

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 1
FORM S-3
REGISTRATION STATEMENT
Under
THE SECURITIES ACT OF 1933

HOVNANIAN
ENTERPRISES, INC.

K. HOVNANIAN
ENTERPRISES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

New Jersey

(State or Other Jurisdiction of Incorporation or Organization)

22-1851059

22-2423583

(I.R.S. Employer Identification Number)

10 Highway 35
P.O. Box 500
Red Bank, New Jersey 07701
(732) 747-7800

10 Highway 35
P.O. Box 500
Red Bank, New Jersey 07701
(732) 747-7800

(Address, Including Zip Code, and Telephone Number, Including Area Code,
of Registrant's Principal Executive Offices)

SEE TABLE OF ADDITIONAL REGISTRANTS

J. Larry Sorsby
Hovnanian Enterprises, Inc.
10 Highway 35
P.O. Box 500
Red Bank, New Jersey 07701
(732) 747-7800

(Name, Address, Including Zip Code, and Telephone Number,
Including Area Code, of Agent For Service)

Copies to:
Vincent Pagano, Jr., Esq.
Simpson Thacher & Bartlett
425 Lexington Avenue
New York, New York 10017-3954
(212) 455-2000

Approximate date of commencement of proposed sale to the public: From
time to time after the effective date of this registration statement.

If the only securities being registered on this Form are being offered
pursuant to dividend or interest reinvestment plans, please check the
following box.

If any of the securities being registered on this Form are to be offered
on a delayed or continuous basis pursuant to Rule 415 under the Securities Act
of 1933, other than securities offered only in connection with dividend or
interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering
pursuant to Rule 462(b) under the Securities Act, please check the following
box and list the Securities Act registration statement number of the earlier
effective registration statement for the same offering. _____

If this Form is a post-effective amendment filed pursuant to Rule 462(c)
under the Securities Act, check the following box and list the Securities Act
registration statement number of the earlier effective registration statement
for the same offering. _____

If delivery of the prospectus is expected to be made pursuant to Rule
434, please check the following box.

Pursuant to Rule 429 under the Securities Act of 1933, as amended, the
Prospectus herein also relates to the remaining \$76,000,000 of Debt
Securities, Warrants to purchase Debt Securities, Preferred Stock and Class A
Common Stock registered on Form S-3 (Registration No. 333-75939) and Form S-3
(Registration No. 333-51991) of Hovnanian Enterprises, Inc. and K. Hovnanian
Enterprises, Inc. and 7,643,312 allocated shares of Class A Common Stock of
Hovnanian Enterprises, Inc. registered on Form S-3 (Registration No.
333-51991) of K. Hovnanian Enterprises, Inc. This Registration Statement also
constitutes Post-Effective Amendment No. 1 to Registration Statement No.
333-75939 and Post-Effective Amendment No. 2 to Registration Statement No.
333-51991 and upon the effectiveness of such Post-Effective Amendments, this
Registration Statement and Registration Statements No. 333-75939 and No.
333-51991 will relate to an aggregate of \$376,000,000 of Class A Common Stock,
Preferred Stock, Debt Securities and Warrants to purchase Debt Securities of

Hovnanian Enterprises, Inc., Debt Securities guaranteed by Hovnanian Enterprises, Inc. of K. Hovnanian Enterprises, Inc., and Warrants guaranteed by Hovnanian Enterprises, Inc. to purchase Debt Securities of K. Hovnanian Enterprises, Inc. (any or all of which Debt Securities and Warrants may be guaranteed by the registrant Subsidiary Guarantors described herein) and 7,643,312 shares of Class A Common Stock of Hovnanian Enterprises, Inc.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

TABLE OF ADDITIONAL REGISTRANTS

Exact Name of Registrant As Specified In Its Charter	State or other Jurisdiction of Incorporation or Organization	IRS Employer Identification Number	Address Including ZIP Code, And Telephone Number Including Area Code, Of Registrant's Principal Executive Offices
All Seasons, Inc.	MD	52-0855385	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Arrow Properties, Inc.	NJ	22-1945442	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Ballantrae Development Corp.	FL	22-3366681	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Ballantrae Home Sales, Inc.	FL	22-3312524	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Ballantrae Marina, Inc.	FL	22-3433301	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Condominium Community (Bowie New Town), Inc.	MD	52-2002262	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Condominium Community (Largo Town), Inc.	MD	52-2002261	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Condominium Community (Park Place), Inc.	MD	52-2002264	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Condominium Community (Quail Run), Inc.	MD	52-2002265	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Condominium Community (Truman Drive), Inc.	MD	52-2002263	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

Exact Name of Registrant As Specified In Its Charter	State or other Jurisdiction of Incorporation or Organization	IRS Employer Identification Number	Address Including ZIP Code, And Telephone Number Including Area Code, Of Registrant's Principal Executive Offices
Consultants Corporation	MD	52-0856601	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Designed Contracts, Inc.	MD	52-0854124	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Dryer Associates, Inc.	NJ	22-2626494	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Eastern National Title Insurance Agency, Inc.	FL	22-2774781	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Eastern Title Agency, Inc.	NJ	22-2822803	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
EXC, Inc.	DE	22-3178077	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Fortis Finance, Inc.	NC	56-1480946	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Fortis Homes, Inc.	NC	56-1477716	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Fortis Title, Inc.	NC	56-1729325	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Founders Title Agency, Inc.	VA	22-3293533	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Governor's Abstract Co., Inc.	PA	22-3278556	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

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Hexter Fair Land Title Company I Inc.	TX	75-2604041	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Homebuyer's Mortgage, Inc.	MD	52-1824817	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Housing-Home Sales, Inc.	MD	52-0846210	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Hovnanian at Tarpon Lakes I, Inc.	FL	22-2436504	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Hovnanian Developments of Florida, Inc.	FL	22-2416624	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Hovnanian Financial Services I, Inc.	NJ	22-2509690	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Hovnanian Financial Services II, Inc.	NJ	22-2586974	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Hovnanian Financial Services III, Inc.	NJ	22-2722906	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Hovnanian Financial Services IV, Inc.	NJ	22-2707601	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Hovnanian Pennsylvania, Inc.	PA	22-1097670	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Hovnanian Properties of Atlantic County, Inc.	NJ	22-1945461	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

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Jersey City Danforth CSO, Inc.	NJ	22-2976939	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hov International, Inc.	NJ	22-3188610	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Acquisitions, Inc.	NJ	22-3406671	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Ashburn Village, Inc.	VA	22-3178078	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Atlantic City, Inc.	NJ	22-1945458	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Estates, Inc.	FL	22-3409425	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Barrington, Inc.	VA	22-3583846	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Bedminster II, Inc.	NJ	22-3331038	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Bedminster, Inc.	NJ	22-1945452	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Belmont, Inc.	VA	22-3253529	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Bernards II, Inc.	NJ	22-2643596	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

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K. Hovnanian at Bernards III, Inc.	NJ	22-2774853	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Bernards IV, Inc.	NJ	22-3292171	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Branchburg I, Inc.	NJ	22-2790298	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Branchburg II, Inc.	NJ	22-2926245	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Branchburg III, Inc.	NJ	22-2961099	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Bridgeport, Inc.	CA	22-3547807	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Bridgewater II, Inc.	NJ	22-2765938	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Bridgewater IV, Inc.	NJ	22-4049666	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Bridgewater V, Inc.	NJ	22-2713924	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Bridgewater VI, Inc.	NJ	22-3243298	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Bull Run, Inc.	VA	22-3192910	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

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K. Hovnanian at Burlington III, Inc.	NJ	22-3412130	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Burlington, Inc.	NJ	22-2949611	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Calabria, Inc.	CA	22-3324654	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Cameron Chase, Inc.	VA	22-3459993	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Carmel Del Mar, Inc.	CA	22-3320550	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Carolina Country Club I, Inc.	FL	22-3188607	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Carolina Country Club II, Inc.	FL	22-3247085	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Carolina Country Club III, Inc.	FL	22-3273706	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Castile, Inc.	CA	22-3356308	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Cedar Grove I, Inc.	NJ	22-2892342	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Cedar Grove II, Inc.	NJ	22-2892341	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

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K. Hovnanian at Chaparral, Inc.	CA	22-3565730	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Clarkstown, Inc.	NY	22-2618176	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Coconut Creek, Inc.	FL	22-3275859	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Crestline, Inc.	CA	22-3493450	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Crystal Springs, Inc.	NJ	22-3406656	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Dominguez, Inc.	CA	22-3602177	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Dominion Ridge, Inc.	VA	22-3433318	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at East Brunswick V, Inc.	NJ	22-2809056	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at East Brunswick VI, Inc.	NJ	22-2892496	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at East Brunswick VIII, Inc.	NJ	22-2776654	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at East Whiteland I, Inc.	PA	22-3483220	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

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K. Hovnanian at Exeter Hills, Inc.	VA	22-3331043	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Fair Lakes Glen, Inc.	VA	22-3261224	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Fair Lakes, Inc.	VA	22-3249049	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Freehold Township, Inc.	NJ	22-2348977	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Freehold Township I, Inc.	NJ	22-2459186	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Ft. Myers I, Inc.	FL	22-2652958	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Ft. Myers II, Inc.	FL	22-2636393	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Great Notch, Inc. (formally K. Hovnanian at Berlin, Inc.)	NJ	22-3330582	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Hackettstown, Inc.	NJ	22-2765936	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Half Moon Bay, Inc.	FL	22-2915380	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Hampton Oaks, Inc.	VA	22-3583845	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

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K. Hovnanian at Hanover, Inc.	NJ	22-3133218	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Hershey's Mill, Inc. (a PA Corp)	PA	22-3445102	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Highland Vineyards, Inc.	CA	22-3309241	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Holly Crest, Inc.	VA	22-3214275	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Hopewell IV, Inc.	NJ	22-3345622	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Hopewell V, Inc.	NJ	22-3464499	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Hopewell VI, Inc.	NJ	22-3465709	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Horizon Heights, Inc.	NJ	22-2500651	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Howell Township, Inc.	NJ	22-2859308	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Howell Township II, Inc.	NJ	22-2562956	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Hunter Estates, Inc.	VA	22-3321100	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

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K. Hovnanian at Jacksonville II, Inc.	FL	22-2914590	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Jefferson, Inc.	NJ	22-3427233	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Jersey City I, Inc.	NJ	22-2562961	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Jersey City II, Inc.	NJ	22-2935352	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Jersey City III, Inc.	NJ	22-3016528	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Kings Grant I, Inc.	NJ	22-2601064	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Klockner Farms, Inc.	NJ	22-2572443	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at La Terraza, Inc.	CA	22-3303807	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at La Trovata, Inc.	CA	22-3369099	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Lakewood, Inc.	NJ	22-2618178	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Lawrence V, Inc.	NJ	22-3638073	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

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K. Hovnanian at Lawrence Square, Inc.	NJ	22-2571403	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Locust Grove I, Inc.	NJ	22-3359254	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Lower Saucon II, Inc.	PA	22-3602924	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Lower Saucon, Inc.	PA	22-2961090	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Mahwah II, Inc.	NJ	22-2859315	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Mahwah IV, Inc. (Whalepond)	NJ	22-3015286	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Mahwah IX, Inc.	NJ	22-3337896	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Mahwah V, Inc.	NJ	22-2868663	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Mahwah VI, Inc. (Norfolk)	NJ	22-3188612	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Mahwah VII, Inc.	NJ	22-2592139	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Mahwah VIII, Inc.	NJ	22-2246316	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

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K. Hovnanian at Manalapan II, Inc.	NJ	22-2765935	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Manalapan, Inc.	NJ	22-2442998	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Marlboro Township II, Inc.	NJ	22-2748659	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Marlboro Township IV, Inc.	NJ	22-3467252	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian of Marlboro Township VI, Inc.	NJ	22-3791976	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian of Marlboro Township VII, NJ	NJ	22-3791977	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Marlboro, III	NJ	22-2847845	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Medford I, Inc.	NJ	22-3188613	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Merrimack, Inc.	NH	22-2821914	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian of Metro DC South, Inc.	VA	22-3583847	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Montclair NJ, Inc.	NJ	22-2759221	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

Exact Name of Registrant As Specified In Its Charter	State or other Jurisdiction of Incorporation or Organization	IRS Employer Identification Number	Address Including ZIP Code, And Telephone Number Including Area Code, Of Registrant's Principal Executive Offices
K. Hovnanian at Montclair, Inc.	VA	22-3188614	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Montgomery I, Inc.	PA	22-3165601	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Montville II, Inc.	NJ	22-2765937	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Montville, Inc.	NJ	22-2343552	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Newark I, Inc.	NJ	22-2722766	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Newark Urban Renewal Corporation I, Inc.	NJ	22-2885748	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Newark Urban Renewal Corporation IV, Inc.	NJ	22-3027957	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Newark Urban Renewal Corporation V, Inc.	NJ	22-3027960	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at North Brunswick II, Inc.	NJ	22-2788417	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at North Brunswick III, Inc.	NJ	22-2892493	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at North Brunswick IV, Inc.	NJ	22-3036037	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

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K. Hovnanian at Northern Westchester, Inc.	NY	22-2814372	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Northlake, Inc.	CA	22-3336696	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Ocean Walk, Inc.	CA	22-3565732	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at P.C. Properties, Inc.	VA	22-3583840	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Park Ridge, Inc.	VA	22-3253530	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Pasco I, Inc.	FL	22-2636392	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Pasco II, Inc.	FL	22-2790300	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Peekskill, Inc.	NY	22-2718071	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Pembroke Shores, Inc.	FL	22-3273708	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Perkiomen I, Inc.	PA	22-3094743	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Perkiomen II, Inc.	PA	22-3301197	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

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K. Hovnanian at Plainsboro I, Inc.	NJ	22-3065323	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Plainsboro II, Inc.	NJ	22-2790297	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Plainsboro III, Inc.	NJ	22-3027955	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Polo Trace, Inc.	FL	22-3284165	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Port Imperial North, Inc.	NJ	22-3450185	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Properties of East Brunswick II, Inc.	NJ	22-2593811	10 Highway 35 P.O. Box 500 Red Bank, New
K. Hovnanian at Princeton, Inc.	NJ	22-3322125	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Rancho Christianitos, Inc.	CA	22-3369102	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Raritan I, Inc.	NJ	22-3326386	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Readington II, Inc.	NJ	22-3085521	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Reservoir Ridge, Inc.	NJ	22-2510587	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

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K. Hovnanian at River Oaks, Inc.	VA	22-3199603	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at San Sevaine, Inc.	CA	22-3493454	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Saratoga, Inc.	CA	22-3547806	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Scotch Plains II, Inc.	NJ	22-3464496	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Scotch Plains, Inc.	NJ	22-2380821	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Seneca Crossing, Inc.	MD	22-3331047	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Smithville, Inc.	NJ	22-3418731	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Smithville III, Inc.	NJ	22-2776387	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Somerset VIII, Inc.	NJ	22-2998840	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at South Brunswick II, Inc.	NJ	22-2458485	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at South Brunswick III, Inc.	NJ	22-2652530	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

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K. Hovnanian at South Brunswick IV, Inc.	NJ	22-2859309	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at South Brunswick V, Inc.	NJ	22-2937570	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at South Brunswick, Inc.	NJ	22-3039668	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Spring Ridge, Inc.	NJ	22-3192909	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Stone Canyon, Inc.	CA	22-3512641	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Stonegate, Inc. (a CA Corporation)	CA	22-3582033	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Stonegate, Inc. (a VA Corporation)	VA	22-3481223	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Stony Point, Inc.	NJ	22-2758195	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Stuart Road, Inc.	VA	22-3312918	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Sully Station, Inc.	VA	22-3188746	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Summerwood, Inc.	VA	22-3583842	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

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K. Hovnanian at Sunsets, L.L.C.	CA	33-0890768	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Sycamore, Inc.	CA	22-3493456	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Tannery Hill, Inc.	NJ	22-3396608	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at The Bluff, Inc.	NJ	22-1841019	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at The Cedars, Inc.	NJ	22-3406664	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at The Glen, Inc.	VA	22-3618411	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at the Reserve at Medford, Inc.	NJ	22-2934223	10 Highway 35 P.O. Box 500 Red Bank, New
K. Hovnanian at Thornbury, Inc.	PA	22-3462983	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Tierrasanta, Inc.	CA	22-3351875	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Tuxedo, Inc.	NY	22-3516266	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian of Union Township I, Inc.	NJ	22-3027952	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

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K. Hovnanian at Upper Freehold Township I, Inc.	NJ	22-3415873	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Upper Makefield I, Inc.	PA	22-3302321	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Upper Merion, Inc.	PA	22-3188608	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Vail Ranch, Inc.	CA	22-3320537	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Valleybrook II, Inc.	NJ	22-3252533	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Valleybrook, Inc.	NJ	22-3057022	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Wall Township II, Inc.	NJ	22-2422378	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Wall Township IV, Inc.	NJ	22-2262938	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Wall Township VI, Inc.	NJ	22-2859303	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Wall Township VII, Inc.	NJ	22-3434644	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Wall Township VIII, Inc.	NJ	22-3434643	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

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K. Hovnanian at Wall Township, Inc.	NJ	22-2442914	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Washingtonville, Inc.	NY	22-2717887	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Wayne III, Inc.	NJ	22-2607669	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Wayne IV, Inc.	NJ	22-2406468	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Wayne V, Inc.	NJ	22-2790299	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Wayne VI, Inc.	NJ	22-3367624	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Wayne VII, Inc.	NJ	22-3464498	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at West Orange, Inc.	NJ	22-2820279	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Wildrose, Inc.	CA	22-3312525	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Winston Trails, Inc.	FL	22-3219184	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Woodmont, Inc.	VA	52-1785667	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

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K. Hovnanian Aviation, Inc.	DE	22-2627859	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Companies Northeast, Inc.	NJ	22-2445216	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Companies of California, Inc.	CA	22-3301757	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Companies of Florida, Inc.	FL	22-2349530	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Companies of Maryland, Inc.	MD	22-3331050	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Companies of Metro Washington, Inc.	VA	22-3169584	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Companies of New York, Inc.	NY	22-2618171	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Companies of North Carolina, Inc.	NC	22-2765939	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Companies of Pennsylvania, Inc.	PA	22-2390174	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Companies of Southern California, Inc.	CA	22-3493449	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Construction Management, Inc.	NJ	22-3406668	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

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K. Hovnanian's Design Gallery, Inc.	CA	22-3301757	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Developments of California, Inc.	CA	22-3303806	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Developments of Maryland, Inc.	MD	22-3331045	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Developments of Metro Washington, Inc.	VA	22-3188615	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Developments of New Jersey, Inc.	NJ	22-2664563	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Developments of New York, Inc.	NY	22-2626492	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Developments of Texas, Inc.	TX	22-3685786	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Enterprises, Inc.	NJ	22-2423583	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Equities, Inc.	NJ	21-0735206	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Florida Division, Inc.	FL	22-3188616	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Investment Properties of New Jersey, Inc.	NJ	22-2541361	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

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K. Hovnanian Investment Properties, Inc.	NJ	22-2627866	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Investments, Inc.	NJ	22-3663108	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Marine, Inc.	NJ	22-3196910	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Mortgage USA, Inc.	NJ	22-2892496	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Mortgage, Inc.	NJ	22-1470679	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian North Jersey Acquisitions, L.L.C.	DE	22-3556344	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Poland, SP. Z.O.O.	Not an entity incorporated or organized in the United States	22-3376430	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Port Imperial Urban Renewal, Inc.	NJ	22-3027956	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Properties of East Brunswick, II, Inc.	NJ	22-2593811	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Properties of Franklin, Inc.	NJ	22-2869319	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Properties of Hamilton, Inc.	NJ	22-2380821	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

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K. Hovnanian Properties of Lake Worth, Inc.	FL	22-2360970	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Properties of NB Theatre, Inc.	NJ	22-3406661	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Properties of Newark Urban Renewal Corporation, Inc.	NJ	22-3017267	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Properties of North Brunswick II, Inc.	NJ	22-3002434	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Properties of North Brunswick V, Inc.	NJ	22-2057907	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Properties of North Center Drive, Inc.	NJ	22-3360859	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Properties of Piscataway, Inc.	NJ	22-2859305	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Properties of Red Bank, Inc.	NJ	22-3092532	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Properties of Route 35, Inc.	NJ	22-3219172	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Properties of Wall, Inc.	NJ	22-3244134	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Real Estate Investment, Inc.	NJ	22-1945444	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

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K. Hovnanian Real Estate of Florida, Inc.	FL	65-0215569	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Southeast Florida, Inc.	FL	22-3331675	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Southeast Region, Inc.	FL	22-3331674	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian's Four Seasons of the Palm Beaches, Inc.	FL	22-3618584	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
KHC Acquisition, Inc.	CA	22-3303802	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
KHL, Inc.	DE	22-2504325	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Kings Grant Evesham Corp.	NJ	22-2445215	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Landarama, Inc.	NJ	22-1978612	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Matzel & Mumford of Delaware, Inc.	DE	22-3386728	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Minerva Group, Inc.	NJ	22-2652839	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Molly Pitcher Construction Co., Inc.	NJ	22-2577062	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

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New Fortis Mortgage, Inc.	NC	56-1520482	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
New K. Hovnanian Developments of Florida, Inc.	FL	58-2003324	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Park Village Realty, Inc.	NJ	22-3146498	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Parthenon Group, Inc.	NJ	22-2748658	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Pine Brook Co., Inc.	NJ	22-1762833	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Preston Grande Homes, Inc.	NC	56-2138108	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Que Corporation	MD	52-1723878	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Reflections of You Interiors, Inc.	TX	75-1967894	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Stonebrook Homes, Inc.	CA	33-0553884	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
The Matzel & Mumford Organization, Inc.	NJ	22-3670677	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
The New Fortis Corporation	NC	56-1458833	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

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The Southampton Corporation	MD	52-0881406	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Tropical Service Builders, Inc.	FL	59-1426699	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Washington Homes of Delaware, Inc.	DE	Inactive	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Washington Homes of West Virginia, Inc.	WV	54-1860514	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Washington Homes, Inc.	DE	22-3774737	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Washington Homes, Inc. of Virginia	VA	52-0898765	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Westminster Homes (Charlotte), Inc.	NC	52-1970973	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Westminster Homes of Tennessee, Inc.	TN	52-1973363	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Westminster Homes, Inc.	NC	52-1874680	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
WH Land I, Inc.	MD	52-2073468	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
WH Land II, Inc.	MD	52-1887626	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

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WH Properties, Inc.	MD	52-1955560	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Arbor West, L.L.C.	MD	52-1955560	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Heritage Pines, L.L.C.	NC	56-2113600	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Arbor Heights, L.L.C.	CA	33-0890775	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Ashburn Village, L.L.C.	MD	22-3681031	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Barnegat I, L.L.C.	NJ	22-3804316	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Berkeley, L.L.C.	NJ	22-3644632	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Bernards V, L.L.C.	NJ	22-3618587	10 Highway 35 P.O. Box 500 Red Bank, New
K. Hovnanian at Blooms Crossing, L.L.C.	MD	22-3688865	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Blue Heron Pines, L.L.C.	NJ	22-3630449	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Brenbrooke, L.L.C.	VA	22-3683842	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

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K. Hovnanian at Carmel Village, L.L.C.	CA	52-2147831	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Cedar Grove III, L.L.C.	NJ	22-3818491	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Chester I, L.L.C.	NJ	22-3618347	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Clifton, L.L.C.	NJ	22-3655976	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Columbia Town Center, L.L.C.	MD	22-3757772	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Cranbury, L.L.C.	NJ	22-3814347	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Curries Woods, L.L.C.	NJ	22-3776466	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Encinitas Ranch, L.L.C.	CA	33-0890770	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Guttenberg, L.L.C.	NJ	22-3653007	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Hamburg, L.L.C.	NJ	22-3795544	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Hamburg Contractors, L.L.C.	NJ	22-3814175	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

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K. Hovnanian at Jackson, L.L.C.	NJ	22-3630450	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Jersey City IV, L.L.C.	NJ	22-3655974	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Kent Island, L.L.C.	MD	22-3668315	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Kincaid, L.L.C.	MD	22-3664456	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at King Farm, L.L.C.	MD	22-3647924	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at LaFayette Estates, L.L.C.	NJ	22-3658926	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Lake Ridge Crossing, L.L.C.	VA	22-3778537	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Lake Terrapin, L.L.C.	VA	22-3647920	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Lawrence V, L.L.C.	NJ	22-3638073	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Linwood, L.L.C.	NJ	22-3663731	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Little Egg Harbor, L.L.C.	NJ	22-3795535	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

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K. Hovnanian at Little Egg Harbor Contractors, L.L.C.	NJ	Applied For	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Lower Moreland I, L.L.C.	PA	22-3785544	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Lower Moreland II, L.L.C.	PA	22-3785539	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Lower Saucon II, L.L.C.	PA	22-3602924	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Mansfield I, LLC	NJ	22-3556345	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Mansfield II, LLC	NJ	22-3556346	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Mansfield III, L.L.C.	NJ	22-3683839	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Marlboro Township VIII, L.L.C.	NJ	22-3802594	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Marlboro VI, L.L.C.	NJ	22-3791976	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Marlboro VII, L.L.C.	NJ	22-3791977	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Menifee, L.L.C.	CA	52-2147832	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

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K. Hovnanian at Middletown, L.L.C.	NJ	22-3630452	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Mt. Olive Township, L.L.C.	NJ	22-3813043	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at North Brunswick VI, L.L.C.	NJ	22-3627814	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at North Haledon, L.L.C.	NJ	22-3770598	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Northampton, L.L.C.	NJ	22-3785527	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Northfield, L.L.C.	NJ	22-3665826	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Pacific Bluffs, L.L.C.	TX	33-0890774	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Paramus, L.L.C.	NJ	22-3687884	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Park Lane, L.L.C.	CA	33-0896285	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Prince William, L.L.C.	VA	22-3647925	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Rancho Santa Margarita, L.L.C.	CA	33-0890773	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

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K. Hovnanian at Riverbend, L.L.C.	CA	33-0890777	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Roderuck, L.L.C.	MD	22-3756336	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Rowland Heights, L.L.C.	CA	22-2147833	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Sayreville, L.L.C.	NJ	22-3663105	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at South Amboy, L.L.C.	NJ	22-3655682	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at South Bank, L.L.C.	MD	22-3688868	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Spring Hill Road, L.L.C.	MD	22-3688864	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at St. Margarets, L.L.C.	MD	33-0890768	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Sunsets, L.L.C.	CA	33-0890769	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at the Gables, L.L.C.	NC	22-3655975	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Upper Freehold Township I, Inc.	NJ	22-3666680	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

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K. Hovnanian at Upper Freehold Township II, Inc.	NJ	22-3626037	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Wanaque, L.L.C.	NJ	22-3743403	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Washington, L.L.C.	NJ	22-3618348	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Wayne VIII, L.L.C.	NJ	22-3618242	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at West Milford, L.L.C.	NJ	22-3709105	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at West Windsor, L.L.C.	NJ	52-2147836	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Willow Brook, L.L.C.	MD	22-3556343	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian at Winchester, L.L.C.	CA	52-2147836	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Central Acquisitions, L.L.C.	DE	22-3556343	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Companies of Metro D.C. North, L.L.C.	MD	22-3683159	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian North Central Acquisitions, L.L.C.	DE	22-3554986	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

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K. Hovnanian North Jersey Acquisitions, L.L.C.	DE	22-3556344	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian Shore Acquisitions, L.L.C.	DE	22-3556342	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian South Jersey Acquisition, L.L.C.	DE	22-3556341	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian's Four Seasons, L.L.C.	CA	52-2147837	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
K. Hovnanian's Private Home Portfolio, L.L.C.	NJ	22-3766856	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Kings Court at Montgomery, L.L.C.	NJ	Applied For	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Kings Crossing at Montgomery, L.L.C.	NJ	22-3468988	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Knox Creek, L.L.C.	NJ	62-1808932	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
M&M at Apple Ridge, L.L.C.	NJ	Applied For	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
M&M at Brookhill, L.L.C.	NJ	Applied For	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
M&M at Heritage Woods, L.L.C.	NJ	Applied For	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

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M&M at the Highlands, L.L.C.	NJ	Applied For	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
McKinley Court, L.L.C.	NJ	Applied For	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
M&M at Morristown, L.L.C.	NJ	Applied For	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
M&M at Roosevelt, L.L.C.	NJ	Applied For	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
M&M at Sheridan, L.L.C.	NJ	Applied For	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
M&M at Sparta, L.L.C.	NJ	Applied For	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
M&M at Spinnaker Pointe, L.L.C.	NJ	Applied For	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
M&M at Spruce Hollow, L.L.C.	NJ	Applied For	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
M&M at Spruce Meadows, L.L.C.	NJ	Applied For	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
M&M at Spruce Run, L.L.C.	NJ	Applied For	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Matzel & at Apple Ridge II, L.L.C.	NJ	22-3526713	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

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Matzel & Mumford at Basking Ridge, L.L.C.	NJ	22-3420654	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Matzel & Mumford at Cranbury Knoll, L.L.C.	NJ	22-3569945	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Matzel & Mumford at Freehold, L.L.C.	NJ	22-3468991	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Matzel & Mumford at Heritage Landing, L.L.C.	NJ	22-3575932	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Matzel & Mumford at Montgomery, L.L.C.	NJ	22-3500542	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Matzel & Mumford at Phillipsburg, L.L.C.	NJ	22-3619267	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Matzel & Mumford at Piscataway, L.L.C.	NJ	22-3445832	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Matzel & Mumford at South Brunswick, L.L.C.	NJ	22-3445834	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Matzel & Mumford at Tewksbury, L.L.C.	NJ	22-3394132	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Matzel & Mumford at West Windsor, L.L.C.	NJ	22-3434254	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Matzel & Mumford at White Oak Estates, L.L.C.	NJ	22-3349820	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

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Matzel & Mumford at Willows Pond, L.L.C.	NJ	22-3434256	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Matzel & Mumford at Woodland Crest, L.L.C.	NJ	22-3575934	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Monticello Woods, L.L.C.	MS	62-1811038	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
New Homebuyers Title Co. (Virginia) L.L.C.	VA	54-1781635	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
New Homebuyers Title Company, L.L.C.	MD	52-1932728	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Shadow Creek, L.L.C.	AL	62-1808935	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Section 14 of the Hills, L.L.C.	NJ	22-3330375	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
The Landings at Spinnaker Pointe, L.L.C.	NJ	Applied For	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Title Group II, L.L.C.	TN	62-1808935	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Town Homes at Montgomery, L.L.C.	NJ	22-3666795	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Westminster Homes of Alabama, L.L.C.	MD	63-1222540	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

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Westminster Homes of Mississippi, L.L.C.	MD	64-0907820	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Westwood Hills, L.L.C.	AL	62-1808934	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
WH/PR Land Co., L.L.C.	DE	52-1959291	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Athena Portfolio Investors, L.P.	DE	13-3763651	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Beacon Manor Associates, L.P.	NJ	22-3358382	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Galleria Mortgage, L.P.	TX	75-2801961	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Goodman Family Builders, L.P.	TX	75-2653675	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Goodman Mortgage Investors, L.P.	TX	75-2801067	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
M&M Investments, L.P.	NJ	22-3685183	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Parkway Development	NC	56-1536568	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800
Sovereign Group, L.P.	NJ	22-2661796	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

Exact Name of Registrant As Specified In Its Charter	State or other Jurisdiction of Incorporation or Organization	IRS Employer Identification Number	Address Including ZIP Code, And Telephone Number Including Area Code, Of Registrant's Principal Executive Offices
Washabama, L.P.	AL	63-1231207	10 Highway 35 P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state.

Subject to Completion, dated September 25, 2001

PROSPECTUS

[LOGO]

\$376,000,000

Hovnanian Enterprises, Inc.

Preferred Stock
Class A Common Stock
Warrants to Purchase Preferred Stock
Warrants to Purchase Class A Common Stock
Debt Securities
Warrants to Purchase Debt Securities
Stock Purchase Contracts
Stock Purchase Units

K. Hovnanian Enterprises, Inc.

Guaranteed Debt Securities
Guaranteed Warrants to Purchase Debt Securities

7,643,312 Shares

Hovnanian Enterprises, Inc.

Class A Common Stock

We, Hovnanian Enterprises, Inc., may offer and sell from time to time, in one or more series:

- o our Preferred Stock
- o our Class A Common Stock
- o our unsecured debt securities consisting of notes, debentures or other evidences of indebtedness which may be our senior debt securities, senior subordinated debt securities or subordinated debt securities,
- o warrants to purchase our Preferred Stock, our Class A Common Stock or our debt securities,

- o our Stock Purchase Contracts; and
- o our Stock Purchase Units,

or any combination of the these securities.

Our wholly-owned subsidiary, K. Hovnanian Enterprises, Inc., may offer and sell from time to time, in one or more series:

- o its unsecured senior debt securities, senior subordinated debt securities or subordinated debt securities, which in each case will be fully and unconditionally guaranteed by us, and
- o warrants to purchase K. Hovnanian debt securities, which will be fully and unconditionally guaranteed by us,

or any combination of these securities.

Our debt securities or warrants or the debt securities or warrants issued by K. Hovnanian Enterprises may be guaranteed by substantially all of our wholly-owned subsidiaries.

We or certain of our shareholders may offer and sell from time to time an aggregate of 7,643,312 shares of Class A Common Stock.

The Preferred Stock, Class A Common Stock, other than any sold by any selling shareholders, and debt securities and warrants of Hovnanian or K. Hovnanian may be offered at an aggregate initial offering price not to exceed \$376,000,000 at prices and on terms to be determined at or prior to the time of sale.

We will provide more specific information about the terms of an offering of any of these securities in supplements to this prospectus. The securities may be sold directly by us, K. Hovnanian or selling shareholders to investors, through agents designated from time to time or to or through underwriters or dealers. If any agents of Hovnanian, K. Hovnanian or selling shareholders or any underwriters are involved in the sale of any securities, the names of such agents or underwriters and any applicable commissions or discounts will be described in a supplement to this prospectus.

This investment involves risk. See "Risk Factors" beginning on page 4.

These securities have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission nor have those organizations determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this Prospectus is , 2001

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS.....3

AVAILABLE INFORMATION.....3

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE.....3

THE COMPANY.....4

RISK FACTORS.....4

RATIOS OF EARNINGS TO FIXED CHARGES AND EARNINGS TO COMBINED FIXED
CHARGES AND PREFERRED STOCK DIVIDENDS.....8

USE OF PROCEEDS.....9

SELLING SHAREHOLDERS.....9

DESCRIPTION OF DEBT SECURITIES.....11

DESCRIPTION OF CAPITAL STOCK.....23

DESCRIPTION OF STOCK PURCHASE CONTRACTS AND STOCK PURCHASE UNITS.....25

DESCRIPTION OF WARRANTS.....26

PLAN OF DISTRIBUTION.....27

LEGAL MATTERS.....27

EXPERTS.....27

In this document, "we", "us" or "our" refers to both Hovnanian and K. Hovnanian.

FORWARD-LOOKING STATEMENTS

All statements in this registration statement, this prospectus and the information incorporated by reference, including the financial statements and their accompanying notes, that are not historical facts should be considered as "forward-looking statements" within the meaning 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 to differ materially. Such risks, uncertainties and other factors include, but are not limited to, changes in general economic conditions, fluctuations in interest rates, increases in raw materials and labor costs, levels of competition and other facts described in detail in our form 10-K for the year ended October 31, 2000. See the section "Risk Factors" beginning on page 4.

AVAILABLE INFORMATION

We have filed with the Securities and Exchange Commission, the "Commission", a registration statement on Form S-3. This prospectus, which forms part of the registration statement, does not have all the information contained in the registration statement. Statements in this prospectus as to the contents of any contract or other document are not necessarily complete, and, where a contract or other document is an exhibit to the registration statement, or was previously filed with the Commission and is now incorporated by reference, each statement is qualified in all respects by the provision in the exhibit to which reference is hereby made. A copy of the registration statement may be inspected by anyone without charge at the Commission's principal office at 450 Fifth Street, N.W., Washington, D.C. 20549, and copies of all or any part of the registration statement may be obtained from the Commission upon payment of certain fees prescribed by the Commission.

We are subject to the informational requirements of the Securities Exchange Act of 1934, and file reports, proxy statements and other information with the Commission. You may read and copy any reports, proxy statements and other information at the Commission's Public Reference Room at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at its regional offices located at 500 West Madison Street, 14th Floor, Chicago, Illinois 60661 and 7 World Trade Center, Suite 1300, New York, New York 10048. The public may obtain information on the operation of the Public Reference Room by calling the Commission at 1-800-SEC-0330. Copies of this material also can be obtained by mail from the Public Reference Section of the Commission, at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, at the prescribed rates. The Commission also maintains a website that contains reports, proxy and information statements and other information. The website address is: <http://www.sec.gov>. Hovnanian's Class A Common Stock is listed on the New York Stock Exchange, and reports, proxy statements and other information also can be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

Hovnanian has filed the following documents with the Commission and these documents are incorporated herein by reference:

- o Annual Report on Form 10-K for the fiscal year ended October 31, 2000, Registration File No. 1-8551,
- o Current Reports on Form 8-K filed December 15, 2000 and February 7, 2001, Registration File Nos. 1-8551,
- o the description of the Class A Common Stock, par value \$.01 per share, of Hovnanian set forth in Hovnanian's Registration Statement of Form 8-A filed March 13, 2001 and any amendment or report filed for the purpose of updating any such description; and
- o Quarterly Reports on Form 10-Q for the quarters ended January 31, 2001, April 30, 2001 and July 31, 2001, Registration File Nos. 1-8551.

All documents filed by Hovnanian pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this prospectus and prior to the termination of the offering made by this prospectus are to be incorporated herein by reference. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is incorporated or deemed to be incorporated by reference herein modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

Hovnanian will provide without charge to each person, including any beneficial owner, to whom a copy of this prospectus is delivered, upon the written or oral request of that person, a copy of any or all of the information incorporated by reference in this Prospectus but not delivered with this Prospectus, other than exhibits to such information, unless the exhibits are specifically incorporated by reference into the information that this prospectus incorporates. Requests for copies should be directed to Paul W. Buchanan, Senior Vice President--Corporate Controller, Hovnanian Enterprises, Inc., 10 Highway 35, P.O. Box 500, Red Bank, New Jersey 07701 (telephone: (732) 747-7800).

THE COMPANY

We design, construct and market high quality single-family detached homes and attached condominium apartments and townhouses in planned residential developments in the Northeast, primarily in New Jersey, southern New York state, and eastern Pennsylvania, North Carolina, Metro D.C., which includes northern Virginia and Maryland, southern California, Texas, Tennessee, Alabama and Mississippi and provide mortgage banking and title insurance activities. We market our homes to first-time buyers, first-time and second-time move-up buyers, luxury buyers, active adult buyers and empty nesters.

Hovnanian was originally incorporated in New Jersey in 1967 as successor to a business founded in 1959 by Kevork S. Hovnanian and became a Delaware corporation in August 1983. The Company maintains its executive offices at 10 Highway 35, P.O. Box 500, Red Bank, New Jersey 07701, and its telephone number is (732) 747-7800.

K. Hovnanian was incorporated in New Jersey in November 1982, as an indirect wholly-owned consolidated subsidiary of Hovnanian. K. Hovnanian functions as a management company for the operating subsidiaries of Hovnanian and borrows funds that it lends to those subsidiaries. K. Hovnanian has essentially no independent operations and generates no operating revenues. K. Hovnanian's principal executive offices are located at 10 Highway 35, P.O. Box 500, Red Bank, New Jersey 07701, and its telephone number is (732) 747-7800.

RISK FACTORS

Our substantial leverage places burdens on our ability to comply with the terms of our indebtedness, may restrict our ability to operate and may prevent us from fulfilling our obligations.

We have a significant amount of debt. As of July 31, 2001, our consolidated debt was \$475,373,000, excluding Financial Services debt and Collateralized Mortgage Financing. The amount of our debt could have important consequences to you. For example, it could:

- o limit our ability to obtain future financing for working capital, capital expenditures, acquisitions, debt service requirements or other requirements;
- o require us to dedicate a substantial portion of our cash flow from operations to the payment on our debt and reduce our ability to use our cash flow for other purposes;
- o limit our flexibility in planning for, or reacting to, changes in our business;
- o place us at a competitive disadvantage because we have more debt than some of our competitors; and
- o make us more vulnerable in the event of a downturn in our business or in general economic conditions.

Our ability to meet our debt service and other obligations will depend upon our future performance. We are engaged in businesses that are substantially affected by changes in economic cycles. Our revenues and earnings vary with the level of general economic activity in the markets we serve. Our businesses are also affected by financial, political, business and other factors, many of which are beyond our control. The factors that affect our ability to generate cash can also affect our ability to raise additional funds for these purposes through the sale of equity securities, the refinancing of debt or the sale of assets. Changes in prevailing interest rates may affect our ability to meet our debt service obligations, because borrowings under our revolving credit facilities bear interest at floating rates. A higher interest rate on our debt service obligations could result in lower earnings.

Our business may not generate sufficient cash flow from operations and borrowings may not be available to us under our revolving credit facilities in an amount sufficient to enable us to pay our debt service obligations or to fund our other liquidity needs. We may need to refinance all or a portion of our debt on or before maturity, which we may not be able to do on favorable terms or at all.

The indentures governing the debt securities offered hereby and our other outstanding debt and our revolving credit facilities impose restrictions on our operations and activities. The most significant restrictions relate to debt incurrence, sales of

assets and cash distributions by us and require us to comply with certain financial covenants listed in those debt and revolving credit facilities. If we fail to comply with any of those restrictions or covenants, the trustees or the banks, as appropriate, could cause our debt to become due and payable prior to maturity.

The homebuilding industry is significantly affected by changes in general and local economic conditions, real estate markets and weather conditions, which could affect our ability to build homes at prices our customers are willing or able to pay, could reduce profits that may not be recaptured and could result in cancellation of sales contracts.

The homebuilding industry is cyclical, has from time to time experienced significant difficulties and is significantly affected by changes in general and local economic conditions, such as:

- o employment levels and job growth;
- o availability of financing for home buyers;
- o interest rates;
- o consumer confidence; and
- o housing demand.

An oversupply of alternatives to new homes, such as rental properties and used homes, could depress prices and reduce margins for the sale of new homes.

Weather conditions and natural disasters such as hurricanes, tornadoes, earthquakes, floods and fires, can harm the local homebuilding business.

The difficulties described above could cause us to take longer and incur more costs to build our homes. We may not be able to recapture increased costs by raising prices in many cases because we fix our prices up to twelve months in advance of delivery by signing home sales contracts. In addition, some home buyers may cancel or not honor their home sales contracts altogether.

Our success depends on the availability of suitable undeveloped land and improved lots at acceptable prices.

Our success in developing land and in building and selling homes depends in part upon the continued availability of suitable undeveloped land and improved lots at acceptable prices. The availability of undeveloped land and improved lots for purchase at favorable prices depends on a number of factors outside our control, including the risk of competitive over-bidding on land or lots and restrictive governmental regulation. Should suitable land or lots become less available, the number of homes we may be able to build and sell would be reduced, which would reduce revenue and profits.

Changes in economic and market conditions could result in the sale of homes at a loss or holding land in inventory longer than planned, the cost of which can be significant.

Land inventory risk can be substantial for homebuilders. We must continuously seek and make acquisitions of land for expansion into new markets and for replacement and expansion of land inventory within our current markets. The market value of undeveloped land, buildable lots and housing inventories can fluctuate significantly as a result of changing economic and market conditions. In the event of significant changes in economic or market conditions, we may have to sell homes at a loss or hold land in inventory longer than planned. Inventory carrying costs can be significant and can result in losses from a poorly performing project or market.

Home prices and sales activity in the Northeast and mid-Atlantic markets have a large impact on our profitability because we conduct a significant portion of our business in these markets.

We presently conduct a significant portion of our business in the Northeast and mid-Atlantic markets. Home prices and sales activity in the Northeast and mid-Atlantic, including in some of the markets in which we operate, have declined from time to time, particularly as a result of slow economic growth. If home prices and sales activity decline in one or more of the markets in which we operate, our costs may not decline at all or at the same rate and profits may be reduced.

Because almost all of our customers require mortgage financing, increases in interest rates could impair the affordability of our homes, lower demand for our products, limit our marketing effectiveness, and limit our ability to fully realize our backlog.

Virtually all of our customers finance their acquisitions through lenders providing mortgage financing. Increases in interest rates or decreases in availability of mortgage financing could lower demand for new homes because of the increased monthly mortgage costs to potential home buyers. Even if potential customers do not need financing, changes in interest rates and mortgage availability could make it harder for them to sell their existing homes to potential buyers who need financing. This could prevent or limit our ability to attract new customers as well as our ability to fully realize our backlog because our sales contracts generally include a financing contingency. Financing contingencies permit the customer to cancel his obligation in the event mortgage financing at prevailing interest rates, including financing arranged or provided by us, is unobtainable within the period specified in the contract. This contingency period is typically four to eight weeks following the date of execution.

In addition, we believe that the availability of FNMA, FHLMC, FHA and VA mortgage financing is an important factor in marketing many of our homes. Any limitations or restrictions on the availability of those types of financing could reduce our sales.

Homebuilders are subject to a number of federal, local, state and foreign laws and regulations concerning the development of land, the homebuilding process and protection of the environment, which can cause us to incur delays, costs associated with compliance and prohibit or restrict activity in some regions or areas.

We are subject to extensive and complex regulations that affect the development of land and the homebuilding process, including zoning, density and building standards. These regulations often provide broad discretion to the administering governmental authorities. This can delay or increase the cost of development or homebuilding.

We are also subject to a variety of local, state, federal and foreign laws and regulations concerning protection of health and the environment. The particular environmental laws which 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 certain environmentally sensitive regions or areas.

It can be anticipated that increasingly stringent requirements will be imposed on developers and homebuilders in the future. Although we cannot predict the effect of these requirements, 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, 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 interpretation and application.

We compete on several levels with homebuilders that may have greater sales and financial resources, which could hurt future earnings.

We compete not only for home buyers, but also for desirable properties, financing, raw materials and skilled labor often within larger subdivisions designed, planned and developed by other homebuilders. In addition, resales of homes and the availability of rental housing provide additional competition. Our competitors include other local, regional and national homebuilders, some of which have greater sales and financial resources.

These competitive conditions in the homebuilding industry could result in:

- o difficulty in acquiring suitable land at acceptable prices;
- o increased selling incentives;
- o lower sales; or
- o delays in construction.

Any of these problems could increase costs and/or lower profit margins.

We may have difficulty in obtaining the additional financing required to operate and develop our business.

Our operations require significant amounts of cash, and we will be required to seek additional capital, whether from sales of equity or borrowing more money, for the future growth and development of our business. The terms or availability of additional capital is uncertain. Moreover, the indentures for our outstanding debt contain provisions that may restrict the debt

we may incur in the future. If we are not successful in obtaining sufficient capital, it could reduce our sales and may hinder our future growth and results of operations.

Our future growth may include additional acquisitions that may not be successfully integrated and may not achieve expected benefits.

Although we have not recently announced any acquisitions or mergers (other than the Washington Homes merger, which closed on January 23, 2001) in the future we may acquire other businesses. As a result of these acquisitions, we may need to integrate product lines, dispersed operations and distinct corporate cultures. Future integration efforts may not succeed or may distract our management from operating our existing business. Additionally, we may not be able to enhance our earnings as a result of future acquisitions. Our failure to successfully manage future acquisitions could harm our operating results.

An active trading market may not develop for the securities offered hereby.

The securities offered hereby, other than the Class A Common Stock, will be a new issue of securities and when offered, there may not be an active public trading market for them. We do not intend to apply for listing of the securities offered hereby on a security exchange, however, the Class A Common Stock is already traded on the New York Stock Exchange. The liquidity of the trading market in the securities offered hereby, and the market prices quoted for these securities, may be adversely affected by changes in the overall market for these types of securities and by changes in our financial performance or prospects or in the prospects for companies in our industry generally. As a consequence, when issued, an active trading market may not develop for the securities offered hereby, other than the Class A Common Stock, you might not be able to sell your securities, other than the Class A Common Stock, or, even if you can sell your securities, you might not be able to sell them at an acceptable price.

