

SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549

FORM S-4
 REGISTRATION STATEMENT
 UNDER
 THE SECURITIES ACT OF 1933

K. HOVNIANIAN
 ENTERPRISES, INC.

HOVNIANIAN
 ENTERPRISES, INC.

(Exact Name of Registrant as Specified in Its Charter)

NEW JERSEY DELAWARE
 (State or Other Jurisdiction of Incorporation or Organization)

22-2423583 22-1851059
 (I.R.S. Employer Identification Number)

10 HIGHWAY 35 10 HIGHWAY 35
 P.O. BOX 500 P.O. BOX 500
 RED BANK, NEW JERSEY 07701 RED BANK, NEW JERSEY 07701
 (732) 747-7800 (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
 HOVNIANIAN 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: As soon
 as practicable after the effective date of this Registration Statement.

If the securities being registered on this form are being offered in
 connection with the formation of a holding company and there is compliance with
 General Instruction G, 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, 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(d)
 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. _____

CALCULATION OF REGISTRATION FEE

PROPOSED REGISTERED OFFERING	PROPOSED TITLE OF EACH CLASS OF REGISTERED OFFERING	AMOUNT TO BE REGISTERED	MAXIMUM AMOUNT OF SECURITIES TO BE REGISTERED	PERCENTAGE OF OFFERING PRICE	AGGREGATE REGISTRATION FEE	OFFERING PRICE
2012	8.000% Senior Notes due	\$100,000,000	99.161%(1)	\$ 99,161,000(1)	\$9,123(2)	-
Notes due 2012	Guarantees of 8.000% Senior	(3)	(3)	None(3)	-	-
	8.875% Senior Subordinated Notes due 2012					\$150,000,000

100%(1)	\$150,000,000(1)	\$13,800(2)	----- Guarantees of 8.875% Senior Subordinated Notes due		
2012.....		(3) (3) (3) None(3)	-----		
Total.....			\$250,000,000	\$249,161,000(1)	\$22,923(2)

- (1) Estimated solely for the purpose of calculating the registration fee under Rule 457 of the Securities Act of 1933.
- (2) The registration fee for the securities offered hereby has been calculated under Rule 457(f)(2) of the Securities Act of 1933 and reflects the book value of the securities as of May 31, 2002. The Proposed Maximum Aggregate Offering Price is estimated solely for the purpose of calculating the registration fee.
- (3) No consideration will be received for the Guarantees.

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 - -

-- ADDRESS
INCLUDING ZIP
CODE, STATE OR
OTHER AND
TELEPHONE
NUMBER
JURISDICTION OF
INCLUDING AREA
CODE, EXACT
NAME OF
REGISTRANT
INCORPORATION
OR IRS EMPLOYER
OF REGISTRANT'S
PRINCIPAL AS
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ITS CHARTER
ORGANIZATION
IDENTIFICATION
NUMBER
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 -

--- Condominium
Community
(Bowie MD 52-
2002262 10
Highway 35 New
Town), Inc.
P.O. Box 500
Red Bank, New
Jersey 07701
732-747-7800 -

--- Condominium
Community
(Largo MD 52-
2002261 10
Highway 35
Town), Inc.
P.O. Box 500
Red Bank, New
Jersey 07701
732-747-7800 -

--- Condominium
Community (Park
MD 52-2002264
10 Highway 35
Place), Inc.
P.O. Box 500

Red Bank, New
Jersey 07701
732-747-7800 -

--- Condominium
Community
(Quail MD 52-
2002265 10
Highway 35
Run), Inc. P.O.
Box 500 Red
Bank, New
Jersey 07701
732-747-7800 -

--- Condominium
Community
(Truman MD 52-
2002263 10
Highway 35
Drive), Inc.
P.O. Box 500
Red Bank, New
Jersey 07701
732-747-7800 -

--- 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 -

TELEPHONE
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OFFICES - -----

EXC, Inc. DE
22-3178077 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 -

--- 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
FL 22-2416624
10 Highway 35
Florida, Inc.
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 -

--- K. Hov A,
Inc. NJ 22-
2627859 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, VA 22-
3178078 10
Highway 35 Inc.

