself, the 2011 Trustee and the 2011 Noteholders (as defined below);

WHEREAS, the Issuer, Hovnanian and each of the other guarantors party thereto have entered into the Indenture dated as of September 8, 2016 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "9.50% Indenture" and together with the 2011 Indenture, the "Indentures") with Wilmington Trust, National Association, as trustee (in such capacity, the "9.50% Trustee" and together with the 2011 Trustee, the "Trustees") and collateral agent (in such capacity, the "9.50% Collateral Agent" and together with the 9.125% Collateral Agent, the "Notes Collateral Agents"), pursuant to which the Issuer has issued, and may from time to time issue, its 9.50% Senior Secured Notes due 2020 (the "9.50% Notes" and together with the 2011 Notes, the "Secured Notes") upon the terms and subject to the conditions set forth therein;

WHEREAS, in connection with the 9.50% Indenture, the Issuer, each of the Pledgors, the 2011 Collateral Agent and the 9.50% Collateral Agent have entered into the First Lien Collateral Agency Agreement, dated as of September 8, 2016 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "First Lien Collateral Agency Agreement"), pursuant to which the Issuer and the 9.50% Collateral Agent appointed the 2011 Collateral Agent to act as collateral agent on behalf of the 9.50% Secured Parties, in addition to acting as collateral agent on behalf of the 2011 Secured Parties, pursuant to this Agreement and the other Security Documents (the 2011 Collateral Agent, in such capacity as collateral agent for the Secured Parties, the "Joint Collateral Agent") and the 2011 Collateral Agent accepted such appointment;

WHEREAS, in connection with the Indentures, the Pledgors are required to execute and deliver this Agreement to secure their obligations with respect to the Indentures and the Secured Notes;

WHEREAS, each Pledgor owns the outstanding capital stock, shares, securities, member interests, partnership interests and other ownership interests of the Companies;

WHEREAS, the Issuer is a member of an affiliated group of companies that includes Hovnanian, the Issuer's parent company, and each Pledgor; and

WHEREAS, the Issuer and the Pledgors are engaged in related businesses, and each Pledgor will derive substantial direct and indirect benefit from the issuance of the Secured Notes.

NOW, THEREFORE, intending to be legally bound hereby, the parties hereto hereby agree to amend and restate the Existing Pledge Agreement in its entirety as follows:

1. Defined Terms.

(a) Except as otherwise expressly provided herein, capitalized terms used in this Agreement (including the recitals above) shall have the respective meanings assigned to them in the Indentures. Where applicable and except as otherwise expressly provided herein, terms used herein (whether or not capitalized) that are defined in Article 8 or Article 9 of the Uniform Commercial Code as enacted in the State of New York, as amended from time to time (the "Code"), and are not otherwise defined herein or in the Indentures shall have the same meanings herein as set forth therein.

(b) "9.50% Noteholder" shall mean a "Holder" or "Holder of Notes" as defined in the 9.50% Indenture.

(c) "9.50% Secured Obligations" shall mean all Indebtedness and other Obligations under, and as defined in, the 9.50% Indenture, the 9.50% Notes, the Guarantees (as defined in the 9.50% Indenture) and the related Noteholder Collateral Documents, together with any extensions, renewals, replacements or refundings thereof and all costs and expenses of enforcement and collection, including reasonable attorney's fees, expenses and disbursements.

(d) "9.50% Secured Parties" shall mean the collective reference to the Collateral Agent, the 9.50% Trustee, the 9.50% Collateral Agent and the 9.50% Noteholders, in each case to which Secured Obligations are owed.

(e) "2011 Noteholder" shall mean a "Holder" or "Holder of Notes" as defined in the 2011 Indenture.

(f) "2011 Secured Obligations" shall mean all Indebtedness and other Obligations under, and as defined in, the 2011 Indenture, the 2011 Notes, the Guarantees (as defined in the 2011 Indenture) and the related Noteholder Collateral Documents, together with any extensions, renewals, replacements or refundings thereof and all costs and expenses of enforcement and collection, including reasonable attorney's fees, expenses and disbursements.

(g) "2011 Secured Parties" shall mean the collective reference to the Collateral Agent, the 2011 Trustee, the 2011 Collateral Agent and the 2011 Noteholders, in each case to which Secured Obligations are owed.

(h) "Collateral Agency Agreement" shall have the meaning ascribed to such term in the Security Agreement.

(i) "Company" shall mean individually each Restricted Subsidiary of JV Holdings, including, without limitation, each of the entities listed on Schedule A hereto and "Companies" shall mean, collectively, all Restricted Subsidiaries of JV Holdings, including, without limitation, each of the entities listed on Schedule A hereto.

(j) "Law" shall mean any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, opinion, release, ruling, order, injunction, writ, decree, bond, judgment, authorization or approval, lien or award of or settlement agreement with any Official Body.

(k) "Margin Stock" shall have the meaning specified in Section 4(a).

(l) "Noteholders" shall mean the collective reference to the 9.50% Noteholders and the 2011 Noteholders.

(m) "Noteholder Collateral Document" shall mean any agreement, document or instrument pursuant to which a Lien is granted by any Pledgor to secure any Secured Obligations or under which rights or remedies with respect to any such Liens are governed, as the same may be amended, restated or otherwise modified from time to time.