Federal and state laws allow courts, under specific circumstances, to void guarantees and to require you to return payments received from guarantors.

The debt securities of Hovnainan offered hereby may be guaranteed by, and the debt securities of K. Hovnanian offered hereby may be further guaranteed by, the subsidiaries of Hovnanian. Although you may be direct creditors of any guarantors by virtue of any guarantee, existing or future creditors of any guarantor could avoid or subordinate that guarantor's guarantee under the fraudulent conveyance laws if they were successful in establishing that:

- o the guarantee was incurred with fraudulent intent; or
- o the guarantor did not receive fair consideration or reasonably equivalent value for issuing its guarantee and
 - o was insolvent at the time of the guarantee;
 - o was rendered insolvent by reason of the guarantee;
 - o was engaged in a business or transaction for which its assets constituted unreasonably small capital to carry on its business; or
 - o intended to incur, or believed that it would incur, debt beyond its ability to pay such debt as it matured.

The measures of insolvency for purposes of determining whether a fraudulent conveyance occurred vary depending upon the laws of the relevant jurisdiction and upon the valuation assumptions and methodology applied by the court. Generally, however, a company would be considered insolvent for purposes of the above if:

- o the sum of the company's debts, including contingent, unliquidated and unmatured liabilities, is greater than all of that company's property at a fair valuation, or
- o if the present fair saleable value of the company's assets is less than the amount that will be required to pay the probable liability on its existing debts as they become absolute and matured.

RATIOS OF EARNINGS TO FIXED CHARGES AND
EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

For purposes of computing the ratios of earnings to fixed charges and earnings to combined fixed charges and preferred dividends, earnings consist of earnings (loss) from continuing operations before income taxes, minority interest, extraordinary items and cumulative effect of accounting changes, plus fixed charges, which consist of interest charges and preferred share dividend requirements of subsidiaries, adjusted to a pretax basis, less interest capitalized, less preferred share dividend requirements of subsidiaries adjusted to a pretax basis and less undistributed earnings of affiliates whose debt is not guaranteed by Hovnanian.

The following table sets forth the ratios of earnings to fixed charges and earnings to combined fixed charges and preferred dividends for Hovnanian for the periods indicated:

	Years Ended October 31,					
	Nine Months Ended July 31,					
	2001	2000	1999	1998	1997	1996
Ratio of earnings to fixed charges.....	2.8	2.2	3.0	2.5	(a)	1.6
Ratio of earnings to combined fixed charges and preferred stock dividends..	2.8	2.2	3.0	2.5	(a)	1.6

(a) No ratio is presented for the year ended October 31, 1997 as the earnings for such period were insufficient to cover fixed charges by \$9,197,000.

USE OF PROCEEDS

Unless otherwise provided in the applicable prospectus supplement, the net proceeds from the sale of the securities offered by this prospectus and each prospectus supplement, the "offered securities", will be used for general corporate purposes, which may include working capital needs, the refinancing of existing indebtedness, expansion of the business and acquisitions. Hovnanian will not receive any net proceeds from the sale of any shares of Class A Common Stock offered by the Selling Shareholders.

SELLING SHAREHOLDERS

Some or all of the shares of Class A Common Stock of Hovnanian being offered pursuant to this prospectus may be offered by selling shareholders. Identification of any selling shareholders will be made in the applicable prospectus supplement. The potential selling shareholders include Kevork S. Hovnanian, Chairman of the Board and Director of Hovnanian and, until July 1997, Chief Executive Officer of Hovnanian, Ara K. Hovnanian, President and Director of Hovnanian and, since July 1997, Chief Executive Officer of Hovnanian, Geaton A. DeCesaris, Jr., until January 2001, Chairman of the Board of Directors, President and Chief Executive Officer of Washington Homes, Inc., a corporation that merged with and into a wholly owned subsidiary of Hovnanian in January 2001, and, since January 2001, Director of Hovnanian and Chief Operating Officer and President of Homebuilding Operations of K. Hovnanian, Geaton A. DeCesaris, Sr., until January 2001, Director and Chairman Emeritus of the Board of Directors of Washington Homes, and Anthony Hugo DeCesaris, until January 2001, Vice President and Maryland Division President for Washington Homes and, since January 2001, Vice President and Maryland Division President of Hovnanian.

The following table sets forth as of June 30, 2001, the Class A Common Stock and Class B Common Stock of the Hovnanian beneficially owned by each potential Selling Shareholder. The amount, if any, of Class A Common Stock to be offered by the Selling Shareholders and the amount and percentage of Class A Common Stock to be owned by the Selling Shareholders following such offering will be disclosed in the applicable prospectus supplement.

	Class A Common Stock		Class B Common Stock	
	Amount and Nature of Beneficial Ownership (1) (2)	Percent of Class (3)	Amount and Nature of Beneficial Ownership (1) (2)	Percent of Class (3)
Kevork S. Hovnanian (4) (6)	5,490,887	26.2%	5,843,837	78.1%
Ara K. Hovnanian (5)	1,422,707	6.8%	1,121,596	15.0%
Geaton A. DeCesaris, Jr. (7) (8) (9)	1,262,748	6.0%	-----	-----
Geaton A. DeCesaris, Sr. (7) (10)	355,860	1.7%	-----	-----
A. Hugo DeCesaris (7) (11)	186,309	0.9%	-----	-----
Total	9,033,834	41.6%	6,965,433	93.1%

-
- (1) Beneficial ownership is determined in accordance with the rules of the Commission and generally attributes ownership to persons who have voting or investment power with respect to the relevant securities. Shares of Common Stock subject to options either currently exercisable or exercisable within 60 days are deemed outstanding for computing the percentage of the person holding such options but are not deemed outstanding for computing the percentage of any other person. Except as indicated by these footnotes, and subject to community property laws where applicable, the persons named in the table have sole voting and investment power with respect to all Class A Common Stock shown as beneficially owned by them.
 - (2) The figures in the table in respect of Class A Common Stock do not include the shares of Class B Common Stock beneficially owned by the specified persons, which shares of Class B Common Stock are convertible at any time on a share for a share basis to Class A Common Stock. The figures in the table represent beneficial ownership (including ownership of options, currently exercisable or exercisable within 60 days) and sole voting power and sole investment power except as noted in notes (4) through (11) below.
 - (3) Based upon the number of shares outstanding plus options for such shareholder.
 - (4) Includes 167,812 shares of Class A Common Stock and 320,012 shares of Class B Common Stock as to which Kevork S. Hovnanian has shared voting power and shared investment power.
 - (5) Includes 35,217 shares of Class A Common Stock and 89,667 shares of Class B Common Stock as to which Ara K. Hovnanian has shared voting power and shared investment power.
 - (6) Includes 2,829,413 shares of Class B Common Stock held by the Kevork S. Hovnanian Family Limited Partnership, a Connecticut limited partnership

(the "Limited Partnership"), beneficial ownership of which is disclaimed by Kevork S. Hovnanian. Kevork S. Hovnanian's wife, Sirwart Hovnanian, as trustee of the Sirwart Hovnanian 1994 Marital Trust, is the Managing General Partner of the Limited Partnership and as such has the sole power to vote and dispose of the Shares of Class B Common Stock held by the Limited Partnership. Also includes 129,562 shares of Class A Common Stock and 264,562 shares of Class B Common Stock held in trust for Mr. Hovnanian's daughter over which Sirwart Hovnanian, as trustee, shares with her daughter the power to dispose of and vote. In addition, includes 18,250 shares of Class A Common Stock and 55,450 shares of Class B Common Stock held in trust for Mr. Hovnanian's grandchildren, over which Sirwart Hovnanian, as trustee, has sole power to dispose of and vote and includes 20,000

shares of Class A Common Stock held in the name of Sirwart Hovnanian over which she has sole power to dispose of and vote. Mr. Hovnanian disclaims beneficial ownership of the shares described in the preceding three sentences.

- (7) Includes shares held jointly with their respective spouses, in part as follows: Geaton A. DeCesaris, Jr. and Josephine A. DeCesaris 942,530; Geaton A. Decsaris, Sr. and Elizabeth H. DeCesaris 52,394; A. Hugo DeCesaris and Julie P. DeCesaris 147,865.
- (8) Includes 51,435 shares of Class A Common Stock held by The DeCesaris Foundation Inc. (the "Foundation"), beneficial ownership of which is disclaimed by Geaton A. DeCesaris, Jr. Geaton A. DeCesaris, Jr.'s wife, Josephine A. DeCesaris, is President of the Foundation and his children make up the board of directors.
- (9) Includes 102,870 shares held by The Geaton and Josephine DeCesaris Family Trust, 10,729 shares held by Five Queens, Inc., a subchapter S corporation owned by Geaton A. DeCesaris, Jr.'s children and of which he is the President and 10,286 shares held as custodian for Geaton A. DeCesaris, Jr.'s minor children.
- (10) Includes 303,466 shares held by The DeCesaris Family GRAT trust.
- (11) Includes 34,969 shares held as custodian for family members.

DESCRIPTION OF DEBT SECURITIES

The K. Hovnanian debt securities will be unsecured senior, senior subordinated or subordinated debt of K. Hovnanian, will be guaranteed by Hovnanian, may be guaranteed by other subsidiaries of Hovnanian and will be issued:

- o in the case of K. Hovnanian Senior Debt Securities, under a Senior Indenture, the "K. Hovnanian Senior Debt Indenture", among K. Hovnanian, Hovnanian, as guarantor, and the trustee specified in the applicable prospectus supplement;
- o in the case of K. Hovnanian Senior Subordinated Debt Securities, under a Senior Subordinated Indenture, the "K. Hovnanian Senior Subordinated Debt Indenture", among K. Hovnanian, Hovnanian, as guarantor, and the trustee specified in the applicable prospectus supplement; and
- o in the case of K. Hovnanian Subordinated Debt Securities, under a Subordinated Indenture, the "K. Hovnanian Subordinated Debt Indenture", among K. Hovnanian, Hovnanian, as guarantor, and the trustee specified in the applicable prospectus supplement.

The K. Hovnanian Senior Debt Indenture, the K. Hovnanian Senior Subordinated Debt Indenture and the K. Hovnanian Subordinated Debt Indenture are sometimes referred to in this description individually as a "K. Hovnanian Indenture" and collectively as the "K. Hovnanian Indentures".

The Hovnanian debt securities may be issued either separately, or together with, upon conversion of or in exchange for other securities. The Hovnanian debt securities will be unsecured senior, senior subordinated or subordinated debt of Hovnanian, may be guaranteed by subsidiaries of Hovnanian and will be issued:

- o in the case of Hovnanian Senior Debt Securities, under a Senior Indenture, the "Hovnanian Senior Debt Indenture", between Hovnanian and the trustee specified in the applicable prospectus supplement;
- o in the case of Hovnanian Senior Subordinated Debt Securities, under a Senior Subordinated Indenture, the "Hovnanian Senior Subordinated Debt Indenture", between Hovnanian and the trustee specified in the applicable prospectus supplement; and
- o in the case of Hovnanian Subordinated Debt Securities, under a Subordinated Indenture, the "Hovnanian Subordinated Debt Indenture", between Hovnanian and the trustee specified in the applicable prospectus supplement.

The Hovnanian Senior Debt Indenture, The Hovnanian Senior Subordinated Debt Indenture and the Hovnanian Subordinated Debt Indenture are sometimes referred to in this document individually as a "Hovnanian Indenture" and collectively as the "Hovnanian Indentures". The K. Hovnanian Senior Indenture and the Hovnanian Senior Indenture are sometimes collectively referred to individually as a "Senior Debt Indenture" and collectively as the "Senior Debt Indentures". The K. Hovnanian Senior Subordinated Debt Indenture and the Hovnanian Senior Subordinated Debt Indenture are sometimes referred to individually as a "Senior Subordinated Debt Indenture" and collectively as the "Senior Subordinated Debt Indentures". The K. Hovnanian Subordinated Debt Indenture and the Hovnanian Subordinated Debt Indenture are sometimes referred to individually as a "Subordinated Debt Indenture" and collectively as the "Subordinated Debt Indentures". The K. Hovnanian Indentures and the Hovnanian Indentures are sometimes referred to individually as an "Indenture" and collectively as the "Indentures".

None of the Indentures limits the amount of debt securities that may be issued thereunder, and the Indentures provide that the debt securities may be issued from time to time in one or more series. The Indentures permit the appointment of a different trustee for each series of debt securities. The Indentures are filed as exhibits to the registration statement, of which this prospectus is a part. The following summaries of selected provisions of the Indentures and the debt securities do not purport to be complete, and, while Hovnanian and K. Hovnanian believe the descriptions of the material provisions of the Indentures and debt securities contained in this prospectus are accurate summaries of those material provisions, these summaries are subject to the detailed provisions of the applicable Indenture to which we refer for a full description of those provisions, including the definition of some terms. Section references in parentheses below are to sections in each Indenture unless otherwise indicated. Wherever particular sections or defined terms of the applicable Indenture are referred to, those sections or defined terms are incorporated herein by reference as part of the statement made, and the statement is qualified in its entirety by the reference. The Indentures are substantially identical, except for provisions relating to Hovnanian's guarantee

and to subordination. For purposes of the summaries set forth below, "issuer" shall refer to K. Hovnanian in the case of the K. Hovnanian Debt Securities and the K. Hovnanian Indentures and to Hovnanian in the case of the Hovnanian Debt Securities and the Hovnanian Indentures. Obligors refers to Hovnanian in the case of the Hovnanian Debt Securities and the Hovnanian Indentures, and K. Hovnanian and Hovnanian, as guarantor, the "guarantor", in the case of the K. Hovnanian Debt Securities and the K. Hovnanian Indentures.

Provisions Applicable to Senior, Senior Subordinated and Subordinated Debt Securities

General. Hovnanian debt securities will be unsecured senior, senior subordinated or subordinated obligations of Hovnanian and K. Hovnanian debt securities will be unsecured senior, senior subordinated or subordinated obligations of K. Hovnanian, except that, under specified circumstances, K. Hovnanian may be released from these obligations. See "Condition for Release of K. Hovnanian." Except as described in the applicable prospectus supplement, none of the Indentures limits the payment of dividends by or the acquisition of stock of Hovnanian or K. Hovnanian. Except to the extent described in any prospectus supplement, the Indentures do not, and the debt securities will not, contain any covenants or other provisions that are intended to afford holders of the debt securities special protection in the event of either a change of control of Hovnanian or a highly leveraged transaction by Hovnanian.

We refer to the prospectus supplement for the following terms of and information relating to the debt securities being offered, the "Offered Debt Securities", to the extent these terms are applicable to Offered Debt Securities:

- o the title of the Offered Debt Securities;
- o classification as K. Hovnanian Senior Debt Securities, K. Hovnanian Senior Subordinated Debt Securities, K. Hovnanian Subordinated Debt Securities, Hovnanian Senior Debt Securities, Hovnanian Senior Subordinated Debt Securities or Hovnanian Subordinated Debt Securities, aggregate principal amount, purchase price and denomination, and whether the Offered Debt Securities will be guaranteed by the Subsidiary Guarantors of Hovnanian as described under "Description of Guarantees" below;
- o the date or dates on which the Offered Debt Securities will mature;
- o the method by which amounts payable in respect of principal, premium, if any, or interest, if any, on or upon the redemption of the Offered Debt Securities may be calculated;
- o the interest rate or rates, or the method by which it will be determined, and the date or dates from which the interest, if any, will accrue;
- o the date or dates on which the interest, if any, will be payable;
- o the place or places where and the manner in which the principal of, premium, if any, and interest, if any, on the Offered Debt Securities will be payable and the place or places where the Offered Debt Securities may be presented for transfer;
- o the right, if any, or obligation, if any, of Hovnanian or K. Hovnanian to redeem, repay or purchase the Offered Debt Securities pursuant to any sinking fund or analogous provisions or at the option of a holder thereof, and the period or periods within which, the price or prices or the method by which such price or prices will be determined, or both at which, the form or method of payment therefor if other than in cash and the terms and conditions upon which the Offered Debt Securities will be redeemed, repaid or purchased pursuant to the obligation;
- o the terms for conversion or exchange, if any, of the Offered Debt Securities;
- o any provision relating to the issuance of the Offered Debt Securities at an original issue discount;
- o if the amounts of payments of principal of, premium, if any, and interest, if any, on the Offered Debt Securities are to be determined with reference to an index, the manner in which those amounts will be determined;
- o any applicable United States federal income tax consequences;

- o the currency or currencies for which the Offered Debt Securities may be purchased and the currency or currencies in which principal, premium, if any, and interest, if any, may be payable;
- o the trustee with respect to the series of Offered Debt Securities; and
- o any other specific terms of the Offered Debt Securities, including any deleted, modified or additional Events of Default or remedies or additional covenants provided with respect to the Offered Debt Securities, and any terms that may be required by or advisable under applicable laws or regulations.

Unless otherwise specified in any prospectus supplement, the debt securities will be issuable in registered form and in denominations of \$1,000 and any integral multiple thereof, see Section 2.7. No service charge will be made for any transfer or exchange of any debt securities but the issuer may require payment of a sum sufficient to cover any tax or other governmental charge, payable in connection therewith, see Section 2.8.

Debt securities may bear interest at a fixed rate or a floating rate. Debt securities bearing no interest or interest at a rate that at the time of issuance is below the prevailing market rate may be sold at a discount below their stated principal amount. Special United States federal income tax considerations applicable to discounted debt securities or to some debt securities issued at par that are treated as having been issued at a discount for United States federal income tax purposes will be described in the applicable prospectus supplement.

In determining whether the holders of the requisite aggregate principal amount of outstanding debt securities of any series have given any request, demand, authorization, direction, notice, consent or waiver under the Indentures, the principal amount of any series of debt securities originally issued at a discount from their stated principal amount that will be deemed to be outstanding for such purposes will be the amount of the principal thereof that would be due and payable as of the date of the determination upon a declaration of acceleration of the maturity thereof.

Description of Guarantees. Hovnanian will fully and unconditionally guarantee, pursuant to the K. Hovnanian Indentures, the due and prompt payment of the principal of and premium, if any, and interest on the K. Hovnanian Debt Securities when and as the same shall become due and payable, whether at the stated maturity, by declaration of acceleration, call for redemption or otherwise. Debt securities of Hovnanian may be guaranteed by, and debt securities of K. Hovnanian may be further guaranteed by, the subsidiaries of Hovnanian, the "subsidiary guarantees", that also guaranty Hovnanian's revolving credit agreement at the time of issuance of the debt securities, the "subsidiary guarantors". Under the terms of Hovnanian's revised revolving credit agreement, dated August 28, 2001, the subsidiary guarantors consist of all of Hovnanian's subsidiaries other than certain subsidiaries formerly engaged in the issuance of collateralized mortgage obligations, Hovnanian's mortgage lending and title subsidiaries, a subsidiary holding and licensing the Hovnanian trade name and certain joint ventures with third-party partners in which Hovnanian's aggregate consolidated investment as of July 31, 2001 was less than \$10,000,000. If debt securities are guaranteed by subsidiary guarantors, that guarantee will be set forth in a supplemental indenture.

Payments with respect to the guarantee of the K. Hovnanian Senior Subordinated Debt Securities and K. Hovnanian Subordinated Debt Securities will be subordinated in right of payment to the prior payment in full of all Senior Indebtedness of the guarantor to the same extent and manner that payments with respect to the K. Hovnanian Senior Subordinated Debt Securities and K. Hovnanian Subordinated Debt Securities are subordinated in right of payment to the prior payment in full of all Senior Indebtedness of the issuer as described under "Provisions Applicable Solely to Senior Subordinated Debt Securities and Subordinated Debt Securities" below. Likewise, payments with respect to subsidiary guarantees of Senior Subordinated Debt Securities and Subordinated Debt Securities will be subordinated in right of payment to the prior payment in full of all Senior Indebtedness of each such subsidiary guarantor to the same extent and manner that payments with respect to the Senior Subordinated Debt Securities and Subordinated Debt Securities are subordinated in right of payment to the prior payment in full of all Senior Indebtedness of the issuer of such debt securities.

Global Securities. The debt securities of a series may be issued in whole or in part in the form of one or more global securities, the "global securities", that will be deposited with or on behalf of a depository, "the depository", identified in the prospectus supplement relating to such series. Global securities may be issued only in fully registered form and in either temporary or permanent form. Unless and until it is exchanged in whole or in part for the individual debt securities represented thereby, a global security:

- o may not be transferred except as a whole; and

- o may only be transferred
 - o by the depositary for the global security to its nominee,
 - o by a nominee of the depositary to the depositary or another nominee of the depositary; or
 - o by the depositary or any nominee to a successor depositary or nominee of the successor depositary, see Section 2.8.

The specific terms of the depositary arrangement with respect to a series of debt securities will be described in the prospectus supplement relating to such series. Hovnanian and K. Hovnanian anticipate that the following provisions generally will apply to all depositary arrangements.

Upon the issuance of a global security, the depositary for that global security or its nominee will credit, on its book-entry registration and transfer system, the respective principal amounts of the individual debt securities represented by that global security to the accounts of persons that have accounts with such depositary. Those accounts will be designated by the dealers, underwriters or agents with respect to those debt securities or by the issuer if the debt securities are offered and sold directly by the issuer. Ownership of beneficial interests in a global security will be limited to persons that have accounts with the applicable depositary, participants, or persons that may hold interests through participants. Ownership of beneficial interests in a global security will be shown on, and the transfer of that ownership will be effected only through, records maintained by the applicable depositary or its nominee, with respect to interests of participants, and the records of participants, with respect to interests of persons other than participants. The laws of some states require that certain purchasers of securities take physical delivery of these securities in definitive form. These limits and laws may impair the ability to transfer beneficial interests in a global security.

As long as the depositary for a global security or its nominee is the registered owner of the global security, the depositary or its nominee, as the case may be, will be considered the sole owner or holder of the debt securities of the series represented by that global security for all purposes under the Indenture governing those debt securities. Except as provided below, owners of beneficial interests in a global security will not be entitled to have any of the individual debt securities of the series represented by the global security registered in their names, will not receive or be entitled to receive physical delivery of any of those debt securities in definitive form and will not be considered the owners or holders thereof under the Indenture governing those debt securities.

Payment of principal of, premium, if any, and interest, if any, on individual debt securities represented by a global security registered in the name of a depositary or its nominee will be made to the depositary or its nominee, as the case may be, as the registered owner of the global security representing the debt securities. Hovnanian and K. Hovnanian expect that the depositary for a series of debt securities or its nominee, upon receipt of any payment of principal, premium, if any, and interest, if any, in respect of a global security representing any of those debt securities, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the global security for those securities as shown on the records of such depositary or its nominee. Hovnanian and K. Hovnanian also expect that payments by participants to owners of beneficial interests in the global security held through the participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in "street name." These payments will be the responsibility of the participants. Neither Hovnanian, K. Hovnanian, the trustee for such debt securities, any paying agent nor the registrar for the debt securities will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of the global security for the debt securities or for maintaining, supervising or reviewing any records relating to beneficial ownership interests.

If the depositary for a series of debt securities is at any time unwilling, unable or ineligible to continue as depositary and a successor depositary is not appointed by the issuer within 90 days, the issuer will issue individual debt securities of the applicable series in exchange for the global security representing the applicable series of debt securities. In addition, an issuer may at any time and in its sole discretion, subject to any limitations described in the prospectus supplement relating to such debt securities, determine not to have any debt securities of a series represented by a global security and, in such event, will issue individual debt securities of the applicable series in exchange for the global security representing the applicable series of debt securities. Further, if an issuer so specifies with respect to the debt securities of a series, an owner of a beneficial interest in a global security representing debt securities of that series may, on terms acceptable to the issuer, the trustee and the depositary for the global security, receive individual debt securities of the applicable series in exchange for beneficial interests,

subject to any limitations described in the prospectus supplement relating to the debt securities. In this instance, an owner of a beneficial interest in a global security will be entitled to physical delivery of individual debt securities of the series represented by the applicable global security equal in principal amount to the beneficial interest and to have the debt securities registered in its name. Individual debt securities of the series so issued will be issued in registered form and in denominations, unless otherwise specified in the applicable prospectus supplement relating to that series of debt securities, of \$1,000 and integral multiples thereof.

Events of Default. Unless otherwise specified in the applicable prospectus supplement, an Event of Default is defined under each Indenture with respect to the debt securities of any series issued under the applicable Indenture as being:

- o default in the payment of principal of or premium, if any, with respect to debt securities of the applicable series when due;
- o default in the payment of any installment of interest on any of the debt securities of that series when due, continued for 30 days;
- o default in the payment or satisfaction of any sinking fund or other purchase obligation with respect to debt securities of that series when due;
- o default in the performance of any other covenant of any of the Obligors' applicable to debt securities of that series, continued for 90 days after written notice to the Obligors by the trustee or to the Obligors and the trustee, by the holders of at least 25% in aggregate principal amount of the debt securities of that series then outstanding requiring the same to be remedied; and
- o specified events of bankruptcy, insolvency or reorganization of the issuer, see Section 5.1.

If any Event of Default shall occur and be continuing, the trustee or the holders of not less than 25% in aggregate principal amount of the debt securities of that series then outstanding, by notice in writing to the Obligors, and to the trustee, if given by the holders, may declare the principal, or, in the case of any series of debt securities originally issued at a discount from their stated principal amount, the portion of the principal amount as may be specified in the terms of that series, of all of the debt securities of that series and the interest, if any, accrued thereon to be due and payable immediately. The declaration described in the preceding sentence may be rescinded by notice in writing to the Obligors and the trustee by holders of a majority in aggregate principal amount of the debt securities of the series then outstanding. This rescission will rescind and annul any declaration made pursuant to the first sentence of this paragraph and its consequences if all defaults under such Indenture are cured or waived, see Section 5.1.

Each Indenture provides that no holder of any series of debt securities then outstanding may institute any suit, action or proceeding with respect to, or otherwise attempt to enforce, that Indenture, unless

- o the holder previously gave the trustee written notice of default and of the continuance thereof;
- o the holders of not less than 25% in aggregate principal amount of the applicable series of debt securities then outstanding made written request to the trustee to institute the suit, action or proceeding and offered to the trustee reasonable indemnity as it may require with respect thereto; and
- o the trustee, for 60 days after its receipt of the notice, request and offer of indemnity, neglected or refused to institute any action, suit or proceeding;

Subject to the subordination provisions applicable to the Senior Subordinated Debt Securities and the Subordinated Debt Securities, the right, described in the above bullet points, of any holder of any debt security to receive payment of the principal of, premium, if any, or interest, if any, on that debt security, on or after the respective due dates, or to institute suit for the enforcement of any payment shall not be impaired or affected without the consent of the holder, see Section 5.4.

The holders of a majority in aggregate principal amount of the debt securities of the series then outstanding may 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 debt securities of that series, provided that the trustee may decline to follow that

direction if the trustee determines that the action or proceeding is unlawful or would involve the trustee in personal liability, see Section 5.7.

The Obligors are required to furnish annually to the trustee a certificate as to compliance by the Obligors with all conditions and covenants under each Indenture, see Section 4.3.

Discharge and Defeasance. Unless otherwise specified in the applicable prospectus supplement, the Obligors can discharge or defease their respective obligations with respect to any series of debt securities as described below, see Article Ten.

The Obligors may discharge all of their obligations, except those described below, to holders of any series of debt securities issued under any Indenture that have not already been delivered to the trustee for cancellation and that have either become due and payable, or are by their terms due and payable within one year or scheduled for redemption within one year, by irrevocably depositing with the trustee cash or U.S. Government Obligations, as defined in the Indenture, or a combination thereof, as trust funds in an amount certified to be sufficient to pay when due the principal of, premium, if any, and interest, if any, on all outstanding debt securities of that series and to make any mandatory sinking fund payments, if any, thereon when due.

Unless otherwise provided in the applicable prospectus supplement, the Obligors may also elect at any time to defease and be discharged from all of their obligations, except those described below, to holders of any series of debt securities issued under each Indenture, "defeasance", or be released from all of their obligations with respect to specified covenants applicable to any series of debt securities issued under each Indenture, "covenant defeasance", if, among other things:

- o the Obligors irrevocably deposit with the trustee cash or U.S. Government Obligations, or a combination thereof, as trust funds in an amount certified to be sufficient to pay when due the principal of, premium, if any, and interest, if any, on all outstanding debt securities of the applicable series and to make any mandatory sinking fund payments, if any, thereon when due and those funds have been so deposited for 91 days;
- o the deposit will not result in a breach or violation of, or cause a default under, any agreement or instrument to which any of the Obligors is a party or by which it is bound; and
- o the Obligors deliver to the trustee an opinion of counsel to the effect that the holders of the applicable series of debt securities will not recognize income, gain or loss for United States federal income tax purposes as a result of the defeasance or covenant defeasance and that defeasance or covenant defeasance will not otherwise alter the United States federal income tax treatment of the holders' principal of and interest payments, if any, on that series of debt securities.

In the case of defeasance, the opinion must be based on a ruling of the Internal Revenue Service or a change in United States federal income tax law occurring after the date of the Indenture relating to the debt securities of such series, because this result would not occur under current tax law, see Section 10.1.

Notwithstanding the foregoing, no discharge, defeasance or covenant defeasance described above will affect the following obligations to, or rights of, the holders of any series of debt securities:

- o rights of registration of transfer and exchange of debt securities of the applicable series;
- o rights of substitution of mutilated, defaced, destroyed, lost or stolen debt securities of the applicable series;
- o rights of holders of debt securities of the applicable series to receive payments of principal thereof, premium, if any; and interest, if any, thereon, upon the original due dates therefore, but not upon acceleration, and to receive mandatory sinking fund payments thereon when due, if any;
- o rights, obligations, duties and immunities of the trustee;
- o rights of holders of debt securities of a series as beneficiaries with respect to property so deposited with the trustee payable to all or any of them; and

- o obligations of the Obligors to maintain an office or agency in respect of debt securities of the series, see Section 10.1.

The Obligors may exercise the defeasance option with respect to any series of debt securities notwithstanding the prior exercise of the covenant defeasance option with respect to any series of debt securities. If the Obligors exercise the defeasance option with respect to any series of debt securities, payment of that series of debt securities may not be accelerated because of an Event of Default with respect to that series of debt securities. If the Obligors exercise the covenant defeasance option with respect to any series of debt securities, payment of that series of debt securities may not be accelerated by reason of an Event of Default with respect to the covenants to which such covenant defeasance is applicable. However, if acceleration were to occur by reason of another Event of Default, the realizable value at the acceleration date of the cash and U.S. Government Obligations in the defeasance trust could be less than the principal of, premium, if any, and interest, if any, and any mandatory sinking fund payments, if any, then due on the series of debt securities, in that the required deposit in the defeasance trust is based upon scheduled cash flow rather than market value, which will vary depending upon interest rates and other factors.

Modification of the Indenture. Each Indenture provides that the Obligors and the trustee may enter into supplemental indentures without the consent of the holders of the debt securities to:

- o evidence the assumption by a successor entity of the obligations of any of the Obligors under that Indenture,
- o add covenants or new events of default for the protection of the holders of the debt securities,
- o cure any ambiguity or correct any inconsistency in the Indenture;
- o establish the form and terms of debt securities of any series;
- o evidence the acceptance of appointment by a successor trustee;
- o in the case of Senior Debt Securities, secure those debt securities;
- o designate a bank or trust company other than the trustee specified in the applicable prospectus supplement to act as trustee for a series of debt securities;
- o 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 on the date of the supplemental indenture;
- o provide for the issuance of debt securities of any series in coupon form and exchangeability of those debt securities for fully registered debt securities;
- o modify, eliminate or add to the provisions of the Indenture as necessary to effect the qualification of the Indenture under the Trust Indenture Act of 1939 and to add provisions expressly permitted by that Act; and
- o modify the provisions to provide for the denomination of debt securities in foreign currencies that will not adversely affect the interests of the holders of the debt securities in any material respect, see Section 8.1.

Each Indenture also contains provisions permitting the Obligors and the trustee, with the consent of the holders of not less than a majority in aggregate principal amount of debt securities of each series then outstanding and affected, to add any provisions to, or change in any manner or eliminate any of the provisions of, the applicable Indenture or any supplemental indenture or modify in any manner the rights of the holders of the debt securities of that series; provided that the Obligors and the trustee may not, without the consent of the holder of each outstanding debt security affected thereby:

- o extend the stated final maturity of any debt security, reduce the principal amount thereof, reduce the rate or extend the time of payment of interest, if any, thereon, reduce or alter the method of computation of any amount payable on redemption, repayment or purchase by the issuer, change the coin or currency in which principal, premium, if any, and interest, if any, are payable, reduce the amount of the principal of any original issue discount security payable upon acceleration or provable in bankruptcy, impair or affect the right to institute suit for the enforcement of any payment or repayment thereof or, if applicable, adversely affect any right of prepayment at the option of the holder or, in the case of K. Hovnanian Indentures, make any change adverse to the interests of the holders in the terms and conditions of the guarantee; or

- o reduce the stated percentage in aggregate principal amount of debt securities of any series issued under the Indenture, see Section 8.2.

Consolidation, Merger, Sale or Conveyance. Except as otherwise provided in the applicable prospectus supplement, the K. Hovnanian Indentures provide that K. Hovnanian or the guarantor may, and the Hovnanian Indentures provide that Hovnanian may, without the consent of the holders of debt securities, consolidate with, merge into or transfer, exchange or dispose of all of its properties to, any other corporation or partnership organized under the laws of the United States, provided that:

- o the successor corporation assumes all obligations of K. Hovnanian or Hovnanian, as the case may be, by supplemental indenture satisfactory in form to the applicable trustee executed and delivered to that trustee, under the Indentures and the debt securities,
- o immediately after giving effect to the consolidation, merger, exchange or other disposition, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, will have occurred and be continuing; and
- o certain other conditions are met, see Section 9.1.

Condition for Release of K. Hovnanian. Except as otherwise provided in a prospectus supplement, each K. Hovnanian Indenture provides that K. Hovnanian may be released from its obligations under the K. Hovnanian Indenture and the K. Hovnanian debt securities, without the consent of the holders of the K. Hovnanian debt securities of any series, if Hovnanian or any successor to Hovnanian has assumed the obligations of K. Hovnanian under those K. Hovnanian Debt Securities. In the event of the release, a taxable sale or exchange of a debt security for a new debt security will be deemed to occur. As a result, a holder of a debt security may recognize gain or loss on the sale or exchange and may be required to include in income different amounts during the remaining term of the debt security than would have been included absent the release.

Certain Definitions. Except as otherwise provided in a prospectus supplement, the definitions listed below are applicable to the discussions of the Indentures, see Article One.

"Consolidated Net Tangible Assets" means the aggregate amount of assets included on the most recent consolidated balance sheet of Hovnanian and its Restricted Subsidiaries, less applicable reserves and other properly deductible items and after deducting therefrom all current liabilities and all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangibles, all in accordance with generally accepted accounting principles consistently applied.

"Indebtedness," with respect to any person, means, without duplication:

- o the principal of, premium, if any, and interest, if any, on indebtedness for money borrowed of that person, indebtedness of that person evidenced by bonds, notes, debentures or similar obligations, and any guaranty by that person of any indebtedness for money borrowed or indebtedness evidenced by bonds, notes, debentures or similar obligations of any other person, whether the indebtedness or guaranty is outstanding on the date of the Indenture or is thereafter created, assumed or incurred;
- o obligations of that person for the reimbursement of any Obligor on any letter of credit, banker's acceptance or similar credit transaction;
- o the principal of and premium, if any, and interest, if any, on indebtedness incurred, assumed or guaranteed by that person in connection with the acquisition by it or any of its subsidiaries of any other businesses, properties or other assets;
- o lease obligations of that person capitalized in accordance with Statement of Financial Accounting Standards No. 13 promulgated by the Financial Accounting Standards Board or other generally accepted accounting principles as may be from time to time in effect;
- o any indebtedness of that person representing the balance deferred and unpaid of the purchase price of any property or interest therein, except any balance that constitutes an accrued expense or trade

payable and any guaranty, endorsement or other contingent obligation of that person in respect of any indebtedness of another that is outstanding on the date of the Indenture or is thereafter created, assumed or incurred by, that person;

- o obligations of that person under interest rate, commodity or currency swaps, caps, collars, options and similar arrangements; and
- o any amendments, modifications, refundings, renewals or extensions of any indebtedness or obligation described as Indebtedness in the above bullet points.

"Restricted Subsidiary" means any Subsidiary of Hovnanian other than an Unrestricted Subsidiary, and any Subsidiary of Hovnanian that was an Unrestricted Subsidiary but which, subsequent to the date of the Indentures, is designated by the board of directors of Hovnanian to be a Restricted Subsidiary; provided, however, that Hovnanian may not designate any Subsidiary to be a Restricted Subsidiary if Hovnanian would thereby breach any covenant or agreement contained in the Indentures, on the assumptions that any Outstanding Indebtedness of the Subsidiary was incurred at the time of the designation.

"Subsidiary" of any specified Person means any corporation of which that Person, or that Person and one or more Subsidiaries of that Person, or any one or more Subsidiaries of that Person, directly or indirectly own voting securities entitling any one or more of that Person and its Subsidiaries to elect a majority of the directors, either at all times, or so long as there is no default or contingency which permits the holders of any other class or classes of securities to vote for the election of one or more directors.

"Unrestricted Subsidiary" means:

- o any Subsidiary of Hovnanian acquired or organized after the date of the Indentures, provided, however, that this Subsidiary shall not be a successor, directly or indirectly, to any Restricted Subsidiary; and
- o any Subsidiary of Hovnanian substantially all the assets of which consist of stock or other securities of a Subsidiary or Subsidiaries of the character described in clause the above bullet point, unless and until that Subsidiary is designated to be a Restricted Subsidiary.

Provisions Applicable Solely to Senior Debt Securities

General. Senior Debt Securities will be issued under a Senior Debt Indenture and will rank pari passu with all other unsecured and unsubordinated debt of the issuer of such Senior Debt Securities. At July 31, 2001, Hovnanian had an aggregate of \$99,747,000 of Indebtedness outstanding, which would be subordinated to Senior Debt Securities.

Limitations on Liens. The Senior Debt Indentures provide that, so long as any Senior Debt Securities are outstanding, Hovnanian will not, and will not permit any Restricted Subsidiary to, pledge, mortgage, hypothecate or grant a security interest in, or permit any mortgage, pledge, security interest or other lien upon, any property or assets owned by Hovnanian or any Restricted Subsidiary to secure any Indebtedness, without making effective provision whereby outstanding Senior Debt Securities will be equally and ratably secured.

Under the terms of the Senior Debt Indentures, the limitation described above does not apply to:

- o any mortgage, pledge, security interest, lien or encumbrance upon any property or assets created at the time of the acquisition of such property or assets by Hovnanian or any Restricted Subsidiary or within one year after that time to secure all or a portion of the purchase price for the property or assets;
- o any mortgage, pledge, security interest, lien or encumbrance upon any property or assets existing thereon at the time of the acquisition thereof by Hovnanian or any Restricted Subsidiary, whether or not the obligations secured thereby are assumed by Hovnanian or any Restricted Subsidiary;
- o any mortgage, pledge, security interest, lien or encumbrance upon any property or assets, whenever acquired, of any corporation or other entity that becomes a Restricted Subsidiary after the date of the Senior Debt Indenture, provided that

- 1) the instrument creating the mortgage, pledge, security interest, lien or encumbrance was in effect prior to the time the corporation or other entity becomes a Restricted Subsidiary, and
 - 2) the mortgage, pledge, security interest, lien or encumbrance will only apply to properties or assets owned by the corporation or other entity at the time it becomes a Restricted Subsidiary or thereafter acquired by it from sources other than Hovnanian or another Restricted Subsidiary;
- o any mortgage, pledge, security interest, lien or encumbrance in favor of Hovnanian or any wholly-owned Subsidiary of Hovnanian;
 - o any mortgage, pledge, security interest, lien or encumbrance created or assumed by Hovnanian or a Restricted Subsidiary in connection with the issuance of debt securities the interest on which is excludable from gross income of the holder of the security pursuant to the Internal Revenue Code of 1986, as amended, for the purpose of financing, in whole or in part, the acquisition or construction of property or assets to be used by Hovnanian or a Subsidiary;
 - o any extension, renewal or refunding of any mortgage, pledge, security interest, lien or encumbrance described in the bullet points above on substantially the same property or assets theretofore subject thereto;
 - o any mortgage, pledge, security interest, lien or encumbrance securing any Indebtedness in an amount which, together with all other Indebtedness secured by a mortgage, pledge, security interest, lien or encumbrance that is not otherwise permitted by the foregoing provisions, does not at the time of the incurrence of the Indebtedness so secured exceed 20% of Consolidated Net Tangible Assets;
 - o deposits or pledges to secure the payment of workmen's compensation, unemployment insurance or other social security benefits or obligations, or to secure the performance of trade contracts, leases, public or statutory obligations, surety or appeal bonds or other obligations of a like general nature incurred in the ordinary course of business;
 - o mechanics', materialmen's, warehousemen's, carriers' or other like liens arising in the ordinary course of business securing obligations that are not overdue for a period longer than 30 days or that are being contested in good faith by appropriate proceedings;
 - o liens for taxes, assessments or other governmental charges not yet payable or being contested in good faith and as to which adequate reserves will have been established in accordance with generally accepted accounting principles;
 - o non-recourse mortgages on Income Producing Properties securing Indebtedness;
 - o liens on assets of a Mortgage Subsidiary to secure only a Warehouse Line of Credit provided to that Subsidiary;
 - o easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business; or
 - o liens in connection with capital leases or sale leaseback transactions not securing any other indebtedness.

For the purpose of this "Limitation on Liens" provision, "security interest" will include the interest of the lessor under a lease with a term of three years or more that should be, in accordance with generally accepted accounting principles, recorded as a capital lease and any lease of property or assets not acquired from Hovnanian or any Restricted Subsidiary in contemplation of that lease will be treated as though the lessee had purchased the property or assets from the lessor, see Section 3.6 of the Senior Debt Indentures.

Provisions Applicable Solely to Senior Subordinated Debt Securities and Subordinated Debt Securities

Subordination. The Subordinated Debt Securities will be subordinate and junior in right of payment, to the extent described in the Subordinated Debt Indentures, to all Senior Indebtedness. The Senior Subordinated Debt Securities will be

subordinate and junior in right of payment, to the extent described in the Senior Subordinated Debt Indentures, to all Senior Indebtedness of the Obligor. The Senior Subordinated Debt Securities will rank senior to all existing and future Indebtedness of the Obligor that is neither Senior Indebtedness of the Obligor nor Senior Subordinated Indebtedness and only Indebtedness of the Obligor that is Senior Indebtedness of the Obligor will rank senior to the Senior Subordinated Debt Securities in accordance with the subordination provisions of the Senior Subordinated Debt Indentures.

"Senior Indebtedness" of the Obligor is defined in the Subordinated Debt Indentures and the Senior Subordinated Debt Indentures as Indebtedness of the Obligor outstanding at any time, other than the Indebtedness evidenced by the debt securities of any series, except:

- o any Indebtedness as to which, by the terms of the instrument creating or evidencing the same, it is provided that the Indebtedness is not senior or prior in right of payment to the debt securities or is pari passu or subordinate by its terms in right of payment to the debt securities;
- o renewals, extensions and modifications of any such Indebtedness;
- o any Indebtedness of the Obligor to a wholly-owned Subsidiary of the Obligor;
- o interest accruing after the filing of a petition initiating certain events of bankruptcy or insolvency unless that interest is an allowed claim enforceable against the Obligor in a proceeding under federal or state bankruptcy laws; and
- o trade payables.

"Senior Subordinated Indebtedness" is defined in the Hovnanian Senior Subordinated Debt Indenture as the Hovnanian Senior Subordinated Debt Securities and any other Indebtedness of Hovnanian that ranks pari passu with the Hovnanian Senior Subordinated Debt Securities. Any Indebtedness of Hovnanian that is subordinate or junior by its terms in right of payment to any other Indebtedness of Hovnanian will be subordinate to Senior Subordinated Indebtedness of Hovnanian unless the instrument creating or evidencing the same or pursuant to which the same is outstanding specifically provides that this Indebtedness is to rank pari passu with other Senior Subordinated Indebtedness of Hovnanian and is not subordinated by its terms to any Indebtedness of Hovnanian that is not Senior Indebtedness of Hovnanian.

"Senior Subordinated Indebtedness" is defined in the K. Hovnanian Senior Subordinated Debt Indenture as the K. Hovnanian Senior Subordinated Debt Securities, the guarantee and any other Indebtedness of K. Hovnanian or the guarantor that ranks pari passu with the K. Hovnanian Senior Subordinated Debt Securities. Any Indebtedness of K. Hovnanian or the guarantor that is subordinate or junior by its terms in right of payment to any other Indebtedness of K. Hovnanian or the guarantor will be subordinate to Senior Subordinated Indebtedness unless the instrument creating or evidencing the same or pursuant to which the same is outstanding specifically provides that such Indebtedness will rank pari passu with other Senior Subordinated Indebtedness and is not subordinated by its terms to any Indebtedness of K. Hovnanian or the guarantor, which is not Senior Indebtedness of K. Hovnanian or Senior Indebtedness of the guarantor.

"Subordinated Indebtedness" of the Obligors means the Senior Subordinated Debt Securities, the guarantees, any other Senior Subordinated Indebtedness of that Obligor and any other Indebtedness that is subordinate or junior in right of payment to Senior Indebtedness of that Obligor.

If:

- o the Obligor should default in the payment of any principal of, premium, if any, or interest, if any, on any Senior Indebtedness of the Obligor when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration of acceleration or otherwise or
- o any other default with respect to Senior Indebtedness of the Obligor occurs and the maturity of the Senior Indebtedness has been accelerated in accordance with its terms, then, upon written notice of the default to the Obligor by the holders of the Senior Indebtedness or any trustee therefor, unless and until the default is cured or waived or has ceased to exist or the acceleration has been rescinded, no direct or indirect payment, in cash, property or securities, by set-off or otherwise, will be made or agreed to be made for principal of, premium, if any, or interest, if any, on any of the Senior Subordinated Debt Securities or the Subordinated Debt Securities, or in respect of any redemption, retirement, purchase or other acquisition of the Senior Subordinated Debt Securities or the Subordinated Debt

Securities other than those made in capital stock of Hovnanian, or cash in lieu of fractional shares thereof, see Sections 13.1 and 13.4 of the Senior Subordinated Debt Indentures and Sections 13.1 and 13.4 of the Subordinated Debt Indentures.

If any default, other than a default described in the bullet points directly above, occurs under the Senior Indebtedness of the Obligor, pursuant to which the maturity thereof may be accelerated immediately or the expiration of any applicable grace periods occurs, a "Senior Nonmonetary Default", then, upon the receipt by the Obligor and the trustee of written notice thereof, a "payment notice", from or on behalf of holders of 25% or more of the aggregate principal amount of Senior Indebtedness specifying an election to prohibit the payment and other action by the Obligor in accordance with the following provisions of this paragraph, the Obligor may not make any payment or take any other action that would be prohibited by the bullet points directly above during the period, the "payment blockage period" commencing on the date of receipt of the payment notice and ending on the earlier of

- o the date, if any, on which the holders of such Senior Indebtedness or their representative notify the trustee that the Senior Nonmonetary Default is cured, waived or ceases to exist or the Senior Indebtedness to which the Senior Nonmonetary Default relates is discharged or
- o the 179th day after the date of receipt of the payment notice.

Notwithstanding the provisions described in the immediately preceding bullet points, the Obligor may resume payments on the Senior Subordinated Debt Securities and the Subordinated Debt Securities after the payment blockage period.

If

- o without the consent of the Obligor a receiver, conservator, liquidator or trustee of the Obligor or of any of its property is appointed by the order or decree of any court or agency or supervisory authority having jurisdiction, and the decree or order remains in effect for more than 60 days, the Obligor is adjudicated bankrupt or insolvent, any of its property is sequestered by court order and that order remains in effect for more than 60 days, or a petition is filed against the Obligor under any state or federal bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, liquidation or receivership law of any jurisdiction whether now or hereafter in effect, and is not dismissed within 60 days after such filing;
- o the Obligor:
 - o commences a voluntary case or other proceeding seeking liquidation, reorganization, arrangement, insolvency, readjustment of debt, dissolution, liquidation or other relief with respect to itself or its debt or other liabilities under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property;
 - o consents to any such relief or to the appointment of or taking possession by any of the above officials in an involuntary case or other proceeding commenced against it;
 - o fails generally to, or cannot, pay its debts generally as they become due;
 - o takes any corporate action to authorize or effect any of the foregoing; or
- o any Subsidiary of the Obligor takes, suffers or permits to exist any of the events or conditions referred to in any of the above bullet points,

then all Senior Indebtedness of the Obligor, including any interest thereon accruing after the commencement of any proceedings, will first be paid in full before any payment or distribution, whether in cash, securities or other property, is made by the Obligor to any holder of Senior Subordinated Debt Securities or Subordinated Debt Securities on account of the principal of, premium, if any, or interest, if any, on the Senior Subordinated Debt Securities or Subordinated Debt Securities, as the case may be.