P.O. Box 500
Red Bank, New
Jersey 07701
732-747-7800 -

--- K.
Hovnanian at
Atlantic City,
NJ 22-1945458
10 Highway 35
Inc. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
Ballantrae FL
22-3409425 10
Highway 35
Estates, Inc.
P.O. Box 500
Red Bank, New
Jersey 07701
732-747-7800 -

--- 2

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OFFICES - -----

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,
NJ 22-3331038
10 Highway 35
Inc. 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 IV,
Inc. NJ 22-
3292171 10
Highway 35 P.O.
Box 500 Red
Bank, New
Jersey 07701
732-747-7800 -

--- K.
Hovnanian at
Branchburg III,
NJ 22-2961099
10 Highway 35
Inc. 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 IV,
NJ 22-4049666
10 Highway 35
Inc. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
Bridgewater V,
NJ 22-2713924
10 Highway 35
Inc. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
Bridgewater VI,
NJ 22-3243298
10 Highway 35
Inc. 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 -

--- 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,
NJ 22-2892342
10 Highway 35
Inc. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
Cedar Grove II,
NJ 22-2892341
10 Highway 35
Inc. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- 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 -

P.O. Box 500
Red Bank, New
Jersey 07701
732-747-7800 -

--- K.
Hovnanian at
Dominion Ridge,
VA 22-3433318
10 Highway 35
Inc. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
East Brunswick
VI, NJ 22-
2892496 10
Highway 35 Inc.
P.O. Box 500
Red Bank, New
Jersey 07701
732-747-7800 -

--- K.
Hovnanian at
East Brunswick
NJ 22-2776654
10 Highway 35
VIII, Inc. P.O.
Box 500 Red
Bank, New
Jersey 07701
732-747-7800 -

--- K.
Hovnanian at
East Whiteland
I, PA 22-
3483220 10
Highway 35 Inc.
P.O. Box 500
Red Bank, New
Jersey 07701
732-747-7800 -

--- K.
Hovnanian at
Exeter Hills,
VA 22-3331043
10 Highway 35
Inc. P.O. Box
500 Red Bank,
New Jersey

EXECUTIVE OFFICES - -----

K. Hovnanian at
Freehold
Township NJ 22-
2459186 10
Highway 35 I,
Inc. 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. 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
Hopewell VI,
Inc. NJ 22-
3465709 10
Highway 35 P.O.
Box 500 Red
Bank, New
Jersey 07701
732-747-7800 -

--- K.
Hovnanian at
Howell
Township, NJ
22-2859308 10
Highway 35 Inc.
P.O. Box 500
Red Bank, New
Jersey 07701
732-747-7800 -

--- K.
Hovnanian at
Hunter Estates,
VA 22-3321100
10 Highway 35
Inc. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
Jacksonville
II, FL 22-
2914590 10
Highway 35 Inc.
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
III, NJ 22-
3016528 10
Highway 35 Inc.
P.O. Box 500
Red Bank, New
Jersey 07701
732-747-7800 -

--- K.
Hovnanian at
Kings Grant I,
NJ 22-2601064
10 Highway 35
Inc. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
Klockner Farms,
NJ 22-2572443
10 Highway 35
Inc. 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 -

--- 7

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IDENTIFICATION
NUMBER
----- EXECUTIVE
OFFICES - -----

K. Hovnanian at
Lawrence V,
Inc. NJ 22-
3638073 10
Highway 35 P.O.
Box 500 Red
Bank, New
Jersey 07701
732-747-7800 -

--- K.

Hovnanian at
Lower Saucon
II, PA 22-
3602924 10
Highway 35 Inc.
P.O. Box 500
Red Bank, New
Jersey 07701
732-747-7800 -

--- K.

Hovnanian at
Lower Saucon,
PA 22-2961090

10 Highway 35
Inc. 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.
NJ 22-3015286
10 Highway 35
(Whalepond)
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.
NJ 22-3188612
10 Highway 35
(Norfolk) 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 -

--- 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
Manalapan III,
NJ 22-3337896
10 Highway 35
Inc. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 -

----- 8

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OFFICES - -----

K. Hovnanian at
Marlboro II,
Inc. NJ 22-
2748659 10
Highway 35 P.O.
Box 500 Red
Bank, New
Jersey 07701
732-747-7800 -

--- K.
Hovnanian at
Marlboro NJ 22-
3467252 10
Highway 35
Township IV,
Inc. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
Marlboro NJ 22-
3791976 10
Highway 35
Township VI,
Inc. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
Marlboro NJ 22-
3791977 10
Highway 35
Township VII,
Inc. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- 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
Newark Urban NJ
22-2885748 10
Highway 35
Renewal
Corporation I,
Inc. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 -