(n) "Noteholder Documents" shall mean collectively (a) the Indentures, the Secured Notes and the Noteholder Collateral Documents and (b) any other related document or instrument executed and delivered pursuant to any Noteholder Document described in clause (a) above evidencing or governing any Secured Obligations as the same may be amended, restated or otherwise modified from time to time.

(o) "Official Body" shall mean any national, federal, state, local or other governmental or political subdivision or any agency, authority, board, bureau, central bank, commission, department or instrumentality of either, or any court, tribunal, grand jury or arbitrator, in each case whether foreign or domestic.

(p) "Perfection Certificate" shall mean with respect to any Pledgor, a certificate substantially in the form of Exhibit C to the Security Agreement, completed and supplemented with the schedules contemplated thereby, and signed by an officer of such Pledgor.

(q) "Pledged Collateral" shall mean and include the following with respect to each Company: (i) the capital stock, shares, securities, investment property, member interests, partnership interests, warrants, options, put rights, call rights, similar rights, and all other ownership or participation interests, in any Company owned or held by any Pledgor at any time including those in any Company hereafter formed or acquired, (ii) all rights and privileges pertaining thereto, including without limitation, all present and future securities, shares, capital stock, investment property, dividends, distributions and other ownership interests receivable in respect of or in exchange for any of the foregoing, all present and future rights to subscribe for securities, shares, capital stock, investment property or other ownership interests incident to or arising from ownership of any of the foregoing, all present and future cash, interest, stock or other dividends or distributions paid or payable on any of the foregoing, and all present and future books and records (whether paper, electronic or any other medium) pertaining to any of the foregoing, including, without limitation, all stock record and transfer books and (iii) whatever is received when any of the foregoing is sold, exchanged, replaced or otherwise disposed of, including all proceeds, as such term is defined in the Code, thereof; provided, however, that notwithstanding any of the other provisions set forth in this Agreement, this Agreement shall not constitute a grant of a security interest in, and the Pledged Collateral shall not include, (i) any property or assets constituting "Excluded Property" (as defined in the Indentures) or (ii) any property to the extent that such grant of a security interest is prohibited by any applicable Law of an Official Body, requires a consent not obtained of any Official Body pursuant to such Law or is prohibited by, or constitutes a breach or default under or results in the termination of or gives rise to any right of acceleration, modification or cancellation or requires any consent not obtained under, any contract, license, agreement, instrument or other document evidencing or giving rise to such property or, in the case of any Investment Property, or Pledged Note, any applicable shareholder or similar agreement governing such Investment Property, or Pledged Note except to the extent that such Law or the term in such contract, license, agreement, instrument or other document or shareholder or similar agreement providing for such prohibition, breach, default or termination or requiring such consent is ineffective under applicable Law including Sections 9-406, 9-407, 9-408 or 9-409 of the New York UCC (or any successor provision or provisions). The Collateral Agent agrees that, at any Pledgor's reasonable request and expense, it will provide such Pledgor confirmation that the assets described in this paragraph are in fact excluded from the Pledged Collateral during such limited period only upon receipt of an Officers' Certificate or an Opinion of Counsel to that effect. Notwithstanding the foregoing, in the event that Rule 3-16 of Regulation S-X under the Securities Act requires (or is replaced with another rule or regulation, or any other law, rule or regulation is adopted, which would require) the filing with the SEC of separate financial statements of any Pledgor that are not otherwise required to be filed, then the capital stock or other securities of such Pledgor shall automatically be deemed released and not to be and not to have been part of the Pledged Collateral but only to the extent necessary to not be subject to such requirement. In such event, this Agreement may be amended or modified, without the consent of any Noteholder upon the Collateral Agent's receipt of an Officers' Certificate from the Issuer stating that such amendment is permitted hereunder and that all conditions precedent to such amendment have been complied with, which the Collateral Agent shall be entitled to conclusively rely upon, to the extent necessary to evidence the release of the lien created hereby on the shares of capital stock or other securities that are so deemed to no longer constitute part of the Pledged Collateral.

(r) "Secured Obligations" shall mean the collective reference to the 2011 Secured Obligations and the 9.50% Secured Obligations.

(s) "Secured Parties" shall mean the collective reference to the 2011 Secured Parties and the 9.50% Secured Parties.

(t) "Security Agreement" shall mean the Amended and Restated First Lien Security Agreement dated as of the date hereof among the Pledgors and the Collateral Agent, as amended, supplemented, amended and restated or otherwise modified from time to time.

2. Grant of Security Interests.

(a) To secure the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of all Secured Obligations, in full, each Pledgor hereby grants to the Collateral Agent a continuing first priority security interest under the Code in and hereby pledges to the Collateral Agent, in each case for its benefit and the ratable benefit of the Secured Parties, all of such Pledgor's now existing and hereafter acquired or arising right, title and interest in, to, and under the Pledged Collateral, whether now or hereafter existing and wherever located, subject only to the Liens securing Permitted Liens.

(b) Upon the execution and delivery of this Agreement, each Pledgor shall deliver to and deposit with the Collateral Agent (or with a Person designated by the Collateral Agent to hold the Pledged Collateral on behalf of the Collateral Agent) in pledge, all of such Pledgor's certificates, instruments or other documents comprising or evidencing the Pledged Collateral, together with undated stock powers or similar transfer documents signed in blank by such Pledgor. In the event that any Pledgor should ever acquire or receive certificates, securities, instruments or other documents evidencing the Pledged Collateral, such Pledgor shall deliver to and deposit with the Collateral Agent in pledge, all such certificates, securities, instruments or other documents which evidence the Pledged Collateral.