Any payment or distribution, whether in cash, securities or other property, other than securities of the Obligor or any other corporation provided for by a plan of reorganization or readjustment the payment of which is subordinate, at least to the

extent provided in the subordination provisions with respect to the indebtedness evidenced by the Senior Subordinated Debt Securities or the Subordinated Debt Securities, to the payment of all Senior Indebtedness of the Obligor then outstanding and to any securities issued in respect thereof under a plan of reorganization or readjustment, that would otherwise, but for the subordination provisions, be payable or deliverable in respect of the Senior Subordinated Debt Securities or the Subordinated Debt Securities of any series will be paid or delivered directly to the holders of Senior Indebtedness of the Obligor in accordance with the priorities then existing among such holders until all Senior Indebtedness of the Obligor, including any interest thereon accruing after the commencement of proceedings, has been paid in full. In the event of any proceeding, after payment in full of all sums owing with respect to Senior Indebtedness of the Obligor, the holders of Senior Subordinated Debt Securities, together with the holders of any obligations of the Obligor ranking on a parity with the Senior Subordinated Debt Securities, will be entitled to be repaid from the remaining assets of the Obligor the amounts at that time due and owing on account of unpaid principal of, premium, if any, or interest, if any, on the Senior Subordinated Debt Securities and such other obligations before any payment or other distribution, whether in cash, property or otherwise, shall be made on account of any capital stock or obligations of the Obligor ranking junior to the Senior Subordinated Debt Securities, including the Subordinated Debt Securities, and such other obligations, see Section 13.1 of the Senior Subordinated Debt Indentures and Section 13.1 of the Subordinated Debt Indentures.

If any payment or distribution of any character, whether in cash, securities or other property, other than securities of the Obligor or any other corporation provided for by a plan of reorganization or readjustment the payment of which is subordinate, at least to the extent provided in the subordination provisions with respect to the Senior Subordinated Debt Securities or the Subordinated Debt Securities, to the payment of all Senior Indebtedness of the Obligor then outstanding and to any securities issued in respect thereof under the plan of reorganization or readjustment, will be received by the trustee, or any holder of any Senior Subordinated Debt Securities or Subordinated Debt Securities in contravention of any of the terms of the Senior Subordinated Debt Indenture or the Subordinated Debt Indenture, as the case may be, such payment or distribution of securities will be received in trust for the benefit of, and will be paid over or delivered and transferred to, the holders of the Senior Indebtedness of the Obligor then outstanding in accordance with the priorities then existing among the holders for application to the payment of all Senior Indebtedness of the Obligor remaining unpaid to the extent necessary to pay all the Senior Indebtedness of the Obligor in full, see Section 13.1 of the Senior Subordinated Debt Indentures and Section 13.1 of the Subordinated Debt Indentures.

By reason of the subordination, in the event of the insolvency of the Obligor, holders of Senior Indebtedness of the Obligor may receive more, ratably, than holders of the Senior Subordinated Debt Securities or Subordinated Debt Securities of the Obligor. Subordination will not prevent the occurrence of any Event of Default, as defined in the Indentures, or limit the right of acceleration in respect of the Senior Subordinated Debt Securities or Subordinated Debt Securities.

Concerning the Trustee

Information concerning the trustee for a series of debt securities will be set forth in the prospectus supplement relating to that series of debt securities. Any of the trustees under the Indentures may make loans to Hovnanian or K. Hovnanian in the normal course of business.

DESCRIPTION OF CAPITAL STOCK

The authorized capital stock of Hovnanian is 100,100,000 shares consisting of 87,000,000 shares of Class A Common Stock, par value \$.01 per share, 13,000,000 shares of Class B Common Stock, par value \$.01 per share, the "Class B Common Stock", and 100,000 shares of Preferred Stock, par value \$.01 per share, the "Preferred Stock", in the series and with the voting powers, designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, as may be fixed from time to time by the board of directors for each series. The following summary description of certain provisions of Hovnanian's Restated Certificate of Incorporation, the "Certificate of Incorporation", and By-laws does not purport to be complete and is qualified in its entirety by reference to those provisions.

Common Stock

As of September 7, 2001, 20,239,324 shares of Class A Common Stock and 7,483,926 shares of Class B Common Stock were issued and outstanding. The Class A Common Stock is traded on the New York Stock Exchange. There is no established public trading market for the Class B Common Stock. In order to trade Class B Common Stock, the shares must be converted into Class A Common Stock on a one-for-one basis. Any offering of common stock made hereby will consist only of Class A Common Stock. The outstanding Class A Common Stock is, and any Class A Common Stock offered pursuant to this prospectus and any prospectus supplement when issued and paid for will be, fully paid and non-assessable.

Dividends. Dividends on the Class A Common Stock will be paid if, when and as determined by the board of directors of Hovnanian out of funds legally available for this purpose. Some debt instruments to which Hovnanian is a party contain restrictions on the payment of cash dividends. Under the terms of Hovnanian's revised credit facility, dated August 28, 2001, approximately \$22,666,000 of retained earnings would have been free of restrictions on the payment of cash dividends at July 31, 2001. 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. Hovnanian has never paid dividends nor does it currently intend to pay dividends.

Voting Rights. Holders of Class A Common Stock are entitled to one vote for each share held by them on all matters presented to shareholders. Holders of Class B Common Stock are entitled to ten votes per share.

Liquidation Rights. After satisfaction of the preferential liquidation rights of any Preferred Stock, the holders of the Class A Common Stock and Class B Common Stock are entitled to share ratably as a single class in the distribution of all remaining net assets.

Preemptive and Other Rights. The holders of Class A Common Stock do not have preemptive rights as to additional issues of common stock or conversion rights. The shares of Class A Common Stock are not subject to redemption or to any further calls or assessments and are not entitled to the benefit of any sinking fund provisions. The rights, preferences and privileges of holders of Class A Common Stock are subject to, and may be adversely affected by, the rights of the holder of shares of any series of Preferred Stock that Hovnanian may designate and issue in the future.

Preferred Stock

The Certificate of Incorporation authorizes the Board of Directors to issue from time to time up to 100,000 shares of Preferred Stock, in one or more series, and with the voting powers, designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, as may be fixed from time to time by the board of directors for each series. No shares of Preferred Stock have been issued and Hovnanian has no present plans to issue any shares of Preferred Stock. The Preferred Stock, however, could be used by Hovnanian's board of directors without further action by Hovnanian's stockholders as an anti-takeover device.

DESCRIPTION OF STOCK PURCHASE CONTRACTS AND STOCK PURCHASE UNITS

Hovnanian may issue Stock Purchase Contracts representing contracts obligating holders to purchase from Hovnanian and Hovnanian to sell to the holders a specified number of shares of Class A Common Stock or Preferred Stock at a future date or dates. The price per share of Class A Common Stock or Preferred Stock may be fixed at the time the Stock Purchase Contracts are issued or may be determined by reference to a specific formula set forth in the Stock Purchase Contracts.

The Stock Purchase Contracts may be issued separately or as a part of units, often known as Stock Purchase Units, consisting of a Stock Purchase Contract and either

- o debt securities, or
- o debt obligations of third parties, including U.S. Treasury securities,

securing the holder's obligations to purchase the Class A Common Stock or Preferred Stock under the Stock Purchase Contracts. The Stock Purchase Contracts may require us to make periodic payments to the holders of the Stock Purchase Units or vice versa, and such payments may be unsecured or prefunded on some basis. The Stock Purchase Contracts may require holders to secure their obligations in a specified manner and in certain circumstances we may deliver newly issued prepaid Stock Purchase Contracts, often known as prepaid securities, upon release to a holder of any collateral securing each holder's obligations under the original Stock Purchase Contract.

The applicable prospectus supplement will describe the terms of any Stock Purchase Contracts or Stock Purchase Units and, if applicable, prepaid securities. The description in the prospectus supplement will not contain all of the information that you may find useful. For more information, you should review the Stock Purchase Contracts, the collateral arrangements and depository arrangements, if applicable, relating to such Stock Purchase Contracts or Stock Purchase Units and, if applicable, the prepaid securities and the document pursuant to which the prepaid securities will be issued, which will be filed with the SEC promptly after the offering of such Stock Purchase Contracts or Stock Purchase Units and, if applicable, prepaid securities.

DESCRIPTION OF WARRANTS

Hovnanian may issue warrants, including warrants to purchase Class A Common Stock or Preferred Stock and warrants to purchase Hovnanian debt securities. K. Hovnanian may issue warrants to purchase K. Hovnanian Debt Securities. All obligations of K. Hovnanian under the K. Hovnanian warrants will be fully and unconditionally guaranteed by Hovnanian. Warrants may be issued independently of or together with any other securities and may be attached to or separate from such securities. Obligations of Hovnanian and K. Hovnanian under the warrants may be guaranteed by the subsidiary guarantors. Each series of warrants will be issued under a separate warrant agreement, each a "warrant agreement" to be entered into between Hovnanian and/or K. Hovnanian and a warrant agent, the "warrant agent". The warrant agent will act solely as an agent of Hovnanian and/or K. Hovnanian in connection with the warrants of that series and will not assume any obligation or relationship of agency or trust for or with holders or beneficial owners of warrants. The following describes some general terms and provisions of the warrants offered hereby. Further terms of the warrants and the applicable warrant agreement will be described in the applicable prospectus supplement.

The applicable prospectus supplement will describe the following terms, where applicable, of the warrants in respect of which this prospectus is being delivered:

- o the title of the warrants;
- o the aggregate number of the warrants;
- o the price or prices at which the warrants will be issued;
- o the designation, aggregate principal amount and terms of the securities purchasable upon exercise of the warrants;
- o the designation and terms of the securities with which the warrants are issued and the number of the warrants issued with each such security;
- o if applicable, the date on and after which the warrants and the related securities will be separately transferable;
- o the price at which the securities purchasable upon exercise of the warrants may be purchased;
- o the date on which the right to exercise the warrants will commence and the date on which the right will expire;
- o the minimum or maximum amount of the warrants that may be exercised at any one time;
- o information with respect to book-entry procedures, if any;
- o a discussion of certain United States Federal income tax considerations; and
- o any other terms of the warrants, including terms, procedures and limitations relating to the exercise of the warrants.

PLAN OF DISTRIBUTION

Hovnanian, K. Hovnanian and the selling shareholders may sell the securities to or through underwriters or dealers, and also may sell the offered securities directly to one or more other purchasers or through agents. The applicable prospectus supplement will list the names of any underwriters or agents involved in the sale of the offered securities and any applicable commissions or discounts.

Underwriters, dealers or agents may offer and sell the offered securities at a fixed price or prices, which may be changed, or from time to time at market prices prevailing at the time of sale, at prices related to the prevailing market prices or at negotiated prices. In connection with the sale of the securities, underwriters or agents may be deemed to have received compensation from Hovnanian, K. Hovnanian or the selling shareholders in the form of underwriting discounts or commissions and may also receive commissions from purchasers of the securities for whom they may act as agent. Underwriters or agents may sell the securities to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters or commissions from the purchasers for whom they may act as agent.

The Preferred Stock, debt securities and warrants, when first issued, will have no established trading market. Any underwriters or agents to or through whom offered securities are sold by Hovnanian or K. Hovnanian for public offering and sale may make a market in such offered securities, but the underwriters or agents will not be obligated to do so and may discontinue any market making at any time without notice. No assurance can be given as to the liquidity of the trading market for any offered securities.

Any underwriters, dealers or agents participating in the distribution of the offered securities may be deemed to be underwriters, and any discounts and commissions received by them and any profit realized by them on resale of the offered securities may be deemed to be underwriting discounts and commissions under the Securities Act. Underwriters, dealers or agents may be entitled, under agreements entered into with Hovnanian, K. Hovnanian or the selling shareholders, to indemnification against or contribution toward certain civil liabilities, including liabilities under the Securities Act.

If so indicated in the prospectus supplement, Hovnanian, K. Hovnanian or the selling shareholders will authorize underwriters or other persons acting as its agents to solicit offers by certain institutions to purchase securities from it pursuant to contracts providing for payment and delivery on a future date. Institutions with which contracts may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and others, but in all cases will be subject to the condition that the purchase of the securities will not at the time of delivery be prohibited under the laws of the jurisdiction to which such purchaser is subject. The underwriters and agents will not have any responsibility in respect of the validity or performance of such contracts.

LEGAL MATTERS

Certain legal matters with respect to the validity of the offered securities will be passed upon for Hovnanian and K. Hovnanian by Simpson Thacher & Bartlett, New York, New York. Simpson Thacher & Bartlett will rely, as to matters of New Jersey law, on the opinion of Peter S. Reinhart, Esq., Senior Vice-President and General Counsel for Hovnanian and K. Hovnanian. Certain legal matters in connection with the offered securities may also be passed upon for any agents or underwriters by counsel specified in the prospectus supplement.

EXPERTS

The consolidated financial statements of Hovnanian Enterprises, Inc. appearing in the Hovnanian Annual Report (Form 10-K) for the year ended October 31, 2000, have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon included therein and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution.

The estimated expenses payable by Hovnanian in connection with the offering described in this registration statement are as follows:

	Total (a)
Registration Fee.....	\$75,000
Legal fees and expenses.....	200,000
Blue Sky fees and expenses.....	15,000
Accounting fees and expenses.....	15,000
Printing and duplicating expenses.....	300,000
Miscellaneous expenses.....	15,000
Total.....	\$620,000
	=====

(a) All figures, except the SEC registration fee, are estimates.

Item 15. Indemnification of Directors and Officers.

Hovnanian is a Delaware corporation. Section 145 of the General Corporation Law of the State of Delaware grants each corporation organized thereunder the power to indemnify any person who is or was a director, officer, employee or agent of a corporation or enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, other than an action by or in the right of the corporation, by reason of being or having been in any such capacity, if he acted in good faith in a manner reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. Section 102(b)(7) of the General Corporation Law of the State of Delaware enables a corporation in its certificate of incorporation or an amendment thereto validly approved by stockholders to limit or eliminate the personal liability of the members of its board of directors for violations of the directors' fiduciary duty of care.

Article EIGHTH of Hovnanian's Restated Certificate of Incorporation contains the following provisions with respect to indemnification:

No director of the Company shall be personally liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director; provided, however, that this Article shall not eliminate or limit the liability of a director (i) for any breach of the director's duty of loyalty to the Company or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit. This Article shall not eliminate or limit the liability of a director for any act or omission occurring prior to the date on which this Article becomes effective. Any repeal or modification of this Article Eighth shall not adversely affect any right or protection of a director of the Company existing hereunder with respect to any act or omission occurring prior to the time of such repeal or modification.

Hovnanian maintains a liability insurance policy providing coverage for its directors and officers in an amount up to an aggregate limit of \$10,000,000 for any single occurrence.

K. Hovnanian is a New Jersey corporation. Subsection 2 of Title 14A, Section 3-5 of the New Jersey Statutes grants any corporation organized for any purpose under any general or special law of New Jersey the power to indemnify a corporate agent against his expenses and liabilities in connection with any proceeding involving the corporate agent by reason of his being or having been such a corporate agent, other than a proceeding by or in the right of the corporation, if (a) such corporate agent acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation; and (b) with respect to any criminal proceeding, such corporate agent had no reasonable cause to believe his conduct was unlawful. The termination of any proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent does not by itself create a presumption that the corporate agent did not meet such applicable standards of conduct. Section 3 of Title 14A, Section 3-5 of the New Jersey Statutes grants any corporation organized under any general or special law of New Jersey the power to indemnify a director, officer, employee or agent of a corporation

against his expenses in connection with any proceeding by or in the right of the corporation, which involves him by reason of his having been a corporate agent, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation. However, no indemnification shall be provided in respect of any claim, issue or matter in which the corporate agent shall be adjudged to be liable to the corporation, unless and only to the extent that the Superior Court or the court in which the proceeding was brought determines, upon application, that despite the adjudication of liability, but in view of all circumstances of the case, the corporate agent is fairly and reasonably entitled to indemnity for expenses deemed proper by the Superior Court or such other court. Corporations organized for any purpose under any general or special law of New Jersey shall indemnify a corporate agent against expenses to the extent that such corporate agent has been successful on the merits or otherwise in any proceeding referred to in subsections 2 and 3 of Title 14A, Section 3-5.

Subsection 4 provides that any indemnification under these subsections, unless ordered by a court under subsection 3, may be made by the corporation only as authorized in a specific case upon a determination that indemnification is proper in the circumstances because the corporate agent met the applicable standard of (a) good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and (b) with respect to any criminal proceeding, he had no reasonable cause to believe his conduct was unlawful. Subsection 5 provides that unless provided for in the certificate of incorporation or bylaws, such determination shall be made (a) by the board of directors or a committee thereof, acting by a majority vote of a quorum consisting of directors who were not parties to or otherwise involved in the proceeding; or (b) if such quorum is not obtainable, or even if obtainable and such quorum directs, by written opinion of independent legal counsel designated by the board of directors; or (c) by the shareholders if the certificate of incorporation or bylaws or a resolution of the board of directors or of the shareholders so directs. Subsection 7 provides that if a corporation on application by a corporate agent fails or refuses to provide indemnification as required or permitted by this section, a corporate agent may apply to a court for an award of indemnification by the corporation. This section does not exclude any other rights to which a corporate agent may be entitled under a certificate of incorporation, bylaw, agreement, vote of shareholders, or otherwise; provided that no indemnification is made if a final adjudication adverse to the corporate agent establishes that his acts or omissions (a) were in breach of his duty of loyalty to the corporation or its shareholders, as defined under New Jersey law, (b) were not in good faith or involved a knowing violation of law or (c) resulted in receipt by the corporate agent of an improper personal benefit.

Except as required by subsection 4, no indemnification shall be made or expenses advanced by a corporation or shall be ordered by a court if such action would be inconsistent with a provision of the certificate of incorporation, a bylaw, a resolution of the board of directors or of the shareholders, an agreement or other proper corporate action in effect at the time of the accrual of the alleged cause of action asserted in the proceeding, which prohibits, limits or otherwise conditions the exercise of indemnification powers by the corporation or the rights to which a corporate agent may be entitled.

Item 16. Exhibits.

See Exhibit Index.

Item 17. Undertakings.

The undersigned Registrants hereby undertake:

(1) To file, during any period in which offers or sales are being made, a post effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933, as amended (the "Securities Act");

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 462(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective Registration Statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

provided, however, that paragraphs (1)(i) and (1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the Registrants pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") that are incorporated by reference in the Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

The undersigned Registrants hereby undertake that, for purposes of determining any liability under the Securities Act, each filing of the Hovnanian annual report pursuant to Section 13(a) or 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrants pursuant to the provisions set forth in response to Item 15, or otherwise, the registrants have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrants of expenses incurred or paid by a director, officer or controlling person of the Registrants in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrants will, unless in the opinion of their counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrants hereby undertake to file an application for the purpose of determining the eligibility of the trustee to act under subsection (a) of Section 310 of the Trust Indenture Act in accordance with the rules and regulations prescribed by the Commission under Section 305(b)(2) of the Act.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Red Bank, State of New Jersey, on September 25, 2001.

Hovnanian Enterprises, Inc.

By: /s/ J. Larry Sorsby

J. Larry Sorsby
Executive Vice President
Chief Financial Officer

POWER OF ATTORNEY

Each person whose signature appears below hereby constitutes and appoints J. Larry Sorsby and Paul W. Buchanan and each of them, the true and lawful attorneys-in-fact and agents of the undersigned, with full power of substitution and resubstitution, for and in the name, place and stead of undersigned, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement and to Registration Statements Nos. 333-75939 and 333-51991, including any filings pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto, and all other documents in connection therewith, with the Securities and Exchange Commission, and hereby grants to such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and anything necessary to be done, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute, or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Amendment to the Registration Statement has been signed below by the following persons in the capacities indicated on September 25, 2001.

Signature -----	Title -----
*/s/ Kevork S. Hovnanian ----- Kevork S. Hovnanian	Chairman of the Board
*/s/ Ara K. Hovnanian ----- Ara K. Hovnanian	President, Chief Executive Officer and Director
*/s/ Paul W. Buchanan ----- Paul W. Buchanan	Senior Vice President--Corporate Controller and Director
*/s/ Geaton A. DeCesaris, Jr ----- Geaton A. DeCesaris, Jr.	President of Homebuilding Operations and Chief Operating Officer and Director
*/s/ Arthur M. Greenbaum ----- Arthur M. Greenbaum	Director

*/s/ Desmond P. McDonald

Desmond P. McDonald

Director

*/s/ Peter S. Reinhart

Peter S. Reinhart

Senior Vice-President,
General Counsel/Secretary and Director

/s/ John J. Robbins

John J. Robbins

Director

*/s/ J. Larry Sorsby

J. Larry Sorsby

Executive Vice President,
Chief Financial Officer
and Director

*/s/ Stephen D. Weinroth

Stephen D. Weinroth

Director

*By: /s/ J. Larry Sorsby

J. Larry Sorsby, Attorney-In-Fact

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, K. Hovnanian certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Red Bank, State of New Jersey, on September 25, 2001.

K. HOVNANIAN ENTERPRISES, INC.

By: /s/ J. Larry Sorsby

J. Larry Sorsby

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities indicated on September 25, 2001.

Signature -----	Title -----
*s/ Kevork S. Hovnanian ----- Kevork S. Hovnanian	Chairman of the Board
*s/ Ara K. Hovnanian ----- Ara K. Hovnanian	President, Chief Executive Officer and Director
*s/ Paul W. Buchanan ----- Paul W. Buchanan	Senior Vice President--Corporate Controller and Director
*s/ Geaton A. DeCesaris, Jr ----- Geaton A. DeCesaris, Jr.	President of Homebuilding Operations and Chief Operating Officer and Director
*s/ Peter S. Reinhart ----- Peter S. Reinhart	Senior Vice-President, General Counsel/Secretary and Director
*s/ J. Larry Sorsby ----- J. Larry Sorsby	Executive Vice President, Chief Financial Officer and Director
*By: /s/ J. Larry Sorsby ----- J. Larry Sorsby, Attorney-In-Fact	

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, each of the Registrants, as listed on the attached Schedule of Subsidiary Registrants, has duly caused this Registration Statement to be signed on its behalf by the undersigned, in his capacity as set forth on the attached Schedule of Subsidiary Registrants, thereunto duly authorized, in the City of Red Bank, State of New Jersey, on September 25, 2001

REGISTRANTS (as listed on the attached
Schedule of Subsidiary Registrants)
By: /s/ J. Larry Sorsby

J. Larry Sorsby

Pursuant to the requirements of the Securities Act of 1933, the Registration Statement has been signed by the following person on the date and in the capacities indicated on September 25, 2001.

Signature	Title
-----	-----
* /s/ Kevork S. Hovnanian ----- Kevork S. Hovnanian	Chairman of the Board
* /s/ Ara K. Hovnanian ----- Ara K. Hovnanian	Vice Chairman of the Board
* /s/ Paul W. Buchanan ----- Paul W. Buchanan	Senior Vice President--Corporate Controller and Director
* /s/ Geaton A. DeCesaris, Jr ----- Geaton A. DeCesaris, Jr.	President of Homebuilding Operations and Chief Operating Officer and Director
* /s/ Peter S. Reinhart ----- Peter S. Reinhart	Senior Vice-President, General Counsel/Secretary and Director
* /s/ J. Larry Sorsby ----- J. Larry Sorsby	Executive Vice President, Chief Financial Officer and Director
*By: /s/ J. Larry Sorsby ----- J. Larry Sorsby, Attorney-In-Fact	

SCHEDULE OF SUBSIDIARY REGISTRANTS

Exact Name of Registrant As Specified In Its Charter

All Seasons, Inc.

Arrow Properties, Inc.

Ballantrae Development Corp.

Ballantrae Home Sales, Inc.

Ballantrae Marina, Inc.

Condominium Community (Bowie New Town), Inc.

Condominium Community (Largo Town), Inc.

Condominium Community (Park Place), Inc.

Condominium Community (Quail Run), Inc.

Condominium Community (Truman Drive), Inc.

Consultants Corporation

Designed Contracts, Inc.

Dryer Associates, Inc.

Eastern National Title Insurance Agency, Inc.

Eastern Title Agency, Inc.

EXC, Inc.

Fortis Finance, Inc.

Fortis Homes, Inc.

Fortis Title, Inc.

Founders Title Agency, Inc.

Governor's Abstract Co., Inc.

Hexter Fair Land Title Company I Inc.

Homebuyer's Mortgage, Inc.

Housing-Home Sales, Inc.

Hovnanian at Tarpon Lakes I, Inc.

Hovnanian Developments of Florida, Inc.

Hovnanian Financial Services I, Inc.

Hovnanian Financial Services II, Inc.

Hovnanian Financial Services III, Inc.

Hovnanian Financial Services IV, Inc.

Hovnanian Pennsylvania, Inc.

Hovnanian Properties of Atlantic County, Inc.

Jersey City Danforth CSO, Inc.

K. Hov International, Inc.

Exact Name of Registrant As Specified In Its Charter

K. Hovnanian Acquisitions, Inc.

K. Hovnanian at Ashburn Village, Inc.

K. Hovnanian at Atlantic City, Inc.

K. Hovnanian at Estates, Inc.

K. Hovnanian at Barrington, Inc.

K. Hovnanian at Bedminster II, Inc.

K. Hovnanian at Bedminster, Inc.

K. Hovnanian at Belmont, Inc.

K. Hovnanian at Bernards II, Inc.

K. Hovnanian at Bernards III, Inc.

K. Hovnanian at Bernards IV, Inc.

K. Hovnanian at Branchburg I, Inc.

K. Hovnanian at Branchburg II, Inc.

K. Hovnanian at Branchburg III, Inc.

K. Hovnanian at Bridgeport, Inc.

K. Hovnanian at Bridgewater II, Inc.

K. Hovnanian at Bridgewater IV, Inc.

K. Hovnanian at Bridgewater V, Inc.

K. Hovnanian at Bridgewater VI, Inc.

K. Hovnanian at Bull Run, Inc.

K. Hovnanian at Burlington III, Inc.

K. Hovnanian at Burlington, Inc.

K. Hovnanian at Calabria, Inc.

K. Hovnanian at Cameron Chase, Inc.

K. Hovnanian at Carmel Del Mar, Inc.

K. Hovnanian at Carolina Country Club I, Inc.

K. Hovnanian at Carolina Country Club II, Inc.

K. Hovnanian at Carolina Country Club III, Inc.

K. Hovnanian at Castile, Inc.

K. Hovnanian at Cedar Grove I, Inc.

K. Hovnanian at Cedar Grove II, Inc.

K. Hovnanian at Chaparral, Inc.

K. Hovnanian at Clarkstown, Inc.

K. Hovnanian at Coconut Creek, Inc.

K. Hovnanian at Crestline, Inc.

K. Hovnanian at Crystal Springs, Inc.

K. Hovnanian at Dominguez, Inc.

Exact Name of Registrant As Specified In Its Charter

- K. Hovnanian at Dominion Ridge, Inc.
- K. Hovnanian at East Brunswick V, Inc.
- K. Hovnanian at East Brunswick VI, Inc.
- K. Hovnanian at East Brunswick VIII, Inc.
- K. Hovnanian at East Whiteland I, Inc.
- K. Hovnanian at Exeter Hills, Inc.
- K. Hovnanian at Fair Lakes Glen, Inc.
- K. Hovnanian at Fair Lakes, Inc.
- K. Hovnanian at Freehold Township, Inc.
- K. Hovnanian at Freehold Township I, Inc.
- K. Hovnanian at Ft. Myers I, Inc.
- K. Hovnanian at Ft. Myers II, Inc.
- K. Hovnanian at Great Notch, Inc. (formally K. Hovnanian at Berlin, Inc.)
- K. Hovnanian at Hackettstown, Inc.
- K. Hovnanian at Half Moon Bay, Inc.
- K. Hovnanian at Hampton Oaks, Inc.
- K. Hovnanian at Hanover, Inc.
- K. Hovnanian at Hershey's Mill, Inc. (a PA Corp)
- K. Hovnanian at Highland Vineyards, Inc.
- K. Hovnanian at Holly Crest, Inc.
- K. Hovnanian at Hopewell IV, Inc.
- K. Hovnanian at Hopewell V, Inc.
- K. Hovnanian at Hopewell VI, Inc.
- K. Hovnanian at Horizon Heights, Inc.
- K. Hovnanian at Howell Township, Inc.
- K. Hovnanian at Howell Township II, Inc.
- K. Hovnanian at Hunter Estates, Inc.
- K. Hovnanian at Jacksonville II, Inc.

K. Hovnanian at Jefferson, Inc.

K. Hovnanian at Jersey City I, Inc.

K. Hovnanian at Jersey City II, Inc.

K. Hovnanian at Jersey City III, Inc.

K. Hovnanian at Kings Grant I, Inc.

K. Hovnanian at Klockner Farms, Inc.

K. Hovnanian at La Terraza, Inc.

K. Hovnanian at La Trovata, Inc.

Exact Name of Registrant As Specified In Its Charter

- K. Hovnanian at Lakewood, Inc.
- K. Hovnanian at Lawrence V, Inc.
- K. Hovnanian at Lawrence Square, Inc.
- K. Hovnanian at Locust Grove I, Inc.
- K. Hovnanian at Lower Saucon II, Inc.
- K. Hovnanian at Lower Saucon, Inc.
- K. Hovnanian at Mahwah II, Inc.
- K. Hovnanian at Mahwah IV, Inc. (Whalepond)
- K. Hovnanian at Mahwah IX, Inc.
- K. Hovnanian at V, Inc.
- K. Hovnanian at Mahwah VI, Inc. (Norfolk)
- K. Hovnanian at Mahwah VII, Inc.
- K. Hovnanian at Mahwah VIII, Inc.
- K. Hovnanian at Manalapan II, Inc.
- K. Hovnanian at Manalapan, Inc.
- K. Hovnanian at Marlboro Township II, Inc.
- K. Hovnanian at Marlboro Township IV, Inc.
- K. Hovnanian of Marlboro Township VI, Inc.
- K. Hovnanian of Marlboro Township VII, NJ
- K. Hovnanian at Marlboro, III
- K. Hovnanian at Medford I, Inc.
- K. Hovnanian at Merrimack, Inc.
- K. Hovnanian of Metro DC South, Inc.
- K. Hovnanian at Montclair NJ, Inc.
- K. Hovnanian at Montclair, Inc.
- K. Hovnanian at Montgomery I, Inc.
- K. Hovnanian at Montville II, Inc.
- K. Hovnanian at Montville, Inc.
- K. Hovnanian at Newark I, Inc.

K. Hovnanian at Newark Urban Renewal Corporation I, Inc.

K. Hovnanian at Newark Urban Renewal Corporation IV, Inc.

K. Hovnanian at Newark Urban Renewal Corporation V, Inc.

K. Hovnanian at North Brunswick II, Inc.

K. Hovnanian at North Brunswick III, Inc.

K. Hovnanian at North Brunswick IV, Inc.

K. Hovnanian at Northern Westchester, Inc.

Exact Name of Registrant As Specified In Its Charter

- K. Hovnanian at Northlake, Inc.
- K. Hovnanian at Ocean Walk, Inc.
- K. Hovnanian at P.C. Properties, Inc.
- K. Hovnanian at Park Ridge, Inc.
- K. Hovnanian at Pasco I, Inc.
- K. Hovnanian at Pasco II, Inc.
- K. Hovnanian at Peekskill, Inc.
- K. Hovnanian at Pembroke Shores, Inc.
- K. Hovnanian at Perkiomen I, Inc.
- K. Hovnanian at Perkiomen II, Inc.
- K. Hovnanian at Plainsboro I, Inc.
- K. Hovnanian at Plainsboro II, Inc.
- K. Hovnanian at Plainsboro III, Inc.
- K. Hovnanian at Polo Trace, Inc.
- K. Hovnanian at Port Imperial North, Inc.
- K. Hovnanian Properties of East Brunswick II, Inc.
- K. Hovnanian at Princeton, Inc.
- K. Hovnanian at Rancho Christianitos, Inc.
- K. Hovnanian at Raritan I, Inc.
- K. Hovnanian at Readington II, Inc.
- K. Hovnanian at Reservoir Ridge, Inc.
- K. Hovnanian at River Oaks, Inc.
- K. Hovnanian at San Sevaine, Inc.
- K. Hovnanian at Saratoga, Inc.
- K. Hovnanian at Scotch Plains II, Inc.
- K. Hovnanian at Scotch Plains, Inc.
- K. Hovnanian at Seneca Crossing, Inc.
- K. Hovnanian at Smithville, Inc.
- K. Hovnanian at Smithville III, Inc.

K. Hovnanian at Somerset VIII, Inc.

K. Hovnanian at South Brunswick II, Inc.

K. Hovnanian at South Brunswick III, Inc.

K. Hovnanian at South Brunswick IV, Inc.

K. Hovnanian at South Brunswick V, Inc.

K. Hovnanian at South Brunswick, Inc.

K. Hovnanian at Spring Ridge, Inc.

K. Hovnanian at Stone Canyon, Inc.

Exact Name of Registrant As Specified In Its Charter

K. Hovnanian at Stonegate, Inc. (a CA Corporation)

K. Hovnanian at Stonegate, Inc. (a VA Corporation)

K. Hovnanian at Stony Point, Inc.

K. Hovnanian at Stuart Road, Inc.

K. Hovnanian at Sully Station, Inc.

K. Hovnanian at Summerwood, Inc.

K. Hovnanian at Sunsets, L.L.C.

K. Hovnanian at Sycamore, Inc.

K. Hovnanian at Tannery Hill, Inc.

K. Hovnanian at The Bluff, Inc.

K. Hovnanian at The Cedars, Inc.

K. Hovnanian at The Glen, Inc.

K. Hovnanian at the Reserve at Medford, Inc.

K. Hovnanian at Thornbury, Inc.

K. Hovnanian at Tierrasanta, Inc.

K. Hovnanian at Tuxedo, Inc.

K. Hovnanian of Union Township I, Inc.

K. Hovnanian at Upper Freehold Township I, Inc.

K. Hovnanian at Upper Makefield I, Inc.

K. Hovnanian at Upper Merion, Inc.

K. Hovnanian at Vail Ranch, Inc.

K. Hovnanian at Valleybrook II, Inc.

K. Hovnanian at Valleybrook, Inc.

K. Hovnanian at Wall Township II, Inc.

K. Hovnanian at Wall Township IV, Inc.

K. Hovnanian at Wall Township VI, Inc.

K. Hovnanian at Wall Township VII, Inc.

K. Hovnanian at Wall Township VIII, Inc.

K. Hovnanian at Wall Township, Inc.

K. Hovnanian at Washingtonville, Inc.

K. Hovnanian at Wayne III, Inc.

K. Hovnanian at Wayne IV, Inc.

K. Hovnanian at Wayne V, Inc.

K. Hovnanian at Wayne VI, Inc.

K. Hovnanian at Wayne VII, Inc.

K. Hovnanian at West Orange, Inc.

K. Hovnanian at Wildrose, Inc.

Exact Name of Registrant As Specified In Its Charter

- K. Hovnanian at Winston Trails, Inc.
- K. Hovnanian at Woodmont, Inc.
- K. Hovnanian Aviation, Inc.
- K. Hovnanian Companies Northeast, Inc.
- K. Hovnanian Companies of California, Inc.
- K. Hovnanian Companies of Florida, Inc.
- K. Hovnanian Companies of Maryland, Inc.
- K. Hovnanian Companies of Metro Washington, Inc.
- K. Hovnanian Companies of New York, Inc.
- K. Hovnanian Companies of North Carolina, Inc.
- K. Hovnanian Companies of Pennsylvania, Inc.
- K. Hovnanian Companies of Southern California, Inc.
- K. Hovnanian Construction Management, Inc.
- K. Hovnanian's Design Gallery, Inc.
- K. Hovnanian Developments of California, Inc.
- K. Hovnanian Developments of Maryland, Inc.
- K. Hovnanian Developments of Metro Washington, Inc.
- K. Hovnanian Developments of New Jersey, Inc.
- K. Hovnanian Developments of New York, Inc.
- K. Hovnanian Developments of Texas, Inc.
- K. Hovnanian Enterprises, Inc.
- K. Hovnanian Equities, Inc.
- K. Hovnanian Florida Division, Inc.
- K. Hovnanian Investment Properties of New Jersey, Inc.
- K. Hovnanian Investment Properties, Inc.
- K. Hovnanian Investments, Inc.
- K. Hovnanian Marine, Inc.
- K. Hovnanian Mortgage USA, Inc.
- K. Hovnanian Mortgage, Inc.

K. Hovnanian North Jersey Acquisitions, L.L.C.

K. Hovnanian Poland, SP .Z.O.O.

K. Hovnanian Port Imperial Urban Renewal, Inc.

K. Hovnanian Properties of East Brunswick, II, Inc.

K. Hovnanian Properties of Franklin, Inc.

K. Hovnanian Properties of Hamilton, Inc.

K. Hovnanian Properties of Lake Worth, Inc.

K. Hovnanian Properties of NB Theatre, Inc.

Exact Name of Registrant As Specified In Its Charter

K. Hovnanian Properties of Newark Urban Renewal Corporation, Inc.

K. Hovnanian Properties of North Brunswick II, Inc.

K. Hovnanian Properties of North Brunswick V, Inc.

K. Hovnanian Properties of North Center Drive, Inc.

K. Hovnanian Properties of Piscataway, Inc.

K. Hovnanian Properties of Red Bank, Inc.

K. Hovnanian Properties of Route 35, Inc.

K. Hovnanian Properties of Wall, Inc.

K. Hovnanian Real Estate Investment, Inc.

K. Hovnanian Real Estate of Florida, Inc.

K. Hovnanian Southeast Florida, Inc.

K. Hovnanian Southeast Region, Inc.

K. Hovnanian's Four Seasons of the Palm Beaches, Inc.

KHC Acquisition, Inc.

KHL, Inc.

Kings Grant Evesham Corp.

Landarama, Inc.

Matzel & Mumford of Delaware, Inc.

Minerva Group, Inc.

Molly Pitcher Construction Co., Inc.

New Fortis Mortgage, Inc.

New K. Hovnanian Developments of Florida, Inc.

Park Village Realty, Inc.

Parthenon Group, Inc.

Pine Brook Co., Inc.

Preston Grande Homes, Inc.

Que Corporation

Reflections of You Interiors, Inc.

Stonebrook Homes, Inc.

The Matzel & Mumford Organization, Inc.

The New Fortis Corporation

The Southampton Corporation

Tropical Service Builders, Inc.

Washington Homes of Delaware, Inc.

Washington Homes of West Virginia, Inc.

Washington Homes, Inc.

Washington Homes, Inc. of Virginia

Exact Name of Registrant As Specified In Its Charter

Westminster Homes (Charlotte), Inc.

Westminster Homes of Tennessee, Inc.

Westminster Homes, Inc.

WH Land I, Inc.

WH Land II, Inc.

WH Properties, Inc.

Arbor West, L.L.C.

Heritage Pines, L.L.C.

K. Hovnanian at Arbor Heights, L.L.C.

K. Hovnanian at Ashburn Village, L.L.C.

K. Hovnanian at Barnegat I, L.L.C.

K. Hovnanian at Berkeley, L.L.C.

K. Hovnanian at Bernards V, L.L.C.

K. Hovnanian at Blooms Crossing, L.L.C.

K. Hovnanian at Blue Heron Pines, L.L.C.

K. Hovnanian at Brenbrooke, L.L.C.

K. Hovnanian at Carmel Village, L.L.C.

K. Hovnanian at Cedar Grove III, L.L.C.

K. Hovnanian at Chester I, L.L.C.

K. Hovnanian at Clifton, L.L.C.

K. Hovnanian at Columbia Town Center, L.L.C.

K. Hovnanian at Cranbury, L.L.C.

K. Hovnanian at Curries Woods, L.L.C.

K. Hovnanian at Encinitas Ranch, L.L.C.

K. Hovnanian at Guttenberg, L.L.C.

K. Hovnanian at Hamburg, L.L.C.

K. Hovnanian at Hamburg Contractors, L.L.C.

K. Hovnanian at Jackson, L.L.C.

K. Hovnanian at Jersey City IV, L.L.C.

K. Hovnanian at Kent Island, L.L.C.

K. Hovnanian at Kincaid, L.L.C.

K. Hovnanian at King Farm, L.L.C.

K. Hovnanian at LaFayette Estates, L.L.C.

K. Hovnanian at Lake Ridge Crossing, L.L.C.

K. Hovnanian at Lake Terrapin, L.L.C.

K. Hovnanian at Lawrence V, L.L.C.

K. Hovnanian at Linwood, L.L.C.

Exact Name of Registrant As Specified In Its Charter

K. Hovnanian at Little Egg Harbor, L.L.C.

K. Hovnanian at Little Egg Harbor Contractors, L.L.C.

K. Hovnanian at Lower Moreland I, L.L.C.

K. Hovnanian at Lower Moreland II, L.L.C.

K. Hovnanian at Lower Saucon II, L.L.C.

K. Hovnanian at Mansfield I, LLC

K. Hovnanian at Mansfield II, LLC

K. Hovnanian at Mansfield III, L.L.C.

K. Hovnanian at Marlboro Township VIII, L.L.C.

K. Hovnanian at Marlboro VI, L.L.C.

K. Hovnanian at Marlboro VII, L.L.C.

K. Hovnanian at Menifee, L.L.C.

K. Hovnanian at Middletown, L.L.C.

K. Hovnanian at Mt. Olive Township, L.L.C.

K. Hovnanian at North Brunswick VI, L.L.C.

K. Hovnanian at North Haledon, L.L.C.

K. Hovnanian at Northampton, L.L.C.

K. Hovnanian at Northfield, L.L.C.

K. Hovnanian at Pacific Bluffs, L.L.C.

K. Hovnanian at Paramus, L.L.C.

K. Hovnanian at Park Lane, L.L.C.

K. Hovnanian at Prince William, L.L.C.

K. Hovnanian at Rancho Santa Margarita, L.L.C.

K. Hovnanian at Riverbend, L.L.C.

K. Hovnanian at Roderuck, L.L.C.

K. Hovnanian at Rowland Heights, L.L.C.

K. Hovnanian at Sayreville, L.L.C.

K. Hovnanian at South Amboy, L.L.C.

K. Hovnanian at South Bank, L.L.C.

K. Hovnanian at Spring Hill Road, L.L.C.

K. Hovnanian at St. Margarets, L.L.C.

K. Hovnanian at Sunsets, L.L.C.

K. Hovnanian at the Gables, L.L.C.

K. Hovnanian at Upper Freehold Township I, Inc.

K. Hovnanian at Upper Freehold Township II, Inc.

K. Hovnanian at Wanaque, L.L.C.

K. Hovnanian at Washington, L.L.C.

Exact Name of Registrant As Specified In Its Charter

K. Hovnanian at Wayne VIII, L.L.C.

K. Hovnanian at West Milford, L.L.C.

K. Hovnanian at West Windsor, L.L.C.

K. Hovnanian at Willow Brook, L.L.C.

K. Hovnanian at Winchester, L.L.C.

K. Hovnanian Central Acquisitions, L.L.C.

K. Hovnanian Companies of Metro D.C. North, L.L.C.

K. Hovnanian North Central Acquisitions, L.L.C.

K. Hovnanian North Jersey Acquisitions, L.L.C.

K. Hovnanian Shore Acquisitions, L.L.C.

K. Hovnanian South Jersey Acquisition, L.L.C.

K. Hovnanian's Four Seasons, L.L.C.

K. Hovnanian's Private Home Portfolio, L.L.C.

Kings Court at Montgomery, L.L.C.

Kings Crossing at Montgomery, L.L.C.

Knox Creek, L.L.C.

M&M at Apple Ridge, L.L.C.

M&M at Brookhill, L.L.C.

M&M at Heritage Woods, L.L.C.

M&M at the Highlands, L.L.C.

McKinley Court, L.L.C.

M&M at Morristown, L.L.C.

M&M at Roosevelt, L.L.C.

M&M at Sheridan, L.L.C.

M&M at Sparta, L.L.C.

M&M at Spinnaker Pointe, L.L.C.

M&M at Spruce Hollow, L.L.C.

M&M at Spruce Meadows, L.L.C.

M&M at Spruce Run, L.L.C.

Matzel & Mumford at Apple Ridge II, L.L.C.

Matzel & Mumford at Basking Ridge, L.L.C.

Matzel & Mumford at Cranbury Knoll, L.L.C.

Matzel & Mumford at Freehold, L.L.C.

Matzel & Mumford at Heritage Landing, L.L.C.

Matzel & Mumford at Montgomery, L.L.C.

Matzel & Mumford at Phillipsburg, L.L.C.

Matzel & Mumford at Piscataway, L.L.C.

Exact Name of Registrant As Specified In Its Charter

Matzel & Mumford at South Brunswick, L.L.C.

Matzel & Mumford at Tewksbury, L.L.C.

Matzel & Mumford at West Windsor, L.L.C.

Matzel & Mumford at White Oak Estates, L.L.C.

Matzel & Mumford at Willows Pond, L.L.C.

Matzel & Mumford at Woodland Crest, L.L.C.

Monticello Woods, L.L.C.

New Homebuyers Title Co. (Virginia) L.L.C.

New Homebuyers Title Company, L.L.C.

Shadow Creek, L.L.C.

Section 14 of the Hills, L.L.C.

The Landings at Spinnaker Pointe, L.L.C.

Title Group II, L.L.C.

Town Homes at Montgomery, L.L.C.

Westminster Homes of Alabama, L.L.C.

Westminster Homes of Mississippi, L.L.C.

Westwood Hills, L.L.C.

WH/PR Land Co., L.L.C.

Athena Portfolio Investors, L.P.

Beacon Manor Associates, L.P.

Galleria Mortgage, L.P.

Goodman Family Builders, L.P.

Goodman Mortgage Investors, L.P.

M&M Investments, L.P.

Parkway Development

Sovereign Group, L.P.

Washabama, L.P.

INDEX TO EXHIBITS

Exhibit Number -----	Description of Exhibits -----
**1.1	- Underwriting Agreement (Hovnanian Debt Securities and Warrants to Purchase Hovnanian Debt Securities).
**1.2	- Underwriting Agreement (K. Hovnanian Debt Securities and Warrants to Purchase K. Hovnanian Debt Securities).
**1.3	- Underwriting Agreement (Equity Securities and Warrants to Purchase Equity Securities).
**1.4	- Underwriting Agreement (Stock Purchase Contracts).
**1.5	- Underwriting Agreement (Stock Purchase Units).
*4.1	- Form of Hovnanian Debt Securities.
*4.2	- Form of K. Hovnanian Debt Securities.
4.3	- Form of Hovnanian Senior Debt Indenture (previously filed with this Registration Statement).
4.4	- Form of Hovnanian Senior Subordinated Debt Indenture (previously filed with this Registration Statement).
4.5	- Form of Hovnanian Subordinated Debt Indenture (previously filed with this Registration Statement).
4.6	- Form of K. Hovnanian Senior Debt Indenture (previously filed with this Registration Statement).
4.7	- Form of K. Hovnanian Senior Subordinated Debt Indenture (previously filed with this Registration Statement).
4.8	- Form of K. Hovnanian Subordinated Debt Indenture (previously filed with this Registration Statement).
*4.9	- Form of Warrant Agreement for Preferred Stock and Common Stock (including Form of Warrant Certificate).
*4.10	- Form of Warrant Agreement for Hovnanian Debt Securities (including form of Warrant Certificate).
*4.11	- Form of Warrant Agreement for K. Hovnanian Debt Securities (including form of Warrant Certificate).
4.12	- Form of Purchase Contract Agreement (including form of Purchase Contact Unit) (filed herewith).
5.1	- Opinion of Simpson Thacher & Bartlett (filed herewith).
5.2	- Opinion of Peter S. Reinhart, Senior Vice-President and General Counsel of Hovnanian and K. Hovnanian (filed herewith).
10.1	- Credit Agreement dated as of August 28, 2001, among K. Hovnanian, as Borrower, Hovnanian, as Guarantor, the banks listed therein, PNC Bank, National Association, as Administrative Agent, Bank of America, N.A., as Syndication Agent, Fleet National Bank, as Documentation Agent and PNC Captial Markets, LLC and Banc of America Securities, LLC, as Joint Lead Arrangers and Joint Book Runners (incorporated by reference to Exhibit 10 of Form 10-Q of Hovnanian filed September 14, 2001).
12.1	- Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Dividends (filed herewith).
23.1	- Consent of Ernst & Young LLP (filed herewith).
23.2	- Consent of Simpson Thacher & Bartlett (included in Exhibit 5.1).
23.3	- Consent of Peter S. Reinhart, Senior Vice-President and General Counsel of Hovnanian and K. Hovnanian (included in Exhibit 5.2).
24.1	- Powers of Attorney of Board of Directors of Hovnanian (previously filed with this Registration Statement).
24.2	- Powers of Attorney of Board of Directors of K. Hovnanian (previously filed with this Registration Statement).
24.3	- Powers of Attorney of Board of Directors of Subsidiary Registrants (previously filed with this Registration Statement).