----- 9

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OFFICES - -----

K. Hovnanian at
Newark Urban NJ
22-3027957 10
Highway 35
Renewal
Corporation IV,
Inc. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
Newark Urban NJ
22-3027960 10
Highway 35
Renewal
Corporation V,
Inc. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
North Bergen,
NJ 22-2935352
10 Highway 35
Inc. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
North Brunswick
NJ 22-3036037
10 Highway 35
IV, Inc. P.O.
Box 500 Red
Bank, New
Jersey 07701
732-747-7800 -

--- K.
Hovnanian at
Northern NY 22-
2814372 10
Highway 35
Westchester,
Inc. 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, VA
22-3583840 10
Highway 35 Inc.
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 -

--- 10

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K. Hovnanian at
Pembroke
Shores, FL 22-
3273708 10
Highway 35 Inc.
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 -

--- K.
Hovnanian at
Plainsboro III,
NJ 22-3027955
10 Highway 35
Inc. 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
NJ 22-3450185
10 Highway 35
North, Inc.
P.O. Box 500
Red Bank, New
Jersey 07701
732-747-7800 -

--- 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 CA 22-
3369102 10
Highway 35
Christianitos,
Inc. 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,
NJ 22-3085521
10 Highway 35
Inc. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 -

----- K.

Hovnanian at
Reservoir
Ridge, NJ 22-
2510587 10
Highway 35 Inc.
P.O. Box 500
Red Bank, New
Jersey 07701
732-747-7800 -

--- K.

Hovnanian at
River Oaks,
Inc. VA 22-
3199603 10
Highway 35 P.O.
Box 500 Red
Bank, New

Jersey 07701
732-747-7800 -

--- 11

----- ADDRESS
INCLUDING ZIP
CODE, STATE OR
OTHER AND
TELEPHONE
NUMBER
JURISDICTION OF
INCLUDING AREA
CODE, EXACT
NAME OF
REGISTRANT
INCORPORATION
OR IRS EMPLOYER
OF REGISTRANT'S
PRINCIPAL AS
SPECIFIED IN
ITS CHARTER
ORGANIZATION
IDENTIFICATION
NUMBER
EXECUTIVE
OFFICES - -----

K. Hovnanian at
San Sevaime,
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, NJ 22-
3464496 10
Highway 35 Inc.
P.O. Box 500
Red Bank, New

NUMBER
JURISDICTION OF
INCLUDING AREA
CODE, EXACT
NAME OF
REGISTRANT
INCORPORATION
OR IRS EMPLOYER
OF REGISTRANT'S
PRINCIPAL AS
SPECIFIED IN
ITS CHARTER
ORGANIZATION
IDENTIFICATION
NUMBER
EXECUTIVE
OFFICES - -----

K. Hovnanian at
Spring Ridge,
NJ 22-3192909
10 Highway 35
Inc. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
Stone Canyon,
CA 22-3512641
10 Highway 35
Inc. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
Stonegate, Inc.
CA 22-3582033
10 Highway 35
(a CA
Corporation)
P.O. Box 500
Red Bank, New
Jersey 07701
732-747-7800 -

--- K.
Hovnanian at
Stonegate, Inc.
VA 22-3481223
10 Highway 35
(a VA
Corporation)
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,
VA 22-3188746
10 Highway 35
Inc. 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 -

--- 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,
NJ 22-3396608
10 Highway 35
Inc. 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 -

--- 13

----- ADDRESS
INCLUDING ZIP
CODE, STATE OR
OTHER AND
TELEPHONE
NUMBER
JURISDICTION OF
INCLUDING AREA
CODE, EXACT
NAME OF
REGISTRANT
INCORPORATION
OR IRS EMPLOYER
OF REGISTRANT'S
PRINCIPAL AS
SPECIFIED IN
ITS CHARTER
ORGANIZATION
IDENTIFICATION
NUMBER
EXECUTIVE
OFFICES - -----

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
NJ 22-2934223
10 Highway 35
Medford, Inc.
P.O. Box 500
Red Bank, New
Jersey 07701
732-747-7800 -

--- 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 at
Union Township

I, NJ 22-
3027952 10
Highway 35 Inc.
P.O. Box 500
Red Bank, New
Jersey 07701
732-747-7800 -

--- K.

Hovnanian at
Upper Freehold
NJ 22-3415873
10 Highway 35
Township I,
Inc. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.

Hovnanian at
Upper Makefield
PA 22-3302321
10 Highway 35
I, Inc. P.O.
Box 500 Red
Bank, New
Jersey 07701
732-747-7800 -

--- K.