3. Further Assurances.

Prior to or concurrently with the execution of this Agreement, and thereafter at any time and from time to time, subject to the terms of the First Lien Collateral Agency Agreement, each Pledgor (in its capacity as a Pledgor and in its capacity as a Company) shall execute and deliver to the Collateral Agent all financing statements, continuation financing statements, assignments, certificates and documents of title, affidavits, reports, notices, schedules of account, letters of authority, further pledges, powers of attorney and all other documents (collectively, the "Security Documents") as may be required under applicable law to perfect and continue perfecting and to create and maintain the first priority status of the Collateral Agent's security interest in the Pledged Collateral, subject only to the Liens securing Permitted Liens and to fully consummate the transactions contemplated under this Agreement. Each Pledgor shall record any one or more financing statements under the applicable Uniform Commercial Code with respect to the pledge and security interest herein granted. Each Pledgor hereby irrevocably makes, constitutes and appoints the Collateral Agent (and any of the Collateral Agent's officers or employees or agents designated by the Collateral Agent) as such Pledgor's true and lawful attorney with power to sign the name of such Pledgor on all or any of the Security Documents which, pursuant to applicable law, must be executed, filed, recorded or sent in order to perfect or continue perfecting the Collateral Agent's security interest in the Pledged Collateral in any jurisdiction. Such power, being coupled with an interest, is irrevocable until all of the Secured Obligations have been indefeasibly paid, in cash, in full.

4. Representations and Warranties.

Each Pledgor hereby, jointly and severally, represents and warrants to the Collateral Agent as follows:

(a) The Pledged Collateral of such Pledgor does not include Margin Stock. "Margin Stock" as used in this clause (a) shall have the meaning ascribed to such term by Regulation U of the Board of Governors of the Federal Reserve System of the United States;

(b) The Pledgor has and will continue to have (or, in the case of after-acquired Pledged Collateral, at the time such Pledgor acquires rights in such Pledged Collateral, will have and will continue to have), title to its Pledged Collateral, free and clear of all Liens other than Permitted Liens;

(c) The capital stock, shares, securities, member interests, partnership interests and other ownership interests constituting the Pledged Collateral of such Pledgor have been duly authorized and validly issued to such Pledgor, are fully paid and nonassessable and constitute one hundred percent (100%) of the issued and outstanding capital stock, member interests or partnership interests of each Company;

(d) Upon the completion of the filings and other actions specified on Schedule B attached hereto, the security interests in the Pledged Collateral granted hereunder by such Pledgor shall be valid, perfected and of first priority, subject to the Lien of no other Person (other than Permitted Liens);

(e) There are no restrictions upon the transfer of the Pledged Collateral (other than restrictions that have been waived pursuant to Section 24 hereof) and such Pledgor has the power and authority and unencumbered right to transfer the Pledged Collateral owned by such Pledgor free of any Lien (other than Permitted Liens) and without obtaining the consent of any other Person;

(f) Such Pledgor has all necessary power to execute, deliver and perform this Agreement;

(g) This Agreement has been duly executed and delivered and constitutes the valid and legally binding obligation of each Pledgor, enforceable in accordance with its terms, except to the extent that enforceability of this Agreement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws affecting the enforceability of creditors' rights generally or limiting the right of specific performance;

(h) Neither the execution or delivery by each Pledgor of this Agreement, nor the compliance with the terms and provisions hereof, will violate any provision of any Law or conflict with or result in a breach of any of the terms, conditions or provisions of any judgment, order, injunction, decree or ruling of any Official Body to which any Pledgor or any of its property is subject or any provision of any material agreement or instrument to which Pledgor is a party or by which such Pledgor or any of its property is bound;

(i) Each Pledgor's exact legal name is as set forth on such Pledgor's signature page hereto;

(j) The jurisdiction of incorporation, formation or organization, as applicable, of each Pledgor is as set forth on Schedule 1(a) to the Perfection Certificate;

(k) Such Pledgor's chief executive office is as set forth on Schedule 2(a) to the Perfection Certificate; and

(l) All rights of such Pledgor in connection with its ownership of each of the Companies are evidenced and governed solely by the stock certificates, instruments or other documents (if any) evidencing ownership of each of the Companies and the organizational documents of each of the Companies, and no shareholder, voting, or other similar agreements are applicable to any of the Pledged Collateral or any of any Pledgor's rights with respect thereto, and no such certificate, instrument or other document provides that any member interest, partnership interest or other intangible ownership interest in any limited liability company or partnership constituting Pledged Collateral is a "security" within the meaning of and subject to Article 8 of the Code, except pursuant to Section 5(f) hereof; and the organizational documents of each Company contain no restrictions (other than restrictions that have been waived pursuant to Section 24 hereof) on the rights of shareholders, members or partners other than those that normally would apply to a company organized under the laws of the jurisdiction of organization of each of the Companies; and, on the date hereof, none of the limited liability company interests or partnership interest constituting Pledged Collateral is represented by a certificate.