Exhibit
Number

Description of Exhibits

-
- 24.4 - Power of Attorney of John J. Robbins (included on signature page of Hovnanian).
- 25.1 - Statement of Eligibility of Trustee under the Hovnanian Indentures (previously filed with this Registration Statement).
- 25.2 - Statement of Eligibility of Trustee under the K. Hovnanian Indentures (previously filed with this Registration Statement).
- * Incorporated by reference to exhibit of same number to Registration Statement No. 333-51991.
- ** To be incorporated by reference, as necessary, as an exhibit to one or more reports on Form 8-K.

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" in Amendment No. 1 to the Registration Statement (Form S-3 No. 333-68528) and related prospectus of Hovnanian Enterprises, Inc. (the "Company"), K. Hovnanian Enterprises, Inc. and certain subsidiaries of the Company for the registration of 7,643,312 shares of Class A Common Stock of the Company and \$376,000,000 of Preferred Stock, Class A Common Stock, Warrants to Purchase Preferred Stock, Warrants to Purchase Class A Common Stock, Debt Securities, Warrants to Purchase Debt Securities, Stock Purchase Contracts, Stock Purchase Units, Guaranteed Debt Securities and Guaranteed Warrants to Purchase Debt Securities and to the incorporation by reference therein of our report dated December 13, 2000 (except for Note 15, paragraph 4, as to which the date is January 23, 2001) with respect to the consolidated financial statements of the Company included in its Annual Report (Form 10-K) for the year ended October 31, 2000, filed with the Securities and Exchange Commission.

/s/Ernst & Young LLP

New York, New York
September 24, 2001

HOVNANIAN ENTERPRISES, INC.

and

as Purchase Contract Agent and Trustee

PURCHASE CONTRACT AGREEMENT

Dated as of

Reconciliation and Tie
between Trust Indenture Act
of 1939 and Purchase Contract
Agreement dated as of _____, [2001]

Section of
Trust Indenture Act
of 1939, as amended

Section of
Purchase Contract
Agreement

310 (a)	7.8
310 (b)	7.9(g), 11.8
310 (c)	Inapplicable
311 (a)	11.2 (b)
311 (b)	11.2 (b)
311 (c)	Inapplicable
312 (a)	11.2 (a)
312 (b)	11.2 (b)
313	11.3
314 (a)	11.4
314 (b)	Inapplicable
314 (c)	11.5
314 (d)	Inapplicable
314 (e)	1.2, 1.3, 11.5
314 (f)	11.1
315 (a)	7.1 (a)
315 (b)	7.2
315 (c)	7.1 (e)
315 (d)	7.1 (b)
316 (a)	11.6
316 (b)	6.1
316 (c)	11.2
317 (a)	Inapplicable
317 (b)	Inapplicable
318 (a)	11.1 (b)
318 (b)	11.1
318 (c)	11.1 (a)

Note: This reconciliation and tie shall not, for any purpose, be deemed to be a part of the Purchase Contract Agreement.

TABLE OF CONTENTS

PAGE

ARTICLE I Definitions and Other Provisions of General Application.....1

SECTION 1.1. Definitions.....1

SECTION 1.2. Compliance Certificates and Opinions.....7

SECTION 1.3. Form of Documents Delivered to Purchase Contract Agent.....8

SECTION 1.4. Acts of Holders; Record Dates.....8

SECTION 1.5. Notices to Purchase Contract Agent, Company, Collateral Agent or Guarantor.....9

SECTION 1.6. Notice to Holders; Waiver.....10

SECTION 1.7. Effect of Headings and Table of Contents.....10

SECTION 1.8. Successors and Assigns.....10

SECTION 1.9. Separability Clause.....10

SECTION 1.10. Benefits of Agreement.....10

SECTION 1.11. Governing Law.....11

SECTION 1.12. Legal Holidays.....11

SECTION 1.13. Counterparts.....11

SECTION 1.14. Inspection of Agreement.....11

SECTION 1.15. Appointment of Additional Agents.....11

ARTICLE II Certificate Forms.....11

SECTION 2.1. Forms of Certificates Generally.....11

SECTION 2.2. Form of Purchase Contract Agent's Certificate of Authentication.....12

ARTICLE III The Securities.....13

SECTION 3.1. Amount; Form and Denominations.....13

SECTION 3.2. Rights and Obligations Evidenced by the Certificates.....13

SECTION 3.3. Execution, Authentication, Delivery and Dating.....13

SECTION 3.4. Temporary Certificates.....14

SECTION 3.5. Registration; Registration of Transfer and Exchange.....14

SECTION 3.6. Book-Entry Interests.....15

SECTION 3.7. Notices to Holders.....16

SECTION 3.8. Appointment of Successor Depository.....16

SECTION 3.9. Definitive Certificates.....16

SECTION 3.10. Mutilated, Destroyed, Lost and Stolen Certificates.....16

SECTION 3.11. Persons Deemed Owners.....17

SECTION 3.12. Cancellation.....18

SECTION 3.13. Creation of Treasury SPC Units by Substitution of Treasury Securities.....18

SECTION 3.14. Reestablishment of SPC Units.....19

SECTION 3.15. Transfer of Collateral upon Occurrence of Termination Event.....20

SECTION 3.16. No Consent to Assumption.....21

ARTICLE IV The Notes [and Applicable Ownership Interest in the Treasury Portfolio].....21

SECTION 4.1. Interest Payments; Rights to Interest Payments Preserved..21

SECTION 4.2. [Deferral of Interest Payments.....21

SECTION 4.3. [Interest Rate Reset; Notice Relating to Cash Settlement..22

SECTION 4.4. Notice and Voting.....22

SECTION 4.5. [Distribution of Notes; Tax Event Redemption.....22

ARTICLE V The Purchase Contracts.....	23
SECTION 5.1. Purchase of Shares of Common Stock.....	23
SECTION 5.2. [Purchase Contract Payments.....	24
SECTION 5.3. [Deferral of Purchase Contract Payments.....	25
SECTION 5.4. Payment of Purchase Price.....	26
SECTION 5.5. Issuance of Shares of [Common Stock] [Preferred Stock]...	29
SECTION 5.6. Adjustment of Settlement Rate.....	30
SECTION 5.7. Notice of Adjustments and Certain Other Events.....	34
SECTION 5.8. Termination Event; Notice.....	35
SECTION 5.9. Early Settlement.....	35
SECTION 5.10. No Fractional Shares.....	37
SECTION 5.11. Charges and Taxes.....	37
ARTICLE VI Remedies.....	37
SECTION 6.1. Unconditional Right of Holders to Receive Purchase Contract Payments and to Purchase Shares of Common Stock.....	37
SECTION 6.2. Restoration of Rights and Remedies.....	37
SECTION 6.3. Rights and Remedies Cumulative.....	38
SECTION 6.4. Delay or Omission Not Waiver.....	38
SECTION 6.5. Undertaking for Costs.....	38
SECTION 6.6. Waiver of Stay or Extension Laws.....	38
ARTICLE VII The Purchase Contract Agent.....	38
SECTION 7.1. Certain Duties and Responsibilities.....	38
SECTION 7.2. Notice of Default.....	39
SECTION 7.3. Certain Rights of Purchase Contract Agent.....	39
SECTION 7.4. Not Responsible for Recitals or Issuance of Securities....	40
SECTION 7.5. May Hold Securities.....	40
SECTION 7.6. Money Held in Custody.....	40
SECTION 7.7. Compensation and Reimbursement.....	41
SECTION 7.8. Corporate Purchase Contract Agent Required; Eligibility...41	
SECTION 7.9. Resignation and Removal; Appointment of Successor.....	41
SECTION 7.10. Acceptance of Appointment by Successor.....	42
SECTION 7.11. Merger, Conversion, Consolidation or Succession to Business.....	42
SECTION 7.12. Preservation of Information; Communications to Holders...43	
SECTION 7.13. No Obligations of Purchase Contract Agent.....	43
SECTION 7.14. Tax Compliance.....	43
ARTICLE VIII Supplemental Agreements.....	43
SECTION 8.1. Supplemental Agreements Without Consent of Holders.....	43
SECTION 8.2. Supplemental Agreements With Consent of Holders.....	44
SECTION 8.3. Execution of Supplemental Agreements.....	45
SECTION 8.4. Effect of Supplemental Agreements.....	45
SECTION 8.5. Reference to Supplemental Agreements.....	45
ARTICLE IX Merger, Consolidation, Sale or Conveyance.....	45
SECTION 9.1. Covenant Not to Merge, Consolidate, Sell or Convey Property Except Under Certain Conditions.....	45
SECTION 9.2. Rights and Duties of Successor Corporation.....	46
SECTION 9.3. Officer's Certificate and Opinion of Counsel Given to Purchase Contract Agent.....	46

ARTICLE X Covenants.....46

SECTION 10.1. Performance Under Purchase Contracts.....46

SECTION 10.2. Maintenance of Office or Agency.....46

SECTION 10.3. Company to Reserve Common Stock and Preferred Stock.....47

SECTION 10.4. Covenants as to Common Stock and Preferred Stock.....47

SECTION 10.5. ERISA.....47

ARTICLE XI Trust Indenture Act.....47

SECTION 11.1. Trust Indenture Act; Application.....47

SECTION 11.2. Lists of Holders of Securities.....47

SECTION 11.3. Reports by the Purchase Contract Agent.....48

SECTION 11.4. Periodic Reports to Purchase Contract Agent.....48

SECTION 11.5. Evidence of Compliance with Conditions Precedent.....48

SECTION 11.6. Defaults; Waiver.....48

SECTION 11.7. Purchase Contract Agent's Knowledge of Defaults.....48

SECTION 11.8. Conflicting Interests.....48

SECTION 11.9. Direction of Purchase Contract Agent.....48

EXHIBITS

EXHIBIT A Form of SPC Units Certificate.....A-1

EXHIBIT B Form of Treasury SPC Units Certificate.....B-1

EXHIBIT C Instruction to Purchase Contract Agent.....C-1

EXHIBIT D Notice from Purchase Contract Agent to Holders
(Transfer of Collateral upon Occurrence of a
Termination Event).....D-1

EXHIBIT E Notice to Settle by Cash.....E-1

EXHIBIT F Notice from Purchase Contract Agent to Collateral Agent and
Indenture Trustee (Settlement of Purchase Contract
through Remarketing).....F-1

PURCHASE CONTRACT AGREEMENT, dated as of _____ ,
_____, between HOVNANIAN ENTERPRISES, INC., a Delaware corporation (the
"Company"), and _____, a _____ banking corporation,
acting as purchase contract agent, attorney-in-fact and trustee for the
Holders of Securities from time to time (the "Purchase Contract Agent").

RECITALS

The Company has duly authorized the execution and delivery of this Agreement and the Certificates evidencing the Securities.

All things necessary to make the Purchase Contracts, when the Certificates are executed by the Company and authenticated, executed on behalf of the Holders and delivered by the Purchase Contract Agent, as provided in this Agreement, the valid obligations of the Company, and to constitute these presents a valid agreement of the Company, in accordance with its terms, have been done.

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually agreed as follows:

ARTICLE I

Definitions and Other Provisions of General Application

SECTION 1.1. Definitions.

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(a) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular, and nouns and pronouns of the masculine gender include the feminine and neuter genders;

(b) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles in the United States;

(c) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section, Exhibit or other subdivision;

[(d) the following terms have the meanings given to them in the Trust Agreement: (i) Applicable Ownership Interest; (ii) Applicable Principal Amount; (iii) Guarantee; (iv) Primary Treasury Dealer; (v) Pro Rata; (vi) Quotation Agent; (vii) Redemption Amount; (viii) Redemption Price; (ix) Remarketing; (x) Tax Event Redemption; (xi) Tax Event Redemption Date; (xii) Two-Year Benchmark Treasury Rate; and (xiii) Treasury Portfolio; and]

(e) the following terms have the meanings given to them in this Section 1.1(e):

"Act" has the meaning, with respect to any Holder, set forth in Section 1.4.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified 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.

"Agreement" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more agreements supplemental hereto entered into pursuant to the applicable provisions hereof.

"Applicable Market Value" has the meaning set forth in Section 5.1.

"applicants" has the meaning set forth in Section 7.12(b).

"Authorized Officer" means the Chairman of the Board, the President, any Vice President, the Treasurer, any Assistant Treasurer or any other officer or agent of the Company duly authorized by the Board of Directors to act in respect of matters relating to this Agreement.

"Bankruptcy Code" means title 11 of the United States Code, or any other law of the United States that from time to time provides a uniform system of bankruptcy laws.

"Beneficial Owner" means, with respect to a Book-Entry Interest, a Person who is the beneficial owner of such Book-Entry Interest as reflected on the books of the Depository or on the books of a Person maintaining an account with such Depository (directly as a Depository Participant or as an indirect participant, in each case in accordance with the rules of such Depository).

"Board of Directors" means the board of directors of the Company or a duly authorized committee of that board.

"Board Resolution" means one or more resolutions of the Board of Directors, a copy of which has been certified by the Secretary or an Assistant Secretary of the Company, to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification and delivered to the Purchase Contract Agent.

"Book-Entry Interest" means a beneficial interest in a Global Certificate, registered in the name of a Depository or a nominee thereof, ownership and transfers of which shall be maintained and made through book entries by such Depository as described in Section 3.6.

"Business Day" means any day other than a Saturday or Sunday or a day on which banking institutions in New York, New York are authorized or required by law or executive order to remain closed or a day on which the Indenture Trustee is closed for business; provided that for purposes of the second paragraph of Section 1.12 only, the term "Business Day" shall also be deemed to exclude any day on which trading on the New York Stock Exchange, Inc. is closed or suspended.

"Cash Settlement" has the meaning set forth in Section 5.4(a)(i).

"Certificate" means a SPC Units Certificate or a Treasury SPC Units Certificate.

"Clearing Agency" means an organization registered as a "Clearing Agency" pursuant to Section 17A of the Exchange Act that is acting as a depository for the Securities and in whose name, or in the name of a nominee of that organization, shall be registered a Global Certificate and which shall undertake to effect book entry transfers and pledges of the Securities.

"Closing Price" has the meaning set forth in Section 5.1.

"Code" means the Internal Revenue Code of 1986, as amended.

"Collateral" has the meaning set forth in Section 1 of the Pledge Agreement.

"Collateral Account" has the meaning set forth in Section 1 of the Pledge Agreement.

"Collateral Agent" means _____, as Collateral Agent under the Pledge Agreement until a successor Collateral Agent shall have become such pursuant to the applicable provisions of the Pledge Agreement, and thereafter "Collateral Agent" shall mean the Person who is then the Collateral Agent thereunder.

"Collateral Substitution" has the meaning set forth in Section 3.13.

"Common Stock" means the Class A Common Stock, par value \$.01 per share, of the Company.

"Company" means the Person named as the "Company" in the first paragraph of this instrument until a successor shall have become such pursuant to the applicable provision of this Agreement, and thereafter "Company" shall mean such successor.

"Constituent Person" has the meaning set forth in Section 5.6(b)(1).

"Coupon Rate" means the percentage rate per annum at which each Note will bear interest.

"Current Market Price" has the meaning set forth in Section 5.6(a)(8).

"Default" means a default by the Company in any of its obligations under this Agreement and continuance of such default for a period of 90 days after there has been given, by registered or certified mail, to the Company by the Purchase Contract Agent or to the Company and the Purchase Contract Agent by the Holders of at least 25% of the Outstanding Purchase Contracts a written notice specifying such default and requiring that it be remedied and stating that such notice is a "Notice of Default" hereunder.

["Depository" means DTC, as depository for the Securities, until another Clearing Agency is designated to act as depository for the Securities as contemplated by Sections 3.6, 3.7, 3.8 and 3.9.]

"Depository Participant" means a broker, dealer, bank, other financial institution or other Person for whom from time to time the Depository effects book entry transfers and pledges of securities deposited with the Depository.

"DTC" means The Depository Trust Company, the initial Depository.

"Early Settlement" has the meaning set forth in Section 5.9(a).

"Early Settlement Amount" has the meaning set forth in Section 5.9(a).

"Early Settlement Date" has the meaning set forth in Section 5.9(a)(2).

"Early Settlement Rate" has the meaning set forth in Section 5.9(b).

"Early Settlement Week" has the meaning set forth in Section 5.6(b)(2).

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Exchange Act" means the Securities Exchange Act of 1934 and any statute successor thereto, in each case as amended from time to time, and the rules and regulations promulgated thereunder.

"Expiration Date" has the meaning set forth in Section 1.4(e).

["Expiration Time" has the meaning set forth in Section 5.6(a)(6).]

["Extension Period" has the meaning set forth in Section 4.2.]

"Failed Remarketing" has the meaning set forth in Section 5.4(b).

"Global Certificate" means a Certificate that evidences all or part of the Securities and is registered in the name of a Clearing Agency or a nominee thereof.

"Holder" means, with respect to a Security, the Person in whose name the Security evidenced by a SPC Units Certificate or a Treasury SPC Units Certificate is registered in the related SPC Units Register or the Treasury SPC Units Register, as the case may be.

"Indenture" means the Indenture, dated as of _____, _____, among the Company as Issuer, [_____ as Guarantor,] and _____, as Trustee, pursuant to which the Notes are to

be issued, as originally executed and delivered and as it may from time to time be supplemented and amended by one or more indentures supplemental thereto entered into pursuant to the applicable provisions thereof and shall include the terms of a particular series established as contemplated by Section ____ thereof.

"Indenture Trustee" means _____, as trustee under the Indenture, or any successor thereto.

"Issuer Order" or "Issuer Request" means a written order or request signed in the name of the Company by an Authorized Officer, and delivered to the Purchase Contract Agent.

"non-electing share" has the meaning set forth in Section 5.6(b).

"Notes" means the Notes due _____ issued under the Indenture, each bearing interest, payable on the Payment Dates, at the Coupon Rate until the Purchase Contract Settlement Date, and at the Reset Rate thereafter and substantially in the form of Exhibit __ hereto.

"NYSE" has the meaning set forth in Section 5.1.

"Officer's Certificate" means a certificate signed by an Authorized Officer.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel to the Company (and who may be an employee of the Company), and who shall be reasonably acceptable to the Purchase Contract Agent.

"Outstanding" means, with respect to any SPC Units or Treasury SPC Units and as of the date of determination, all SPC Units or Treasury SPC Units evidenced by Certificates theretofore authenticated, executed and delivered under this Agreement, except:

(1) If a Termination Event has occurred, (i) Treasury SPC Units and (ii) SPC Units for which the underlying Notes have been theretofore deposited with the Purchase Contract Agent in trust for the Holders of such SPC Units;

(2) SPC Units and Treasury SPC Units evidenced by Certificates theretofore cancelled by the Purchase Contract Agent or delivered to the Purchase Contract Agent for cancellation or deemed cancelled pursuant to the provisions of this Agreement; and

(3) SPC Units and Treasury SPC Units evidenced by Certificates in exchange for or in lieu of which other Certificates have been authenticated, executed on behalf of the Holder and delivered pursuant to this Agreement, other than any such Certificate in respect of which there shall have been presented to the Purchase Contract Agent proof satisfactory to it that such Certificate is held by a bona fide purchaser in whose hands the SPC Units or Treasury SPC Units evidenced by such Certificate are valid obligations of the Company;

provided, however, that in determining whether the Holders of the requisite number of the SPC Units or Treasury SPC Units have given any request, demand, authorization, direction, notice, consent or waiver hereunder, SPC Units or Treasury SPC Units owned by the Company or any Affiliate of the Company shall be disregarded and deemed not to be Outstanding Securities, except that, in determining whether the Purchase Contract Agent shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only SPC Units or Treasury SPC Units which a Responsible Officer of the Purchase Contract Agent knows to be so owned shall be so disregarded. SPC Units or Treasury SPC Units so owned that have been pledged in good faith may be regarded as Outstanding Securities if the pledgee establishes to the satisfaction of the Purchase Contract Agent the pledgee's right so to act with respect to such SPC Units or Treasury SPC Units and that the pledgee is not the Company or any Affiliate of the Company.

"Payment Date" means each February 16, May 16, August 16 and November 16, commencing _____, [2001].

"Permitted Investments" has the meaning set forth in Section 1 of the Pledge Agreement.

"Person" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint-stock company, limited liability company, trust, unincorporated organization or government or any agency or political subdivision thereof or any other entity of whatever nature.

["Plan" means an employee benefit plan that is subject to ERISA, a plan or individual retirement account that is subject to Section 4975 of the Code or any entity whose assets are considered assets of any such plan.]

"Pledge" means the pledge under the Pledge Agreement of the Notes, [or] the Treasury Securities, [or the appropriate Applicable Ownership Interest (as specified in clause (A) of the definition of such term) in the Treasury Portfolio] in [each] case constituting a part of the Securities.

"Pledge Agreement" means the Pledge Agreement, dated as of the date hereof, among the Company, the Collateral Agent, the Securities Intermediary and the Purchase Contract Agent, on its own behalf and as attorney-in-fact for the Holders from time to time of the Securities.

"Pledged Notes" has the meaning set forth in Section 1 of the Pledge Agreement.

"Predecessor Certificate" means a Predecessor SPC Units Certificate or a Predecessor Treasury SPC Units Certificate.

"Predecessor SPC Units Certificate" of any particular SPC Units Certificate means every previous SPC Units Certificate evidencing all or a portion of the rights and obligations of the Company and the Holder under the SPC Units evidenced thereby; and, for the purposes of this definition, any SPC Units Certificate authenticated and delivered under Section 3.10 in exchange for or in lieu of a mutilated, destroyed, lost or stolen SPC Units Certificate shall be deemed to evidence the same rights and obligations of the Company and the Holder as the mutilated, destroyed, lost or stolen SPC Units Certificate.

"Predecessor Treasury SPC Units Certificate" of any particular Treasury SPC Units Certificate means every previous Treasury SPC Units Certificate evidencing all or a portion of the rights and obligations of the Company and the Holder under the Treasury SPC Units evidenced thereby; and, for the purposes of this definition, any Treasury SPC Units Certificate authenticated and delivered under Section 3.10 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Treasury SPC Units Certificate shall be deemed to evidence the same rights and obligations of the Company and the Holder as the mutilated, destroyed, lost or stolen Treasury SPC Units Certificate.

"Preferred Stock" means the Preferred Stock, par value \$.01 per share, of the Company.

"Proceeds" has the meaning set forth in Section 1 of the Pledge Agreement.

"Purchase Contract" means, with respect to any Security, the contract forming a part of such Security and obligating the Company to (i) sell, and the Holder of such Security to purchase, shares of [Common Stock] [Preferred Stock] and (ii) pay the Holder Purchase Contract Payments on the terms and subject to the conditions set forth in Article Five hereof.

"Purchase Contract Agent" means the Person named as the "Purchase Contract Agent" in the first paragraph of this agreement until a successor Purchase Contract Agent shall have become such pursuant to the applicable provisions of this Agreement, and thereafter "Purchase Contract Agent" shall mean such Person.

"Purchase Contract Payments" means the payments payable by the Company on the Payment Dates in respect of each Purchase Contract, equal to ____% per annum of the Stated Amount.

"Purchase Contract Settlement Date" means _____.

"Purchase Contract Settlement Fund" has the meaning set forth in Section 5.5.

"Purchase Price" has the meaning set forth in Section 5.1.

["Purchased Shares" has the meaning set forth in Section 5.6(a)(6)].

"Record Date" for the Purchase Contract Payments payable on any Payment Date means, as to any Global Certificate, the Business Day next preceding such Payment Date, and as to any other Certificate, a day selected by the Company which shall be at least one Business Day but less than thirty (30) Business Days prior to such Payment Date and which shall correspond to the related record date for the Notes.

"Reference Dealer" means a dealer engaged in trading of convertible securities.

"Reference Price" has the meaning set forth in Section 5.1.

"Register" means the SPC Units Register and the Treasury SPC Units Register.

"Registrar" means the SPC Units Registrar and the Treasury SPC Units Registrar.

"Remarketing" has the meaning set forth in the Notes.

"Remarketing Agent" has the meaning set forth in Section 5.4(b).

"Remarketing Agreement" means the Remarketing Agreement, dated as of _____, between the Company and the Remarketing Agent, including any supplements thereto.

"Remarketing Fee" has the meaning set forth in Section 5.4(b).

"Reorganization Event" has the meaning set forth in Section 5.6(b).

"Reset Rate" means the Coupon Rate to be in effect for the Notes on and after the Purchase Contract Settlement Date, as determined in accordance with Section 4.3 and the form of Note included in Exhibit __ hereto.

"Responsible Officer" means, with respect to the Purchase Contract Agent, any officer of the Purchase Contract Agent assigned by the Purchase Contract Agent to administer its corporate trust matters.

"Securities Intermediary" means _____, as Securities Intermediary under the Pledge Agreement until a successor Securities Intermediary shall have become such pursuant to the applicable provisions of the Pledge Agreement, and thereafter "Securities Intermediary" shall mean such successor.

"Security" means a SPC Unit or a Treasury SPC Unit, as the case may be.

"Settlement Rate" has the meaning set forth in Section 5.1.

"SPC Unit" means a Security, initially issued in substantially the form set forth as Exhibit A hereto in the Stated Amount of [\$25], which represents (i) beneficial ownership by the Holder of one Note having a principal amount of [\$25,] [or an appropriate Applicable Ownership Interest in the Treasury Portfolio, as the case may be,] subject to the Pledge thereof pursuant to the Pledge Agreement, and (ii) the rights and obligations of the Holder thereof and the Company under one Purchase Contract [; provided, that the appropriate Applicable Ownership Interest (as specified in clause (A) of the definition of such term) in the Treasury Portfolio shall not be subject to the Pledge.]

"SPC Units Certificate" means a certificate evidencing the rights and obligations of a Holder in respect of the number of SPC Units specified on such certificate.

"SPC Units Register" and "SPC Units Registrar" have the respective meanings set forth in Section 3.5.

"Stated Amount" means [\$25].

"Stated Maturity" means, with respect to the Notes, _____.

"Termination Date" means the date, if any, on which a Termination Event occurs.

"Termination Event" means the occurrence of any of the following events:

(1) at any time on or prior to the Purchase Contract Settlement Date, a judgment, decree or court order shall have been entered granting relief under the Bankruptcy Code (or any similar applicable Federal or State law), adjudicating the Company to be insolvent, or approving as properly filed a petition seeking reorganization or liquidation of the Company, and, unless such judgment, decree or order shall have been entered within 60 days prior to the Purchase Contract Settlement Date, such decree or order shall have continued undischarged and unstayed for a period of 60 days;

(2) at any time on or prior to the Purchase Contract Settlement Date, a judgment, decree or court order for the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of the Company or of its property, or for the termination or liquidation of its affairs, shall have been entered, and, unless such judgment, decree or order shall have been entered within 60 days prior to the Purchase Contract Settlement Date, such judgment, decree or order shall have continued undischarged and unstayed for a period of 60 days; or

(3) at any time on or prior to the Purchase Contract Settlement Date, the Company shall file a petition for relief under the Bankruptcy Code (or any similar applicable Federal or State law), or shall consent to the filing of a bankruptcy proceeding against it, or shall file a petition or answer or consent seeking reorganization or liquidation under the Bankruptcy Code or any other similar applicable Federal or State law, or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency of it or of its property, or shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due.

"Threshold Appreciation Price" has the meaning set forth in Section 5.1.

"TIA" means the Trust Indenture Act of 1939, as amended from time to time, or any successor legislation.

"Trading Day" has the meaning set forth in Section 5.1.

"Treasury SPC Unit" means a Security, in substantially the form set forth as Exhibit B hereto, which represents (i) a [1/40] undivided beneficial ownership interest in a Treasury Security having a principal amount at maturity equal to \$1,000, subject to the Pledge thereof pursuant to the Pledge Agreement and (ii) the rights and obligations of the Holder thereof and the Company under one Purchase Contract.

"Treasury SPC Units Certificate" means a certificate evidencing the rights and obligations of a Holder in respect of the number of Treasury SPC Units specified on such certificate.

"Treasury SPC Units Register" and "Treasury SPC Units Registrar" have the respective meanings set forth in Section 3.5.

"Treasury Securities" means zero-coupon U.S. Treasury Securities (Cusip No. _____) which are the principal strip of the ____% U.S. Treasury Securities which mature on _____.

"Underwriting Agreement" means the Underwriting Agreement, dated _____, between the Company and _____.

SECTION 1.2. Compliance Certificates and Opinions.

Except as otherwise expressly provided by this Agreement, upon any application or request by the Company to the Purchase Contract Agent to take any action under any provision of this Agreement, the Company shall furnish to the Purchase Contract Agent an Officer's Certificate stating that all conditions precedent, if any, provided for in this Agreement relating to the proposed action have been complied with and, if requested by the Purchase Contract Agent, an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions

precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Agreement relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Agreement (other than compliance certificates required by Section 11.4 to the extent permitted by the TIA) shall include:

(1) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of each such individual, he or she has made such examination or investigation as is necessary to enable such individual to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

SECTION 1.3. Form of Documents Delivered to Purchase Contract Agent.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Agreement, they may, but need not, be consolidated and form one instrument.

SECTION 1.4. Acts of Holders; Record Dates.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Agreement to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Purchase Contract Agent and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Agreement and (subject to Section 7.1) conclusive in favor of the Purchase Contract Agent and the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved in any manner which the Purchase Contract Agent deems sufficient.

(c) The ownership of Securities shall be proved by the SPC Units Register or the Treasury SPC Units Register, as the case may be.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Security shall bind every future Holder of the same Security and the Holder of every Certificate evidencing such Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Purchase Contract Agent or the Company in reliance thereon, whether or not notation of such action is made upon such Certificate.

(e) The Company may set any date as a record date for the purpose of determining the Holders of Outstanding Securities entitled to give, make or take any request, demand, authorization, direction, notice, consent, waiver or other action provided or permitted by this Agreement to be given, made or taken by Holders of Securities. If any record date is set pursuant to this paragraph, the Holders of the Outstanding SPC Units and the Outstanding Treasury SPC Units, as the case may be, on such record date, and no other Holders, shall be entitled to take the relevant action with respect to the SPC Units or the Treasury SPC Units, as the case may be, whether or not such Holders remain Holders after such record date; provided that no such action shall be effective hereunder unless taken prior to or on the applicable Expiration Date by Holders of the requisite number of Outstanding Securities on such record date. Nothing contained in this paragraph shall be construed to prevent the Company from setting a new record date for any action for which a record date has previously been set pursuant to this paragraph (whereupon the record date previously set shall automatically and with no action by any Person be cancelled and be of no effect), and nothing contained in this paragraph shall be construed to render ineffective any action taken by Holders of the requisite number of Outstanding Securities on the date such action is taken. Promptly after any record date is set pursuant to this paragraph, the Company, at its own expense, shall cause notice of such record date, the proposed action by Holders and the applicable Expiration Date to be given to the Purchase Contract Agent in writing and to each Holder of Securities in the manner set forth in Section 1.6.

With respect to any record date set pursuant to this Section, the Company may designate any date as the "Expiration Date" and from time to time may change the Expiration Date to any earlier or later day; provided that no such change shall be effective unless notice of the proposed new Expiration Date is given to the Purchase Contract Agent in writing, and to each Holder of Securities in the manner set forth in Section 1.6, prior to or on the existing Expiration Date. If an Expiration Date is not designated with respect to any record date set pursuant to this Section, the Company shall be deemed to have initially designated the 180th day after such record date as the Expiration Date with respect thereto, subject to its right to change the Expiration Date as provided in this paragraph. Notwithstanding the foregoing, no Expiration Date shall be later than the 180th day after the applicable record date.

SECTION 1.5. Notices to Purchase Contract Agent, Company or Collateral Agent.

Any notice or communication is duly given if in writing and delivered in Person or mailed by first-class mail (registered or certified, return receipt requested), telecopier (with receipt confirmed) or overnight air courier guaranteeing next day delivery, to the other's address; provided that notice shall be deemed given to the Purchase Contract Agent only upon receipt thereof:

If to the Purchase Contract Agent:

[name]
[address]

Telecopier No.: [number]
Attention: [name]

If to the Company:

Hovnanian Enterprises, Inc.
10 Highway 35

P.O. Box 500
Red Bank, New Jersey 07701
Telecopier No.: [number]
Attention: [name]

If to the Collateral Agent:

[name]
[address]

Telecopier No.: [number]
Attention: [name]

If to the Indenture Trustee:

[name]
[address]

Telecopier No.: [number]
Attention: [name]

SECTION 1.6. Notice to Holders; Waiver.

Where this Agreement provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at its address as it appears in the applicable Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Where this Agreement provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Purchase Contract Agent, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice by mail, then such notification as shall be made with the approval of the Purchase Contract Agent shall constitute a sufficient notification for every purpose hereunder.

SECTION 1.7. Effect of Headings and Table of Contents.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 1.8. Successors and Assigns.

All covenants and agreements in this Agreement by the Company and the Purchase Contract Agent shall bind their respective successors and assigns, whether so expressed or not.

SECTION 1.9. Separability Clause.

In case any provision in this Agreement or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof and thereof shall not in any way be affected or impaired thereby.

SECTION 1.10. Benefits of Agreement.

Nothing contained in this Agreement or in the Securities, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder and, to the extent provided hereby, the Holders, any benefits or any legal or equitable right, remedy or claim under this Agreement. The Holders from time to time shall be beneficiaries of this Agreement and shall be bound by all of the terms and conditions hereof and of the Securities evidenced by their Certificates by their acceptance of delivery of such Certificates.

SECTION 1.11. Governing Law.

This Agreement and the Securities shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 1.12. Legal Holidays.

In any case where any Payment Date shall not be a Business Day, notwithstanding any other provision of this Agreement or the SPC Units Certificates or the Treasury SPC Units Certificates, Purchase Contract Payments shall not be made on such date, but shall be made on the next succeeding Business Day with the same force and effect as if made on such Payment Date, provided that no interest shall accrue or be payable by the Company or any Holder for the period from and after any such Payment Date, except that, if such next succeeding Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day with the same force and effect as if made on such Payment Date.

In any case where any Purchase Contract Settlement Date shall not be a Business Day, notwithstanding any other provision of this Agreement, the SPC Units Certificates or the Treasury SPC Units Certificates, the Purchase Contracts shall not be performed on such date, but the Purchase Contracts shall be performed on the immediately following Business Day with the same force and effect as if performed on the Purchase Contract Settlement Date.

SECTION 1.13. Counterparts.

This Agreement may be executed in any number of counterparts by the parties hereto on separate counterparts, each of which, when so executed and delivered, shall be deemed an original, but all such counterparts shall together constitute one and the same instrument.

SECTION 1.14. Inspection of Agreement.

A copy of this Agreement shall be available at all reasonable times during normal business hours at the Corporate Trust Office for inspection by any Holder.

SECTION 1.15. Appointment of Additional Agents.

The Company may appoint a financial institution (which may be the Collateral Agent) to act as its agent in performing its obligations and in accepting and enforcing performance of the obligations of the Purchase Contract Agent and the Holders, under this Agreement and the Purchase Contracts. Any such appointment shall not relieve the Company in any way from its obligations hereunder.

ARTICLE II

Certificate Forms

SECTION 2.1. Forms of Certificates Generally.

The SPC Units Certificates (including the form of Purchase Contract forming part of each SPC Unit evidenced thereby) shall be in substantially the form set forth in Exhibit A hereto, with such letters, numbers or other marks of identification or designation and such legends or endorsements printed, lithographed or engraved thereon as may be required by the rules of any securities exchange on which the SPC Units are listed or any depositary therefor, or as may, consistently herewith, be determined by the officers of the Company executing such SPC Units Certificates, as evidenced by their execution of the SPC Units Certificates.

The definitive SPC Units Certificates shall be printed, lithographed or engraved on steel engraved borders or may be produced in any other manner, all as determined by the officers of the Company executing the SPC Units evidenced by such SPC Units Certificates, consistent with the provisions of this Agreement, as evidenced by their execution thereof.

The Treasury SPC Units Certificates (including the form of Purchase Contract forming part of each Treasury SPC Unit evidenced thereby) shall be in substantially the form set forth in Exhibit B hereto, with such letters, numbers or other marks of identification or designation and such legends or endorsements printed, lithographed or engraved thereon as may be required by the rules of any securities exchange on which the Treasury SPC Units may be listed or any depositary therefor, or as may, consistently herewith, be determined by the officers of the Company executing such Treasury SPC Units Certificates, as evidenced by their execution of the Treasury SPC Units Certificates.

The definitive Treasury SPC Units Certificates shall be printed, lithographed or engraved on steel engraved borders or may be produced in any other manner, all as determined by the officers of the Company executing the Treasury SPC Units evidenced by such Treasury SPC Units Certificates, consistent with the provisions of this Agreement, as evidenced by their execution thereof.

Every Global Certificate authenticated, executed on behalf of the Holders and delivered hereunder shall bear a legend in substantially the following form:

"THIS CERTIFICATE IS A GLOBAL CERTIFICATE WITHIN THE MEANING OF THE PURCHASE CONTRACT AGREEMENT HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF THE DEPOSITARY TRUST COMPANY, A NEW YORK CORPORATION (THE "DEPOSITARY"), OR A NOMINEE OF THE DEPOSITARY. THIS CERTIFICATE IS EXCHANGEABLE FOR CERTIFICATES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITARY OR ITS NOMINEE ONLY IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE PURCHASE CONTRACT AGREEMENT AND NO TRANSFER OF THIS CERTIFICATE (OTHER THAN A TRANSFER OF THIS CERTIFICATE AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY) MAY BE REGISTERED EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE PURCHASE CONTRACT AGREEMENT.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REQUESTED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REGISTERED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN."

SECTION 2.2. Form of Purchase Contract Agent's Certificate of Authentication.

The form of the Purchase Contract Agent's certificate of authentication of the SPC Units shall be in substantially the form set forth on the form of SPC Units Certificate set forth as Exhibit A hereto.

The form of the Purchase Contract Agent's certificate of authentication of the Treasury SPC Units shall be in substantially the form set forth on the form of Treasury SPC Units Certificate set forth as Exhibit B hereto.

ARTICLE III

The Securities

SECTION 3.1. Amount; Form and Denominations.

The aggregate number of Securities evidenced by Certificates authenticated, executed on behalf of the Holders and delivered hereunder is limited to _____ (including _____ relating to the Underwriters' over-allotment option), except for Certificates authenticated, executed and delivered upon registration of transfer of, in exchange for, or in lieu of, other Certificates pursuant to Section 3.4, 3.5, 3.10, 3.12, 3.13, 3.14, 5.9 or 8.5.

The Certificates shall be issuable only in registered form and only in denominations of a single SPC Unit or Treasury SPC Unit and any integral multiple thereof.

SECTION 3.2. Rights and Obligations Evidenced by the Certificates.

Each SPC Units Certificate shall evidence the number of SPC Units specified therein, with each such SPC Unit representing (1) the ownership by the Holder thereof of a beneficial interest in one Note having a principal amount of [\$25] [or the Applicable Ownership Interest in the Treasury Portfolio, as the case may be,] subject to the Pledge of such Note or Applicable Ownership Interest (as specified in clause (A) of the definition of such term) in the Treasury Portfolio, as the case may be] by such Holder pursuant to the Pledge Agreement, and (2) the rights and obligations of the Holder thereof and the Company under one Purchase Contract. The Purchase Contract Agent as attorney-in-fact for, and on behalf of, the Holder of each SPC Unit shall pledge, pursuant to the Pledge Agreement, the Note [or Applicable Ownership Interest (as specified in clause (A) of the definition of such term) in the Treasury Portfolio, as the case may be,] forming a part of such SPC Unit, to the Collateral Agent and grant to the Collateral Agent a security interest in the right, title and interest of such Holder in such Note [or Applicable Ownership Interest (as specified in clause (A) of the definition of such term) in the Treasury Portfolio, as the case may be] for the benefit of the Company, to secure the obligation of the Holder under each Purchase Contract to purchase shares of Common Stock. Prior to the purchase of shares of Common Stock under each Purchase Contract, such Purchase Contracts shall not entitle the Holder of a SPC Units Certificate to any of the rights of a holder of shares of Common Stock, including, without limitation, the right to vote or receive any dividends or other payments or to consent or to receive notice as a shareholder in respect of the meetings of shareholders or for the election of directors of the Company or for any other matter, or any other rights whatsoever as a shareholder of the Company.

Upon the formation of a Treasury SPC Unit pursuant to Section 3.13, each Treasury SPC Units Certificate shall evidence the number of Treasury SPC Units specified therein, with each such Treasury SPC Unit representing (1) the ownership by the Holder thereof of a [1/40] undivided beneficial ownership interest in a Treasury Security with a principal amount at maturity equal to \$1,000, subject to the Pledge of such Treasury Security by such Holder pursuant to the Pledge Agreement, and (2) the rights and obligations of the Holder thereof and the Company under one Purchase Contract. The Purchase Contract Agent as attorney-in-fact for, and on behalf of, the Holder of each Treasury SPC Unit shall pledge, pursuant to the Pledge Agreement, each Treasury Security or portion thereof forming a part of such Treasury SPC Unit, to the Collateral Agent and grant to the Collateral Agent a security interest in the right, title and interest of such Holder in such Treasury Security for the benefit of the Company, to secure the obligation of the Holder under each Purchase Contract to purchase shares of Common Stock. Prior to the purchase of shares of Common Stock under each Purchase Contract, such Purchase Contracts shall not entitle the Holder of a Treasury SPC Units Certificate to any of the rights of a holder of shares of Common Stock, including, without limitation, the right to vote or receive any dividends or other payments or to consent or to receive notice as a shareholder in respect of the meetings of shareholders or for the election of directors of the Company or for any other matter, or any other rights whatsoever as a shareholder of the Company.

SECTION 3.3. Execution, Authentication, Delivery and Dating.

Subject to the provisions of Sections 3.13 and 3.14 hereof, upon the execution and delivery of this Agreement, and at any time and from time to time thereafter, the Company may deliver Certificates executed by the Company to the Purchase Contract Agent for authentication, execution on behalf of the Holders and delivery, together with its Issuer Order for authentication of such Certificates, and the Purchase Contract Agent in accordance with such Issuer Order shall authenticate, execute on behalf of the Holders and deliver such Certificates.

The Certificates shall be executed on behalf of the Company by one of its Authorized Officers. The signature of any Authorized Officer on the Certificates may be manual or facsimile.

Certificates bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Certificates or did not hold such offices at the date of such Certificates.

No Purchase Contract evidenced by a Certificate shall be valid until such Certificate has been executed on behalf of the Holder by the manual signature of an authorized officer of the Purchase Contract Agent, as such Holder's attorney-in-fact. Such signature by an authorized officer of the Purchase Contract Agent shall be conclusive evidence that the Holder of such Certificate has entered into the Purchase Contracts evidenced by such Certificate.

Each Certificate shall be dated the date of its authentication.

No Certificate shall be entitled to any benefit under this Agreement or be valid or obligatory for any purpose unless there appears on such Certificate a certificate of authentication substantially in the form provided for herein executed by an authorized officer of the Purchase Contract Agent by manual signature, and such certificate upon any Certificate shall be conclusive evidence, and the only evidence, that such Certificate has been duly authenticated and delivered hereunder.

SECTION 3.4. Temporary Certificates.

Pending the preparation of definitive Certificates, the Company shall execute and deliver to the Purchase Contract Agent, and the Purchase Contract Agent shall authenticate, execute on behalf of the Holders, and deliver, in lieu of such definitive Certificates, temporary Certificates which are in substantially the form set forth in Exhibit A or Exhibit B hereto, as the case may be, with such letters, numbers or other marks of identification or designation and such legends or endorsements printed, lithographed or engraved thereon as may be required by the rules of any securities exchange on which the SPC Units or Treasury SPC Units, as the case may be, are listed, or as may, consistently herewith, be determined by the officers of the Company executing such Certificates, as evidenced by their execution of the Certificates.

If temporary Certificates are issued, the Company will cause definitive Certificates to be prepared without unreasonable delay. After the preparation of definitive Certificates, the temporary Certificates shall be exchangeable for definitive Certificates upon surrender of the temporary Certificates at the Corporate Trust Office, at the expense of the Company and without charge to the Holder. Upon surrender for cancellation of any one or more temporary Certificates, the Company shall execute and deliver to the Purchase Contract Agent, and the Purchase Contract Agent shall authenticate, execute on behalf of the Holder, and deliver in exchange therefor, one or more definitive Certificates of like tenor and denominations and evidencing a like number of SPC Units or Treasury SPC Units, as the case may be, as the temporary Certificate or Certificates so surrendered. Until so exchanged, the temporary Certificates shall in all respects evidence the same benefits and the same obligations with respect to the SPC Units or Treasury SPC Units, as the case may be, evidenced thereby as definitive Certificates.

SECTION 3.5. Registration; Registration of Transfer and Exchange.

The Purchase Contract Agent shall keep at the Corporate Trust Office a register (the "SPC Units Register") in which, subject to such reasonable regulations as it may prescribe, the Purchase Contract Agent shall provide for the registration of SPC Units Certificates and of transfers of SPC Units Certificates (the Purchase Contract Agent, in such capacity, the "SPC Units Registrar") and a register (the "Treasury SPC Units Register") in which, subject to such reasonable regulations as it may prescribe, the Purchase Contract Agent shall provide for the

registration of the Treasury SPC Units Certificates and of transfers of Treasury SPC Units Certificates (the Purchase Contract Agent, in such capacity, the "Treasury SPC Units Registrar").

Upon surrender for registration of transfer of any Certificate at the Corporate Trust Office, the Company shall execute and deliver to the Purchase Contract Agent, and the Purchase Contract Agent shall authenticate, execute on behalf of the designated transferee or transferees, and deliver, in the name of the designated transferee or transferees, one or more new Certificates of any authorized denominations, like tenor, and evidencing a like number of SPC Units or Treasury SPC Units, as the case may be.

At the option of the Holder, Certificates may be exchanged for other Certificates, of any authorized denominations and evidencing a like number of SPC Units or Treasury SPC Units, as the case may be, upon surrender of the Certificates to be exchanged at the Corporate Trust Office. Whenever any Certificates are so surrendered for exchange, the Company shall execute and deliver to the Purchase Contract Agent, and the Purchase Contract Agent shall authenticate, execute on behalf of the Holder, and deliver the Certificates that the Holder making the exchange is entitled to receive.

All Certificates issued upon any registration of transfer or exchange of a Certificate shall evidence the ownership of the same number of SPC Units or Treasury SPC Units, as the case may be, and be entitled to the same benefits and subject to the same obligations, under this Agreement as the SPC Units or Treasury SPC Units, as the case may be, evidenced by the Certificate surrendered upon such registration of transfer or exchange.

Every Certificate presented or surrendered for registration of transfer or exchange shall (if so required by the Purchase Contract Agent) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Purchase Contract Agent duly executed, by the Holder thereof or its attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange of a Certificate, but the Company and the Purchase Contract Agent may require payment from the Holder of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Certificates, other than any exchanges pursuant to Sections 3.6 and 8.5 not involving any transfer.