5. General Covenants.

Each Pledgor, jointly and severally, hereby covenants and agrees as follows:

(a) Each Pledgor shall do all reasonable acts that may be necessary and appropriate to maintain, preserve and protect the Pledged Collateral; and each Pledgor shall be responsible for the risk of loss of, damage to, or destruction of the Pledged Collateral owned by such Pledgor, unless such loss is the result of the gross negligence or willful misconduct of the Collateral Agent;

(b) Each Pledgor shall appear in and defend any action or proceeding of which such Pledgor is aware which could reasonably be expected to affect, in any material respect, any Pledgor's title to, or the Collateral Agent's interest in, the Pledged Collateral or the proceeds thereof; provided, however, that with the prior written consent of the Collateral Agent, such Pledgor may settle such actions or proceedings with respect to the Pledged Collateral;

(c) The books and records of each of the Pledgors and Companies, as applicable, shall disclose the Collateral Agent's security interest in the Pledged Collateral;

(d) To the extent, following the date hereof, any Pledgor acquires capital stock, shares, securities, member interests, partnership interests, investment property and other ownership interests of any of the Companies or any other Restricted Subsidiary or any of the rights, property or securities, shares, capital stock, member interests, partnership interests, investment property or any other ownership interests described in the definition of Pledged Collateral with respect to any of the Companies or any other Restricted Subsidiary, all such ownership interests shall be subject to the terms hereof and, upon such acquisition, shall be deemed to be hereby pledged to the Collateral Agent; and each Pledgor thereupon, in confirmation thereof, shall promptly deliver all such securities, shares, capital stock, member interests, partnership interests, investment property and other ownership interests (to the extent such items are certificated), to the Collateral Agent, together with undated stock powers or other similar transfer documents, and all such control agreements, financing statements, and any other documents necessary to implement the provisions and purposes of this Agreement or as the Collateral Agent may request related thereto;

(e) Each Pledgor shall notify the Collateral Agent in writing within thirty (30) calendar days after any change in any Pledgor's chief executive office address, legal name, or state of incorporation, formation or organization; and

(f) During the term of this Agreement, no Pledgor shall permit or cause any Company which is a limited liability company or a limited partnership to (and no Pledgor (in its capacity as Company) shall) issue any certificates evidencing the ownership interests of such Company or elect to treat any ownership interests as securities that are subject to Article 8 of the Code unless such securities are immediately delivered to the Collateral Agent upon issuance, together with all evidence of such election and issuance and all Security Documents as set forth in Section 3 hereof and an updated Schedule C hereto.

6. Other Rights With Respect to Pledged Collateral.

In addition to the other rights with respect to the Pledged Collateral granted to the Collateral Agent hereunder, at any time and from time to time, after and during the continuation of an Event of Default, the Collateral Agent, at its option and at the expense of the Pledgors, may, subject to the First Lien Collateral Agency Agreement, any Collateral Agency Agreement and any other intercreditor agreement entered into in connection with Indebtedness permitted under the Indentures: (a) transfer into its own name, or into the name of its nominee, all or any part of the Pledged Collateral, thereafter receiving all dividends, income or other distributions upon the Pledged Collateral; (b) take control of and manage all or any of the Pledged Collateral; (c) apply to the payment of any of the Secured Obligations, whether any be due and payable or not, any moneys, including cash dividends and income from any Pledged Collateral, now or hereafter in the hands of the Collateral Agent or any Affiliate of the Collateral Agent, on deposit or otherwise, belonging to any Pledgor, as the Collateral Agent in its sole discretion shall determine; and (d) do anything which any Pledgor is required but fails to do hereunder. The Collateral Agent shall endeavor to provide the Issuer with notice at or about the time of the exercise of its rights pursuant to the preceding sentence, provided that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of any rights or remedies hereunder.

7. Additional Remedies Upon Event of Default.

Upon the occurrence of any Event of Default and while such Event of Default shall be continuing, the Collateral Agent shall have, in addition to all rights and remedies of a secured party under the Code or other applicable Law, and in addition to its rights under Section 6 above and under the other Noteholder Documents, the following rights and remedies, in each case subject to the First Lien Collateral Agency Agreement, any Collateral Agency Agreement and any other intercreditor agreement entered into in connection with Indebtedness permitted under the Indentures:

(a) The Collateral Agent may, after ten (10) days' advance notice to a Pledgor, sell, assign, give an option or options to purchase or otherwise dispose of such Pledgor's Pledged Collateral or any part thereof at public or private sale, at any of the Collateral Agent's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Collateral Agent may deem commercially reasonable. Each Pledgor agrees that ten (10) days' advance notice of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Collateral Agent shall not be obligated to make any sale of Pledged Collateral regardless of notice of sale having been given. The Collateral Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Each Pledgor recognizes that the Collateral Agent may be compelled to resort to one or more private sales of the Pledged Collateral to a restricted group of purchasers who will be obliged to agree, among other things, to acquire such securities, shares, capital stock, member interests, partnership interests, investment property or ownership interests for their own account for investment and not with a view to the distribution or resale thereof.