Notwithstanding the foregoing, the Company shall not be obligated to execute and deliver to the Purchase Contract Agent, and the Purchase Contract Agent shall not be obligated to authenticate, execute on behalf of the Holder and deliver any Certificate in exchange for any other Certificate presented or surrendered for registration of transfer or for exchange during the period commencing on the Business Day immediately preceding the Purchase Contract Settlement Date and ending on such Purchase Contract Settlement Date, or on or after the Termination Date. In lieu of delivery of a new Certificate, upon satisfaction of the applicable conditions specified above in this Section and receipt of appropriate registration or transfer instructions from such Holder, the Purchase Contract Agent shall:

(1) if the Purchase Contract Settlement Date has occurred, deliver the shares of [Common Stock] [Preferred Stock] issuable in respect of the Purchase Contracts forming a part of the Securities evidenced by such other Certificate; or

(2) if a Termination Event shall have occurred prior to the Purchase Contract Settlement Date, transfer the Notes, Treasury Securities [or the appropriate Applicable Ownership Interest in the Treasury Portfolio,] as the case may be, evidenced thereby, in each case subject to the applicable conditions and in accordance with the applicable provisions of Article Five hereof.

SECTION 3.6. Book-Entry Interests.

The Certificates, on original issuance, will be issued in the form of one or more fully registered Global Certificates, to be delivered to the Depositary by, or on behalf of, the Company. Such Global Certificate shall initially be registered on the books and records of the Company in the name of Cede & Co., the nominee of the initial Depositary, DTC, and no Beneficial Owner will receive a definitive Certificate representing such Beneficial Owner's interest in such Global Certificate, except as provided in Section 3.9. The Purchase Contract Agent shall

enter into an agreement with the Depository if so requested by the Company. Unless and until definitive, fully registered Certificates have been issued to Beneficial Owners pursuant to Section 3.9:

(1) the provisions of this Section 3.6 shall be in full force and effect;

(2) the Company shall be entitled to deal with the Depository for all purposes of this Agreement (including making Purchase Contract Payments and receiving approvals, votes or consents hereunder) as the Holder of the Securities and the sole holder of the Global Certificates and shall have no obligation to the Beneficial Owners;

(3) to the extent that the provisions of this Section 3.6 conflict with any other provisions of this Agreement, the provisions of this Section 3.6 shall control; and

(4) the rights of the Beneficial Owners shall be exercised only through the Clearing Agency and shall be limited to those established by law and agreements between such Beneficial Owners and the Depository or the Depository Participants.

SECTION 3.7. Notices to Holders.

Whenever a notice or other communication to the Holders is required to be given under this Agreement, the Company or the Company's agent shall give such notices and communications to the Holders and, with respect to any Securities registered in the name of the Depository or the nominee of the Depository, the Company or the Company's agent shall, except as set forth herein, have no obligations to the Beneficial Owners.

SECTION 3.8. Appointment of Successor Depository.

If the Depository elects to discontinue its services as securities depository with respect to the Securities, the Company may, in its sole discretion, appoint a successor Depository to act as Depository with respect to the Securities.

SECTION 3.9. Definitive Certificates.

If:

(1) the Depository elects to discontinue its services as securities depository with respect to the Securities or ceases to be a Clearing Agency and a successor Depository is not appointed within 90 days after such discontinuance pursuant to Section 3.8 or such cessation; or

(2) the Company elects to terminate the book-entry system through the Depository with respect to the Securities,

then upon surrender of the Global Certificates representing the Securities by the Depository, accompanied by registration instructions, the Company shall cause definitive Certificates to be delivered to Beneficial Owners in accordance with the instructions of the Depository. The Company and the Purchase Contract Agent shall not be liable for any delay in delivery of such instructions and may conclusively rely on and shall be protected in relying on, such instructions.

SECTION 3.10. Mutilated, Destroyed, Lost and Stolen Certificates.

If any mutilated Certificate is surrendered to the Purchase Contract Agent, the Company shall execute and deliver to the Purchase Contract Agent, and the Purchase Contract Agent shall authenticate, execute on behalf of the Holder, and deliver in exchange therefor, a new Certificate, evidencing the same number of SPC Units or Treasury SPC Units, as the case may be, and bearing a Certificate number not contemporaneously outstanding.

If there shall be delivered to the Company and the Purchase Contract Agent (i) evidence to their satisfaction of the destruction, loss or theft of any Certificate, and (ii) such security or indemnity as may be required by them to hold each of them and any agent of any of them harmless, then, in the absence of notice to the Company

or the Purchase Contract Agent that such Certificate has been acquired by a bona fide purchaser, the Company shall execute and deliver to the Purchase Contract Agent, and the Purchase Contract Agent shall authenticate, execute on behalf of the Holder, and deliver to the Holder, in lieu of any such destroyed, lost or stolen Certificate, a new Certificate, evidencing the same number of SPC Units or Treasury SPC Units, as the case may be, and bearing a Certificate number not contemporaneously outstanding.

Notwithstanding the foregoing, the Company shall not be obligated to execute and deliver to the Purchase Contract Agent, and the Purchase Contract Agent shall not be obligated to authenticate, execute on behalf of the Holder, and deliver to the Holder, a Certificate during the period commencing on the Business Day immediately preceding the Purchase Contract Settlement Date and ending on such Purchase Contract Settlement Date or on or after the Termination Date. In lieu of delivery of a new Certificate, upon satisfaction of the applicable conditions specified above in this Section and receipt of appropriate registration or transfer instructions from such Holder, the Purchase Contract Agent shall:

(1) if the Purchase Contract Settlement Date has occurred, deliver the shares of [Common Stock] [Preferred Stock] issuable in respect of the Purchase Contracts forming a part of the Securities evidenced by such Certificate; or

(2) if a Termination Event shall have occurred prior to the Purchase Contract Settlement Date, transfer the Notes, the Treasury Securities [or the appropriate Applicable Ownership Interest (as specified in clause (A) of the definition of such term) in the Treasury Portfolio,] as the case may be, evidenced thereby, in each case subject to the applicable conditions and in accordance with the applicable provisions of Article Five hereof.

Upon the issuance of any new Certificate under this Section, the Company and the Purchase Contract Agent may require the payment by the Holder of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Purchase Contract Agent) connected therewith.

Every new Certificate issued pursuant to this Section in lieu of any destroyed, lost or stolen Certificate shall constitute an original additional contractual obligation of the Company and of the Holder in respect of the Security evidenced thereby, whether or not the destroyed, lost or stolen Certificate (and the Securities evidenced thereby) shall be at any time enforceable by anyone, and shall be entitled to all the benefits and be subject to all the obligations of this Agreement equally and proportionately with any and all other Certificates delivered hereunder.

The provisions of this Section are exclusive and shall preclude, to the extent lawful, all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Certificates.

SECTION 3.11. Persons Deemed Owners.

Prior to due presentment of a Certificate for registration of transfer, the Company and the Purchase Contract Agent, and any agent of the Company or the Purchase Contract Agent, may treat the Person in whose name such Certificate is registered as the owner of the SPC Units or Treasury SPC Units evidenced thereby, for the purpose of receiving interest payments on the Notes, [Treasury Securities or on the maturing quarterly interest strips of the Treasury Portfolio, as applicable,] receiving Purchase Contract Payments, performance of the Purchase Contracts and for all other purposes whatsoever, whether or not any interest payments on the Notes [, Treasury Securities or on the maturing quarterly interest strips of the Treasury Portfolio, as applicable] or Purchase Contract Payments payable in respect of the Purchase Contracts constituting a part of the SPC Units or Treasury SPC Units evidenced thereby shall be overdue and notwithstanding any notice to the contrary, and neither the Company nor the Purchase Contract Agent, nor any agent of the Company or the Purchase Contract Agent, shall be affected by notice to the contrary.

Notwithstanding the foregoing, with respect to any Global Certificate, nothing contained herein shall prevent the Company, the Purchase Contract Agent or any agent of the Company or the Purchase Contract Agent, treating the Depository as the sole Holder of such Global Certificate, from giving effect to any written certification, proxy or other authorization furnished by the Depository (or its nominee), as a Holder, with respect to

such Global Certificate or impair, as between the Depositary and owners of beneficial interests in such Global Certificate, the operation of customary practices governing the exercise of rights of the Depositary (or its nominee) as Holder of such Global Certificate.

SECTION 3.12. Cancellation.

All Certificates surrendered for delivery of shares of [Common Stock] [Preferred Stock] on or after the Purchase Contract Settlement Date, upon the transfer of Notes [, the appropriate Applicable Ownership Interest (as specified in clause (A) of the definition of such term) in the Treasury Portfolio] or Treasury Securities, as the case may be, after the occurrence of a Termination Event or pursuant to an Early Settlement, or upon the registration of transfer or exchange of a Security, or a Collateral Substitution or the reestablishment of SPC Units shall, if surrendered to any Person other than the Purchase Contract Agent, be delivered to the Purchase Contract Agent and, if not already cancelled, shall be promptly cancelled by it. The Company may at any time deliver to the Purchase Contract Agent for cancellation any Certificates previously authenticated, executed and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Certificates so delivered shall, upon Issuer Order, be promptly cancelled by the Purchase Contract Agent. No Certificates shall be authenticated, executed on behalf of the Holder and delivered in lieu of or in exchange for any Certificates cancelled as provided in this Section, except as expressly permitted by this Agreement. All cancelled Certificates held by the Purchase Contract Agent shall be disposed by the Purchase Contract Agent in accordance with its customary procedures unless otherwise directed by Issuer Order.

If the Company or any Affiliate of the Company shall acquire any Certificate, such acquisition shall not operate as a cancellation of such Certificate unless and until such Certificate is delivered to the Purchase Contract Agent cancelled or for cancellation.

SECTION 3.13. Creation of Treasury SPC Units by Substitution of Treasury Securities.

A Holder may separate the Notes from the related Purchase Contracts in respect of such Holder's SPC Units by substituting for such Notes, Treasury Securities in an aggregate principal amount equal to the aggregate principal amount of such Notes (a "Collateral Substitution"), at any time from and after the date of this Agreement and prior to or on the seventh Business Day immediately preceding the Purchase Contract Settlement Date by:

(1) depositing with the [Securities Intermediary, Collateral Agent] Treasury Securities having an aggregate principal amount equal to the aggregate principal amount of the Notes comprising part of such SPC Units; and

(2) transferring the related SPC Units to the Purchase Contract Agent accompanied by a notice to the Purchase Contract Agent, substantially in the form of Exhibit C hereto, (i) stating that the Holder has transferred the relevant amount of Treasury Securities to the Securities Intermediary and (ii) requesting that the Purchase Contract Agent instruct the Collateral Agent to release the Notes underlying such SPC Units, whereupon the Purchase Contract Agent shall promptly give such instruction to the Collateral Agent, substantially in the form of Exhibit A to the Pledge Agreement. [Insert any provisions for adjustment relating to Purchase Contract Payments.]

Upon receipt of the Treasury Securities described in clause (1) above and the instruction described in clause (2) above, in accordance with the terms of the Pledge Agreement, the Collateral Agent will cause the Securities Intermediary to effect the release of such Notes from the Pledge, free and clear of the Company's security interest therein, and the transfer of such Notes to the Purchase Contract Agent on behalf of the Holder. Upon receipt thereof, the Purchase Contract Agent shall promptly:

(i) cancel the related SPC Units transferred and surrendered;

(ii) transfer the Notes that had been components of such SPC Unit to the Holder; and

(iii) authenticate, execute on behalf of such Holder and deliver a Treasury SPC Units Certificate executed by the Company in accordance with Section 3.3 evidencing the same number of Purchase Contracts as were evidenced by the cancelled SPC Units.

Holder who elect to separate the Notes from the related Purchase Contracts and to substitute Treasury Securities for such Notes shall be responsible for any fees or expenses payable to the Collateral Agent for its services as Collateral Agent in respect of the substitution, and the Company shall not be responsible for any such fees or expenses.

Holder may make Collateral Substitutions only in integral multiples of 40 SPC Units. [If a Tax Event Redemption has occurred, Holder may not convert their SPC Units to Treasury SPC Units.]

In the event a Holder making a Collateral Substitution pursuant to this Section 3.13 fails to effect a book-entry transfer of the SPC Units or fails to deliver SPC Units Certificates to the Purchase Contract Agent after depositing Treasury Securities with the Collateral Agent, the Notes, constituting a part of such SPC Units, and any interest payments on such Notes, shall be held in the name of the Purchase Contract Agent or its nominee in trust for the benefit of such Holder, until such SPC Units are so transferred or the SPC Units Certificate is so delivered, as the case may be, or, with respect to a SPC Units Certificate, such Holder provides evidence satisfactory to the Company and the Purchase Contract Agent that such SPC Units Certificate has been destroyed, lost or stolen, together with any indemnity that may be required by the Purchase Contract Agent and the Company.

Except as described in this Section 3.13, for so long as the Purchase Contract underlying a SPC Unit remains in effect, such SPC Unit shall not be separable into its constituent parts, and the rights and obligations of the Holder in respect of the Note and the Purchase Contract comprising such SPC Unit may be acquired, and may be transferred and exchanged, only as a SPC Unit.

SECTION 3.14. Reestablishment of SPC Units.

Subject to the conditions set forth herein, a Holder of Treasury SPC Units may recreate SPC Units at any time prior to or on the seventh Business Day immediately preceding the Purchase Contract Settlement Date by:

(1) depositing with the [Securities Intermediary, Collateral Agent] Notes, having an aggregate principal amount equal to the aggregate principal amount at maturity of the Treasury Securities comprising part of the Treasury SPC Units; and

(2) transferring the related Treasury SPC Units to the Purchase Contract Agent accompanied by a notice to the Purchase Contract Agent, substantially in the form of Exhibit C hereto, (i) stating that the Holder has transferred the relevant amount of Notes to the Securities Intermediary and (ii) requesting that the Purchase Contract Agent instruct the Collateral Agent to release the Treasury Securities underlying such Treasury SPC Units, whereupon the Purchase Contract Agent shall promptly give such instruction to the Collateral Agent, substantially in the form of Exhibit C to the Pledge Agreement.

Upon receipt of the Notes described in clause (1) above and the instruction described in clause (2) above, in accordance with the terms of the Pledge Agreement, the Collateral Agent will cause the Securities Intermediary to effect the release of the Treasury Securities having a corresponding aggregate principal amount at maturity from the Pledge, free and clear of the Company's security interest therein, and the transfer to the Purchase Contract Agent on behalf of the Holder. Upon receipt thereof, the Purchase Contract Agent shall promptly:

(i) cancel the related Treasury SPC Units transferred and surrendered;

(ii) transfer the Treasury Securities that had been components of such Treasury SPC Units to the Holder; and

(iii) authenticate, execute on behalf of such Holder and deliver a SPC Units Certificate executed by the Company in accordance with Section 3.3 evidencing the same number of Purchase Contracts as were evidenced by the cancelled Treasury SPC Units.

Holders who elect to recreate SPC Units shall be responsible for any fees or expenses payable to the Collateral Agent for its services as Collateral Agent in respect of the substitution, and the Company shall not be responsible for any such fees or expenses.

Holders of Treasury SPC Units may only recreate SPC Units in integral multiples of 40 Treasury SPC Units for 40 SPC Units. [If a Tax Event Redemption has occurred, Holders may no longer convert their Treasury SPC Units into SPC Units.]

Except as provided in this Section 3.14, for so long as the Purchase Contract underlying a Treasury SPC Unit remains in effect, such Treasury SPC Unit shall not be separable into its constituent parts and the rights and obligations of the Holder of such Treasury SPC Unit in respect of the 1/40 of a Treasury Security and the Purchase Contract comprising such Treasury SPC Unit may be acquired, and may be transferred and exchanged, only as a Treasury SPC Unit.

SECTION 3.15. Transfer of Collateral upon Occurrence of Termination Event.

Upon the occurrence of a Termination Event and the transfer to the Purchase Contract Agent of the Notes [, appropriate Applicable Ownership Interest in the Treasury Portfolio,] or the Treasury Securities, as the case may be, underlying the SPC Units and the Treasury SPC Units, as the case may be, pursuant to the terms of the Pledge Agreement, the Purchase Contract Agent shall request transfer instructions with respect to such Notes [, appropriate Applicable Ownership Interest in the Treasury Portfolio] or Treasury Securities, as the case may be, from each Holder by written request, substantially in the form of Exhibit D hereto, mailed to such Holder at its address as it appears in the SPC Units Register or the Treasury SPC Units Register, as the case may be.

Upon book-entry transfer of the SPC Units or the Treasury SPC Units or delivery of a SPC Units Certificate or Treasury SPC Units Certificate to the Purchase Contract Agent with such transfer instructions, the Purchase Contract Agent shall transfer the Notes [, appropriate Applicable Ownership Interest in the Treasury Portfolio] or Treasury Securities, as the case may be, underlying such SPC Units or Treasury SPC Units, as the case may be, to such Holder by book-entry transfer, or other appropriate procedures, in accordance with such instructions. In the event a Holder of SPC Units or Treasury SPC Units fails to effect such transfer or delivery, the Notes [, appropriate Applicable Ownership Interest in the Treasury Portfolio] or Treasury Securities, as the case may be, underlying such SPC Units or Treasury SPC Units, as the case may be, and any distributions thereon, shall be held in the name of the Purchase Contract Agent or its nominee in trust for the benefit of such Holder, until the earlier to occur of:

(1) the transfer of such SPC Units or Treasury SPC Units or the surrender of the SPC Units Certificate or Treasury SPC Units Certificate or receipt by the Company and the Purchase Contract Agent of satisfactory evidence that such SPC Units Certificate or Treasury SPC Units Certificate has been destroyed, lost or stolen, together with any indemnity that may be required by the Purchase Contract Agent and the Company; and

(2) the expiration of the time period specified in the abandoned property laws of the [relevant State.]

SECTION 3.16. No Consent to Assumption.

Each Holder of a Security, by acceptance thereof, shall be deemed expressly to have withheld any consent to the assumption under Section 365 of the Bankruptcy Code or otherwise, of the Purchase Contract by the Company or its trustee, receiver, liquidator or a person or entity performing similar functions in the event that the Company becomes the debtor under the Bankruptcy Code or subject to other similar state or Federal law providing for reorganization or liquidation.

ARTICLE IV

The Notes [and Applicable
Ownership Interest in the Treasury Portfolio]

SECTION 4.1. Interest Payments; Rights to Interest Payments Preserved.

Any interest payment on any Note [or on the appropriate Applicable Ownership Interest in the Treasury Portfolio, as the case may be,] which is paid on any Payment Date shall, subject to receipt thereof by the Purchase Contract Agent from the Collateral Agent as provided by the terms of the Pledge Agreement, be paid to the Person in whose name the SPC Units Certificate (or one or more Predecessor SPC Units Certificates) of which such Note [or Applicable Ownership Interest in the Treasury Portfolio, as the case may be,] is a part is registered at the close of business on the Record Date for such Payment Date.

Each SPC Units Certificate evidencing the Notes [or the appropriate Applicable Ownership Interest in the Treasury Portfolio] delivered under this Agreement upon registration of transfer of or in exchange for or in lieu of any other SPC Units Certificate shall carry the right to accrued and unpaid and deferred interest and the right to accrue interest, which rights were carried by the Notes [or the appropriate Applicable Ownership Interest in the Treasury Portfolio] underlying such other SPC Units Certificate.

In the case of any SPC Units with respect to which Cash Settlement of the underlying Purchase Contract is properly effected pursuant to Section 5.4 hereof, or with respect to which Early Settlement of the underlying Purchase Contract is properly effected on an Early Settlement Date pursuant to Section 5.9 hereof, or with respect to which a Collateral Substitution is properly effected, in each case on a date that is after any Record Date and prior to or on the next succeeding Payment Date, the interest payment on the Notes [or the appropriate Applicable Ownership Interest in the Treasury Portfolio] underlying such SPC Units otherwise payable on such Payment Date shall be payable on such Payment Date notwithstanding such Cash Settlement or Early Settlement or Collateral Substitution, and such interest payment shall, subject to receipt thereof by the Purchase Contract Agent, be payable to the Person in whose name the SPC Units Certificate (or one or more Predecessor SPC Units Certificates) was registered at the close of business on the Record Date. Except as otherwise expressly provided in the immediately preceding sentence, in the case of any SPC Unit with respect to which Cash Settlement or Early Settlement of the underlying Purchase Contract is properly effected, or with respect to which a Collateral Substitution has been properly effected, interest payments on the related Notes [or the appropriate Applicable Ownership Interest in the Treasury Portfolio], as the case may be, that would otherwise be payable after the Purchase Contract Settlement Date or Early Settlement Date or date of Collateral Substitution, as the case may be, shall not be payable hereunder to the Holder of such SPC Units; provided, however, that to the extent that such Holder continues to hold the separated Notes that formerly comprised a part of such Holder's SPC Units, such Holder shall be entitled to receive the interest payments on such separated Notes, as provided therein.

SECTION 4.2. [Deferral of Interest Payments.

So long as no event of default has occurred and is occurring under the Indenture, the Company shall have the right at any time until the Stated Maturity of the Notes to defer the payment of interest on the Notes as provided therein for a period of time not extending beyond the Stated Maturity (each such period of deferral, an "Extension Period"). If the Company so elect to defer interest payments on the Notes, the Company shall be required to pay at the end of the Extension Period all interest then accrued and unpaid, together with accrued interest at the Coupon Rate or the Reset Rate, as applicable, compounded on each succeeding Payment Date.]

SECTION 4.3. [Interest Rate Reset; Notice Relating to Cash Settlement.

The Coupon Rate on the Notes to be in effect on and after the Purchase Contract Settlement Date shall be reset on the third Business Day immediately preceding the Purchase Contract Settlement Date to the Reset Rate (such Reset Rate to be in effect on and after the Purchase Contract Settlement Date). [The Reset Rate shall be equal to or greater than the Coupon Rate.]

Not later than 15 calendar days nor more than 30 calendar days prior to the third Business Day immediately preceding the Purchase Contract Settlement Date [Remarketing Date], the Company shall request that the Depository notify the Beneficial Owners or Depository Participants holding SPC Units of [the interest rate reset and] any procedures to be followed by Holders of SPC Units who intend to effect a Cash Settlement [prior to or on the fifth Business Day immediately preceding the Purchase Contract Settlement Date].

SECTION 4.4. Notice and Voting.

Under and subject to the terms of the Pledge Agreement, the Purchase Contract Agent will be entitled to exercise the voting and any other consensual rights pertaining to the Pledged Notes, but only to the extent instructed by the Holders as described below. Upon receipt of notice of any meeting at which holders of Notes are entitled to vote or upon any solicitation of consents, waivers or proxies of holders of Notes, the Purchase Contract Agent shall, as soon as practicable thereafter, mail to the Holders of SPC Units a notice:

(1) containing such information as is contained in the notice or solicitation;

(2) stating that each Holder on the record date set by the Purchase Contract Agent therefor (which, to the extent possible, shall be the same date as the record date for determining the holders of Notes entitled to vote or consent) shall be entitled to instruct the Purchase Contract Agent as to the exercise of the voting or consensual rights pertaining to such Notes underlying their SPC Units; and

(3) stating the manner in which such instructions may be given.

Upon the written request of the Holders of SPC Units on such record date, the Purchase Contract Agent shall endeavor insofar as practicable to vote or consent or cause to be voted or consented, in accordance with the instructions set forth in such requests, the maximum number of Notes as to which any particular voting or consent instructions are received. In the absence of specific instructions from the Holder of a SPC Unit, the Purchase Contract Agent shall abstain from voting or consenting the Notes underlying such SPC Unit. The Company hereby agrees, if applicable, to solicit Holders of SPC Units to timely instruct the Purchase Contract Agent in order to enable the Purchase Contract Agent to vote or consent such Notes.

SECTION 4.5. [Distribution of Notes; Tax Event Redemption.

Upon the occurrence of a Tax Event Redemption prior to the Purchase Contract Settlement Date, the Redemption Price payable on the Tax Event Redemption Date with respect to the Applicable Principal Amount shall be deposited in the Collateral Account in exchange for the Pledged Notes. Thereafter, pursuant to the terms of the Pledge Agreement, the Collateral Agent shall cause the Securities Intermediary to apply an amount equal to the Redemption Amount of such Redemption Price to purchase on behalf of the Holders of SPC Units the Treasury Portfolio and promptly remit the remaining portion of such Redemption Price to the Purchase Contract Agent for payment to the Holders of such SPC Units. The Applicable Ownership Interest (as specified in clause (A) of the definition of such term) in the Treasury Portfolio will be substituted as Collateral for the Pledged Notes and will be held by the Collateral Agent in accordance with the terms of the Pledge Agreement to secure the obligation of each Holder of a SPC Unit to purchase the Common Stock of the Company under the Purchase Contract constituting a part of such SPC Unit. Following the occurrence of a Tax Event Redemption prior to the Purchase Contract Settlement Date, the Holders of SPC Units and the Collateral Agent shall have such security interest rights and obligations with respect to the Applicable Ownership Interest (as specified in clause (A) of the definition of such term) in the Treasury Portfolio as the Holders of SPC Units and the Collateral Agent had in respect of the Notes subject to the Pledge thereof as provided in the Pledge Agreement, and any reference herein to the Notes shall be deemed to be reference to such Treasury Portfolio. The Company may cause to be made in any SPC Unit Certificates thereafter to be issued such change in phraseology and form (but not in substance) as may be

appropriate to reflect the liquidation of the Trust and the substitution of the Applicable Ownership Interest (as specified in clause (A) of the definition of such term) in the Treasury Portfolio for Notes as Collateral.]

ARTICLE V

The Purchase Contracts

SECTION 5.1. Purchase of Shares of [Common Stock] [Preferred Stock].

Each Purchase Contract shall, unless a Termination Event or an Early Settlement in accordance with Section 5.9 hereof has occurred with respect to the Security of which such Purchase Contract is a part, obligate the Holder of the related Security to purchase, and the Company to sell, on the Purchase Contract Settlement Date at a price equal to the Stated Amount (the "Purchase Price"), a number of shares of [Common Stock] [Preferred Stock] equal to the Settlement Rate. The "Settlement Rate" is equal to:

(1) if the Applicable Market Value (as defined below) equals or exceeds \$_____ (the "Threshold Appreciation Price"), shares of [Common Stock] [Preferred Stock] per Purchase Contract;

(2) if the Applicable Market Value is less than the Threshold Appreciation Price but greater than \$_____ (the "Reference Price"), the number of shares of [Common Stock] [Preferred Stock] having a value, based on the Applicable Market Value, equal to the Stated Amount; and

(3) if the Applicable Market Value is less than or equal to the Reference Price, shares of [Common Stock] [Preferred Stock] -- per Purchase Contract,

in each case subject to adjustment as provided in Section 5.6 (and in each case rounded upward or downward to the nearest 1/10,000th of a share).

As provided in Section 5.10, no fractional shares of [Common Stock] [Preferred Stock] will be issued upon settlement of Purchase Contracts.

The "Applicable Market Value" with respect to Common Stock means [the average of the Closing Price per share of Common Stock on each of the 20 consecutive Trading Days ending on the third Trading Day immediately preceding the Purchase Contract Settlement Date].

The "Applicable Market Value" with respect to Preferred Stock means [insert definition].

The "Closing Price" per share of Common Stock on any date of determination means:

(1) the closing sale price as of the 4:15 p.m. close of trading (or, if no closing price is reported, the last reported sale price) per share on the New York Stock Exchange, Inc. (the "NYSE") on such date;

(2) if Common Stock is not listed for trading on the NYSE on any such date, the closing sale price per share as reported in the composite transactions for the principal United States securities exchange on which Common Stock is so listed;

(3) if Common Stock is not so listed on a United States national or regional securities exchange, the closing sale price per share as reported by The Nasdaq Stock Market, Inc.;

(4) if Common Stock is not so reported, the last quoted bid price for Common Stock in the over-the-counter market as reported by the National Quotation Bureau or similar organization; or

(5) if such bid price is not available, the average of the mid-point of the last bid and ask prices of Common Stock on such date from at least three nationally recognized independent investment banking firms retained for this purpose by the Company.

The "Closing Price" per share of Preferred Stock means [insert definition].

A "Trading Day" for Common Stock means a day on which Common Stock (1) is not suspended from trading on any national or regional securities exchange or association or over-the-counter market at the close of business and (2) has traded at least once on the national or regional securities exchange or association or over-the-counter market that is the primary market for the trading of Common Stock.

A "Trading Day" for Preferred Stock means [insert definition].

Each Holder of a SPC Unit or a Treasury SPC Unit, by its acceptance thereof:

(1) irrevocably authorizes the Purchase Contract Agent to enter into and perform the related Purchase Contract on its behalf as its attorney-in-fact (including the execution of Certificates on behalf of such Holder);

(2) agrees to be bound by the terms and provisions thereof;

(3) covenants and agrees to perform its obligations under such Purchase Contracts;

(4) consents to the provisions hereof;

(5) irrevocably authorizes the Purchase Contract Agent to enter into and perform this Agreement and the Pledge Agreement on its behalf as its attorney-in-fact; and

(6) consents to, and agrees to be bound by, the Pledge of the Notes [Applicable Ownership Interest (as specified in clause (A) of the definition of such term) in the Treasury Portfolio] or the Treasury Securities pursuant to the Pledge Agreement.

Each Holder of a SPC Unit or a Treasury SPC Unit, by its acceptance thereof, further covenants and agrees, that to the extent and in the manner provided in Section 5.4 and the Pledge Agreement, but subject to the terms thereof, payments in respect of the Notes or the proceeds from the Treasury Securities [or the Applicable Ownership Interest (as specified in clause (A) of the definition of such term) in the Treasury Portfolio] at maturity on the Purchase Contract Settlement Date, as the case may be, shall be paid by the Collateral Agent to the Company in satisfaction of such Holder's obligations under such Purchase Contract and such Holder shall acquire no right, title or interest in such payments.

Upon registration of transfer of a Certificate, the transferee shall be bound (without the necessity of any other action on the part of such transferee) by the terms of this Agreement, the Purchase Contracts underlying such Certificate and the Pledge Agreement and the transferor shall be released from the obligations under this Agreement, the Purchase Contracts underlying the Certificate so transferred and the Pledge Agreement. The Company covenants and agrees, and each Holder of a Certificate, by its acceptance thereof, likewise covenants and agrees, to be bound by the provisions of this paragraph.

SECTION 5.2. [Purchase Contract Payments.

Subject to Section 5.3, the Company shall pay, on each Payment Date, the Purchase Contract Payments payable in respect of each Purchase Contract to the Person in whose name a Certificate (or one or more Predecessor Certificates) is registered at the close of business on the Record Date next preceding such Payment Date. The Purchase Contract Payments will be payable at the office of the Purchase Contract Agent in The City of New York maintained for that purpose or, at the option of the Company, by check mailed to the address of the Person entitled thereto at such Person's address as it appears on the SPC Units Register or Treasury SPC Units Register. If any date on which Purchase Contract Payments are to be made is not a Business Day, then payment of the Purchase Contract Payments payable on such date will be made on the next day that is a Business Day (and without any interest in respect of any such delay), [except that, if such Business Day is in the next calendar year, such payment will be made on the preceding Business Day].

Upon the occurrence of a Termination Event, the Company's obligation to pay Purchase Contract Payments (including any accrued or deferred Purchase Contract Payments) shall cease.

Each Certificate delivered under this Agreement upon registration of transfer of or in exchange for or in lieu of (including as a result of a Collateral Substitution or the reestablishment of SPC Units) any other Certificate shall carry the right to accrued and unpaid or deferred Purchase Contract Payments and the right to accrue Purchase Contract Payments, which rights were carried by the Purchase Contracts underlying such other Certificates.

Subject to Section 5.9, in the case of any Security with respect to which Early Settlement of the underlying Purchase Contract is effected on an Early Settlement Date that is after any Record Date and prior to or on the next succeeding Payment Date, Purchase Contract Payments otherwise payable on such Payment Date shall be payable on such Payment Date notwithstanding such Early Settlement, and such Purchase Contract Payments shall be paid to the Person in whose name the Certificate evidencing such Security (or one or more Predecessor Certificates) is registered at the close of business on such Record Date. Except as otherwise expressly provided in the immediately preceding sentence, in the case of any Security with respect to which Early Settlement of the underlying Purchase Contract is effected on an Early Settlement Date, Purchase Contract Payments that would otherwise be payable after the Early Settlement Date with respect to such Purchase Contract shall not be payable.]

[Insert, if applicable: Provisions relating to ranking of Purchase Contract Payments.]

SECTION 5.3. [Deferral of Purchase Contract Payments.]

The Company has the right to defer payment of all or part of the Purchase Contract Payments in respect of each Purchase Contract until no later than the Purchase Contract Settlement Date, but only if the Company shall give the Holders and the Purchase Contract Agent written notice of its election to defer such payment (specifying the amount to be deferred) at least ten Business Days prior to the earlier of (i) the next succeeding Payment Date or (ii) the date the Company is required to give notice of the Record Date or Payment Date with respect to payment of such Purchase Contract Payments to the NYSE or other applicable self-regulatory organization or to Holders of the Securities, but in any event not less than one Business Day prior to such Record Date. If the Company so elects to defer Purchase Contract Payments, the Company shall pay additional Purchase Contract Payments on such deferred installments of Purchase Contract Payments at a rate equal to ___% per annum, compounding quarterly, until such deferred installments are paid in full (such deferred installments of Purchase Contract Payments together with the accrued additional Purchase Contract Payments thereon, being referred to herein as the "Deferred Purchase Contract Payments"). Deferred Purchase Contract Payments shall be due on the Payment Date except to the extent that payment is deferred pursuant to this Section. No Purchase Contract Payments may be deferred to a date that is after the Purchase Contract Settlement Date. If the Purchase Contracts are terminated upon the occurrence of a Termination Event, the Holder's right to receive Purchase Contract Payments and Deferred Purchase Contract Payments will terminate.

In the event that the Company elects to defer the payment of Purchase Contract Payments on the Purchase Contracts until the Purchase Contract Settlement Date, each Holder will receive on the Purchase Contract Settlement Date, in lieu of a cash payment, a number of shares of [Common Stock] [Preferred Stock] (in addition to a number of shares of [Common Stock] [Preferred Stock] equal to the applicable Settlement Rate) equal to (x) the aggregate amount of Deferred Purchase Contract Payments payable to such Holder divided by (y) the Applicable Market Value.

No fractional shares of [Common Stock] [Preferred Stock] will be issued by the Company with respect to the payment of Deferred Purchase Contract Payments on the Purchase Contract Settlement Date. In lieu of fractional shares otherwise issuable with respect to such payment of Deferred Purchase Contract Payments, the Holder will be entitled to receive an amount in cash as provided in Section 5.10.

In the event the Company exercises its option to defer the payment of Purchase Contract Payments, then, until the Deferred Purchase Contract Payments have been paid, the Company shall not declare or pay dividends on, make distributions with respect to, or redeem, purchase or acquire, or make a liquidation payment with respect to, any of its capital stock or make guarantee payments with respect to the foregoing (other than (i) purchases or acquisitions of capital stock of the Company in connection with the satisfaction by the Company of

its obligations under any employee or agent benefit plans or the satisfaction by the Company of its obligations pursuant to any contract or security outstanding on the date of such event requiring the Company to purchase its capital stock, (ii) as a result of a reclassification of the Company's capital stock or the exchange or conversion of one class or series of the Company's capital stock for another class or series of the Company's capital stock, (iii) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of the Company's capital stock or the security being converted or exchanged, (iv) dividends or distributions in capital stock of the Company (or rights to acquire capital stock) or repurchases or redemptions of capital stock solely from the issuance or exchange of capital stock or (v) redemptions or repurchases of any rights outstanding under a shareholder rights plan).

If a Holder effects an Early Settlement or if a Termination Event shall occur, such Holder will have no right to receive any accrued deferred Purchase Contract Payments.]

SECTION 5.4. Payment of Purchase Price.

(a) (i) Unless [a Tax Event Redemption has occurred or] a Holder of a SPC Unit effects an Early Settlement of the underlying Purchase Contract in the manner described in Section 5.9, each Holder who intends to pay in cash to satisfy such Holder's obligations under the Purchase Contract shall notify the Purchase Contract Agent by use of a notice in substantially the form of Exhibit E hereto of his intention to pay in cash ("Cash Settlement") the Purchase Price for the shares of [Common Stock] [Preferred Stock] to be purchased pursuant to the related Purchase Contract. Such notice shall be given prior to 5:00 p.m. (New York City time) on the seventh Business Day immediately preceding the Purchase Contract Settlement Date. Prior to 11:00 a.m. (New York City time) on the next succeeding Business Day, the Purchase Contract Agent shall notify the Collateral Agent and the Indenture Trustee of the receipt of such notices from Holders intending to make a Cash Settlement.

(ii) A Holder of a SPC Unit who has so notified the Purchase Contract Agent of his intention to effect a Cash Settlement in accordance with paragraph (a) (i) above shall pay the Purchase Price to the Securities Intermediary for deposit in the Collateral Account prior to 11:00 a.m. (New York City time) on the [fifth] Business Day immediately preceding the Purchase Contract Settlement Date in lawful money of the United States by certified or cashiers' check or wire transfer, in each case in immediately available funds payable to or upon the order of the [Securities Intermediary]. Any cash received by the Collateral Agent shall be invested promptly by the Securities Intermediary in Permitted Investments and paid to the Company on the Purchase Contract Settlement Date in settlement of the Purchase Contract in accordance with the terms of this Agreement and the Pledge Agreement. Any funds received by the Securities Intermediary in respect of the investment earnings from such Permitted Investments in excess of the Purchase Price for the shares of [Common Stock] [Preferred Stock] to be purchased by such Holder, shall be distributed to the Purchase Contract Agent when received for payment to the Holder of the related SPC Unit.

(iii) If a Holder of a SPC Unit fails to notify the Purchase Contract Agent of his intention to make a Cash Settlement in accordance with paragraph (a) (i) above, or does not notify the Purchase Contract Agent as provided in paragraph (a) (i) above of his intention to pay the Purchase Price in cash, but fails to make such payment as required by paragraph (a) (ii) above, such failure shall constitute a default under the related Purchase Contract, and the Collateral Agent, for the benefit of the Company, will exercise its rights as a secured party with respect to the Notes, including those rights to dispose of Notes, as described in paragraph (b) below and such defaulting Holder shall be deemed to have consented to any such disposition.

(iv) Promptly after 11:00 a.m. (New York City time) on the [fifth] Business Day preceding the Purchase Contract Settlement Date, the Purchase Contract Agent, based on notices received by the Purchase Contract Agent pursuant to Section 5.4(a) hereof and notice from the Securities Intermediary regarding cash received by it prior to such time, shall notify the Collateral Agent and the Indenture Trustee of the aggregate number of Notes to be tendered for purchase in the Remarketing in a notice substantially in the form of Exhibit F hereto.

(b) In order to dispose of the Notes relating to SPC Units, the Holders of which have not notified the Purchase Contract Agent of their intention to effect a Cash Settlement as provided in paragraph (a) (i) above, or who have so notified the Purchase Contract Agent but failed to make such payment as required by paragraph (a) (ii) above, the Company shall engage _____ (the "Remarketing Agent") pursuant to the Remarketing Agreement to sell such Notes. In order to facilitate the Remarketing, the Purchase Contract Agent, based on the notices specified in Section 5.4(a) (iv), shall notify the Remarketing Agent, promptly after 11:00 a.m. (New York City time) on the [fifth] Business Day immediately preceding the Purchase Contract Settlement Date, of the aggregate number of Notes that are part of SPC Units to be remarketed. Concurrently, the Collateral Agent, pursuant to the terms of the Pledge Agreement, shall cause such Notes to be presented to the Remarketing Agent for Remarketing.

Upon receipt of such notice from the Purchase Contract Agent and such Notes, the Remarketing Agent shall, on the third Business Day immediately preceding the Purchase Contract Settlement Date, use reasonable efforts to remarket such Notes on such date at a price equal to at least [100.25%] of the Stated Amount [(\$25.0625)] per Note, as provided in the Remarketing Agreement. The proceeds from the Remarketing shall be invested by the Collateral Agent in Permitted Investments, in accordance with the Pledge Agreement, and then applied by the Collateral Agent, in accordance with the Pledge Agreement, to satisfy in full such SPC Units Holders' obligations to pay the Purchase Price for the shares of [Common Stock] [Preferred Stock] under the related Purchase Contracts on the Purchase Contract Settlement Date. In addition, \$[.0625] per Note of the proceeds shall be automatically remitted to the Remarketing Agent for services rendered in connection with the Remarketing (the "Remarketing Fee"). Any proceeds remaining after satisfaction of the Purchase Contract and payment of the Remarketing Fee shall be payable to the Holder of such SPC Unit.

If, in spite of using its reasonable efforts, the Remarketing Agent cannot remarket the related Notes of such Holders of SPC Units at a price equal to 100.25% of the Stated Amount (\$25.0625), then the Remarketing Agent shall increase the interest rate on the Notes, as the case may be, so that the market value of such Notes will equal \$25.0625. If the Remarketing Agent determines that it will be able to remarket the related Notes of such Holders of SPC Units at a price in excess of 100.25% of the Stated Amount (\$25.0625), then the Remarketing Agent shall decrease the distribution rate on the Notes, so that the market value of such Notes will be equal to \$25.0625. If, in spite of using reasonable efforts, the Remarketing Agent cannot Remarket the Notes after such increase or decrease, the Remarketing shall be deemed to have failed (a "Failed Remarketing"), [an event of default shall be deemed to have occurred under this Agreement and the Pledge Agreement] and in accordance with the terms of the Pledge Agreement, the Collateral Agent, for the benefit of the Company, shall exercise its rights as a secured party with respect to such Notes, including those actions specified in paragraph (c) below; provided, that if upon a Failed Remarketing the Collateral Agent exercises such rights for the benefit of the Company with respect to such Notes, any accrued and unpaid distributions or interest on such Notes shall become payable by the Company to the Purchase Contract Agent for payment to the Beneficial Owner of the SPC Units to which such Notes relate. The Company shall cause a notice of such Failed Remarketing to be published on the second Business Day immediately preceding the Purchase Contract Settlement Date in a daily newspaper in the English language of general circulation in the City of New York, which is expected to be The Wall Street Journal, and on Bloomberg News.

(c) With respect to any Notes that are subject to a Failed Remarketing, the Collateral Agent for the benefit of the Company reserves all of its rights as a secured party with respect thereto and, subject to applicable law and paragraph (g) below, may, among other things, (i) retain the Notes in full satisfaction of the Holders' obligations under the Purchase Contracts or (ii) sell the Notes in one or more public or private sales.

(d) (i) Unless a Holder of a Treasury SPC Units, [or, if a Tax Event Redemption has occurred, SPC Units,] effects an Early Settlement of the underlying Purchase Contract through the early delivery of cash to the Purchase Contract Agent in the manner described in Section 5.9, each such Holder who intends to pay in cash shall notify the Purchase Contract Agent by use of a notice in substantially the form of Exhibit E hereto of his intention to pay in cash the Purchase Price for the shares of Common Stock to be purchased pursuant to the related Purchase Contract. Such notice shall be given prior to 5:00 p.m. (New

York City time) on the [seventh] Business Day immediately preceding the Purchase Contract Settlement Date. Prior to 11:00 a.m. (New York City time) on the next succeeding Business Day, the Purchase Contract Agent shall notify the Collateral Agent of the receipt of such notices from such Holders intending to make a Cash Settlement. Treasury SPC Unit Holders may make Cash Settlements only in integral multiples of 40 Treasury SPC Units.

(ii) A Holder of a Treasury SPC Unit, [or, if a Tax Event Redemption has occurred, SPC Units,] who has so notified the Purchase Contract Agent of his intention to make a Cash Settlement in accordance with paragraph (d) (i) above shall pay the Purchase Price to the Securities Intermediary for deposit in the Collateral Account prior to 11:00 a.m. (New York City time) on the [fifth] Business Day immediately preceding the Purchase Contract Settlement Date in lawful money of the United States by certified or cashiers' check or wire transfer, in each case in immediately available funds payable to or upon the order of the [Securities Intermediary]. Any cash received by the Collateral Agent shall be invested promptly by the Securities Intermediary in Permitted Investments and paid to the Company on the Purchase Contract Settlement Date in settlement of the Purchase Contract in accordance with the terms of this Agreement and the Pledge Agreement. Any funds received by the Securities Intermediary in respect of the investment earnings from the investment in such Permitted Investments [in excess of the Purchase Price for shares of common stock to be purchased by such Holder] shall be distributed to the Purchase Contract Agent when received for payment to the Holder of the related Treasury SPC Unit.

(iii) If a Holder of a Treasury SPC Unit, [or, if a Tax Event Redemption has occurred, SPC Units,] fails to notify the Purchase Contract Agent of his intention to make a Cash Settlement in accordance with paragraph (d) (i) above, or does notify the Purchase Contract Agent as provided in paragraph (d) (i) above of his intention to pay the Purchase Price in cash, but fails to make such payment as required by paragraph (d) (ii) above, then such failure shall constitute a default under the related Purchase Contract, and upon the maturity of the Pledged Treasury Securities, or the appropriate Applicable Ownership Interest (as specified in clause (A) of the definition of such term) in the Treasury Portfolio, held by the Securities Intermediary on the Business Day immediately preceding the Purchase Contract Settlement Date, the principal amount of the Treasury Securities, or the appropriate Applicable Ownership Interest (as specified in clause (A) of the definition of such term) in the Treasury Portfolio, received by the Collateral Agent shall be invested promptly in Permitted Investments.

On the Purchase Contract Settlement Date, an amount equal to the Purchase Price shall be remitted to the Company as payment thereof without receiving any instructions from the Holder of the related Treasury SPC Unit or SPC Unit. In the event the sum of the proceeds from the related Pledged Treasury Securities, [or the appropriate Applicable Ownership Interest (as specified in clause (A) of the definition of such term) in the Treasury Portfolio,] and the investment earnings earned from such investments is in excess of the aggregate Purchase Price of the Purchase Contracts being settled thereby, the Collateral Agent shall cause the Securities Intermediary to distribute such excess to the Purchase Contract Agent for the benefit of the Holder of the related Treasury SPC Unit or SPC Units when received.

(iv) A holder of a Note that is no longer part of a SPC Unit may elect to have such Note, remarketed. A Holder making such an election must notify the Indenture Trustee prior to 11:00 a.m. (New York City time) on the fifth Business Day immediately preceding the Purchase Contract Settlement Date, of the aggregate number of Notes that are not part of SPC Units to be remarketed. Any such notice will be irrevocable and may not be conditioned upon the level at which the Reset Rate is established in the Remarketing. Concurrently, the Indenture Trustee shall cause such Notes to be presented to the Remarketing Agent for Remarketing.

(e) Any distribution to Holders of excess funds [and interest] described above shall be payable at the office of the Purchase Contract Agent in New York City maintained for that purpose or, at the option of the Holder, by check mailed to the address of the Person entitled thereto at such address as it appears on the Register.

(f) Upon Cash Settlement of any Purchase Contract:

(1) the Collateral Agent will, in accordance with the terms of the Pledge Agreement, cause the Pledged Note [, appropriate Applicable Ownership Interest (as specified in clause (A) of the definition of such term) in the Treasury Portfolio,] or Pledged Treasury Securities, as the case may be, underlying the relevant Security to be released from the Pledge, free and clear of any security interest of the Company, and transferred to the Purchase Contract Agent for delivery to the Holder thereof or its designee as soon as practicable; and

(2) subject to the receipt thereof, the Purchase Contract Agent shall, by book-entry transfer or other appropriate procedures, in accordance with written instructions provided by the Holder thereof, transfer such Note [, appropriate Applicable Ownership Interest (as specified in clause (A) of the definition of such term) in the Treasury Portfolio,] or Treasury Securities, as the case may be (or, if no such instructions are given to the Purchase Contract Agent by the Holder, the Purchase Contract Agent shall hold such Note [, appropriate Applicable Ownership Interest (as specified in clause (A) of the definition of such term) in the Treasury Portfolio,] or Treasury Securities, as the case may be, and any interest payment thereon, in the name of the Purchase Contract Agent or its nominee in trust for the benefit of such Holder until the expiration of the time period specified in the abandoned property laws of the relevant State).

(g) The obligations of the Holders to pay the Purchase Price are non-recourse obligations and, except to the extent satisfied by Early Settlement or Cash Settlement, are payable solely out of the proceeds of any Collateral pledged to secure the obligations of the Holders and in no event will Holders be liable for any deficiency between the proceeds of the disposition of Collateral and the Purchase Price.

(h) The Company shall not be obligated to issue any shares of [Common Stock] [Preferred Stock] in respect of a Purchase Contract or deliver any certificates thereof to the Holder of the related SPC Unit or Treasury SPC Unit unless the Company shall have received payment in full for the aggregate purchase price for the [Common Stock] [Preferred Stock] to be purchased thereunder in the manner herein set forth.

SECTION 5.5. Issuance of Shares of [Common Stock] [Preferred Stock].

Unless a Termination Event or an Early Settlement shall have occurred, on the Purchase Contract Settlement Date, upon its receipt of payment in full of the applicable Purchase Price for shares of [Common Stock] [Preferred Stock] purchased by Holders pursuant to the foregoing provisions of this Article and subject to Section 5.6(b), the Company shall issue and deposit with the Purchase Contract Agent, for the benefit of the Holders of the Outstanding Securities, one or more certificates representing the shares of [Common Stock] [Preferred Stock] registered in the name of the Purchase Contract Agent (or its nominee) as custodian for the Holders (such certificates for shares of [Common Stock] [Preferred Stock], together with any dividends or distributions for which both a record date and payment date for such dividend or distribution has occurred after the Purchase Contract Settlement Date, being hereinafter referred to as the "Purchase Contract Settlement Fund") to which the Holders are entitled hereunder.

Subject to the foregoing, upon surrender of a Certificate to the Purchase Contract Agent on or after the Purchase Contract Settlement Date, together with settlement instructions thereon duly completed and executed, the Holder of such Certificate shall be entitled to receive in exchange therefor a certificate representing that number of whole shares of [Common Stock] [Preferred Stock] that such Holder is entitled to receive pursuant to the provisions of this Article Five (after taking into account all Securities then held by such Holder), together with cash in lieu of fractional shares as provided in Section 5.10 and any dividends or distributions with respect to such shares constituting part of the Purchase Contract Settlement Fund, but without any interest thereon, and the Certificate so surrendered shall forthwith be cancelled. Such shares shall be registered in the name of the Holder or the Holder's designee as specified in the settlement instructions provided by the Holder to the Purchase Contract Agent. If any shares of [Common Stock] [Preferred Stock] issued in respect of a Purchase Contract are to be registered to a Person other than the Person in whose name the Certificate evidencing such Purchase Contract is registered, no such registration shall be made unless the Person requesting such registration has paid any transfer and other taxes required by reason of such registration in a name other than that of the registered Holder of the Certificate evidencing such Purchase Contract or has established to the satisfaction of the Company that such tax either has been paid or is not payable.

SECTION 5.6. Adjustment of Settlement Rate.

(a) Adjustments for Dividends, Distributions, Stock Splits, Etc.

(1) In case the Company shall pay or make a dividend or other distribution on [Common Stock in Common Stock] [Preferred Stock in Preferred Stock], the Settlement Rate, as in effect at the opening of business on the day following the date fixed for the determination of shareholders entitled to receive such dividend or other distribution shall be increased by dividing such Settlement Rate by a fraction of which:

(i) the numerator shall be the number of shares of [Common Stock] [Preferred Stock] outstanding at the close of business on the date fixed for such determination; and

(ii) the denominator shall be the sum of such number of shares and the total number of shares constituting such dividend or other distribution,

such increase to become effective immediately after the opening of business on the day following the date fixed for such determination. For the purposes of this paragraph (1), the number of shares of [Common Stock] [Preferred Stock] at any time outstanding shall not include shares held in the treasury of the Company but shall include any shares issuable in respect of any scrip certificates issued in lieu of fractions of shares of [Common Stock] [Preferred Stock]. The Company shall not pay any dividend or make any distribution on shares of [Common Stock] [Preferred Stock] held in the treasury of the Company.

(2) In case the Company shall issue rights, warrants or options to all holders of its [Common Stock] [Preferred Stock] that are not available on an equivalent basis to Holders of the Securities upon settlement of the Purchase Contracts underlying such Securities entitling such holders of the [Common Stock] [Preferred Stock], for a period expiring within 45 days after the record date for the determination of shareholders entitled to receive such rights, warrants or options, to subscribe for or purchase shares of [Common Stock] [Preferred Stock] at a price per share less than the Current Market Price per share of [Common Stock] [Preferred Stock] on the date fixed for the determination of shareholders entitled to receive such rights, warrants or options (other than pursuant to a dividend reinvestment plan), the Settlement Rate in effect at the opening of business on the day following the date fixed for such determination shall be increased by dividing such Settlement Rate by a fraction of which:

(i) the numerator shall be the number of shares of [Common Stock] [Preferred Stock] outstanding at the close of business on the date fixed for such determination plus the number of shares of [Common Stock] [Preferred Stock] which the aggregate of the offering price of the total number of shares of [Common Stock] [Preferred Stock] so offered for subscription or purchase would purchase at such Current Market Price; and

(ii) the denominator shall be the number of shares of [Common Stock] [Preferred Stock] outstanding at the close of business on the date fixed for such determination plus the number of shares of [Common Stock] [Preferred Stock] so offered for subscription or purchase,

such increase to become effective immediately after the opening of business on the day following the date fixed for such determination. For the purposes of this paragraph (2), the number of shares of [Common Stock] [Preferred Stock] at any time outstanding shall not include shares held in the treasury of the Company but shall include any shares issuable in respect of any scrip certificates issued in lieu of fractions of shares of [Common Stock] [Preferred Stock]. The Company shall not issue any such rights, warrants or options in respect of shares of [Common Stock] [Preferred Stock] held in the treasury of the Company.

(3) In case outstanding shares of [Common Stock] [Preferred Stock] shall be subdivided or split into a greater number of shares of [Common Stock] [Preferred Stock], the Settlement Rate in effect at the opening of business on the day following the day upon which such subdivision or split becomes effective shall be proportionately increased, and, conversely, in case outstanding shares of [Common Stock] [Preferred Stock] shall each be combined into a smaller number of shares of [Common Stock] [Preferred Stock], the Settlement Rate in effect at the opening of business on the day following the day upon which

such combination becomes effective shall be proportionately reduced, such increase or reduction, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision, split or combination becomes effective.

(4) In case the Company shall, by dividend or otherwise, distribute to all holders of its [Common Stock] [Preferred Stock] evidences of its indebtedness or assets (including securities, but excluding any rights, warrants or options referred to in paragraph (2) of this Section 5.6(a), any dividend or distribution paid exclusively in cash and any dividend or distribution referred to in paragraph (1) of this Section 5.6(a)), the Settlement Rate shall be adjusted so that the same shall equal the rate determined by dividing the Settlement Rate in effect immediately prior to the close of business on the date fixed for the determination of shareholders entitled to receive such distribution by a fraction of which:

(i) the numerator shall be the Current Market Price per share of [Common Stock] [Preferred Stock] on the date fixed for such determination less the then fair market value (as determined by the Board of Directors, whose determination shall be conclusive and described in a Board Resolution) of the portion of the assets or evidences of indebtedness so distributed applicable to one share of [Common Stock] [Preferred Stock]; and

(ii) the denominator shall be such Current Market Price per share of [Common Stock] [Preferred Stock],

such adjustment to become effective immediately prior to the opening of business on the day following the date fixed for the determination of shareholders entitled to receive such distribution. In any case in which this paragraph (4) is applicable, paragraph (2) of this Section 5.6(a) shall not be applicable. In the event that such dividend or distribution is not so paid or made, the Settlement Rate shall again be adjusted to be the Settlement Rate that would then be in effect if such dividend or distribution had not been declared.

(5) In case the Company shall, (I) by dividend or otherwise, distribute to all holders of its [Common Stock] [Preferred Stock] cash (excluding any cash that is distributed in a Reorganization Event to which Section 5.6(b) applies or as part of a distribution referred to in paragraph (4) of this Section 5.6(a) in an aggregate amount that, combined together with (II) the aggregate amount of any other distributions to all holders of its [Common Stock] [Preferred Stock] made exclusively in cash within the 12 months preceding the date of payment of such distribution and in respect of which no adjustment pursuant to this paragraph (5) or paragraph (6) of this Section 5.6(a) has been made and (III) the aggregate of any cash plus the fair market value (as determined by the Board of Directors, whose determination shall be conclusive and described in a Board Resolution) of consideration payable in respect of any tender or exchange offer by the Company or any of its subsidiaries for all or any portion of the [Common Stock] [Preferred Stock] concluded within the 12 months preceding the date of payment of the distribution described in clause (I) above and in respect of which no adjustment pursuant to this paragraph (5) or paragraph (6) of this Section 5.6(a) has been made, exceeds 15% of the product of the Current Market Price per share of the [Common Stock] [Preferred Stock] on the date for the determination of holders of shares of [Common Stock] [Preferred Stock] entitled to receive such distribution times the number of shares of [Common Stock] [Preferred Stock] outstanding on such date, then, and in each such case, immediately after the close of business on such date for determination, the Settlement Rate, shall be increased so that the same shall equal the rate determined by dividing the Settlement Rate in effect immediately prior to the close of business on the date fixed for determination of the stockholders entitled to receive such distribution by a fraction (i) the numerator of which shall be equal to the Current Market Price per share of the [Common Stock] [Preferred Stock] on the date fixed for such determination less an amount equal to the quotient of (x) the combined amount distributed or payable in the transactions described in clauses (I), (II) and (III) above and (y) the number of shares of [Common Stock] [Preferred Stock] outstanding on such date for determination and (ii) the denominator of which shall be equal to the Current Market Price per share of the [Common Stock] [Preferred Stock] on such date for determination.

(6) In case a tender or exchange offer made by the Company or any subsidiary of the Company for all or any portion of [Common Stock] [Preferred Stock] shall expire and such tender or exchange offer (as amended upon the expiration thereof) shall require the payment to shareholders (based on the

acceptance (up to any maximum specified in the terms of the tender or exchange offer) of Purchased Shares) of (I) an aggregate consideration having a fair market value (as determined by the Board of Directors, whose determination shall be conclusive and described in a Board Resolution) that combined together with the aggregate of the cash plus the fair market value (as determined by the Board of Directors, whose determination shall be conclusive and described in a Board Resolution), as of the expiration of such tender or exchange offer, of consideration payable in respect of any other tender or exchange offer, by the Company or any subsidiary of the Company for all or any portion of [Common Stock] [Preferred Stock] expiring within the 12 months preceding the expiration of such tender or exchange offer and in respect of which no adjustment pursuant to paragraph (5) of this Section 5.6(a) or this paragraph (6) has been made, and (II) the aggregate amount of any distributions to all holders of the Company's [Common Stock] [Preferred Stock] made exclusively in cash within the 12 months preceding the expiration of such tender or exchange offer and in respect of which no adjustment pursuant to paragraph (5) of this Section 5.6(a) or this paragraph (6) has been made, exceeds 15% of the product of the Current Market Price per share of [Common Stock] [Preferred Stock] as of the last time (the "Expiration Time") tenders could have been made pursuant to such tender or exchange offer (as it may be amended) times the number of shares of [Common Stock] [Preferred Stock] outstanding (including any tendered shares) on the Expiration Time, then, and in each such case, immediately prior to the opening of business on the day after the date of the Expiration Time, the Settlement Rate shall be adjusted so that the same shall equal the rate determined by dividing the Settlement Rate immediately prior to the close of business on the date of the Expiration Time by a fraction:

(i) the numerator of which shall be equal to (A) the product of (I) the Current Market Price per share of [Common Stock] [Preferred Stock] on the date of the Expiration Time and (II) the number of shares of [Common Stock] [Preferred Stock] outstanding (including any tendered shares) on the Expiration Time less (B) the amount of cash plus the fair market value (determined as aforesaid) of the aggregate consideration payable to shareholders based on the transactions described in clauses (I) and (II) above (assuming in the case of clause (I) the acceptance, up to any maximum specified in the terms of the tender or exchange offer, of Purchased Shares); and

(ii) the denominator of which shall be equal to the product of (A) the Current Market Price per share of [Common Stock] [Preferred Stock] as of the Expiration Time and (B) the number of shares of [Common Stock] [Preferred Stock] outstanding (including any tendered shares) as of the Expiration Time less the number of all shares validly tendered and not withdrawn as of the Expiration Time (the shares deemed so accepted, up to any such maximum, being referred to as the "Purchased Shares").

(7) The reclassification of [Common Stock] [Preferred Stock] into securities including securities other than [Common Stock] [Preferred Stock] (other than any reclassification upon a Reorganization Event to which Section 5.6(b) applies) shall be deemed to involve:

(i) a distribution of such securities other than [Common Stock] [Preferred Stock] to all holders of [Common Stock] [Preferred Stock] (and the effective date of such reclassification shall be deemed to be "the date fixed for the determination of shareholders entitled to receive such distribution" and the "date fixed for such determination" within the meaning of paragraph (4) of this Section); and

(ii) a subdivision, split or combination, as the case may be, of the number of shares of [Common Stock] [Preferred Stock] outstanding immediately prior to such reclassification into the number of shares of [Common Stock] [Preferred Stock] outstanding immediately thereafter (and the effective date of such reclassification shall be deemed to be "the day upon which such subdivision or split becomes effective" or "the day upon which such combination becomes effective", as the case may be, and "the day upon which such subdivision, split or combination becomes effective" within the meaning of paragraph (3) of this Section).

(8) The "Current Market Price" per share of Common Stock on any day means the average of the daily Closing Prices for the five consecutive Trading Days selected by the Company commencing not more than 30 Trading Days before, and ending not later than, the earlier of the day in question and the day before the "ex date" with respect to the issuance or distribution requiring such computation. For purposes of this

paragraph, the term "ex date", when used with respect to any issuance or distribution, shall mean the first date on which Common Stock trades regular way on such exchange or in such market without the right to receive such issuance or distribution.

(9) The "Current Market Price" per share of Preferred Stock on any day means [insert definition].

(10) All adjustments to the Settlement Rate shall be calculated to the nearest 1/10,000th of a share of [Common Stock] [Preferred Stock] (or if there is not a nearest 1/10,000th of a share, to the next lower 1/10,000th of a share). No adjustment in the Settlement Rate shall be required unless such adjustment would require an increase or decrease of at least one percent thereof; provided, however, that any adjustments which by reason of this subparagraph are not required to be made shall be carried forward and taken into account in any subsequent adjustment. If an adjustment is made to the Settlement Rate pursuant to paragraph (1), (2), (3), (4), (5), (6), (7) or (11) of this Section 5.6(a), an adjustment shall also be made to the Applicable Market Value solely to determine which of clauses (1), (2) or (3) of the definition of Settlement Rate in Section 5.1 will apply on the Purchase Contract Settlement Date. Such adjustment shall be made by multiplying the Applicable Market Value by a fraction of which the numerator shall be the Settlement Rate immediately after such adjustment pursuant to paragraph (1), (2), (3), (4), (5), (6), (7) or (10) of this Section 5.6(a) and the denominator shall be the Settlement Rate immediately prior to such adjustment; provided, however, that if such adjustment to the Settlement Rate is required to be made pursuant to the occurrence of any of the events contemplated by paragraph (1), (2), (3), (4), (5), (6), (7) or (10) of this Section 5.6(a) during the period taken into consideration for determining the Applicable Market Value, appropriate and customary adjustments shall be made to the Settlement Rate.

(11) The Company may, but shall not be required to, make such increases in the Settlement Rate, in addition to those required by this Section, as it considers to be advisable in order to avoid or diminish any income tax to any holders of shares of [Common Stock] [Preferred Stock] resulting from any dividend or distribution of stock or issuance of rights or warrants to purchase or subscribe for stock or from any event treated as such for income tax purposes or for any other reason.

(b) Adjustment for Consolidation, Merger or Other Reorganization Event.

(1) In the event of:

(i) any consolidation or merger of the Company with or into another Person (other than a merger or consolidation in which the Company is the continuing corporation and in which the shares of Common Stock outstanding immediately prior to the merger or consolidation are not exchanged for cash, securities or other property of the Company or another corporation);

(ii) any sale, transfer, lease or conveyance to another Person of the property of the Company as an entirety or substantially as an entirety;

(iii) any statutory share exchange of the Company with another Person (other than in connection with a merger or acquisition);

(iv) any liquidation, dissolution or termination of the Company other than as a result of or after the occurrence of a Termination Event (any such event, a "Reorganization Event"),

the Settlement Rate will be adjusted to provide that each Holder of Securities will receive on the Purchase Contract Settlement Date with respect to each Purchase Contract forming a part thereof, the kind and amount of securities, cash and other property receivable upon such Reorganization Event (without any interest thereon, and without any right to dividends or distribution thereon that have a record date that is prior to the Purchase Contract Settlement Date) by a Holder of the number of shares of [Common Stock] [Preferred Stock] issuable on account of each Purchase Contract if the Purchase Contract Settlement Date had occurred immediately prior to such Reorganization Event, assuming such Holder of [Common Stock] [Preferred Stock] is not a Person with which the Company consolidated or into which the Company merged or which merged into the Company or to which such sale or transfer was made, as the case may be (any

such Person, a "Constituent Person"), or an Affiliate of a Constituent Person to the extent such Reorganization Event provides for different treatment of [Common Stock] [Preferred Stock] held by Affiliates of the Company and non-affiliates and such Holder failed to exercise his rights of election, if any, as to the kind or amount of securities, cash and other property receivable upon such Reorganization Event (provided that if the kind or amount of securities, cash and other property receivable upon such Reorganization Event is not the same for each share of [Common Stock] [Preferred Stock] held immediately prior to such Reorganization Event by other than a Constituent Person or an Affiliate thereof and in respect of which such rights of election shall not have been exercised ("non-electing share"), then for the purpose of this Section the kind and amount of securities, cash and other property receivable upon such Reorganization Event by each non-electing share shall be deemed to be the kind and amount so receivable per share by a plurality of the non-electing shares).

In the event of such a Reorganization Event, the Person formed by such consolidation, merger or exchange or the Person that acquires the assets of the Company or, in the event of a liquidation, dissolution or termination of the Company, the Company or a liquidating trust created in connection therewith, shall execute and deliver to the Purchase Contract Agent an agreement supplemental hereto providing that each Holder of an Outstanding Security shall have the rights provided by this Section 5.6(b). Such supplemental agreement shall provide for adjustments that, for events subsequent to the effective date of such supplemental agreement, shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section. The above provisions of this Section shall similarly apply to successive Reorganization Events.

(2) In the event of a consolidation or merger of the Company with or into another Person, any merger of another Person into the Company (other than a merger that does not result in any reclassification, conversion, exchange or cancellation of outstanding shares of [Common Stock] [Preferred Stock]) in which 30% or more of the total consideration paid to the Company's shareholders consists of cash or cash equivalents, then a Holder of a Security may settle his Purchase Contract for cash as described in Section 5.4(a)(i) or 5.4(d)(i) hereof, as applicable, during the one week period beginning on the twenty-third Trading Day following the closing date of such merger (the "Early Settlement Week"), at the applicable Settlement Rate. For the purposes of this Section, the twenty-third Trading Day after the closing of the merger or consolidation shall be deemed to be the Purchase Contract Settlement Date for the purpose of determining the Applicable Market Value and the deadline for submitting the notice to settle early and the related cash payment shall be 5:00 p.m. (New York City time) of the last Business Day of the Early Settlement Week.]

All calculations and determinations pursuant to this Section 5.6 shall be made by the Company or its agent and the Purchase Contract Agent shall have no responsibility with respect thereto.

SECTION 5.7. Notice of Adjustments and Certain Other Events.

(a) Whenever the Settlement Rate is calculated or adjusted as herein provided, the Company shall:

(1) forthwith compute the Settlement Rate adjusted as necessary in accordance with Section 5.6 in accordance with Section 5.6 and prepare and transmit to the Purchase Contract Agent an Officer's Certificate setting forth the Settlement Rate, the method of calculation thereof in reasonable detail, and the facts requiring such adjustment and upon which such adjustment is based; and

(2) within 10 Business Days following the occurrence of an event that requires an adjustment to the Settlement Rate pursuant to Section 5.6 (or if the Company is not aware of such occurrence, as soon as practicable after becoming so aware), provide a written notice to the Holders of the Securities of the occurrence of such event and a statement in reasonable detail setting forth the method by which the adjustment to the Settlement Rate was determined and setting forth the adjusted Settlement Rate.

(b) The Purchase Contract Agent shall not at any time be under any duty or responsibility to any Holder of Securities to determine whether any facts exist which may require any adjustment of the

Settlement Rate or the Applicable Market Value, or with respect to the nature or extent or calculation of any such adjustment when made, or with respect to the method employed in making the same or with respect to any matters, adjustments or calculations contained in any supplemental agreement entered into in accordance with Section 5.6(b). The Purchase Contract Agent shall not be accountable with respect to the validity or value (or the kind or amount) of any shares of [Common Stock] [Preferred Stock], or of any securities or property, which may at the time be issued or delivered with respect to any Purchase Contract; and the Purchase Contract Agent makes no representation with respect thereto. The Purchase Contract Agent shall not be responsible for any failure of the Company to issue, transfer or deliver any shares of [Common Stock] [Preferred Stock] pursuant to a Purchase Contract or to comply with any of the duties, responsibilities or covenants of the Company contained in this Article.

SECTION 5.8. Termination Event; Notice.

The Purchase Contracts and all obligations and rights of the Company and the Holders thereunder, including, without limitation, the rights of the Holders to receive and the obligation of the Company to pay any Purchase Contract Payments (including any deferred or accrued and unpaid Purchase Contract Payments), if the Company shall have such obligation, and the rights and obligations of Holders to purchase [Common Stock] [Preferred Stock], shall immediately and automatically terminate, without the necessity of any notice or action by any Holder, the Purchase Contract Agent or the Company, if, prior to or on the Purchase Contract Settlement Date, a Termination Event shall have occurred.

Upon and after the occurrence of a Termination Event, the Securities shall thereafter represent the right to receive the Notes [or appropriate Applicable Ownership Interest in the Treasury Portfolio, as the case may be,] forming part of such Securities in the case of SPC Units, or Treasury Securities in the case of Treasury SPC Units, in accordance with the provisions of Section 5.4 of the Pledge Agreement. Upon the occurrence of a Termination Event, the Company shall promptly but in no event later than two Business Days thereafter give written notice to the Purchase Contract Agent, the Collateral Agent and the Holders, at their addresses as they appear in the Register.

SECTION 5.9. Early Settlement.

(a) Subject to and upon compliance with the provisions of this Section 5.9, at the option of the Holder thereof, Purchase Contracts underlying Securities may be settled early ("Early Settlement") on or prior to 5:00 p.m. (New York City time) on the seventh Business Day immediately preceding the Purchase Contract Settlement Date, as provided herein. Holders of Treasury SPC Units may only settle the related Purchase Contracts in integral multiples of 40 Purchase Contracts. In order to exercise the right to effect Early Settlement with respect to any Purchase Contracts, the Holder of the Certificate evidencing Securities shall deliver such Certificates to the Purchase Contract Agent at the Corporate Trust Office duly endorsed for transfer to the Company or in blank with the form of Election to Settle Early on the reverse thereof duly completed and accompanied by payment (payable to the Company in immediately available funds) in an amount (the "Early Settlement Amount") equal to:

(1) the product of (A) the Stated Amount times (B) the number of Purchase Contracts with respect to which the Holder has elected to effect Early Settlement, plus

(2) if such delivery is made with respect to any Purchase Contracts during the period from the close of business on any Record Date next preceding any Payment Date to the opening of business on such Payment Date, an amount equal to the sum of (x) the Purchase Contract Payments payable on such Payment Date with respect to such Purchase Contracts plus (y) in the case of a SPC Units Certificate, the interest on the related Notes payable on such Payment Date.]

Except as provided in the immediately preceding sentence and subject to the second to last paragraph of Section 5.2, no payment shall be made upon Early Settlement of any Purchase Contract on account of any Purchase Contract Payments accrued on such Purchase Contract or on account of any dividends on the [Common Stock] [Preferred Stock] issued upon such Early Settlement. If the foregoing requirements are first satisfied with respect to Purchase Contracts underlying any Securities prior to or at 5:00 p.m. (New York City time) on a Business Day, such day shall be the "Early Settlement Date" with respect to such Securities and if such requirements are first satisfied after 5:00 p.m. (New York City time) on a Business Day or on a day that is not a Business Day, the "Early Settlement Date" with respect to such

Securities shall be the next succeeding Business Day.

(b) Upon Early Settlement of Purchase Contracts by a Holder of the related Securities, the Company shall issue, and the Holder shall be entitled to receive, [] shares of [Common Stock] [Preferred Stock] on account of each Purchase Contract as to which Early Settlement is effected (the "Early Settlement Rate"). The Early Settlement Rate shall be adjusted in the same manner and at the same time as the Settlement Rate is adjusted.

(c) No later than the third Business Day after the applicable Early Settlement Date, the Company shall cause:

(1) the shares of [Common Stock] [Preferred Stock] issuable upon Early Settlement of Purchase Contracts to be issued and delivered, together with payment in lieu of any fraction of a share, as provided in Section 5.10; and

(2) the related Notes [or the appropriate Applicable Ownership Interest (as specified in clause (A) of the definition of such term) in the Treasury Portfolio], in the case of SPC Units, or the related Treasury Securities, in the case of Treasury SPC Units, to be released from the Pledge by the Collateral Agent and transferred, in each case, to the Purchase Contract Agent for delivery to the Holder thereof or its designee.

(d) Upon Early Settlement of any Purchase Contracts, and subject to receipt of shares of [Common Stock] [Preferred Stock] from the Company and the Notes [or the appropriate Applicable Ownership Interest (as specified in clause (A) of the definition of such term) in the Treasury Portfolio] or Treasury Securities, as the case may be, from the Securities Intermediary, as applicable, the Purchase Contract Agent shall, in accordance with the instructions provided by the Holder thereof on the applicable form of Election to Settle Early on the reverse of the Certificate evidencing the related Securities:

(1) transfer to the Holder the Notes [or the appropriate Applicable Ownership Interest (as specified in clause (A) of the definition of such term) in the Treasury Portfolio] or Treasury Securities, as the case may be, forming a part of such Securities; and

(2) deliver to the Holder a certificate or certificates for the full number of shares of [Common Stock] [Preferred Stock] issuable upon such Early Settlement, together with payment in lieu of any fraction of a share, as provided in Section 5.10.

(e) In the event that Early Settlement is effected with respect to Purchase Contracts underlying less than all the Securities evidenced by a Certificate, upon such Early Settlement the Company shall execute and the Purchase Contract Agent shall authenticate, countersign and deliver to the Holder thereof, at the expense of the Company, a Certificate evidencing the Securities as to which Early Settlement was not effected.

(f) A Holder of a Security who effects Early Settlement may elect to have the Note no longer a part of a SPC Unit or Treasury SPC Unit remarketed. A Holder making such an election must notify the Indenture Trustee prior to 11:00 a.m. (New York City time) on the fifth Business Day immediately preceding the Purchase Contract Settlement Date, of the aggregate number of Notes that are not part of SPC Units or Treasury SPC Units, as the case may be, to be remarketed. Any such notice will be irrevocable and may not be conditioned upon the level at which the Reset Rate is established in the Remarketing. Concurrently, the Indenture Trustee shall cause such Notes to be presented to the Remarketing Agent for Remarketing.

SECTION 5.10. No Fractional Shares.

No fractional shares or scrip representing fractional shares of [Common Stock] [Preferred Stock] shall be issued or delivered upon settlement on the Purchase Contract Settlement Date or upon Early Settlement of any Purchase Contracts. If Certificates evidencing more than one Purchase Contract shall be surrendered for settlement at one time by the same Holder, the number of full shares of [Common Stock] [Preferred Stock] that shall be delivered upon settlement shall be computed on the basis of the aggregate number of Purchase Contracts evidenced by the Certificates so surrendered. Instead of any fractional share of [Common Stock] [Preferred Stock] that would otherwise be deliverable upon settlement of any Purchase Contracts on the Purchase Contract Settlement Date or upon Early Settlement, the Company, through the Purchase Contract Agent, shall make a cash payment in respect of such fractional interest in an amount equal to the product of the total fractional share interest times the Applicable Market Value per share, determined as provided in Section 5.1. The Company shall provide the Purchase Contract Agent from time to time with sufficient funds to permit the Purchase Contract Agent to make all cash payments required by this Section 5.10 in a timely manner.

SECTION 5.11. Charges and Taxes.

The Company will pay all stock transfer and similar taxes attributable to the initial issuance and delivery of the shares of [Common Stock] [Preferred Stock] pursuant to the Purchase Contracts; provided, however, that the Company shall not be required to pay any such tax or taxes which may be payable in respect of any exchange of or substitution for a Certificate evidencing a Security or any issuance of a share of [Common Stock] [Preferred Stock] in a name other than that of the registered Holder of a Certificate surrendered in respect of the Securities evidenced thereby, other than in the name of the Purchase Contract Agent, as custodian for such Holder, and the Company shall not be required to issue or deliver such share certificates or Certificates unless or until the Person or Persons requesting the transfer or issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

ARTICLE VI

Remedies

SECTION 6.1. Unconditional Right of Holders to Receive Purchase Contract Payments and to Purchase Shares of [Common Stock] [Preferred Stock].

Each Holder of a SPC Unit or Treasury SPC Unit shall have the right, which is absolute and unconditional, [(1) subject to the right of the Company to defer Purchase Contract Payments in accordance with Section 5.3 and to the obligation of a Holder to make certain Purchase Contract Payments pursuant to Section 5.9(a), to receive each Purchase Contract Payment with respect to the Purchase Contract constituting a part of such Security on the respective Payment Date for such Security (provided, however, that a Holder will have no right to receive any accrued deferred Purchase Contract Payments if such Holder effects an Early Settlement or if a Termination Event shall occur), and (2)] to purchase shares of [Common Stock] [Preferred Stock] pursuant to such Purchase Contract and, in each such case, to institute suit for the enforcement of [any such Purchase Contract Payment and] right to purchase shares of [Common Stock] [Preferred Stock], and such rights shall not be impaired without the consent of such Holder.

SECTION 6.2. Restoration of Rights and Remedies.

If any Holder has instituted any proceeding to enforce any right or remedy under this Agreement and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to such Holder, then and in every such case, subject to any determination in such proceeding, the Company and such Holder shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of such Holder shall continue as though no such proceeding had been instituted.

SECTION 6.3. Rights and Remedies Cumulative.

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Certificates in the last paragraph of Section 3.10, no right or remedy herein conferred upon or reserved to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 6.4. Delay or Omission Not Waiver.

No delay or omission of any Holder to exercise any right or remedy upon a default shall impair any such right or remedy or constitute a waiver of any such right. Every right and remedy given by this Article or by law to the Holders may be exercised from time to time, and as often as may be deemed expedient, by such Holders.

SECTION 6.5. Undertaking for Costs.

All parties to this Agreement agree, and each Holder of a SPC Unit or a Treasury SPC Unit, by its acceptance of such SPC Unit or Treasury SPC Unit shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Agreement, or in any suit against the Purchase Contract Agent for any action taken, suffered or omitted by it as Purchase Contract Agent, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees and costs, 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; provided that the provisions of this Section shall not apply to any suit instituted by the Company, to any suit instituted by the Purchase Contract Agent, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% of the Outstanding Securities, or to any suit instituted by any Holder for the enforcement of [distributions or payments] on any Notes or Purchase Contract Payments on any Purchase Contract on or after the respective Payment Date therefor in respect of any Security held by such Holder, or for enforcement of the right to purchase shares of [Common Stock] [Preferred Stock] under the Purchase Contracts constituting part of any Security held by such Holder.

SECTION 6.6. Waiver of Stay or Extension Laws.

The Company covenants (to the extent that it may lawfully do so) 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 wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Agreement; and the Company (to the extent that it may lawfully do so) hereby expressly waives 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 Purchase Contract Agent or the Holders, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE VII

The Purchase Contract Agent

SECTION 7.1. Certain Duties and Responsibilities.

(a) Prior to a Default and after the curing or waiving of all such Defaults that may have occurred, the Purchase Contract Agent:

(1) undertakes to perform, with respect to the Securities, such duties and only such duties as are specifically set forth in this Agreement and the Pledge Agreement, and no implied covenants or obligations shall be read into this Agreement or the Pledge Agreement against the Purchase Contract Agent; and

(2) in the absence of bad faith or negligence on its part, may, with respect to the Securities, conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Purchase Contract Agent and conforming to the requirements of this Agreement or the Pledge Agreement, as applicable, but in the case of any certificates or opinions which by any provision hereof are specifically required to be furnished to the Purchase Contract Agent, the Purchase Contract Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Agreement or the Pledge Agreement, as applicable.

(b) No provision of this Agreement or the Pledge Agreement shall be construed to relieve the Purchase Contract Agent from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(1) this Subsection shall not be construed to limit the effect of Subsection (a) of this Section;

(2) the Purchase Contract Agent shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Purchase Contract Agent was negligent in ascertaining the pertinent facts; and

(3) no provision of this Agreement or the Pledge Agreement shall require the Purchase Contract Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if adequate indemnity is not provided to it.

(c) Whether or not therein expressly so provided, every provision of this Agreement and the Pledge Agreement relating to the conduct or affecting the liability of or affording protection to the Purchase Contract Agent shall be subject to the provisions of this Section.

(d) The Purchase Contract Agent is authorized to execute and deliver the Pledge Agreement in its capacity as Purchase Contract Agent.

(e) In case a Default has occurred (that has not been cured or waived), and is actually known by a Responsible Officer of the Purchase Contract Agent, the Purchase Contract Agent shall exercise such of the rights and powers vested in it by this Agreement, and use the same degree of care and skill in its exercise thereof, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(f) At the request of the Company, the Purchase Contract Agent is authorized to execute and deliver one or more Remarketing Agreements to, among other things, effectuate Section 5.4.

SECTION 7.2. Notice of Default.

Within 90 days after the occurrence of any Default by the Company hereunder of which a Responsible Officer of the Purchase Contract Agent has actual knowledge, the Purchase Contract Agent shall transmit by mail to the Company and the Holders of Securities, as their names and addresses appear in the Register, notice of such Default hereunder, unless such Default shall have been cured or waived; provided that, except for a default in any payment obligation hereunder, the Purchase Contract Agent shall be protected in withholding such notice if and so long as the Responsible Officer of the Purchase Contract Agent in good faith determines that the withholding of such notice is in the interests of the Holders of the Securities.

SECTION 7.3. Certain Rights of Purchase Contract Agent.

Subject to the provisions of Section 7.1:

(1) the Purchase Contract Agent 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 party or parties;

(2) any request or direction of the Company mentioned herein shall be sufficiently evidenced by an Officer's Certificate, Issuer Order or Issuer Request, and any resolution of the Board of Directors of the Company may be sufficiently evidenced by a Board Resolution;

(3) whenever in the administration of this Agreement or the Pledge Agreement the Purchase Contract Agent shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Purchase Contract Agent (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officer's Certificate of the Company;

(4) the Purchase Contract Agent 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;

(5) the Purchase Contract 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, but the Purchase Contract Agent, in its discretion, may make reasonable further inquiry or investigation into such facts or matters related to the execution, delivery and performance of the Purchase Contracts as it may see fit, and, if the Purchase Contract Agent shall determine to make such further inquiry or investigation, it shall be given a reasonable opportunity to examine the books, records and premises of the Company, personally or by agent or attorney; and

(6) the Purchase Contract Agent may execute any of the powers hereunder or under the Pledge Agreement or perform any duties hereunder or under the Pledge Agreement either directly or by or through agents or attorneys or an Affiliate and the Purchase Contract Agent shall not be responsible for any misconduct or negligence on the part of any agent or attorney or an Affiliate appointed with due care by it hereunder.

SECTION 7.4. Not Responsible for Recitals or Issuance of Securities.

The recitals contained herein and in the Certificates shall be taken as the statements of the Company, and the Purchase Contract Agent assumes no responsibility for their accuracy. The Purchase Contract Agent makes no representations as to the validity or sufficiency of either this Agreement or of the Securities, or of the Pledge Agreement or the Pledge. The Purchase Contract Agent shall not be accountable for the use or application by the Company of the proceeds in respect of the Purchase Contracts.

SECTION 7.5. May Hold Securities.

Any Registrar or any other agent of the Company, or the Purchase Contract Agent and its Affiliates, in their individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with the Company, the Collateral Agent or any other Person with the same rights it would have if it were not Registrar or such other agent, or the Purchase Contract Agent. The Company may also become the owner or pledgee of Securities.

SECTION 7.6. Money Held in Custody.

Money held by the Purchase Contract Agent in custody hereunder need not be segregated from the other funds except to the extent required by law or provided herein. The Purchase Contract Agent shall be under no obligation to invest or pay interest on any money received by it hereunder except as provided herein or otherwise agreed in writing with the Company.

SECTION 7.7. Compensation and Reimbursement.

The Company agrees:

(1) to pay to the Purchase Contract Agent compensation for all services rendered by it hereunder and under the Pledge Agreement as the Company and the Purchase Contract Agent shall from time to time agree in writing;

(2) except as otherwise expressly provided for herein, to reimburse the Purchase Contract Agent upon its request for all reasonable expenses, disbursements and advances incurred or made by the Purchase Contract Agent in accordance with any provision of this Agreement and the Pledge Agreement (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(3) to indemnify the Purchase Contract Agent and any predecessor Purchase Contract Agent for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of its duties hereunder or under the Pledge Agreement, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder or under the Pledge Agreement.

SECTION 7.8. Corporate Purchase Contract Agent Required; Eligibility.

There shall at all times be a Purchase Contract Agent hereunder which shall be a corporation organized and doing business under the laws of the United States of America, any State thereof or the District of Columbia, authorized under such laws to exercise corporate trust powers, having (or being a member of a bank holding company having) a combined capital and surplus of at least \$50,000,000, subject to supervision or examination by Federal or State authority and having a corporate trust office, in the Borough of Manhattan in The City of New York, if there be such a corporation in the Borough of Manhattan in The City of New York, qualified and eligible under this Article and willing to act on reasonable terms. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Purchase Contract Agent shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 7.9. Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Purchase Contract Agent and no appointment of a successor Purchase Contract Agent pursuant to this Article shall become effective until the acceptance of appointment by the successor Purchase Contract Agent in accordance with the applicable requirements of Section 7.10.

(b) The Purchase Contract Agent may resign at any time by giving written notice thereof to the Company 60 days prior to the effective date of such resignation. If the instrument of acceptance by a successor Purchase Contract Agent required by Section 7.10 shall not have been delivered to the Purchase Contract Agent within 30 days after the giving of such notice of resignation, the resigning Purchase Contract Agent may petition any court of competent jurisdiction for the appointment of a successor Purchase Contract Agent.

(c) The Purchase Contract Agent may be removed at any time by Act of the Holders of a majority in number of the Outstanding Securities delivered to the Purchase Contract Agent and the Company.

(d) If at any time:

(1) the Purchase Contract Agent fails to comply with Section 310(b) of the TIA, as if the Purchase Contract Agent were an indenture trustee under an indenture qualified under the TIA, after written request

therefor by the Company or by any Holder who has been a bona fide Holder of a Security for at least six months;

(2) the Purchase Contract Agent shall cease to be eligible under Section 7.8 and shall fail to resign after written request therefor by the Company or by any such Holder; or

(3) the Purchase Contract Agent shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Purchase Contract Agent or of its property shall be appointed or any public officer shall take charge or control of the Purchase Contract Agent or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (i) the Company by a Board Resolution may remove the Purchase Contract Agent, or (ii) any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Purchase Contract Agent and the appointment of a successor Purchase Contract Agent.

(e) If the Purchase Contract Agent shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Purchase Contract Agent for any cause, the Company, by a Board Resolution, shall promptly appoint a successor Purchase Contract Agent and shall comply with the applicable requirements of Section 7.10. If no successor Purchase Contract Agent shall have been so appointed by the Company and accepted appointment in the manner required by Section 7.10, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of itself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Purchase Contract Agent.

(f) The Company shall give, or shall cause such successor Purchase Contract Agent to give, notice of each resignation and each removal of the Purchase Contract Agent and each appointment of a successor Purchase Contract Agent by mailing written notice of such event by first-class mail, postage prepaid, to all Holders as their names and addresses appear in the applicable Register. Each notice shall include the name of the successor Purchase Contract Agent and the address of its Corporate Trust Office.

(g) If the Purchase Contract Agent has or shall acquire any "conflicting interest" within the meaning of Section 310(b) of the Trust Indenture Act, the Purchase Contract Agent and the Company shall in all respects comply with the provisions of Section 310(b) of the Trust Indenture Act.

SECTION 7.10. Acceptance of Appointment by Successor.

(a) In case of the appointment hereunder of a successor Purchase Contract Agent, every such successor Purchase Contract Agent so appointed shall execute, acknowledge and deliver to the Company and to the retiring Purchase Contract Agent an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Purchase Contract Agent shall become effective and such successor Purchase Contract Agent, without any further act, deed or conveyance, shall become vested with all the rights, powers, agencies and duties of the retiring Purchase Contract Agent; but, on the request of the Company or the successor Purchase Contract Agent, such retiring Purchase Contract Agent shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Purchase Contract Agent all the rights, powers and trusts of the retiring Purchase Contract Agent and shall duly assign, transfer and deliver to such successor Purchase Contract Agent all property and money held by such retiring Purchase Contract Agent hereunder.

(b) Upon request of any such successor Purchase Contract Agent, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Purchase Contract Agent all such rights, powers and agencies referred to in paragraph (a) of this Section.

(c) No successor Purchase Contract Agent shall accept its appointment unless at the time of such acceptance such successor Purchase Contract Agent shall be qualified and eligible under this Article.

SECTION 7.11. Merger, Conversion, Consolidation or Succession to Business.

Any Person into which the Purchase Contract Agent may be merged or converted or with which it may be consolidated, or any Person resulting from any merger, conversion or consolidation to which the Purchase Contract Agent shall be a party, or any Person succeeding to all or substantially all the corporate trust business of the Purchase Contract Agent, shall be the successor of the Purchase Contract Agent hereunder, provided such Person shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Certificates shall have been authenticated and executed on behalf of the Holders, but not delivered, by the Purchase Contract Agent then in office, any successor by merger, conversion or consolidation to such Purchase Contract Agent may adopt such authentication and execution and deliver the Certificates so authenticated and executed with the same effect as if such successor Purchase Contract Agent had itself authenticated and executed such Securities.

SECTION 7.12. Preservation of Information; Communications to Holders.

The Purchase Contract Agent shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders received by the Purchase Contract Agent in its capacity as Registrar and comply with Section 312 of the Trust Indenture Act.

SECTION 7.13. No Obligations of Purchase Contract Agent.

Except to the extent otherwise provided in this Agreement, the Purchase Contract Agent assumes no obligations and shall not be subject to any liability under this Agreement, the Pledge Agreement or any Purchase Contract in respect of the obligations of the Holder of any Security thereunder. The Company agrees, and each Holder of a Certificate, by his acceptance thereof, shall be deemed to have agreed, that the Purchase Contract Agent's execution of the Certificates on behalf of the Holders shall be solely as agent and attorney-in-fact for the Holders, and that the Purchase Contract Agent shall have no obligation to perform such Purchase Contracts on behalf of the Holders, except to the extent expressly provided in Article Five hereof. Anything contained in this Agreement to the contrary notwithstanding, in no event shall the Purchase Contract Agent or its officers, employees or agents be liable under this Agreement to any third party for indirect, special, punitive, or consequential loss or damage of any kind whatsoever, including lost profits, whether or not the likelihood of such loss or damage was known to the Purchase Contract Agent.

SECTION 7.14. Tax Compliance.

(a) The Company and the Purchase Contract Agent will comply with all applicable certification, information reporting and withholding (including "backup" withholding) requirements imposed by applicable tax laws, regulations or administrative practice with respect to (i) any payments made with respect to the Securities or (ii) the issuance, delivery, holding, transfer, redemption or exercise of rights under the Securities. Such compliance shall include, without limitation, the preparation and timely filing of required returns and the timely payment of all amounts required to be withheld to the appropriate taxing authority or its designated agent.

(b) The Purchase Contract Agent shall comply in accordance with the terms hereof with any reasonable written direction received from the Company with respect to the execution or certification of any required documentation and the application of such requirements to particular payments or Holders or in other particular circumstances, and may for purposes of this Agreement rely on any such direction in accordance with the provisions of Section 7.1(a) (2) hereof.

(c) The Purchase Contract Agent shall maintain all appropriate records documenting compliance with such requirements, and shall make such records available, on written request, to the Company or its authorized representative within a reasonable period of time after receipt of such request.

ARTICLE VIII

Supplemental Agreements

SECTION 8.1. Supplemental Agreements Without Consent of Holders.

Without the consent of any Holders, the Company and the Purchase Contract Agent, at any time and from time to time, may enter into one or more agreements supplemental hereto, in form satisfactory to the Company and the Purchase Contract Agent, to:

- (1) evidence the succession of another Person to the Company, and the assumption by any such successor of the covenants of the Company herein and in the Certificates;
- (2) evidence and provide for the acceptance of appointment hereunder by a successor Purchase Contract Agent;
- (3) add to the covenants of the Company for the benefit of the Holders, or surrender any right or power herein conferred upon the Company;
- (4) make provision with respect to the rights of Holders pursuant to the requirements of Section 5.6(b); or
- (5) except as provided for in Section 5.6, cure any ambiguity, correct or supplement any provisions herein which may be inconsistent with any other provisions herein, or make any other provisions with respect to such matters or questions arising under this Agreement, provided such action shall not adversely affect the interests of the Holders.

SECTION 8.2. Supplemental Agreements With Consent of Holders.

With the consent of the Holders of not less than a majority of the outstanding Purchase Contracts voting together as one class, by Act of said Holders delivered to the Company and the Purchase Contract Agent, the Company, when authorized by a Board Resolution, and the Purchase Contract Agent may enter into an agreement or agreements supplemental hereto for the purpose of modifying in any manner the terms of the Purchase Contracts, or the provisions of this Agreement or the rights of the Holders in respect of the Securities; provided, however, that, except as contemplated herein, no such supplemental agreement shall, without the unanimous consent of the Holders of each Outstanding Purchase Contract affected thereby,

- (1) change any Payment Date;
- (2) change the amount or the type of Collateral required to be Pledged to secure a Holder's obligations under the Purchase Contract, impair the right of the Holder of any Purchase Contract to receive distributions on the related Collateral (except for the rights of Holders of SPC Units to substitute Treasury Securities for the Pledged Preferred Securities or Pledged Notes or the Applicable Ownership Interest in the Treasury Portfolio or the rights of Holders or Treasury SPC Units to substitute Preferred Securities, Notes or the Applicable Ownership Interest in the Treasury Portfolio for the Pledged Treasury Securities) or otherwise adversely affect the Holder's rights in or to such Collateral or adversely alter the rights in or to such Collateral;
- (3) reduce any Purchase Contract Payments or change the coin or currency in which any Purchase Contract Payment is payable;
- (4) impair the right to institute suit for the enforcement of any Purchase Contract;
- (5) reduce the number of shares of [Common Stock] [Preferred Stock] to be purchased pursuant to any Purchase Contract, increase the price to purchase shares of [Common Stock] [Preferred Stock] upon settlement of any Purchase Contract, change the Purchase Contract Settlement Date; or
- (6) reduce the percentage of the outstanding Purchase Contracts the consent of whose Holders is required for any such supplemental agreement;

provided that if any amendment or proposal referred to above would adversely affect only the SPC Units or the Treasury SPC Units, then only the affected class of Holders as of the record date (if any) for the Holders entitled to vote thereon will be entitled to vote on such amendment or proposal, and such amendment or proposal shall not be effective except with the consent of Holders of not less than a majority

of such class; and provided, further, that the unanimous consent of the Holders of each outstanding Purchase Contract of such class affected thereby shall be required to approve any amendment or proposal specified in clauses (1) through (6) above.

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed supplemental agreement, but it shall be sufficient if such Act shall approve the substance thereof.

SECTION 8.3. Execution of Supplemental Agreements.