(b) The proceeds of any collection, sale or other disposition of the Pledged Collateral, or any part thereof, shall be applied against the Secured Obligations, whether or not all the same be then due and payable, as provided in the First Lien Collateral Agency Agreement. The Collateral Agent shall incur no liability as a result of the sale of the Pledged Collateral, or any part thereof, at any private sale pursuant to this Section 7 conducted in accordance with the requirements of applicable laws. Each Pledgor hereby waives any claims against the Collateral Agent and the other Secured Parties arising by reason of the fact that the price at which the Pledged Collateral may have been sold at such a private sale was less than the price that might have been obtained at a public sale or was less than the aggregate amount of the Secured Obligations, even if the Collateral Agent accepts the first offer received and does not offer the Pledged Collateral to more than one offeree, provided that such private sale is conducted in accordance with applicable laws and this Agreement. Each Pledgor hereby agrees that in respect of any sale of any of the Pledged Collateral pursuant to the terms hereof, the Collateral Agent is hereby authorized to comply with any limitation or restriction in connection with such sale as it may be advised by counsel is necessary in order to avoid any violation of applicable laws, or in order to obtain any required approval of the sale or of the purchaser by any governmental authority or official, nor shall the Collateral Agent be liable or accountable to any Pledgor for any discount allowed by reason of the fact that such Pledged Collateral is sold in compliance with any such limitation or restriction.

8. Collateral Agent's Duties.

The powers conferred on the Collateral Agent hereunder are solely to protect its interest (on behalf of itself, the Notes Collateral Agents, the Trustees and the Noteholders) in the Pledged Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Pledged Collateral in its possession and the accounting for moneys actually received by it hereunder, the Collateral Agent shall have no duty as to any Pledged Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Pledged Collateral.

9. Additional Pledgors.

It is anticipated that additional persons may from time to time become Restricted Subsidiaries of JV Holdings, each of whom will be required to join this Agreement as a Pledgor hereunder to the extent that such new Subsidiary is required to become a Guarantor under the Indentures and owns equity interests in any other Person that is a Restricted Subsidiary. It is acknowledged and agreed that such new Restricted Subsidiaries of JV Holdings may become Pledgors hereunder and will be bound hereby simply by executing and delivering to the Collateral Agent a Supplemental Indenture (in the form of Exhibit B to the Indentures) and a Joinder Agreement in the form of Exhibit B to the Security Agreement. No notice of the addition of any Pledgor shall be required to be given to any pre-existing Pledgor, and each Pledgor hereby consents thereto.

10. No Waiver; Cumulative Remedies.

No failure to exercise, and no delay in exercising, on the part of the Collateral Agent, any right, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder preclude any further exercise thereof or the exercise of any other right, power or privilege. No waiver of a single Event of Default shall be deemed a waiver of a subsequent Event of Default. The remedies herein provided are cumulative and not exclusive of any remedies provided under the other Noteholder Documents or by Law, rule or regulation and the Collateral Agent may enforce any one or more remedies hereunder successively or concurrently at its option. Each Pledgor waives any right to require the Collateral Agent to proceed against any other Person or to exhaust any of the Pledged Collateral or other security for the Secured Obligations or to pursue any remedy in the Collateral Agent's power.

11. Waivers; Consents.

(a) Each Pledgor hereby waives any and all defenses which any Pledgor may now or hereafter have based on principles of suretyship, impairment of collateral, or the like and each Pledgor hereby waives any defense to or limitation on its obligations under this Agreement arising out of or based on any event or circumstance referred to in the immediately preceding Section hereof. Without limiting the generality of the foregoing and to the fullest extent permitted by applicable law, each Pledgor hereby further waives each of the following:

(i) All notices, disclosures and demands of any nature which otherwise might be required from time to time to preserve intact any rights against such Pledgor, including the following: any notice of any event or circumstance described in the immediately preceding Section hereof; any notice required by any law, regulation or order now or hereafter in effect in any jurisdiction; any notice of nonpayment, nonperformance, dishonor, or protest under any Noteholder Document or any of the Secured Obligations; any notice of the incurrence of any Secured Obligation; any notice of any default or any failure on the part of such Pledgor or the Issuer or any other Person to comply with any Noteholder Document or any of the Secured Obligations or any requirement pertaining to any direct or indirect security for any of the Secured Obligations; and any notice or other information pertaining to the business, operations, condition (financial or otherwise), or prospects of the Issuer or any other Person;

(ii) Any right to any marshalling of assets, to the filing of any claim against such Pledgor or the Issuer or any other Person in the event of any bankruptcy, insolvency, reorganization, or similar proceeding, or to the exercise against such Pledgor or the Issuer, or any other Person of any other right or remedy under or in connection with any Noteholder Document or any of the Secured Obligations or any direct or indirect security for any of the Secured Obligations; any requirement of promptness or diligence on the part of the Collateral Agent, the Notes Collateral Agents, the Trustees, the Noteholders or any other Person; any requirement to exhaust any remedies under or in connection with, or to mitigate the damages resulting from default under, any Noteholder Document or any of the Secured Obligations or any direct or indirect security for any of the Secured Obligations; any benefit of any statute of limitations; and any requirement of acceptance of this Agreement or any other Noteholder Document, and any requirement that any Pledgor receive notice of any such acceptance; and

(iii) Any defense or other right arising by reason of any Law now or hereafter in effect in any jurisdiction pertaining to election of remedies (including anti-deficiency laws, "one action" laws, or the like), or by reason of any election of remedies or other action or inaction by the Collateral Agent, the Notes Collateral Agents, the Trustees or the Noteholders (including commencement or completion of any judicial proceeding or nonjudicial sale or other action in respect of collateral security for any of the Secured Obligations), which results in denial or impairment of the right of the Collateral Agent, the Trustees or the Noteholders to seek a deficiency against the Issuer or any other Person or which otherwise discharges or impairs any of the Secured Obligations.

(b) Each Pledgor (in its capacity as a Pledgor and, if applicable, in its capacity as a Company) hereby consents to the pledge of the Pledged Collateral to the Collateral Agent as contemplated hereby.

12. Assignment.

All rights of the Collateral Agent under this Agreement shall inure to the benefit of its successors and assigns. All obligations of each Pledgor shall bind its successors and assigns; provided, however, that no Pledgor may assign or transfer any of its rights and obligations hereunder or any interest herein, and any such purported assignment or transfer shall be null and void.

13. Severability.

Any provision (or portion thereof) of this Agreement which shall be held invalid or unenforceable shall be ineffective without invalidating the remaining provisions hereof (or portions thereof).

14. Governing Law.

This Agreement and the rights and obligations of the parties under this Agreement shall be governed by, and construed and interpreted in accordance with, the Law of the State of New York, except to the extent the validity or perfection of the security interests or the remedies hereunder in respect of any Pledged Collateral are governed by the law of a jurisdiction other than the State of New York.

15. Notices.

All notices, requests, demands, directions and other communications (collectively, "notices") given to or made upon any party hereto under the provisions of this Agreement shall be given or made as set forth in Section 13.03 of the Indentures, and the Pledgors (in their capacity as Pledgors and in their capacity as Companies) shall simultaneously send to the Collateral Agent any notices such Pledgor or such Company delivers to each other regarding any of the Pledged Collateral.

16. Specific Performance.

Each Pledgor acknowledges and agrees that, in addition to the other rights of the Collateral Agent hereunder and under the other Noteholder Documents, because the Collateral Agent's remedies at law for failure of any Pledgor to comply with the provisions hereof relating to the Collateral Agent's rights (i) to inspect the books and records related to the Pledged Collateral, (ii) to receive the various notifications any Pledgor is required to deliver hereunder, (iii) to obtain copies of agreements and documents as provided herein with respect to the Pledged Collateral, (iv) to enforce the provisions hereof pursuant to which any Pledgor has appointed the Collateral Agent its attorney-in-fact and (v) to enforce the Collateral Agent's remedies hereunder, would be inadequate and that any such failure would not be adequately compensable in damages, such Pledgor agrees that each such provision hereof may be specifically enforced, subject to the First Lien Collateral Agency Agreement.

17. Voting Rights in Respect of the Pledged Collateral.

So long as no Event of Default shall occur and be continuing under the Indentures, each Pledgor may exercise any and all voting and other consensual rights pertaining to the Pledged Collateral or any part thereof for any purpose not inconsistent with the terms of this Agreement or the other Noteholder Documents; provided, however, that such Pledgor will not exercise or will refrain from exercising any such voting and other consensual right pertaining to the Pledged Collateral, as the case may be, if such action would have a material adverse effect on the value of any Pledged Collateral. At any time and from time to time, after and during the continuation of an Event of Default, no Pledgor shall be permitted to exercise any of its respective voting and other consensual rights whatsoever pertaining to the Pledged Collateral or any part thereof; provided, however, in addition to the other rights with respect to the Pledged Collateral granted to the Collateral Agent, the Trustees and the Noteholders for the benefit of itself, the Notes Collateral Agents, the Trustees and the Noteholders, hereunder, at any time and from time to time, after and during the continuation of an Event of Default and subject to the provisions of the First Lien Collateral Agency Agreement, any Collateral Agency Agreement and any other intercreditor agreement entered into in connection with Indebtedness permitted under the Indentures, the Collateral Agent may exercise any and all voting and other consensual rights of each and every Pledgor pertaining to the Pledged Collateral or any part thereof. The Collateral Agent shall endeavor to provide the Issuer with notice at or about the time of the exercise by Collateral Agent of the voting or other consensual rights of such Pledgor pertaining to the Pledged Collateral, provided that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of Collateral Agent's rights or remedies hereunder. Without limiting the generality of the foregoing and in addition thereto, Pledgors shall not vote to enable, or take any other action to permit, any Company to: (i) issue any other ownership interests of any nature or to issue any other securities, investment property or other ownership interests convertible into or granting the right to purchase or exchange for any other ownership interests of any nature of any such Company, except as expressly permitted by the Indentures; or (ii) enter into any agreement or undertaking restricting the right or ability of such Pledgor or the Collateral Agent to sell, assign or transfer any of the Pledged Collateral without the Collateral Agent's prior written consent, except as permitted by the Indentures.

18. Consent to Jurisdiction.

Each Pledgor (as a Pledgor and as a Company) hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Noteholder Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such Pledgor at its address referred to in Section 8.02 of the Security Agreement or at such other address of which the Collateral Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

19. Waiver of Jury Trial.

EXCEPT AS PROHIBITED BY LAW, EACH PLEDGOR (AS A PLEDGOR AND, IF APPLICABLE, AS A COMPANY), EACH OF THE COMPANIES AND THE COLLATERAL AGENT, ON BEHALF OF ITSELF, THE TRUSTEES, THE NOTES COLLATERAL AGENTS AND THE NOTEHOLDERS, HEREBY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY A JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER DOCUMENTS OR TRANSACTIONS RELATING THERETO.

20. Entire Agreement; Amendments.

(a) This Agreement and the other Noteholder Documents constitute the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements relating to a grant of a security interest in the Pledged Collateral by any Pledgor to the Collateral Agent.