In executing, or accepting the additional agencies created by, any supplemental agreement permitted by this Article or the modifications thereby of the agencies created by this Agreement, the Purchase Contract Agent shall be entitled to receive, and (subject to Section 7.1) shall be fully protected in relying upon, an Officer's Certificate and an Opinion of Counsel stating that the execution of such supplemental agreement is authorized or permitted by this Agreement. The Purchase Contract Agent may, but shall not be obligated to, enter into any such supplemental agreement which affects the Purchase Contract Agent's own rights, duties or immunities under this Agreement or otherwise.

SECTION 8.4. Effect of Supplemental Agreements.

Upon the execution of any supplemental agreement under this Article, this Agreement shall be modified in accordance therewith, and such supplemental agreement shall form a part of this Agreement for all purposes; and every Holder of Certificates theretofore or thereafter authenticated, executed on behalf of the Holders and delivered hereunder, shall be bound thereby.

SECTION 8.5. Reference to Supplemental Agreements.

Certificates authenticated, executed on behalf of the Holders and delivered after the execution of any supplemental agreement pursuant to this Article may, and shall, if required by the Purchase Contract Agent, bear a notation in form approved by the Purchase Contract Agent as to any matter provided for in such supplemental agreement. If the Company shall so determine, new Certificates so modified as to conform, in the opinion of the Purchase Contract Agent and the Company, to any such supplemental agreement may be prepared and executed by the Company and authenticated, executed on behalf of the Holders and delivered by the Purchase Contract Agent in exchange for Outstanding Certificates.

ARTICLE IX

Merger, Consolidation, Sale or Conveyance

SECTION 9.1. Covenant Not to Merge, Consolidate, Sell or Convey Property Except Under Certain Conditions.

The Company covenants that it will not merge, consolidate or sell, assign, transfer, lease or convey its properties and assets as an entirety or substantially as an entirety to any Person or group of affiliated Persons in one transaction or a series of related transactions, unless:

(1) either the Company shall be the continuing corporation, or the successor (if other than the Company) shall be a corporation organized and existing under the laws of the United States of America or a State thereof or the District of Columbia and such corporation shall expressly assume all the obligations of the Company under the Purchase Contracts, the Notes, this Agreement, the Indenture and the Pledge Agreement by one or more supplemental agreements in form reasonably satisfactory to the Purchase Contract Agent, the Collateral Agent and the Indenture Trustee executed and delivered to the Purchase Contract Agent and the Collateral Agent by such corporation; and

(2) the Company or such successor corporation, as the case may be, shall not, immediately after such merger, consolidation, or sale, assignment, transfer, lease or conveyance, be in default in the

performance of any covenant or condition hereunder, under any of the Securities or under the Pledge Agreement.

SECTION 9.2. Rights and Duties of Successor Corporation.

In case of any such merger, consolidation, sale, assignment, transfer, lease or conveyance and upon any such assumption by a successor corporation in accordance with Section 9.1, such successor corporation shall succeed to and be substituted for the Company with the same effect as if it had been named herein as the Company and, except in the case of a lease, the Company shall be relieved of all of its covenants and obligations under this Agreement and the Securities. Such successor corporation thereupon may cause to be signed, and may issue either in its own name or in the name of Hovnanian Enterprises, Inc., any or all of the Certificates evidencing Securities issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Purchase Contract Agent; and, upon the order of such successor corporation, instead of the Company, and subject to all the terms, conditions and limitations in this Agreement prescribed, the Purchase Contract Agent shall authenticate and execute on behalf of the Holders and deliver any Certificates which previously shall have been signed and delivered by the officers of the Company to the Purchase Contract Agent for authentication and execution, and any Certificate evidencing Securities which such successor corporation thereafter shall cause to be signed and delivered to the Purchase Contract Agent for that purpose. All the Certificates issued shall in all respects have the same legal rank and benefit under this Agreement as the Certificates theretofore or thereafter issued in accordance with the terms of this Agreement as though all of such Certificates had been issued at the date of the execution hereof.

In case of any such merger, consolidation, sale, assignment, transfer, lease or conveyance such change in phraseology and form (but not in substance) may be made in the Certificates evidencing Securities thereafter to be issued as may be appropriate.

SECTION 9.3. Officer's Certificate and Opinion of Counsel Given to Purchase Contract Agent.

The Purchase Contract Agent, subject to Sections 7.1 and 7.3, shall receive an Officer's Certificate and an Opinion of Counsel as conclusive evidence that any such merger, consolidation, sale, assignment, transfer, lease or conveyance, and any such assumption, complies with the provisions of this Article and that all conditions precedent to the consummation of any such merger, consolidation, sale, assignment, transfer, lease or conveyance have been met.

ARTICLE X

Covenants

SECTION 10.1. Performance Under Purchase Contracts.

The Company covenants and agrees for the benefit of the Holders from time to time of the Securities that it will duly and punctually perform its obligations under the Purchase Contracts in accordance with the terms of the Purchase Contracts and this Agreement.

SECTION 10.2. Maintenance of Office or Agency.

The Company will maintain in the Borough of Manhattan in The City of New York, an office or agency where payments made on Securities may be made, where Certificates may be presented or surrendered for acquisition of shares of [Common Stock] [Preferred Stock] upon settlement of the Purchase Contracts on the Purchase Contract Settlement Date or Early Settlement and for transfer of Collateral upon occurrence of a Termination Event, where Certificates may be surrendered for registration of transfer or exchange, for a Collateral Substitution or reestablishment of SPC Units and where notices and demands to or upon the Company in respect of the Securities and this Agreement may be served. The Company will give prompt written notice to the Purchase Contract Agent of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Purchase Contract Agent with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust

Office, and the Company hereby appoints the Purchase Contract Agent as its agent to receive all such presentations, surrenders, notices and demands.

The Company may also from time to time designate one or more other offices or agencies where Certificates may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, The City of New York for such purposes. The Company will give prompt written notice to the Purchase Contract Agent of any such designation or rescission and of any change in the location of any such other office or agency. The Company hereby designates as the place of payment for the Securities the Corporate Trust Office and appoints the Purchase Contract Agent at its Corporate Trust Office as paying agent in such city.

SECTION 10.3. Company to Reserve [Common Stock] [Preferred Stock].

The Company shall at all times prior to the Purchase Contract Settlement Date reserve and keep available, free from preemptive rights, out of its authorized but unissued [Common Stock] [Preferred Stock] the full number of shares of [Common Stock] [Preferred Stock] issuable against tender of payment in respect of all Purchase Contracts constituting a part of the Securities evidenced by Outstanding Certificates.

SECTION 10.4. Covenants as to [Common Stock] [Preferred Stock].

The Company covenants that all shares of [Common Stock] [Preferred Stock] that may be issued against tender of payment in respect of any Purchase Contract constituting a part of the Outstanding Securities will, upon issuance, be duly authorized, validly issued, fully paid and nonassessable.

SECTION 10.5. ERISA.

Each Holder from time to time of the SPC Units that is a Plan hereby represents that its acquisition of the SPC Units and the holding of the same satisfies the applicable fiduciary requirements of ERISA and that it is entitled to exemption relief from the prohibited transaction provisions of ERISA and the Code in accordance with one or more prohibited transaction exemptions or otherwise will not result in a nonexempt prohibited transaction.

ARTICLE XI

Trust Indenture Act

SECTION 11.1. Trust Indenture Act; Application.

(a) This Agreement is subject to the provisions of the TIA that are required or deemed to be part of this Agreement and shall, to the extent applicable, be governed by such provisions; and

(b) If and to the extent that any provision of this Agreement limits, qualifies or conflicts with the duties imposed by Sections 310 to 317, inclusive, of the TIA, such imposed duties shall control.

SECTION 11.2. Lists of Holders of Securities.

(a) The Company shall furnish or cause to be furnished to the Purchase Contract Agent (a) semiannually, not later than June 1 and December 1 in each year, commencing December 1, [2001], a list, in such form as the Purchase Contract Agent may reasonably require, of the names and addresses of the Holders ("List of Holders") as of a date not more than 15 days prior to the delivery thereof, and (b) at such other times as the Purchase Contract Agent may request in writing, within 30 days after the receipt by the Company of any such request, a List of Holders as of a date not more than 15 days prior to the time such list is furnished; provided that, the Company shall not be obligated to provide such List of Holders at any time the List of Holders does not differ from the most recent List of Holders given to the Purchase Contract Agent by the Company. The Purchase Contract Agent may destroy any List of Holders previously given to it on receipt of a new List of Holders

(b) The Purchase Contract Agent shall comply with its obligations under Section 311(a) of the TIA, subject to the provisions of Section 311(b) and Section 312(b) of the TIA.

SECTION 11.3. Reports by the Purchase Contract Agent.

Not later than November 15 of each year, commencing November 15, [2001], the Purchase Contract Agent shall provide to the Holders such reports, if any, as are required by Section 313(a) of the TIA in the form and in the manner provided by Section 313(a) of the TIA. Such reports shall be as of the preceding September 15. The Purchase Contract Agent shall also comply with the requirements of Sections 313(b), (c) and (d) of the TIA.

SECTION 11.4. Periodic Reports to Purchase Contract Agent.

The Company shall provide to the Purchase Contract Agent such documents, reports and information as required by Section 314 (if any) and the compliance certificate required by Section 314(a) (4) of the TIA in the form, in the manner and at the times required by Section 314 of the TIA, provided, that such compliance certificate shall be delivered annually on or before _____ in each year, commencing _____.

SECTION 11.5. Evidence of Compliance with Conditions Precedent.

The Company shall provide to the Purchase Contract Agent such evidence of compliance with any conditions precedent provided for in this Agreement as and to the extent required by Section 314(c) of the TIA. Any certificate or opinion required to be given by an officer pursuant to Section 314(c) (1) of the TIA may be given in the form of an Officer's Certificate. Any opinion required to be given pursuant to Section 314(c) (2) of the TIA may be given in the form of an Opinion of Counsel.

SECTION 11.6. Defaults; Waiver.

The Holders of a majority of the Outstanding Purchase Contracts voting together as one class may, by vote, on behalf of all of the Holders, waive any past Default and its consequences, except a default

(a) in the payment on any Security, or

(b) in respect of a provision hereof which under Section 8.2 cannot be modified or amended without the consent of the Holder of each Outstanding Security affected.

Upon such waiver, any such Default shall cease to exist, and any Default arising therefrom shall be deemed to have been cured, for every purpose of this Agreement, but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

SECTION 11.7. Purchase Contract Agent's Knowledge of Defaults.

The Purchase Contract Agent shall not be deemed to have knowledge of any Default unless a Responsible Officer charged with the administration of this Agreement shall have obtained written notice of such Default from the Company or any Holder.

SECTION 11.8. Conflicting Interests.

The Indenture [others] shall be deemed to be specifically described in this Agreement for the purposes of clause (i) of the first proviso contained in Section 310(b) of the TIA.

SECTION 11.9. Direction of Purchase Contract Agent.

Section 316(a) (1) (A) of the TIA is hereby expressly excluded from this Agreement, as permitted by the TIA.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

HOVNANIAN ENTERPRISES, INC.

By: _____
Name:
Title:

as Purchase Contract Agent and Trustee

By: _____
Name:
Title:

FORM OF SPC UNITS CERTIFICATE

THIS CERTIFICATE IS A GLOBAL CERTIFICATE WITHIN THE MEANING OF THE PURCHASE CONTRACT AGREEMENT HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (THE "DEPOSITORY"), OR A NOMINEE OF THE DEPOSITORY. THIS CERTIFICATE IS EXCHANGEABLE FOR CERTIFICATES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITORY OR ITS NOMINEE ONLY IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE PURCHASE CONTRACT AGREEMENT AND NO TRANSFER OF THIS CERTIFICATE (OTHER THAN A TRANSFER OF THIS CERTIFICATE AS A WHOLE BY THE DEPOSITORY TO A NOMINEE OF THE DEPOSITORY OR BY A NOMINEE OF THE DEPOSITORY TO THE DEPOSITORY OR ANOTHER NOMINEE OF THE DEPOSITORY) MAY BE REGISTERED EXCEPT IN LIMITED CIRCUMSTANCES.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

No. _____ Cusip No. _____
 Number of SPC Units _____

HOVNANIAN ENTERPRISES, INC.
 SPC UNITS

This SPC Units Certificate certifies that _____ is the registered Holder of the number of SPC Units set forth above. Each SPC Unit consists of (i) [either (a)] the beneficial ownership by the Holder of one [Note (the "Note") of Hovnanian Enterprises, Inc., a Delaware corporation (the "Company"), having a principal amount of \$25], subject to the Pledge of such Note by such Holder pursuant to the Pledge Agreement or (b) upon the occurrence of a Tax Event Redemption prior to the Purchase Contract Settlement Date, the appropriate Applicable Ownership Interest (as specified in clause (A) of the definition of such term) in the Treasury Portfolio by such Holder pursuant to the Pledge Agreement, and (ii) the rights and obligations of the Holder and the Company under one Purchase Contract with the Company. All capitalized terms used herein that are defined in the Purchase Contract Agreement (as defined below) have the meaning set forth therein.

Pursuant to the Pledge Agreement, the appropriate Applicable Ownership Interest (as specified in clause (A) of the definition of such term) in the Treasury Portfolio [Note] constituting part of each SPC Unit evidenced hereby has been pledged to the Collateral Agent, for the benefit of the Company, to secure the obligations of the Holder under the Purchase Contract comprising part of such SPC Unit.

Payments of interest on any Note forming part of a SPC Unit evidenced hereby, shall, subject to receipt thereof by the Purchase Contract Agent from the Securities Intermediary, be paid to the Person in whose name this SPC Units Certificate (or a Predecessor SPC Units Certificate) is registered at the close of business on the Record Date for such Payment Date. Interest is payable quarterly in arrears on February 16, May 16, August 16 and November 16 of each year, commencing _____ (each, a "Payment Date"). Payments of interest on the Note forming a part of the SPC Unit evidenced hereby may be deferred at the option of the Company under the circumstances described in such Note.

Each Purchase Contract evidenced hereby obligates the Holder of this SPC Units Certificate to purchase, and the Company to sell, on the Purchase Contract Settlement Date, at a price equal to [\$25] (the "Stated Amount"), a number of shares of Hovnanian Enterprises, Inc. [Class A Common Stock, par value \$.01 per share ("Common Stock")] [Preferred Stock, par value \$.01 per share ("Preferred Stock")], equal to the Settlement Rate, unless on or prior to the Purchase Contract Settlement Date there shall have occurred a Termination Event or an Early Settlement with respect to the SPC Unit of which such Purchase Contract is a part, all as provided in the Purchase Contract Agreement and more fully described on the reverse hereof. The purchase price (the "Purchase Price") for the shares of [Common Stock] [Preferred Stock] purchased pursuant to each Purchase Contract evidenced hereby, if not paid earlier, shall be paid on the Purchase Contract Settlement Date by cash or by application of payment received in respect of the principal amount with respect to each Pledged Note pursuant to the Remarketing [or the appropriate Applicable Ownership Interest (as specified in clause (A) of the definition of such term) in the Treasury Portfolio, as the case may be,] pledged to secure the obligations under such Purchase Contract of the Holder of the SPC Unit of which such Purchase Contract is a part.

The Company shall pay, on each Payment Date, in respect of each Purchase Contract forming part of a SPC Unit evidenced hereby, an amount (the "Purchase Contract Payments") equal to ___% per annum of the Stated Amount. Such Purchase Contract Payments shall be payable to the Person in whose name this SPC Units Certificate (or a Predecessor SPC Units Certificate) is registered at the close of business on the Record Date for such Payment Date. The Company may, at its option, defer Purchase Contract Payments.

[Distributions on the Applicable Ownership Interest (as specified in clause (B) of the definition of such term),] [Interest payments on the Notes] and [Purchase Contract Payments] will be payable at the office of the Purchase Contract Agent in New York City or, at the option of the Company, by check mailed to the address of the Person entitled thereto as such address appears on the SPC Units Register.

Each Purchase Contract evidenced hereby is governed by a Purchase Contract Agreement, dated as of _____ (as may be supplemented from time to time, the "Purchase Contract Agreement"), between the Company and _____, as Purchase Contract Agent (including its successors hereunder, the "Purchase Contract Agent"), to which Purchase Contract Agreement and supplemental agreements thereto reference is hereby made for a description of the respective rights, limitations of rights, obligations, duties and immunities thereunder of the Purchase Contract Agent, the Company, and the Holders and of the terms upon which the SPC Units Certificates are, and are to be, executed and delivered.

Each Purchase Contract evidenced hereby obligates the Holder of this SPC Units Certificate to purchase, and the Company to sell, on the Purchase Contract Settlement Date at a price equal to the Stated Amount (the "Purchase Price"), a number of shares of [Common Stock] [Preferred Stock] equal to the Settlement Rate, unless, prior to or on the Purchase Contract Settlement Date, there shall have occurred a Termination Event with respect to the Security of which such Purchase Contract is a part or an Early Settlement shall have occurred. The "Settlement Rate" is equal to:

(1) if the Applicable Market Value (as defined below) equals or exceeds \$ (the "Threshold Appreciation Price"), _____ shares of [Common Stock] [Preferred Stock] per Purchase Contract;

(2) if the Applicable Market Value is less than the Threshold Appreciation Price but greater than \$ _____ (the "Reference Price"), the number of shares of [Common Stock] [Preferred Stock] per Purchase Contract having a value, based on the Applicable Market Value, equal to the Stated Amount; and

(3) if the Applicable Market Amount is less than or equal to the Reference Price, _____ shares of [Common Stock] [Preferred Stock] per Purchase Contract,

in each case subject to adjustment as provided in the Purchase Contract Agreement (and in each case rounded upward or downward to the nearest 1/10,000th of a share).

No fractional shares of [Common Stock] [Preferred Stock] will be issued upon settlement of Purchase Contracts, as provided in Section 5.10 of the Purchase Contract Agreement.

Each Purchase Contract evidenced hereby, that is settled either through Early Settlement or on the Purchase Contract Settlement Date shall obligate the Holder of the related SPC Unit to purchase at the Purchase Price in cash, and the Company to sell, a number of shares of [Common Stock] [Preferred Stock] equal to the Early Settlement Rate or the Settlement Rate, as applicable.

The "Applicable Market Value" with respect to Common Stock means the average of the Closing Price per share of Common Stock on each of the 20 consecutive Trading Days ending on the third Trading Day immediately preceding the Purchase Contract Settlement Date.

The "Applicable Market Value" with respect to Preferred Stock means [insert definition].

The "Closing Price" per share of Common Stock on any date of determination means:

(1) the closing sale price at the 4:15 p.m. close of trading (or, if no closing price is reported, the last reported sale price) per share on the New York Stock Exchange, Inc. (the "NYSE") on such date;

(2) if Common Stock is not listed for trading on the NYSE on any such date, the closing sale price per share as reported in the composite transactions for the principal United States securities exchange on which Common Stock is so listed;

(3) if Common Stock is not so listed on a United States national or regional securities exchange, the closing sale price per share as reported by The Nasdaq Stock Market, Inc.;

(4) if Common Stock is not so reported, the last quoted bid price for Common Stock in the over-the-counter market as reported by the National Quotation Bureau or similar organization; or

(5) if such bid price is not available, the average of the mid-point of the last bid and ask prices of Common Stock on such date from at least three nationally recognized independent investment banking firms retained for this purpose by the Company.

[The "Closing Price" per share of Preferred Stock on any date of determination means: [insert definition].

A "Trading Day" with respect to Common Stock means a day on which Common Stock (1) is not suspended from trading on any national or regional securities exchange or association or over-the-counter market at the close of business and (2) has traded at least once on the national or regional securities exchange or association or over-the-counter market that is the primary market for the trading of Common Stock.

A "Trading Day" with respect to Preferred Stock means: [insert definition].

In accordance with the terms of the Purchase Contract Agreement, the Holder of this SPC Units Certificate may pay the Purchase Price for the shares of [Common Stock] [Preferred Stock] purchased pursuant to each Purchase Contract evidenced hereby by effecting a Cash Settlement or an Early Settlement [or from the proceeds of the Applicable Ownership Interest (as specified in clause (A) of the definition of such term) in the Treasury Portfolio] or a Remarketing of the related Pledged Notes. A Holder of SPC Units who does not effect, on or prior to 11:00 a.m. (New York City time) on the fifth Business Day immediately preceding the Purchase Contract Settlement Date [(or in the event a Tax Event Redemption has occurred, the Business Day prior to the Purchase Contract Settlement Date)], an effective Cash Settlement or, who does not effect on or prior to 5:00 p.m. (New York City time) on the seventh Business Day prior to the Purchase Contract Settlement Date, an effective Early Settlement, shall pay the Purchase Price for the shares of [Common Stock] [Preferred Stock] to be delivered under the related Purchase Contract from the proceeds of the sale of the related Pledged Notes held by the Collateral Agent. Such sale will be made by the Remarketing Agent pursuant to the terms of the Remarketing Agreement on the third Business Day prior to the Purchase Contract Settlement Date. If, as provided in the Purchase Contract Agreement, upon the occurrence of a Failed Remarketing, the Collateral Agent, for the benefit of the Company, exercises its rights as a secured creditor with respect to the Pledged Notes related to this SPC Units certificate, any accrued and unpaid or deferred interest payments on such Pledged Notes will become payable by the Company to the holder of this SPC Units Certificate in the manner provided for in the Purchase Contract Agreement.

The Company shall not be obligated to issue any shares of [Common Stock] [Preferred Stock] in respect of a Purchase Contract or deliver any certificates therefor to the Holder unless it shall have received payment of the aggregate purchase price for the shares of [Common Stock] [Preferred Stock] to be purchased thereunder in the manner herein set forth.

Under the terms of the Pledge Agreement, the Purchase Contract Agent will be entitled to exercise the voting and any other consensual rights pertaining to the Pledged Notes. Upon receipt of notice of any meeting at which holders of Notes are entitled to vote or upon the solicitation of consents, waivers or proxies of holders of Notes, the Purchase Contract Agent shall, as soon as practicable thereafter, mail to the SPC Units Holders a notice:

(1) containing such information as is contained in the notice or solicitation;

(2) stating that each SPC Unit Holder on the record date set by the Purchase Contract Agent therefor (which, to the extent possible, shall be the same date as the record date for determining the holders of Notes entitled to vote or consent) shall be entitled to instruct the Purchase Contract Agent as to the exercise of the voting or consensual rights pertaining to the Notes constituting a part of such Holder's SPC Unit; and

(3) stating the manner in which such instructions may be given.

Upon the written request of the SPC Unit Holders on such record date, the Purchase Contract Agent shall endeavor insofar as practicable to vote or consent or cause to be voted or consented, in accordance with the instructions set forth in such requests, the maximum number of Notes as to which any particular voting or consent instructions are received. In the absence of specific instructions from the Holder of a SPC Unit, the Purchase Contract Agent shall abstain from voting or consenting the Notes evidenced by such SPC Unit.

[Upon the occurrence of a Tax Event Redemption prior to the Purchase Contract Settlement Date, the Redemption Price payable on the Tax Event Redemption Date with respect to the Applicable Principal Amount of Notes shall be delivered to the Securities Intermediary in exchange for the Pledged Preferred Securities. Thereafter, pursuant to the terms of the Pledge Agreement, the Securities Intermediary will apply an amount equal to the Redemption Amount of such Redemption Price to purchase on behalf of the Holders of SPC Units, the Treasury Portfolio and promptly (a) transfer the Applicable Ownership Interest (as specified in clause (A) of the definition of such term) in the Treasury Portfolio to the Collateral Account to secure the obligations of each Holder of SPC Units to purchase shares of [Common Stock] [Preferred Stock] under the Purchase Contracts constituting a part of such SPC Units, (b) transfer the Applicable Ownership Interest (as specified in clause (B) of the definition of such term) in the Treasury Portfolio to the Purchase Contract Agent for the benefit of the Holders of such SPC Units and (c) remit the remaining portion of such Redemption Price to the Purchase Contract Agent for payment to the Holders of such SPC Units.]

[Following the occurrence of a Tax Event Redemption prior to the Purchase Contract Settlement Date, the Holders of SPC Units and the Collateral Agent shall have such security interest rights and obligations with respect to the Applicable Ownership Interest (as specified in clause (A) of the definition of such term) in the Treasury Portfolio as the Holder of SPC Units and the Collateral Agent had in respect of the Notes subject to the Pledge thereof as provided in the Pledge Agreement and any reference herein to the Notes shall be deemed to be a reference to such Treasury Portfolio.]

The SPC Certificates are issuable only in registered form and only in denominations of a single SPC Unit and any integral multiple thereof. The transfer of any SPC Units Certificate will be registered and SPC Units Certificates may be exchanged as provided in the Purchase Contract Agreement. The SPC Units Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents permitted by the Purchase Contract Agreement. No service charge shall be required for any such registration of transfer or exchange, but the Company and the Purchase Contract Agent may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. A holder who elects to substitute a Treasury Security for Notes, thereby creating Treasury SPC Units, shall be responsible for any fees or expenses payable in connection therewith. Except as provided in the Purchase Contract Agreement, for so long as the Purchase Contract underlying a SPC Unit remains in effect, such SPC Unit shall not be separable into its constituent parts, and the rights and

obligations of the Holder of such SPC Unit in respect of the Note and Purchase Contract constituting such SPC Unit may be transferred and exchanged only as a SPC Unit.

The Holder of SPC Units may substitute for the Pledged Notes securing such Holder's obligations under the related Purchase Contracts Treasury Securities in an aggregate principal amount equal to the aggregate principal amount of the Pledged Notes in accordance with the terms of the Purchase Contract Agreement and the Pledge Agreement. From and after such Collateral Substitution, each Security for which such Pledged Treasury Securities secures the Holder's obligation under the Purchase Contract shall be referred to as a "Treasury SPC Unit". A Holder may make such Collateral Substitution only in integral multiples of 40 SPC Units for 40 Treasury SPC Units. [Such Collateral Substitution may cause the equivalent aggregate principal amount of this Certificate to be increased or decreased; provided, however, this SPC Units Certificate shall not represent more than [x,000,000] SPC Units. All such adjustments to the equivalent aggregate principal amount of this SPC Units Certificate shall be duly recorded by placing an appropriate notation on the Schedule attached hereto.]

A Holder of Treasury SPC Units may recreate SPC Units by delivering to the Securities Intermediary Notes with an aggregate principal amount equal to the aggregate principal amount of the Pledged Treasury Securities in exchange for the release of such Pledged Treasury Securities in accordance with the terms of the Purchase Contract Agreement and the Pledge Agreement. A Holder may recreate SPC Units in integral multiples of 40 Treasury SPC Units for 40 SPC Units.

[If a Tax Event Redemption has occurred, a SPC Unit Holder may not create Treasury SPC Units, and a Treasury SPC Unit Holder may not recreate a SPC Unit.]

[The Company shall pay, on each Payment Date, the Purchase Contract Payments payable in respect of each Purchase Contract to the Person in whose name the SPC Units Certificate evidencing such Purchase Contract is registered at the close of business on the Record Date for such Payment Date. Purchase Contract Payments will be payable at the office of the Purchase Contract Agent in New York City or, at the option of the Company, by check mailed to the address of the Person entitled thereto at such address as it appears on the SPC Units Register.

The Company has the right to defer payment of all or part of the Purchase Contract Payments in respect of each Purchase Contract until no later than the Purchase Contract Settlement Date. If the Company so elects to defer Purchase Contract Payments, the Company shall pay additional Purchase Contract Payments on such deferred installments of Purchase Contract Payments at a rate equal to ___% per annum, compounding quarterly, until such deferred installments are paid. If a Holder effects an Early Settlement or if a Termination Event shall occur, such Holder will have no right to receive any accrued and unpaid or deferred Purchase Contract Payments.]

The Purchase Contracts and all obligations and rights of the Company and the Holders thereunder, including, without limitation, the rights of the Holders to receive and the obligation of the Company to pay any Purchase Contract Payments, shall immediately and automatically terminate, without the necessity of any notice or action by any Holder, the Purchase Contract Agent or the Company, if, on or prior to the Purchase Contract Settlement Date, a Termination Event shall have occurred. Upon the occurrence of a Termination Event, the Company shall promptly but in no event later than two Business Days thereafter give written notice to the Purchase Contract Agent, the Collateral Agent and the Holders, at their addresses as they appear in the SPC Units Register. Upon and after the occurrence of a Termination Event, the Collateral Agent shall release the appropriate Applicable Ownership Interest (as specified in clause (A) of the definition of such term) in the Treasury Portfolio] [Notes] forming a part of each SPC Unit from the Pledge in accordance with the provisions of the Pledge Agreement. A SPC Unit shall thereafter represent the right to receive the appropriate Applicable Ownership Interest (as specified in clause (A) of the definition of such term) in the Treasury Portfolio] [Note] forming a part of such SPC Unit in accordance with the terms of the Purchase Contract Agreement and the Pledge Agreement.

Subject to and upon compliance with the provisions of the Purchase Contract Agreement, at the option of the Holder thereof, Purchase Contracts underlying Securities may be settled early ("Early Settlement") as provided in the Purchase Contract Agreement. In order to exercise the right to effect Early Settlement with respect to any Purchase Contracts evidenced by this SPC Units Certificate, the Holder of this SPC Units Certificate shall deliver this SPC Units Certificate to the Purchase Contract Agent at the Corporate Trust Office duly endorsed for transfer to the Company or in blank with the form of Election to Settle Early set forth below duly completed and

accompanied by payment in the form of immediately available funds payable to the order of the Company in an amount (the "Early Settlement Amount") equal to:

(1) the product of (A) the Stated Amount times (B) the number of Purchase Contracts with respect to which the Holder has elected to effect Early Settlement, plus

(2) if such delivery is made with respect to any Purchase Contracts during the period from the close of business on any Record Date for any Payment Date to the opening of business on such Payment Date, an amount equal to [the sum of (x)] the Purchase Contract Payments payable on such Payment Date with respect to such Purchase Contracts [plus (y) in the case of a SPC Units Certificate, the interest on the related Notes payable on such Payment Date.

Upon Early Settlement of Purchase Contracts by a Holder of the related Securities, the Pledged [appropriate Applicable Ownership Interest (as specified in clause (A) of the definition of such term) in the Treasury Portfolio, as the case may be,] [Notes] underlying such Securities shall be released from the Pledge as provided in the Pledge Agreement and the Holder shall be entitled to receive a number of shares of [Common Stock] [Preferred Stock] on account of each Purchase Contract forming part of a SPC Unit as to which Early Settlement is effected equal to the Early Settlement Rate. The Early Settlement Rate shall initially be equal to _____ shares of [Common Stock] [Preferred Stock] and shall be adjusted in the same manner and at the same time as the Settlement Rate is adjusted as provided in the Purchase Contract Agreement.

Upon registration of transfer of this SPC Units Certificate, the transferee shall be bound (without the necessity of any other action on the part of such transferee, except as may be required by the Purchase Contract Agent pursuant to the Purchase Contract Agreement), under the terms of the Purchase Contract Agreement and the Purchase Contracts evidenced hereby and the transferor shall be released from the obligations under the Purchase Contracts evidenced by this SPC Units Certificate. The Company covenants and agrees, and the Holder, by its acceptance hereof, likewise covenants and agrees, to be bound by the provisions of this paragraph.

The Holder of this SPC Units Certificate, by its acceptance hereof, authorizes the Purchase Contract Agent to enter into and perform the related Purchase Contracts forming part of the SPC Units evidenced hereby on its behalf as its attorney-in-fact, expressly withholds any consent to the assumption (i.e., affirmance) of the Purchase Contracts by the Company or its trustee in the event that the Company becomes the subject of a case under the Bankruptcy Code, agrees to be bound by the terms and provisions thereof, covenants and agrees to perform his obligations under such Purchase Contracts, consents to the provisions of the Purchase Contract Agreement, authorizes the Purchase Contract Agent to enter into and perform the Purchase Contract Agreement and the Pledge Agreement on its behalf as its attorney-in-fact, and consents to the Pledge of the [appropriate Applicable Ownership Interest (as specified in clause (A) of the definition of such term) in the Treasury Portfolio, as the case may be,] [Notes] underlying this SPC Units Certificate pursuant to the Pledge Agreement. The Holder further covenants and agrees that, to the extent and in the manner provided in the Purchase Contract Agreement and the Pledge Agreement, but subject to the terms thereof, payments in respect to the aggregate principal amount of the Pledged [appropriate Applicable Ownership Interest (as specified in clause (A) of the definition of such term) in the Treasury Portfolio, as the case may be,] [Notes], on the Purchase Contract Settlement Date shall be paid by the Collateral Agent to the Company in satisfaction of such Holder's obligations under such Purchase Contract and such Holder shall acquire no right, title or interest in such payments.

Subject to certain exceptions, the provisions of the Purchase Contract Agreement may be amended with the consent of the Holders of a majority of the Purchase Contracts.

The Purchase Contracts shall be governed by, and construed in accordance with, the laws of the State of New York.

The Company, the Purchase Contract Agent and their Affiliates and any agent of the Company or the Purchase Contract Agent or their Affiliates may treat the Person in whose name this SPC Units Certificate is registered as the owner of the SPC Units evidenced hereby for the purpose of receiving payments of interest payable quarterly on the Notes, receiving payments of Purchase Contract Payments, performance of the Purchase Contracts and for all other purposes whatsoever, whether or not any payments in respect thereof be overdue and

notwithstanding any notice to the contrary, and neither the Company, the Purchase Contract Agent nor any such Affiliates or agent shall be affected by notice to the contrary.

The Purchase Contracts shall not, prior to the settlement thereof, entitle the Holder to any of the rights of a holder of shares of [Common Stock] [Preferred Stock].

A copy of the Purchase Contract Agreement is available for inspection at the offices of the Purchase Contract Agent.

Unless the certificate of authentication hereon has been executed by the Purchase Contract Agent by manual signature, this SPC Units Certificate shall not be entitled to any benefit under the Pledge Agreement or the Purchase Contract Agreement or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

HOVNANIAN ENTERPRISES, INC.

By: _____
Name:
Title:

By: _____
Name:
Title:

HOLDER SPECIFIED ABOVE (as to obligations of such Holder under the Purchase Contracts evidenced hereby)

By: _____, not
individually but solely as Attorney-in-Fact
of such Holder

By: _____
Name:
Title:

Dated:

CERTIFICATE OF AUTHENTICATION OF
PURCHASE CONTRACT AGENT

This is one of the SPC Units Certificates referred to in the within
mentioned Purchase Contract Agreement.

By: _____, as
Purchase Contract Agent

By: _____
Authorized Officer

Dated:

SETTLEMENT INSTRUCTIONS

The undersigned Holder directs that a certificate for shares of [Common Stock] [Preferred Stock] deliverable upon settlement on or after the Purchase Contract Settlement Date of the Purchase Contracts underlying the number of SPC Units evidenced by this SPC Units Certificate be registered in the name of, and delivered, together with a check in payment for any fractional share, to the undersigned at the address indicated below unless a different name and address have been indicated below. If shares are to be registered in the name of a Person other than the undersigned, the undersigned will pay any transfer tax payable incident thereto.

Dated: _____
Signature _____
Signature Guarantee: _____
(if assigned to another person)

[STAMP LEGEND]

If shares are to be registered in the name of and to a Person other than the Holder, please (i) print such Person's name and address and (ii) provide a guarantee of your signature:

REGISTERED HOLDER

Please print name and address of Registered Holder:

----- Name ----- Address ----- ----- ----- Social Security or other Taxpayer Identification Number, if any	----- Name ----- Address ----- ----- ----- -----
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ELECTION TO SETTLE EARLY

The undersigned Holder of this SPC Units Certificate hereby irrevocably exercises the option to effect Early Settlement in accordance with the terms of the Purchase Contract Agreement with respect to the Purchase Contracts underlying the number of SPC Units evidenced by this SPC Units Certificate specified below. The undersigned Holder directs that a certificate for shares of [Common Stock] [Preferred Stock] deliverable upon such Early Settlement be registered in the name of, and delivered, together with a check in payment for any fractional share and any SPC Units Certificate representing any SPC Units evidenced hereby as to which Early Settlement of the related Purchase Contracts is not effected, to the undersigned at the address indicated below unless a different name and address have been indicated below. Pledged [appropriate Applicable Ownership Interest in the Treasury Portfolio] [Notes] deliverable upon such Early Settlement will be transferred in accordance with the transfer instructions set forth below. If shares are to be registered in the name of a Person other than the undersigned, the undersigned will pay any transfer tax payable incident thereto.

Dated: _____
Signature

Signature Guarantee: _____

[Stamp Legend]

Number of Securities evidenced hereby as to which Early Settlement of the related Purchase Contracts is being elected:

If shares of [Common Stock] [Preferred Stock] or SPC Units Certificates are to be registered in the name of and delivered to and Pledged [the Applicable Ownership Interest in the Treasury Portfolio] [Notes] are to be transferred to a Person other than the Holder, please print such Person's name and address:

REGISTERED HOLDER

Please print name and address of Registered Holder:

----- Name ----- Address ----- ----- ----- Social Security or other Taxpayer Identification Number, if any	----- Name ----- Address ----- ----- ----- -----
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Transfer Instructions for Pledged [the Applicable Ownership Interest in the Treasury Portfolio] [Notes] Transferable Upon Early Settlement or a Termination Event:

[TO BE ATTACHED TO GLOBAL CERTIFICATES]

SCHEDULE OF INCREASES OR DECREASES IN GLOBAL CERTIFICATE

The following increases or decreases in this Global Certificate have been made:

Date	Amount of increase in Number of SPC Units evidenced by the Global Certificate	Amount of decrease in Number of SPC Units evidenced by the Global Certificate	Number of SPC Units evidenced by this Global Certificate following such decrease or increase	Signature of authorized officer of Trustee or Securities Custodian
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EXHIBIT B

FORM OF TREASURY SPC CERTIFICATE

THIS CERTIFICATE IS A GLOBAL CERTIFICATE WITHIN THE MEANING OF THE PURCHASE CONTRACT AGREEMENT HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (THE "DEPOSITORY"), OR A NOMINEE OF THE DEPOSITORY. THIS CERTIFICATE IS EXCHANGEABLE FOR CERTIFICATES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITORY OR ITS NOMINEE ONLY IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE PURCHASE CONTRACT AGREEMENT AND NO TRANSFER OF THIS CERTIFICATE (OTHER THAN A TRANSFER OF THIS CERTIFICATE AS A WHOLE BY THE DEPOSITORY TO A NOMINEE OF THE DEPOSITORY OR BY A NOMINEE OF THE DEPOSITORY TO THE DEPOSITORY OR ANOTHER NOMINEE OF THE DEPOSITORY) MAY BE REGISTERED EXCEPT IN LIMITED CIRCUMSTANCES.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

No. _____ Cusip No. _____

Number of Treasury SPC Units _____

HOVNIANIAN ENTERPRISES, INC.

TREASURY SPC UNITS

This Treasury SPC Units Certificate certifies that _____ is the registered Holder of the number of Treasury SPC Units set forth above. Each Treasury SPC Unit consists of (i) a 1/40 undivided beneficial ownership interest of a Treasury Security having a principal amount at maturity equal to \$1,000, subject to the Pledge of such Treasury Security by such Holder pursuant to the Pledge Agreement, and (ii) the rights and obligations of the Holder under one Purchase Contract with Hovnianian Enterprises, Inc., a Delaware corporation (the "Company"). All capitalized terms used herein which are defined in the Purchase Contract Agreement (as defined below) have the meaning set forth therein.

Pursuant to the Pledge Agreement, the Treasury Securities constituting part of each Treasury SPC Unit evidenced hereby have been pledged to the Collateral Agent, for the benefit of the Company, to secure the obligations of the Holder under the Purchase Contract comprising part of such Treasury SPC Unit.

Each Purchase Contract evidenced hereby obligates the Holder of this Treasury SPC Units Certificate to purchase, and the Company, to sell, on the Purchase Contract Settlement Date, at a price equal to [\$25] (the "Stated Amount"), a number of shares of Hovnianian Enterprises, Inc. [Class A Common Stock, par value \$.01 per share ("Common Stock")] [Preferred Stock, par value \$.01 per share ("Preferred Stock"), equal to the Settlement Rate, unless prior to or on the Purchase Contract Settlement Date there shall have occurred a Termination Event or an Early Settlement with respect to the Treasury SPC Unit of which such Purchase Contract is a part, all as provided in the Purchase Contract Agreement and more fully described on the reverse hereof. The purchase price (the "Purchase Price") for the shares of [Common Stock] [Preferred Stock] purchased pursuant to each Purchase Contract evidenced hereby, if not paid earlier, shall be paid on the Purchase Contract Settlement Date by application of the proceeds from the Treasury Securities at maturity pledged to secure the obligations of the Holder under such Purchase Contract of the Treasury SPC Unit of which such Purchase Contract is a part.

[The Company shall pay, quarterly in arrears on February 16, May 16, August 16 and November 16, commencing _____ (each, a "Payment Date"), in respect of each Purchase Contract evidenced hereby an amount (the "Purchase Contract Payments") equal to ____% per annum of the Stated Amount. Such Purchase Contract Payments shall be payable to the Person in whose name this Treasury SPC Units Certificate (or a Predecessor Treasury SPC Units Certificate) is registered at the close of business on the Record Date for such Payment Date. The Company may, at its option, defer Purchase Contract Payments.]

[Purchase Contract Payments will be payable at the office of the Purchase Contract Agent in New York City or, at the option of the Company, by check mailed to the address of the Person entitled thereto as such address appears on the Treasury SPC Units Register.]

Each Purchase Contract evidenced hereby is governed by a Purchase Contract Agreement, dated as of _____ (as may be supplemented from time to time, the "Purchase Contract Agreement") between the Company and _____, as Purchase Contract Agent (including its successors thereunder, herein called the "Purchase Contract Agent"), to which the Purchase Contract Agreement and supplemental agreements thereto reference is hereby made for a description of the respective rights, limitations of rights, obligations, duties and immunities thereunder of the Purchase Contract Agent, the Company and the Holders and of the terms upon which the Treasury SPC Units Certificates are, and are to be, executed and delivered.

Each Purchase Contract evidenced hereby obligates the Holder of this Treasury SPC Units Certificate to purchase, and the Company to sell, on the Purchase Contract Settlement Date at a price equal to the Stated Amount (the "Purchase Price") a number of shares of [Common Stock] [Preferred Stock] equal to the Settlement Rate, unless prior to the Purchase Contract Settlement Date, there shall have occurred a Termination Event with respect to the Security of which such Purchase Contract is a part or an Early Settlement shall have occurred. The "Settlement Rate" is equal to:

(1) if the Applicable Market Value (as defined below) is equals or exceeds \$ (the "Threshold Appreciation Price"), _____ shares of [Common Stock] [Preferred Stock] per Purchase Contract;

(2) if the Applicable Market Value is less than the Threshold Appreciation Price but greater than \$____ (the "Reference Price"), the number of shares of [Common Stock] [Preferred Stock] per Purchase Contract having a value, based on the Applicable Market Value, equal to the Stated Amount; and

(3) if the Applicable Market Value is less than or equal to the Reference Price, _____ shares of [Common Stock] [Preferred Stock] per Purchase Contract,

in each case subject to adjustment as provided in the Purchase Contract Agreement (and in each case rounded upward or downward to the nearest 1/10,000th of a share).

No fractional shares of [Common Stock] [Preferred Stock] will be issued upon settlement of Purchase Contracts, as provided in Section 5.10 of the Purchase Contract Agreement.

Each Purchase Contract evidenced hereby that is settled either through Early Settlement or on the Purchase Contract Settlement Date shall obligate the Holder of the related Treasury SPC Unit to purchase at the Purchase Price in cash, and the Company to sell, a number of shares of [Common Stock] [Preferred Stock] equal to the Early Settlement Rate or the Settlement Rate, as applicable.

The "Applicable Market Value" with respect to Common Stock means the average of the Closing Prices per share of Common Stock on each of the 20 consecutive Trading Days ending on the third Trading Day immediately preceding the Purchase Contract Settlement Date.

The "Applicable Market Value" with respect to Preferred Stock means [insert definition].

The "Closing Price" per share of Common Stock on any date of determination means the:

(1) closing sale price at the 4:15 p.m. close of trading (or, if no closing price is reported, the last reported sale price) per share on the New York Stock Exchange, Inc. (the "NYSE") on such date;

(2) if Common Stock is not listed for trading on the NYSE on any such date, the closing sale price per share as reported in the composite transactions for the principal United States securities exchange on which Common Stock is so listed;

(3) if Common Stock is not so listed on a United States national or regional securities exchange, the closing sale price per share as reported by The Nasdaq Stock Market, Inc.;

(4) if Common Stock is not so reported, the last quoted bid price for Common Stock in the over-the-counter market as reported by the National Quotation Bureau or similar organization; or

(5) if such bid price is not available, the average of the mid-point of the last bid and ask prices of Common Stock on such date from at least three nationally recognized independent investment banking firms retained for this purpose by the Company.

The "Closing Price" per share of Preferred Stock on any date of determination means: [insert definition].

A "Trading Day" with respect to Common Stock means a day on which Common Stock (1) is not suspended from trading on any national or regional securities exchange or association or over-the-counter market at the close of business and (2) has traded at least once on the national or regional securities exchange or association or over-the-counter market that is the primary market for the trading of Common Stock.

A "Trading Day" with respect to Preferred Stock means [insert definition].

In accordance with the terms of the Purchase Contract Agreement, the Holder of this Treasury SPC Unit shall pay the Purchase Price for the shares of [Common Stock] [Preferred Stock] purchased pursuant to each Purchase Contract evidenced hereby either by effecting a Cash Settlement or an Early Settlement of each such Purchase Contract or by applying a principal amount of the Pledged Treasury Securities underlying such Holder's Treasury SPC Unit equal to the Stated Amount of such Purchase Contract to the purchase of the Common Stock. A Holder of Treasury SPC Unit who does not effect, prior to or on 11:00 a.m. (New York City time) on the [fifth] Business Day immediately preceding the Purchase Contract Settlement Date, an effective Cash Settlement or who does not effect on or prior to 5:00 p.m. (New York City time) on the seventh Business Day prior to the Purchase Contract Settlement Date an effective Early Settlement, shall pay the Purchase Price for the shares of [Common Stock] [Preferred Stock] to be issued under the related Purchase Contract from the proceeds of the Pledged Treasury Securities.

The Company shall not be obligated to issue any shares of [Common Stock] [Preferred Stock] in respect of a Purchase Contract or deliver any certificates therefor to the Holder unless it shall have received payment of the aggregate purchase price for the shares of [Common Stock] [Preferred Stock] to be purchased thereunder in the manner herein set forth.

The Treasury SPC Units Certificates are issuable only in registered form and only in denominations of a single Treasury SPC and any integral multiple thereof. The transfer of any Treasury SPC Certificate will be registered and Treasury SPC Certificates may be exchanged as provided in the Purchase Contract Agreement. The Treasury SPC Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents permitted by the Purchase Contract Agreement. No service charge shall be required for any such registration of transfer or exchange, but the Company and the Purchase Contract Agent may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. A Holder who elects to substitute Notes for Treasury Securities, thereby recreating SPC Units, shall be responsible for any fees or expenses associated therewith. Except as provided in the Purchase Contract Agreement, for so long as the Purchase Contract underlying a Treasury SPC Unit remains in effect, such Treasury SPC Unit shall not be separable into its constituent parts, and the rights and obligations of the Holder of such Treasury SPC Unit in respect of the Treasury Security and the Purchase Contract constituting such Treasury SPC Unit may be transferred and exchanged only as a Treasury SPC Unit.

A Holder of Treasury SPC Units may recreate SPC Units by delivering to the Collateral Agent Notes with a principal amount equal to the aggregate principal amount at maturity of the Pledged Treasury Securities, in exchange for the release of such Pledged Treasury Securities in accordance with the terms of the Purchase Contract Agreement and the Pledge Agreement. From and after such substitution, the Holder's Security shall be referred to as a "SPC Unit". [Such substitution may cause the equivalent aggregate principal amount of this Certificate to be increased or decreased; provided, however, this Treasury SPC Units Certificate shall not represent more than [x,000,000] Treasury SPC Units. All such adjustments to the equivalent aggregate principal amount of this Treasury SPC Units Certificate shall be duly recorded by placing an appropriate notation on the Schedule attached hereto.] Any such creation of SPC Units may be effected only in multiples of 40 Treasury SPC Units for 40 SPC Units.