(b) At any time after the initial execution and delivery of this Agreement to the Collateral Agent, the Notes Collateral Agents, the Trustee and the Noteholders, additional Persons may become parties to this Agreement and thereby acquire the duties and rights of being Pledgors hereunder by executing and delivering to the Collateral Agent a Joinder Agreement pursuant to the Security Agreement. No notice of the addition of any Pledgor shall be required to be given to any pre-existing Pledgor and each Pledgor hereby consents thereto.

(c) Except as expressly provided in (i) Section 9.01 of the Indentures, (ii) Section 9 with respect to additional Pledgors, (iii) Section 21 with respect to the release of Pledgors and Companies, (iv) Section 11.04 of the Indentures and (v) Section 8.01 of the Security Agreement with respect to reflecting the incurrence of Additional Secured Obligations (as defined in the Security Agreement) and the granting of Additional Pari Passu Liens (as defined in the Security Agreement), this Agreement may not be amended or supplemented except by a writing signed by the Collateral Agent and the Pledgors.

21. Automatic Release of Related Collateral and Equity.

At any time after the initial execution and delivery of this Agreement to the Collateral Agent, the Pledgors and their respective Pledged Collateral and the Companies and may be released from this Agreement in accordance with and pursuant to Section 11.04 of the Indentures, or at the times and to the extent required by the First Lien Collateral Agency Agreement. No notice of such release of any Pledgor or such Pledgor's Pledged Collateral shall be required to be given to any other Pledgor and each Pledgor hereby consents thereto.

22. Counterparts; Electronic Transmission of Signatures.

This Agreement may be executed in any number of counterparts, and by different parties hereto in separate counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute one and the same instrument. Each Pledgor acknowledges and agrees that a telecopy or electronic (i.e., "e-mail" or "portable document folio" ("pdf")) transmission to the Collateral Agent of the signature pages hereof purporting to be signed on behalf of any Pledgor shall constitute effective and binding execution and delivery hereof by such Pledgor.

23. Construction.

The rules of construction contained in Section 1.02 of the Indentures apply to this Agreement.

24. Waiver of Restrictions.

Each Pledgor agrees that any restriction on transfer (if any) of the Pledged Collateral contained in the organizational documents to which such Pledgor is a party, is hereby waived, and further agrees that any such restriction does not apply to the grant of security interest made hereunder or to any transfer of the Pledged Collateral to a Secured Party or any third party in connection with an exercise of remedies hereunder.

25. First Lien Collateral Agency Agreement.

Notwithstanding anything herein to the contrary, the lien and security interest granted to the Collateral Agent pursuant to this Agreement and the exercise of any right or remedy by the Collateral Agent hereunder are subject to the provisions of the First Lien Collateral Agency Agreement. In the event of any conflict between the terms of the First Lien Collateral Agency Agreement and this Agreement, the terms of the First Lien Collateral Agency Agreement shall govern.

26. Collateral Agent Privileges, Powers and Immunities.

In the performance of its obligations, powers and rights hereunder, the Collateral Agent shall be entitled to the rights, benefits, privileges, powers and immunities afforded to it as Collateral Agent under the Indentures and the First Lien Collateral Agency Agreement. The Collateral Agent shall take or refrain from taking any discretionary action or exercise any discretionary powers set forth in this Agreement in accordance with, and subject to, the Indentures (it being understood and agreed that the actions and directions set forth in Section 9.01 of the Indentures are not discretionary) and the First Lien Collateral Agency Agreement. Notwithstanding anything to the contrary contained herein and notwithstanding anything contained in Section 9-207 of the New York UCC, the Collateral Agent shall have no responsibility for the creation, perfection, priority, sufficiency or protection of any liens securing Secured Obligations (including, but not limited to, no obligation to prepare, record, file, re-record or re-file any financing statement, continuation statement or other instrument in any public office). The permissive rights and authorizations of the Collateral Agent hereunder shall not be construed as duties. The Collateral Agent shall be entitled to exercise its powers and duties hereunder through designees, specialists, experts or other appointees selected by it with due care and shall not be liable for the negligence or misconduct of such appointees.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, and intending to be legally bound, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

WILMINGTON TRUST, NATIONAL ASSOCIATION, as Collateral Agent

By: /s/ John T. Needham, Jr.
Name: John T. Needham, Jr.
Title: Vice President

[Signature Page to First Lien Pledge Agreement]

Pledgors:

K. HOVNANIAN JV HOLDINGS, L.L.C

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice-President—Finance and Treasurer

ON BEHALF OF EACH OTHER ENTITY NAMED IN SCHEDULE A HERETO

By: /s/ David Bachstetter
Name: David Bachstetter
Title: Vice-President—Finance and Treasurer

[Signature Page to First Lien Pledge Agreement]

SCHEDULE A
TO
PLEDGE AGREEMENT

K. HOVNANIAN AT EAGLE HEIGHTS, LLC
K. HOVNANIAN AT SUNRISE TRAIL, LLC
K. HOVNANIAN BUILDING COMPANY, LLC
K. HOVNANIAN COMPANIES OF ARIZONA, LLC
K. HOVNANIAN AT LADD RANCH, LLC
K. HOVNANIAN AT MERIDIAN HILLS, LLC
K. HOVNANIAN JV SERVICES COMPANY, L.L.C.
K. HOVNANIAN'S SONATA AT THE PRESERVE, LLC
K. HOVNANIAN HOMES AT PARKSIDE, LLC
K. HOVNANIAN PARKSIDE HOLDINGS, LLC
HOMEBUYERS FINANCIAL USA, LLC
HOVWEST LAND ACQUISITION, LLC
K. HOVNANIAN AT CEDAR LANE ESTATES, LLC
K. HOVNANIAN HOMES OF DELAWARE I, LLC
K. HOVNANIAN HOVWEST HOLDINGS, L.L.C.
K. HOVNANIAN AMBER GLEN, LLC
K. HOVNANIAN AT MYSTIC DUNES, LLC
K. HOVNANIAN AT THE HIGHLANDS AT SUMMERLAKE GROVE, LLC
K. HOVNANIAN AT VALLETTA, LLC
K. HOVNANIAN CYPRESS CREEK, LLC
K. HOVNANIAN HOMES OF FLORIDA I, LLC
K. HOVNANIAN LAKE PARKER, LLC
K. HOVNANIAN MONTCLAIRE ESTATES, LLC
K. HOVNANIAN SERENO, LLC
K. HOVNANIAN TERRALARGO, LLC
AMBER RIDGE, LLC
K. HOVNANIAN AT AMBERLEY WOODS, LLC
K. HOVNANIAN AT BRADWELL ESTATES, LLC
K. HOVNANIAN AT ORCHARD MEADOWS, LLC
K. HOVNANIAN AT RANDALL HIGHLANDS, LLC
K. HOVNANIAN AT RIVER HILLS, LLC
K. HOVNANIAN AT SILVERWOOD GLEN, LLC
K. HOVNANIAN AT TAMARACK SOUTH LLC
K. HOVNANIAN AT TANGLEWOOD OAKS, LLC
K. HOVNANIAN HOMES OF MARYLAND I, LLC
K. HOVNANIAN HOMES OF MARYLAND II, LLC
K. HOVNANIAN AT FREEHOLD TOWNSHIP II, LLC
K. HOVNANIAN AT MANALAPAN IV, LLC
K. HOVNANIAN AT MORRIS TWP II, LLC
K. HOVNANIAN TBD, LLC
K. HOVNANIAN'S FOUR SEASONS AT MALIND BLUFF, LLC
K. HOVNANIAN DFW BERKSHIRE II, LLC
K. HOVNANIAN DFW BERKSHIRE, LLC

K. HOVNANIAN DFW CARILLON, LLC
K. HOVNANIAN DFW HEATHERWOOD, LLC
K. HOVNANIAN DFW HERON POND, LLC
K. HOVNANIAN DFW MAXWELL CREEK, LLC
K. HOVNANIAN DFW MUSTANG LAKES, LLC
K. HOVNANIAN DFW RICHWOODS, LLC
K. HOVNANIAN AT CANTER V, LLC
K. HOVNANIAN AT DOMINION CROSSING, LLC
K. HOVNANIAN AT EMBREY MILL, LLC
K. HOVNANIAN AT HUNTER'S POND, LLC
K. HOVNANIAN AT NICHOLSON, LLC
K. HOVNANIAN AT PELHAM'S REACH, LLC
K. HOVNANIAN AT RAYMOND FARM, LLC
K. HOVNANIAN AT VILLAGE OF ROUND HILL, LLC
K. HOVNANIAN AT WATERFORD, LLC
K. HOVNANIAN AT WELLSPRINGS, LLC
K. HOVNANIAN HOMES AT WILLOWSFORD GRANGE, LLC
K. HOVNANIAN HOMES AT WILLOWSFORD NEW, LLC
K. HOVNANIAN HOMES OF VIRGINIA I, LLC

SCHEDULE B

Actions to Perfect

1. With respect to each Pledgor organized under the laws of the state of California as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the California Secretary of State.

2. With respect to each Pledgor organized under the laws of the state of Delaware as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the Delaware Secretary of State.

3. With respect to each Pledgor organized under the laws of the state of North Carolina as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the North Carolina Secretary of State.

4. With respect to each Pledgor organized under the laws of the state of Virginia as identified on Schedule 2(b) of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that identifies the Collateral with the Virginia State Corporation Commission.

SCHEDULE C

None.

CERTIFICATIONS
Exhibit 31(a)

I, Ara K. Hovnanian, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended July 31, 2016 of Hovnanian Enterprises, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 9, 2016
/s/ARA K. HOVNANIAN
Ara K. Hovnanian
Chairman, President and Chief Executive Officer

CERTIFICATIONS
Exhibit 31(b)

I, J. Larry Sorsby, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended July 31, 2016 of Hovnanian Enterprises, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 9, 2016

/s/J. LARRY SORSBY
J. Larry Sorsby
Executive Vice President and Chief Financial Officer

Exhibit 32(a)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Hovnanian Enterprises, Inc. (the "Company") on Form 10-Q for the period ended July 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ara K. Hovnanian, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 9, 2016

/s/ARA K. HOVNANIAN
Ara K. Hovnanian
Chairman, President and Chief Executive Officer

Exhibit 32(b)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Hovnanian Enterprises, Inc. (the "Company") on Form 10-Q for the period ended July 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, J. Larry Sorsby, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 9, 2016

/s/J. LARRY SORSBY
J. Larry Sorsby
Executive Vice President and Chief Financial Officer