A Holder of SPC Units may recreate Treasury SPC Units by delivering to the Collateral Agent Treasury Securities in an aggregate principal amount equal to the aggregate principal amount at maturity of the Pledged Notes in exchange for the release of such Pledged Notes in accordance with the terms of the Purchase Contract Agreement and the Pledge Agreement. Any such recreation of Treasury SPC Units may be effected only in multiples of 40 SPC Units for 40 Treasury SPC Units.

[If a Tax Event Redemption has occurred, a Treasury SPC Unit Holder may not recreate an SPC Unit and a SPC Unit Holder may not create a Treasury SPC Unit.]

[The Company shall pay, on each Payment Date, the Purchase Contract Payments payable in respect of each Purchase Contract to the Person in whose name the Treasury SPC Units Certificate evidencing such Purchase Contract is registered at the close of business on the Record Date for such Payment Date. Purchase Contract Payments will be payable at the office of the Purchase Contract Agent in New York City or, at the option of the Company, by check mailed to the address of the Person entitled thereto at such address as it appears on the Treasury SPC Units Register.

The Company has the right to defer payment of all or part of the Purchase Contract Payments in respect of each Purchase Contract until no later than the Purchase Contract Settlement Date. If the Company so elects to defer Purchase Contract Payments, the Company shall pay additional Purchase Contract Payments on such deferred installments of Purchase Contract Payments at a rate equal to ____% per annum, compounding quarterly, until such deferred installments are paid. If a Holder effects an Early Settlement or if a Termination Event shall occur, such Holder will have no right to receive any accrued and unpaid or deferred Purchase Contract Payments.]

The Purchase Contracts and all obligations and rights of the Company and the Holders thereunder, including, without limitation, the rights of the Holders to receive and the obligation of the Company to pay Purchase Contract Payments, shall immediately and automatically terminate, without the necessity of any notice or action by any Holder, the Purchase Contract Agent or the Company, if, on or prior to the Purchase Contract Settlement Date, a Termination Event shall have occurred. Upon the occurrence of a Termination Event, the Company shall promptly but in no event later than two Business Days thereafter give written notice to the Purchase Contract Agent, the Collateral Agent and the Holders, at their addresses as they appear in the Treasury SPC Units Register. Upon the occurrence of a Termination Event, the Collateral Agent shall release the Treasury Securities from the Pledge in accordance with the provisions of the Pledge Agreement. A Treasury SPC Unit shall thereafter represent the right to receive the interest in the Treasury Security forming a part of such Treasury SPC Unit, in accordance with the terms of the Purchase Contract Agreement and the Pledge Agreement.

Subject to and upon compliance with the provisions of the Purchase Contract Agreement, at the option of the Holder thereof, Purchase Contracts underlying Securities may be settled early ("Early Settlement") as provided in the Purchase Contract Agreement. In order to exercise the right to effect Early Settlement with respect to any Purchase Contracts evidenced by this Treasury SPC Unit, the Holder of this Treasury SPC Units Certificate shall deliver this Treasury SPC Units Certificate to the Purchase Contract Agent at the Corporate Trust Office duly endorsed for transfer to the Company or in blank with the form of Election to Settle Early set forth below duly completed and accompanied by payment in the form of immediately available funds payable to the order of the Company in an amount (the "Early Settlement Amount") equal to:

(1) the product of (A) \$25 times (B) the number of Purchase Contracts with respect to which the Holder has elected to effect Early Settlement, plus

(2) [if such delivery is made with respect to any Purchase Contracts during the period from the close of business on any Record Date for any Payment Date to the opening of business on such Payment Date, an amount equal to the Purchase Contract Payments payable, if any, on such Payment Date with respect to such Purchase Contracts.]

Upon Early Settlement of Purchase Contracts by a Holder of the related Securities, the Pledged Treasury Securities underlying such Securities shall be released from the Pledge as provided in the Pledge Agreement and the Holder shall be entitled to receive a number of shares of [Common Stock] [Preferred Stock] on account of each Purchase Contract forming part of a Treasury SPC Unit as to which Early Settlement is effected equal to shares of [Common Stock] [Preferred Stock] per Purchase Contract (the "Early Settlement Rate"). The Early Settlement Rate shall be adjusted in the same manner and at the same time as the Settlement Rate is adjusted as provided in the Purchase Contract Agreement.

Upon registration of transfer of this Treasury SPC Certificate, the transferee shall be bound (without the necessity of any other action on the part of such transferee, except as may be required by the Purchase Contract Agent pursuant to the Purchase Contract Agreement), under the terms of the Purchase Contract Agreement and the Purchase Contracts evidenced hereby and the transferor shall be released from the obligations under the Purchase Contracts evidenced by this Treasury SPC Units Certificate. The Company covenants and agrees, and the Holder, by its acceptance hereof, likewise covenants and agrees, to be bound by the provisions of this paragraph.

The Holder of this Treasury SPC Units Certificate, by its acceptance hereof, authorizes the Purchase Contract Agent to enter into and perform the related Purchase Contracts forming part of the Treasury SPC Units evidenced hereby on its behalf as its attorney-in-fact, expressly withholds any consent to the assumption (i.e., affirmance) of the Purchase Contracts by the Company or its trustee in the event that the Company becomes the subject of a case under the Bankruptcy Code, agrees to be bound by the terms and provisions thereof, covenants and agrees to perform its obligations under such Purchase Contracts, consents to the provisions of the Purchase Contract Agreement, authorizes the Purchase Contract Agent to enter into and perform the Purchase Contract Agreement and the Pledge Agreement on its behalf as its attorney-in-fact, and consents to the Pledge of the Treasury Securities underlying this Treasury SPC Units Certificate pursuant to the Pledge Agreement. The Holder further covenants and agrees, that, to the extent and in the manner provided in the Purchase Contract Agreement and the Pledge Agreement, but subject to the terms thereof, payments in respect to the aggregate principal amount of the Pledged Treasury Securities on the Purchase Contract Settlement Date shall be paid by the Collateral Agent to the Company in satisfaction of such Holder's obligations under such Purchase Contract and such Holder shall acquire no right, title or interest in such payments.

Subject to certain exceptions, the provisions of the Purchase Contract Agreement may be amended with the consent of the Holders of a majority of the Purchase Contracts.

The Purchase Contracts shall for all purposes be governed by, and construed in accordance with, the laws of the State of New York.

The Company, the Purchase Contract Agent and their Affiliates and any agent of the Company or the Purchase Contract Agent or their Affiliates may treat the Person in whose name this Treasury SPC Units Certificate is registered as the owner of the Treasury SPC Units evidenced hereby for the purpose of receiving payments of interest on the Treasury Securities, receiving payments of Purchase Contract Payments, performance of the Purchase Contracts and for all other purposes whatsoever, whether or not any payments in respect thereof be overdue and notwithstanding any notice to the contrary, and neither the Company, the Purchase Contract Agent nor any such Affiliate or agent shall be affected by notice to the contrary.

The Purchase Contracts shall not, prior to the settlement thereof, entitle the Holder to any of the rights of a holder of shares of [Common Stock] [Preferred Stock].

A copy of the Purchase Contract Agreement is available for inspection at the offices of the Purchase Contract Agent.

Unless the certificate of authentication hereon has been executed by the Purchase Contract Agent by manual signature, this Treasury SPC Units Certificate shall not be entitled to any benefit under the Pledge Agreement or the Purchase Contract Agreement or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

HOVNANIAN ENTERPRISES, INC.

By: _____
Name:
Title:

By: _____
Name:
Title:

HOLDER SPECIFIED ABOVE (as to obligations of such Holder under the Purchase Contracts)

By: _____, not
individually but solely as Attorney-in-Fact of
such Holder

By: _____
Name:
Title:

Dated:

CERTIFICATE OF AUTHENTICATION OF
PURCHASE CONTRACT AGENT

This is one of the Treasury SPC Units referred to in the
within-mentioned Purchase Contract Agreement.

By: _____, as Purchase
Contract Agent

By: _____
Authorized Officer

Dated:

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this instrument, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM: as tenants in common
UNIF GIFT MIN ACT: Custodian
(cust) (minor)
Under Uniform Gifts to Minors Act of _____

(State)
TEN ENT: as tenants by the entirety
JT TEN: as joint tenants with right of survivorship and
not as tenants in common

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, the undersigned hereby sell(s), assign(s) and transfer(s) unto

(Please insert Social Security or Taxpayer I.D. or other Identifying Number of Assignee)

(Please Print or Type Name and Address Including Postal Zip Code of Assignee)

the within Treasury SPC Units Certificates and all rights thereunder, hereby irrevocably constituting and appointing attorney to transfer said Treasury SPC Units Certificates on the books of Hovnanian Enterprises, Inc. with full power of substitution in the premises.

Dated: _____
Signature

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Treasury SPC Units Certificates in every particular, without alteration or enlargement or any change whatsoever.

Signature Guarantee: _____

SETTLEMENT INSTRUCTIONS

The undersigned Holder directs that a certificate for shares of [Common Stock] [Preferred Stock] deliverable upon settlement on or after the Purchase Contract Settlement Date of the Purchase Contracts underlying the number of Treasury SPC Units evidenced by this Treasury SPC Units Certificate be registered in the name of, and delivered, together with a check in payment for any fractional share, to the undersigned at the address indicated below unless a different name and address have been indicated below. If shares are to be registered in the name of a Person other than the undersigned, the undersigned will pay any transfer tax payable incident thereto.

Dated: _____
Signature
Signature Guarantee:
(if assigned to another person)

If shares of [Common Stock] [Preferred Stock] or Treasury SPC Units Certificates are to be registered in the name of and delivered to a Person other than the Holder, please print such Person's name and address:
REGISTERED HOLDER
Please print name and address of Registered Holder:

Name

Address

Social Security or other Taxpayer Identification Number, if any

ELECTION TO SETTLE EARLY

The undersigned Holder of this Treasury SPC Units Certificate irrevocably exercises the option to effect Early Settlement in accordance with the terms of the Purchase Contract Agreement with respect to the Purchase Contracts underlying the number of Treasury SPC Units evidenced by this Treasury SPC Units Certificate specified below. The option to effect Early Settlement may be exercised only with respect to Purchase Contracts underlying Treasury SPC with an aggregate Stated Amount equal to \$1,000 or an integral multiple thereof. The undersigned Holder directs that a certificate for shares of [Common Stock] [Preferred Stock] deliverable upon such Early Settlement be registered in the name of, and delivered, together with a check in payment for any fractional share and any Treasury SPC Units Certificate representing any Treasury SPC Units evidenced hereby as to which Early Settlement of the related Purchase Contracts is not effected, to the undersigned at the address indicated below unless a different name and address have been indicated below. Pledged Treasury Securities deliverable upon such Early Settlement will be transferred in accordance with the transfer instructions set forth below. If shares are to be registered in the name of a Person other than the undersigned, the undersigned will pay any transfer tax payable incident thereto.

Dated: _____
Signature

Signature Guarantee: _____

[Stamp Legend?]

Number of Securities evidenced hereby as to which Early Settlement of the related Purchase Contracts is being elected:

If shares of [Common Stock] [Preferred Stock] or Treasury SPC Units Certificates are to be registered in the name of and delivered to and Pledged Treasury Securities are to be transferred to a Person other than the Holder, please print such Person's name and address:

REGISTERED HOLDER

Please print name and address of Registered Holder:

----- Name ----- Address ----- ----- ----- Social Security or other Taxpayer Identification Number, if any	----- Name ----- Address ----- ----- ----- -----
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Transfer Instructions for Pledged Treasury Securities Transferable Upon Early Settlement or a Termination Event:

[TO BE ATTACHED TO GLOBAL CERTIFICATES]

SCHEDULE OF INCREASES OR DECREASES IN GLOBAL CERTIFICATE

The following increases or decreases in this
Global Certificate have been made:

Date	Amount of increase in Number of Treasury SPC Units evidenced by the Global Certificate	Amount of decrease in Number of Treasury SPC Units evidenced by the Global Certificate	Number of SPC Units evidenced by this Global Certificate following such decrease or increase	Signature of authorized officer of Trustee or Securities Custodian
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INSTRUCTION TO PURCHASE CONTRACT AGENT

Attention: -----

Re: [_____] SPC Units] [_____] Treasury SPC Units] of Hovnanian Enterprises, Inc., a Delaware corporation (the "Company")

The undersigned Holder hereby notifies you that it has delivered to _____, as Securities Intermediary, for credit to the Collateral Account, \$_____ aggregate principal amount of [Notes] [Treasury Securities] in exchange for the [Pledged Notes] [Pledged Treasury Securities] held in the Collateral Account, in accordance with the Pledge Agreement, dated as of _____ (the "Pledge Agreement"; unless otherwise defined herein, terms defined in the Pledge Agreement are used herein as defined therein), between you, the Company, the Collateral Agent and the Securities Intermediary. The undersigned Holder has paid all applicable fees relating to such exchange. The undersigned Holder hereby instructs you to instruct the Collateral Agent to release to you on behalf of the undersigned Holder the [Pledged Notes] [Pledged Treasury Securities] related to such [SPC Units] [Treasury SPC Units].

Date: _____ Signature _____

Signature Guarantee: _____

(if assigned to another person)

Please print name and address of Registered Holder:

Name Social Security or other
Taxpayer Identification Number, if any

Address

NOTICE FROM PURCHASE CONTRACT AGENT TO HOLDERS
(Transfer of Collateral upon Occurrence of a Termination Event)

[HOLDER]

Attention:
Telecopy:

Re: [_____] SPC Units] [_____] Treasury SPC Units] of Hovnanian
Enterprises, Inc., a Delaware corporation (the "Company")

Please refer to the Purchase Contract Agreement, dated as of
_____ (the "Purchase Contract Agreement"; unless otherwise defined
herein, terms defined in the Purchase Contract Agreement are used herein as
defined therein), between the Company and the undersigned, as Purchase
Contract Agent and as attorney-in-fact for the holders of SPC Units and
Treasury SPC Units from time to time.

We hereby notify you that a Termination Event has occurred and that
[the Notes][the Treasury Securities] underlying your ownership interest in
_____ [SPC Units] [Treasury SPC Units] have been released and are being held
by us for your account pending receipt of transfer instructions with respect
to such [Notes] [Treasury Securities] (the "Released Securities").

Pursuant to Section 3.15 of the Purchase Contract Agreement, we
hereby request written transfer instructions with respect to the Released
Securities. Upon receipt of your instructions and upon transfer to us of your
[SPC Units][Treasury SPC Units] effected through book-entry or by delivery to
us of your [SPC Units Certificate][Treasury SPC Units Certificate], we shall
transfer the Released Securities by book-entry transfer or other appropriate
procedures, in accordance with your instructions. In the event you fail to
effect such transfer or delivery, the Released Securities and any
distributions thereon, shall be held in our name, or a nominee in trust for
your benefit, until such time as such [SPC Units][Treasury SPC Units] are
transferred or your [SPC Units Certificate] [Treasury SPC Units Certificate]
is surrendered or satisfactory evidence is provided that such your [SPC Units
Certificate][Treasury SPC Units Certificate] has been destroyed, lost or
stolen, together with any indemnification that we or the Company may require.

Date: By: -----

Name:
Title: Authorized Officer

NOTICE TO SETTLE BY CASH

Attention: -----

Re: [_____] SPC Units] [Treasury SPC Units] of Hovnanian
Enterprises, Inc., a Delaware corporation (the "Company")

The undersigned Holder hereby irrevocably notifies you in accordance with Section 5.4 of the Purchase Contract Agreement, dated as of (the "Purchase Contract Agreement"; unless otherwise defined herein, terms defined in the Purchase Contract Agreement are used herein as defined therein), between the Company and you, as Purchase Contract Agent and as Attorney-in-Fact for the Holders of the Purchase Contracts, that such Holder has elected to pay to the Securities Intermediary for deposit in the Collateral Account, prior to or on 11:00 a.m. (New York City time) on the fifth Business Day immediately preceding the Purchase Contract Settlement Date (in lawful money of the United States by certified or cashiers' check or wire transfer, in immediately available funds), \$_____ as the Purchase Price for the shares of [Common Stock] [Preferred Stock] issuable to such Holder by the Company under the related Purchase Contracts on the Purchase Contract Settlement Date. The undersigned Holder hereby instructs you to notify promptly the Collateral Agent of the undersigned Holders' election to make such cash settlement with respect to the Purchase Contracts related to such Holder's [SPC Units] [Treasury SPC Units].

Date: _____ Signature _____

Signature Guarantee: _____

Please print name and address of Registered Holder:

NOTICE FROM PURCHASE CONTRACT AGENT
TO COLLATERAL AGENT AND INDENTURE TRUSTEE
(Settlement of Purchase Contract through Remarketing)

Attention: -----
Telecopy: -----

-----, as Indenture Trustee

Attention:
Telecopy:

Re: _____ SPC Units of Hovnanian Enterprises, Inc., a Delaware
corporation (the "Company")

Please refer to the Purchase Contract Agreement, dated as of (the
"Purchase Contract Agreement"; unless otherwise defined herein, terms defined
in the Purchase Contract Agreement are used herein as defined therein),
between the Company and the undersigned, as Purchase Contract Agent and as
attorney-in-fact for the Holders of SPC Units from time to time.

In accordance with Section 5.4 of the Purchase Contract Agreement
and, based on instructions and Cash Settlements received from Holders of SPC
Units as of 11:00 a.m. (New York City time), the fifth Business Day preceding
the Purchase Contract Settlement Date, we hereby notify you that _____ Notes
are to be tendered for purchase in the Remarketing.

Date: _____
By: _____

Name:
Title: Authorized Officer

[LETTERHEAD OF SIMPSON THACHER & BARTLETT]

September 25, 2001

Hovnanian Enterprises, Inc.
 10 Highway 35
 P.O. Box 500
 Red Bank, New Jersey 07701

K. Hovnanian Enterprises, Inc.
 10 Highway 35
 P.O. Box 500
 Red Bank, New Jersey 07701

Ladies and Gentlemen:

We have acted as counsel to Hovnanian Enterprises, Inc., a Delaware corporation ("Hovnanian"), and to K. Hovnanian Enterprises, Inc., a wholly-owned subsidiary of Hovnanian and a New Jersey corporation ("K. Hovnanian"), and certain subsidiaries of Hovnanian (the "Subsidiary Guarantors") in connection with the Registration Statement on Form S-3 (the "Registration Statement") filed by Hovnanian, K. Hovnanian and the Subsidiary Guarantors with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act"), relating to (i) shares of Class A common stock of Hovnanian par value \$.01 per share ("Common Stock"); (ii) shares of preferred stock of Hovnanian par value \$.01 per share ("Preferred Stock"); (iii) warrants to purchase Common Stock (the "Common Stock Warrants"); (iv) warrants to purchase Preferred Stock (the "Preferred Stock Warrants"); (v) unsecured debt securities of Hovnanian consisting of notes, debentures or other evidence of indebtedness, which may be senior ("Hovnanian Senior Debt Securities"), senior subordinated ("Hovnanian Senior Subordinated Debt Securities") or subordinated ("Hovnanian Subordinated Debt Securities") (collectively, the "Hovnanian Debt Securities"); (vi) warrants to purchase Hovnanian Debt Securities (the "Hovnanian Debt Security Warrants"); (vii) unsecured debt securities of K. Hovnanian consisting of notes, debentures or other evidence of indebtedness, which may be senior ("K. Hovnanian Senior Debt Securities"), senior subordinated ("K. Hovnanian Senior Subordinated Debt Securities") or subordinated ("K. Hovnanian Subordinated Debt Securities") (collectively, the "K. Hovnanian Debt Securities" and, together with the Hovnanian Debt Securities, the "Debt Securities"), which will be fully and unconditionally guaranteed by Hovnanian (the "Hovnanian Debt Guarantee"); (viii) warrants to purchase K. Hovnanian Debt Securities (the "K. Hovnanian Debt Security Warrants" and, together with the Hovnanian Debt Security Warrants, the "Debt Security Warrants"), which will be fully and unconditionally guaranteed by Hovnanian (the "Hovnanian Warrant Guarantee"); (ix) guarantees of the Subsidiary Guarantors to be issued in connection with the Debt Securities (the "Debt Guarantees"); (x) guarantees of the Subsidiary Guarantors to be issued in connection with the Debt Security Warrants, the Common Stock Warrants and the Preferred Stock Warrants (the

"Warrant Guarantees"); (xi) contracts for purchase and sale of Common Stock (the "Purchase Contracts"); (xii) Stock Purchase Units of Hovnanian, consisting of a Purchase Contract and either a beneficial interest in Hovnanian Debt Securities or debt obligations of third parties, including U.S. Treasury securities (the "Stock Purchase Units"); and (xiii) Common Stock, Preferred Stock and Debt Securities, which may be issued upon exercise of Securities Warrants (as defined below) or Purchase Contracts, whichever is applicable. The Common Stock, the Preferred Stock, the Common Stock Warrants, the Preferred Stock Warrants, the Debt Securities, the Hovnanian Debt Guarantee, the Debt Security Warrants, the Hovnanian Warrant Guarantee, the Debt Guarantees, the Warrant Guarantees, the Purchase Contracts, the Stock Purchase Units and the Securities Warrants are hereinafter referred to collectively (together with any additional securities that may be issued by Hovnanian and/or K. Hovnanian pursuant to Rule 462(b) (as prescribed by the Commission pursuant to the Act)) as the "Securities". The Securities may be issued and sold or delivered from time to time as set forth in the Registration Statement, any amendment thereto, the prospectus contained therein (the "Prospectus") and supplements to the Prospectus (the "Prospectus Supplements") and pursuant to Rule 415 under the Act for an aggregate initial offering price not to exceed \$300,000,000.

The Hovnanian Senior Debt Securities and the Debt Guarantees thereof, if applicable, will be issued under an Indenture (the "Hovnanian Senior Indenture") among Hovnanian, such Trustee as shall be named therein (the "Hovnanian Senior Trustee") and such Subsidiary Guarantors as shall be named therein, if applicable. The Hovnanian Senior Subordinated Debt Securities and the Debt Guarantees thereof, if applicable, will be issued under an Indenture (the "Hovnanian Senior Subordinated Indenture") among Hovnanian, such Trustee as shall be named therein (the "Hovnanian Senior Subordinated Trustee") and such Subsidiary Guarantors as shall be named therein, if applicable. The Hovnanian Subordinated Debt Securities and the Debt Guarantees thereof, if applicable, will be issued under an Indenture (the "Hovnanian Subordinated Indenture") among Hovnanian, such Trustee as shall be named therein (the "Hovnanian Subordinated Trustee") and such Subsidiary Guarantors as shall be

named therein, if applicable. The Hovnanian Senior Indenture, the Hovnanian Senior Subordinated Indenture and the Hovnanian Subordinated Indenture are hereinafter referred to collectively as the "Hovnanian Indentures". The K. Hovnanian Senior Debt Securities, the Hovnanian Debt Guarantee and the Debt Guarantees thereof, if applicable, will be issued under an Indenture (the "K. Hovnanian Senior Indenture") among K. Hovnanian, Hovnanian and such Trustee as shall be named therein (the "K. Hovnanian Senior Trustee") and such Subsidiary Guarantors as shall be named therein, if applicable. The K. Hovnanian Senior Subordinated Debt Securities, the Hovnanian Debt Guarantee and the Debt Guarantees thereof, if applicable, will be issued under an Indenture (the "K. Hovnanian Senior Subordinated Indenture") among K. Hovnanian, Hovnanian, such Trustee as shall be named therein (the "K. Hovnanian Senior Subordinated Trustee") and such Subsidiary Guarantors as shall be named therein, if applicable. The K. Hovnanian Subordinated Debt Securities, the Hovnanian Debt Guarantee and the Debt Guarantees thereof, if applicable, will be issued under an Indenture (the "K. Hovnanian Subordinated Indenture") among K. Hovnanian, Hovnanian, such Trustee as shall be named therein (the "K. Hovnanian Subordinated Trustee") and such Subsidiary Guarantors as shall be named therein, if applicable. The K. Hovnanian Senior Indenture, the K. Hovnanian Senior Subordinated Indenture and the K. Hovnanian Subordinated Indenture are hereinafter collectively referred to as the "K. Hovnanian Indentures".

The Hovnanian Indentures and the K. Hovnanian Indentures are hereinafter collectively referred to as the "Indentures".

The Purchase Contracts will be issued pursuant to a Purchase Contract Agreement (the "Purchase Contract Agreement") between Hovnanian and such Purchase Contract Agent as shall be named therein (the "Purchase Contract Agent").

The Common Stock Warrants, the Preferred Stock Warrants and the Debt Security Warrants are hereinafter referred to collectively as the "Securities Warrants". The Common Stock Warrants and the Warrant Guarantees thereof, if applicable, will be issued under a Common Stock Warrant Agreement (the "Common Stock Warrant Agreement") among Hovnanian, the Common Stock Warrant Agent as shall be named therein and the Subsidiary Guarantors as shall be named therein, if applicable. The Preferred Stock Warrants and the Warrant Guarantees thereof, if applicable, will be issued under a Preferred Stock Warrant Agreement (the "Preferred Stock Warrant Agreement") among Hovnanian, the Preferred Stock Warrant Agent as shall be named therein and the Subsidiary Guarantors as shall be named therein, if applicable. The Hovnanian Debt Security Warrants and the Warrant Guarantees thereof will be issued under a Hovnanian Debt Security Warrant Agreement (the "Hovnanian Debt Security Warrant Agreement") among Hovnanian, the Hovnanian Debt Security Warrant Agent as shall be named therein and the Subsidiary Guarantors, if applicable. The K. Hovnanian Debt Security Warrants and the Warrant Guarantees thereof, if applicable, will be issued under a K. Hovnanian Debt Security Warrant Agreement (the "K. Hovnanian Debt Security Warrant Agreement") among K. Hovnanian, Hovnanian, the K. Hovnanian Debt Security Warrant Agent as shall be named therein and the Subsidiary Guarantors as shall be named therein, if applicable. The Common Stock Warrant Agreement, the Preferred Stock Warrant Agreement, the Hovnanian Debt Security Warrant Agreement and the K. Hovnanian Debt Security Warrant Agreement are hereinafter referred to collectively as the "Warrant Agreements". Each party to a Warrant Agreement other than Hovnanian or K. Hovnanian is referred to hereinafter as a "Counterparty".

We have examined the Registration Statement, a form of share certificate, the forms of the Indentures, the forms of Warrant Agreements, the form of Purchase Contract Unit and the form of Purchase Contract Agreement, which have been filed with the Commission as exhibits to the Registration Statement. We have also examined the originals, or duplicates or certified or conformed copies, of such records, agreements, instruments and other documents and have made such other and further investigations as we have deemed relevant and necessary in connection with the opinions expressed herein. As to questions of fact material to this opinion, we have relied upon certificates of public officials and of officers and representatives of Hovnanian, K. Hovnanian and the Subsidiary Guarantors.

In rendering the opinions set forth below, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as duplicates or certified or conformed copies, and the authenticity of the originals of such latter documents. We have also assumed that (1) at the time of execution, authentication, issuance and delivery of the Debt Securities, each of the Indentures will be the valid and legally binding obligation of

the Trustee thereunder; (2) at the time of execution, issuance and delivery of the Purchase Contracts, the Purchase Contract Agreement will be the valid and legally binding obligation of the Purchase Contract Agent; and (3) at the time of execution, countersignature, issuance and delivery of any Securities Warrants, the related Warrant Agreement will be the valid and legally binding obligation of each Counterparty thereto.

We have assumed further that at the time of execution, authentication, issuance and delivery of the Hovnanian Debt Securities, and the Debt Guarantees, if applicable, the Hovnanian Indentures will have been duly authorized, executed and delivered by Hovnanian and the Subsidiary Guarantors, if applicable.

We have assumed further that (1) at the time of the execution, authentication, issuance and delivery of the K. Hovnanian Indentures and the K. Hovnanian Debt Securities, the Hovnanian Debt Guarantee and the Debt Guarantees, if applicable, will have been duly authorized, executed and delivered by K. Hovnanian, Hovnanian and the Subsidiary Guarantors, if applicable, and (2) execution, delivery and performance by K. Hovnanian, Hovnanian and the Subsidiary Guarantors, if applicable, of the K. Hovnanian Indentures and the K. Hovnanian Debt Securities will not violate the laws of the State of New Jersey or any other applicable laws (excepting the laws of the State of New York and the Federal laws of the United States).

We have assumed further that at the time of execution, issuance and delivery of the Purchase Contracts, the Purchase Contract Agreement will have been duly authorized, executed and delivered by Hovnanian.

We have assumed further that at the time of execution, countersignature, issuance and delivery of any Securities Warrants and the Warrant Guarantees, if applicable, other than the K. Hovnanian Debt Security Warrants, the related Warrant Agreements will have been duly authorized, executed and delivered by Hovnanian and the Subsidiary Guarantees, if applicable.

We have assumed further that (1) at the time of execution, countersignature, issuance and delivery of the K. Hovnanian Debt Security Warrants and the Warrant Guarantees, if applicable, the related Warrant Agreements will have been duly authorized, executed and delivered by K. Hovnanian and the Subsidiary Guarantors, if applicable, and (2) execution, delivery and performance by K. Hovnanian and the Subsidiary Guarantors, if applicable, of such Warrant Agreement and such K. Hovnanian Debt Security Warrants will not violate the laws of the State of New Jersey or any other applicable laws (excepting the laws of the State of New York and the Federal laws of the United States).

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion that:

1. With respect to the Common Stock, assuming (a) the taking by the Board of Directors of Hovnanian, a duly constituted and acting committee of such Board of Directors or duly authorized officers of Hovnanian (such Board of Directors, committee or authorized officers being referred to herein as the "Hovnanian Board") of all necessary corporate action to authorize and approve the issuance of the Common Stock and (b) due

issuance and delivery of the Common Stock, upon payment therefor in accordance with the applicable definitive purchase, underwriting or similar agreement approved by the Hovnanian Board, the Common Stock will be validly issued, fully paid and nonassessable.

2. With respect to the Preferred Stock, assuming (a) the taking by the Hovnanian Board of all necessary corporate action to authorize and approve the issuance of the Preferred Stock, (b) due filing of the Certificate of Designations and (c) due issuance and delivery of the Preferred Stock, upon payment therefor in accordance with the applicable definitive purchase, underwriting or similar agreement approved by the Hovnanian Board, the Preferred Stock will be validly issued, fully paid and nonassessable.

3. With respect to the Hovnanian Debt Securities, assuming (a) the taking of all necessary corporate action to approve the issuance and terms of any Hovnanian Debt Securities, the terms of the offering thereof and related matters by the Hovnanian Board and (b) the due execution, authentication, issuance and delivery of such Hovnanian Debt Securities, upon payment of the consideration therefor provided for in the applicable definitive purchase, underwriting or similar agreement approved by the Hovnanian Board and otherwise in accordance with the provisions of the applicable Hovnanian Indenture and such agreement, such Hovnanian Debt Securities will constitute valid and legally binding obligations of Hovnanian enforceable against Hovnanian in accordance with their terms.

4. With respect to the K. Hovnanian Debt Securities, assuming (a) the taking of all necessary corporate action to approve the issuance and terms of any K. Hovnanian Debt Securities, the terms of the offering thereof and related matters by the Board of Directors of K. Hovnanian, a duly constituted and acting committee of such Board of Directors or duly authorized officers of K. Hovnanian (such Board of Directors, committee or authorized officers being referred to herein as the "K. Hovnanian Board") and (b) the due execution, authentication, issuance and delivery of such K. Hovnanian Debt Securities, upon payment of the consideration therefor provided for in the applicable definitive purchase, underwriting or similar agreement approved by the K. Hovnanian Board and otherwise in accordance with the provisions of the applicable K. Hovnanian Indenture and such agreement, such K. Hovnanian Debt Securities will constitute valid and legally binding obligations of K. Hovnanian enforceable against K. Hovnanian in accordance with their terms.

5. With respect to the Hovnanian Debt Guarantee, the Hovnanian Warrant Guarantee, the Debt Guarantees and the Warrant Guarantees (collectively, the "Guarantees"), assuming (a) the taking of all necessary corporate action to approve the issuance and terms of the Guarantees and related matters by the Hovnanian Board and by the Board of Directors of each Subsidiary Guarantor, as applicable, a duly constituted and acting committee of such Board of Directors of a Subsidiary Guarantor or duly authorized officers of a Subsidiary Guarantor (each such Board of Directors, committee or authorized officers being referred to herein as a "Subsidiary Guarantor Board"), (b) the due execution, authentication, issuance and delivery of the Debt Securities underlying

such Guarantees, upon payment of the consideration therefor provided for in the applicable definitive purchase, underwriting or similar agreement approved by the Hovnanian Board or a Subsidiary Guarantor Board, as applicable, and otherwise in accordance with the provisions of the applicable Indenture and such agreement and (c) the due issuance of such Guarantees, such Guarantees will constitute valid and legally binding obligations of Hovnanian or the Subsidiary Guarantors, as applicable, enforceable against the Hovnanian or the Subsidiary Guarantors, as applicable, in accordance with their terms.

6. With respect to the Purchase Contracts, assuming (a) the taking of all necessary corporate action by the Hovnanian Board to approve the execution and delivery of the Purchase Contract Agreement in the form filed as an exhibit to the Registration Statement and (b) the due execution, issuance and delivery of the Purchase Contracts, upon payment of the consideration for such Purchase Contracts provided for in the applicable definitive purchase, underwriting or similar agreement approved by the Hovnanian Board and otherwise in accordance with the provisions of the applicable Purchase Contract Agreement and such agreement, the Purchase Contracts will constitute valid and legally binding obligations of Hovnanian enforceable against Hovnanian in accordance with their terms.

7. With respect to the Securities Warrants, assuming (a) the taking of all necessary corporate action by the Hovnanian Board or the K. Hovnanian Board, as applicable, to approve the execution and delivery of a related Warrant Agreement in the form filed as an exhibit to the Registration Statement and (b) the due execution, countersignature, issuance and delivery of such Securities Warrants, upon payment of the consideration for such Securities Warrants provided for in the applicable definitive purchase, underwriting or similar agreement approved by the Hovnanian Board or the K. Hovnanian Board, as applicable, and otherwise in accordance with the provisions of the applicable Warrant Agreement and such agreement, such Securities Warrants will constitute valid and legally binding obligations of Hovnanian or K. Hovnanian, as applicable, enforceable against Hovnanian or K. Hovnanian, as applicable, in accordance with their terms.

8. With respect to the Stock Purchase Units, assuming (a) the taking of all necessary corporate action by the Hovnanian Board to authorize and approve (1) the issuance and terms of the Stock Purchase Units, (2) the execution and delivery of the Purchase Contract Agreement with respect to the Purchase Contracts which are a component of the Stock Purchase Units in the form filed as an exhibit to the Registration Statement and (3) the issuance and terms of the Debt Securities which are a component of the Stock Purchase Units, the terms of the offering thereof and related matters and (b) the due execution, authentication, in the case of such Debt Securities, issuance and delivery of (1) the Stock Purchase Units, (2) such Purchase Contracts and (3) such Hovnanian Debt Securities, in each case upon the payment of the consideration therefor provided for in the applicable definitive purchase, underwriting or similar agreement approved by the Hovnanian Board and in accordance with the provisions of the applicable Purchase Contract Agreement, in the case of such Purchase Contracts, and the applicable Hovnanian Indenture, in the case of such Hovnanian Debt Securities, such Stock

Purchase Units will constitute valid and legally binding obligations of Hovnanian, enforceable against Hovnanian in accordance with their terms.

Our opinions set forth in paragraphs 3 through 8 above are subject to the effects of (i) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' right generally, (ii) general equitable principles (whether considered in a proceeding in equity or at law) and (iii) an implied covenant of good faith and fair dealing.

Insofar as the opinions expressed herein relate to or are dependent upon matters governed by the laws of the State of New Jersey, we have relied upon the opinion of Peter S. Reinhart, Senior Vice President and General Counsel of Hovnanian, dated the date hereof.

We are members of the Bar of the State of New York, and we do not express any opinion herein concerning any law other than the law of the State of New York, the Federal law of the United States, the Delaware General Corporation Law and, to the extent set forth herein, the laws of the State of New Jersey.

We hereby consent to the filing of this opinion letter as Exhibit 5 to the Registration Statement and to the use of our name under the caption "Legal Matters" in the Prospectus included in the Registration Statement.

Very truly yours,

/s/ Simpson Thacher & Bartlett

SIMPSON THACHER & BARTLETT

[K. Hovnanian Enterprises, Inc. logo]

10 Highway 35 . P.O. Box 500 . Red Bank . New Jersey . 07701
732.747.7800 www.khov.com

September 25, 2001

Hovnanian Enterprises, Inc.
10 Highway 35
P.O. Box 500
Red Bank, New Jersey 07701

K. Hovnanian Enterprises, Inc.
10 Highway 35
P.O. Box 500
Red Bank, New Jersey 07701

Dear Sirs:

I am Senior Vice President and General Counsel of Hovnanian Enterprises, Inc., a Delaware corporation ("Hovnanian"), and of K. Hovnanian Enterprises, Inc., a New Jersey corporation ("K. Hovnanian"). A Registration Statement on Form S-3 (the "Registration Statement"), under the Securities Act of 1933, as amended (the "Act"), was filed by Hovnanian, K. Hovnanian and certain subsidiaries of Hovnanian (the "Subsidiary Guarantors") with the Securities and Exchange Commission on the date hereof. The Registration Statement relates to the registration of (i) shares of Class A common stock of Hovnanian par value \$.01 per share ("Common Stock"); (ii) shares of preferred stock of Hovnanian par value \$.01 per share ("Preferred Stock"); (iii) warrants to purchase Common Stock (the "Common Stock Warrants"); (iv) warrants to purchase Preferred Stock (the "Preferred Stock Warrants"); (v) unsecured debt securities of Hovnanian consisting of notes, debentures or other evidence of indebtedness, which may be senior ("Hovnanian Senior Debt Securities"), senior subordinated ("Hovnanian Senior Subordinated Debt Securities") or subordinated ("Hovnanian Subordinated Debt Securities") (collectively, the "Hovnanian Debt Securities"); (vi) warrants to purchase Hovnanian Debt Securities (the "Hovnanian Debt Security Warrants"); (vii) unsecured debt securities of K. Hovnanian consisting of notes, debentures or other evidence of indebtedness, which may be senior ("K. Hovnanian Senior Debt Securities"), senior subordinated ("K. Hovnanian Senior Subordinated Debt Securities") or subordinated ("K. Hovnanian Subordinated Debt Securities") (collectively, the "K. Hovnanian Debt Securities" and, together with the Hovnanian Debt Securities, the "Debt Securities"), which will be fully and unconditionally guaranteed by Hovnanian (the "Hovnanian Debt Guarantee"); (viii) warrants to purchase K. Hovnanian Debt Securities (the "K. Hovnanian Debt Security Warrants" and, together with the Hovnanian Debt Security Warrants, the "Debt Security Warrants"), which will be fully and unconditionally guaranteed by Hovnanian (the "Hovnanian Warrant Guarantee"); (ix) guarantees of the

Subsidiary Guarantors to be issued in connection with the Debt Securities (the "Debt Guarantees"); (x) guarantees of the Subsidiary Guarantors to be issued in connection with the Debt Security Warrants, the Common Stock Warrants and the Preferred Stock Warrants (the "Warrant Guarantees"); (xi) contracts for purchase and sale of Common Stock (the "Purchase Contracts"); (xii) Stock Purchase Units of Hovnanian, consisting of a Purchase Contract and either a beneficial interest in Hovnanian Debt Securities or debt obligations of third parties, including U.S. Treasury securities (the "Stock Purchase Units"); and (xiii) Common Stock, Preferred Stock and Debt Securities, which may be issued upon exercise of the Common Stock Warrants, the Preferred Stock Warrants and the Debt Security Warrants (collectively, "the Securities Warrants"). The Common Stock, the Preferred Stock, the Common Stock Warrants, the Preferred Stock Warrants, the Debt Security Warrants, the Debt Securities, the Hovnanian Debt Guarantee, the Hovnanian Warrant Guarantee, the Debt Guarantees, the Warrant Guarantees, the Purchase Contracts, the Stock Purchase Units and the Securities Warrants are hereinafter referred to collectively (together with any additional securities that may be issued by Hovnanian and/or K. Hovnanian pursuant to Rule 462(b) (as prescribed by the Commission pursuant to the Act)) as the "Securities". The Securities may be issued and sold or delivered from time to time as set forth in the Registration Statement, any amendment thereto, the prospectus contained therein (the "Prospectus") and supplements to the Prospectus (the "Prospectus Supplements") and pursuant to Rule 415 under the Act for an aggregate initial offering price not to exceed \$300,000,000.

In that connection, I have examined and relied upon originals or copies, certified or otherwise identified to my satisfaction, of such documents, corporate records, certificates and instruments relating to Hovnanian and K. Hovnanian as I have deemed relevant and necessary to the formation of the opinion hereinafter set forth. In such examination, I have assumed the genuineness and authenticity of all documents examined by me and all signatures thereon, the legal capacity of all persons executing such documents, the conformity to originals of all copies of documents submitted to me and the truth and correctness of any representations and warranties contained therein.

Based upon the foregoing, I am of the opinion that:

1. When appropriate action is taken by the Board of Directors of K. Hovnanian, a clearly constituted committee thereof or duly authorized officers of K. Hovnanian (such Board of Directors, committee or authorized officers being referred to herein as the "K. Hovnanian Board"), the K. Hovnanian Senior Debt Securities and the Debt Guarantees thereof, as applicable, will have been duly authorized and, when the indenture among K. Hovnanian, Hovnanian, as guarantor, the Trustee as shall be named therein (the "K. Hovnanian Senior Debt Trustee") and the Subsidiary Guarantors, if applicable (the "K. Hovnanian Senior Indenture"), pursuant to which the K. Hovnanian Senior Debt Securities will be issued has been duly executed and delivered, the K. Hovnanian Senior Debt Securities, when duly executed by K. Hovnanian, authenticated by the K. Hovnanian Senior Debt Trustee in accordance with the terms of the K. Hovnanian Senior Indenture and issued and delivered against payment therefor, will be legally issued and will constitute valid and legally binding obligations of K. Hovnanian entitled to the benefits of the K. Hovnanian Senior Indenture relating thereto; and

2. When appropriate action is taken by the K. Hovnanian Board, the K. Hovnanian Senior Subordinated Debt Securities and the Debt Guarantees thereof, as applicable, will have been duly authorized and, when the indenture among K. Hovnanian, Hovnanian, as guarantor, the Trustee as shall be named therein (the "K. Hovnanian Senior Subordinated Debt Trustee") and the Subsidiary Guarantors, if applicable (the "K. Hovnanian Senior Subordinated Indenture"), pursuant to which the K. Hovnanian Senior Subordinated Debt Securities will be issued has been duly executed and delivered, the K. Hovnanian Senior Subordinated Debt Securities, when duly executed by K. Hovnanian, authenticated by the K. Hovnanian Senior Subordinated Debt Trustee in accordance with the terms of the K. Hovnanian Senior Subordinated Indenture and issued and delivered against payment therefor, will be legally issued and will constitute valid and legally binding obligations of K. Hovnanian entitled to the benefits of the K. Hovnanian Senior Subordinated Indenture relating thereto; and

3. When appropriate action is taken by the K. Hovnanian Board, the K. Hovnanian Subordinated Debt Securities and the Debt Guarantees thereof, as applicable, will have been duly authorized and, when the indenture among K. Hovnanian, Hovnanian, as guarantor, the Trustee as shall be named therein (the "K. Hovnanian Subordinated Debt Trustee") and the Subsidiary Guarantors, if applicable (the "K. Hovnanian Subordinated Indenture"), pursuant to which the K. Hovnanian Subordinated Debt Securities will be issued has been duly executed and delivered, the K. Hovnanian Subordinated Debt Securities, when duly executed by K. Hovnanian, authenticated by the K. Hovnanian Subordinated Debt Trustee in accordance with the terms of the K. Hovnanian Subordinated Indenture and issued and delivered against payment therefor, will be legally issued and will constitute valid and legally binding obligations of K. Hovnanian entitled to the benefits of the K. Hovnanian Subordinated Indenture relating thereto; and

4. When appropriate action is taken by the K. Hovnanian Board, the K. Hovnanian Debt Security Warrants and the Warrant Guarantees thereof, if applicable, will have been duly authorized and, when the warrant agreement among K. Hovnanian, Hovnanian as guarantor, the warrant agent named therein and the Subsidiary Guarantors, if applicable, pursuant to which the K. Hovnanian Debt Security Warrants will be issued (the "Warrant Agreement") has been duly executed and delivered, the K. Hovnanian Debt Security Warrants, when duly executed by K. Hovnanian in accordance with the terms of the Warrant Agreement and issued and delivered against payment therefor, will be legally issued and will constitute valid and legally binding obligations of K. Hovnanian entitled to the benefits of the Warrant Agreement relating thereto.

Simpson Thacher & Bartlett may rely upon this opinion letter insofar as the opinions expressed herein relate to or are dependent upon matters governed by the laws of the State of New Jersey.

I am a member of the Bar of the State of New Jersey, and I do not express any opinion herein concerning any law other than the law of the State of New Jersey.

I hereby consent to the filing of this opinion as Exhibit 5 to the Registration Statement and to the reference under the caption "Legal Matters" in the Prospectus included in the Registration Statement.

Very truly yours,

/s/ Peter S. Reinhart

Peter S. Reinhart
Senior Vice President
General Counsel

HOVNANIAN ENTERPRISES, INC.

Statement setting forth computation showing the ratio of earnings
to fixed charges, including wholly owned
mortgage banking and finance subsidiaries
(Dollars in Thousands)

	Nine Months Ended July 31, 2001 Actual	Year Ended October 31, 2000 Actual	Year Ended October 31, 1999 Actual	Year Ended October 31, 1998 Actual	Year Ended October 31, 1997 Actual	Year Ended October 31, 1996 Actual
Net Income (Loss).....	\$41,995	\$33,163	\$30,075	\$25,403	\$(6,970)	\$17,287
Add:						
Federal and State Income Taxes.....	27,417	18,655	19,674	15,141	(5,154)	7,719
Extraordinary Loss.....			868	748		
Interest Expensed Res & Comm.....	36,939	34,956	31,570	39,352	37,704	32,157
Interest Expensed Mortgage & Finance Subsidiaries.....	2,295	2,491	3,240	3,099	1,778	2,354
Amortization of Bond Prepaid Expenses.	730	670	549	625	636	671
Minority Interest.....	(28)	910				
Total Earnings.....	\$109,348	\$90,845	\$85,976	\$84,368	\$27,994	\$60,188
Fixed Charges:						
Interest Incurred Res & Comm.....	\$35,808	\$38,878	\$24,594	\$28,947	\$34,777	\$35,551
Interest Incurred Mortgage & Finance Subsidiaries.....	2,295	2,491	3,240	3,099	1,778	2,354
Amortization of Bond Prepaid Expenses.	730	670	1,033	1,043	636	671
Amortization of Bond Discount.....	272	30				
Total Fixed Charges.....	\$39,105	\$42,069	\$28,867	\$33,089	\$37,191	\$38,576
Ratio	2.8	2.2	3.0	2.5	(a)	1.6

(a) Earnings for the year ended October 31, 1997 were insufficient to cover fixed charges for such period by \$9,197,000.

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" in Amendment No. 1 to the Registration Statement (Form S-3 No. 333-68528) and related prospectus of Hovnanian Enterprises, Inc. (the "Company"), K. Hovnanian Enterprises, Inc. and certain subsidiaries of the Company for the registration of 7,643,312 shares of Class A Common Stock of the Company and \$376,000,000 of Preferred Stock, Class A Common Stock, Warrants to Purchase Preferred Stock, Warrants to Purchase Class A Common Stock, Debt Securities, Warrants to Purchase Debt Securities, Stock Purchase Contracts, Stock Purchase Units, Guaranteed Debt Securities and Guaranteed Warrants to Purchase Debt Securities and to the incorporation by reference therein of our report dated December 13, 2000 (except for Note 15, paragraph 4, as to which the date is January 23, 2001) with respect to the consolidated financial statements of the Company included in its Annual Report (Form 10-K) for the year ended October 31, 2000, filed with the Securities and Exchange Commission.

/s/Ernst & Young LLP

New York, New York
September 24, 2001