Hovnanian at
Upper Merion,
PA 22-3188608
10 Highway 35
Inc. 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,
NJ 22-3252533
10 Highway 35

Inc. 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 -

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----- ADDRESS
INCLUDING ZIP
CODE, STATE OR
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ORGANIZATION
IDENTIFICATION
NUMBER
EXECUTIVE
OFFICES - -----

K. Hovnanian at
Wall Township
VI, NJ 22-
2859303 10
Highway 35 Inc.
P.O. Box 500
Red Bank, New
Jersey 07701
732-747-7800 -

--- K.
Hovnanian at
Wall Township
NJ 22-3434643
10 Highway 35

VIII, Inc. P.O.
Box 500 Red
Bank, New
Jersey 07701
732-747-7800 -

--- K.

Hovnanian at
Washingtonville,
NY 22-2717887
10 Highway 35
Inc. 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 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
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,
FL 22-3219184
10 Highway 35
Inc. 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 -

--- K.
Hovnanian
Companies
Northeast, NJ
22-2445216 10
Highway 35 Inc.
P.O. Box 500
Red Bank, New
Jersey 07701
732-747-7800 -

--- K.
Hovnanian
Companies of CA
22-3301757 10
Highway 35
California,
Inc. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian
Companies of
New NY 22-
2618171 10
Highway 35
York, Inc. P.O.
Box 500 Red
Bank, New
Jersey 07701
732-747-7800 -

----- K.
Hovnanian
Companies of
North NC 22-
2765939 10
Highway 35
Carolina, Inc.
P.O. Box 500
Red Bank, New
Jersey 07701
732-747-7800 -

----- K.
Hovnanian
Companies of PA
22-2390174 10
Highway 35
Pennsylvania,
Inc. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian
Companies of CA
22-3493449 10
Highway 35
Southern
California,
Inc. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian
Construction NJ
22-3406668 10
Highway 35
Management,
Inc. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

TELEPHONE
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IDENTIFICATION
NUMBER
EXECUTIVE
OFFICES - -----

K. Hovnanian
Developments of
NJ 22-2664563
10 Highway 35
New Jersey,
Inc. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian
Developments of
NY 22-2626492
10 Highway 35
New York, Inc.
P.O. Box 500
Red Bank, New
Jersey 07701
732-747-7800 -

--- K.
Hovnanian
Developments of
SC 58-2659968
10 Highway 35
South Carolina,
Inc. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian
Developments of
TX 22-3685786
10 Highway 35
Texas, Inc.
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, FL
22-318616 10
Highway 35 Inc.
P.O. Box 500
Red Bank, New
Jersey 07701
732-747-7800 -

--- K.
Hovnanian
Forecast CA 95-
4892009 10
Highway 35
Acquisition,
Inc. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian
Forecast Homes,
Inc. CA 95-
4892007 10
Highway 35 P.O.
Box 500 Red
Bank, New
Jersey 07701
732-747-7800 -

--- K.
Hovnanian
Investment NJ
22-2541361 10
Highway 35
Properties of
New Jersey,
Inc. 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 Port
Imperial NJ 22-
3027956 10
Highway 35
Urban Renewal,
Inc. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian
Properties of
East NJ 22-
2593811 10
Highway 35
Brunswick II,
Inc. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

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----- ADDRESS
INCLUDING ZIP
CODE, STATE OR
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TELEPHONE
NUMBER
JURISDICTION OF
INCLUDING AREA
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INCORPORATION
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OF REGISTRANT'S
PRINCIPAL AS
SPECIFIED IN
ITS CHARTER
ORGANIZATION
IDENTIFICATION
NUMBER
EXECUTIVE
OFFICES - -----

500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian
Properties of
Red NJ 22-
3092532 10
Highway 35
Bank, Inc. P.O.
Box 500 Red
Bank, New
Jersey 07701
732-747-7800 -

--- K.
Hovnanian
Properties of
NJ 22-3244134
10 Highway 35
Wall, Inc. P.O.
Box 500 Red
Bank, New
Jersey 07701
732-747-7800 -

--- K.
Hovnanian Real
Estate NJ 22-
1945444 10
Highway 35
Investment,
Inc. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian Real
Estate of FL
65-0215569 10
Highway 35
Florida, Inc.
P.O. Box 500
Red Bank, New
Jersey 07701
732-747-7800 -

--- K.
Hovnanian
Southeast
Florida, FL 22-
3331675 10
Highway 35 Inc.
P.O. Box 500

Red Bank, New Jersey 07701 732-747-7800 -

--- K.
Hovnanian Southeast Region, FL 22-3331674 10 Highway 35 Inc. P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800 -

--- K.
Hovnanian's Four Seasons of FL 22-3618584 10 Highway 35 the Palm Beaches, Inc. P.O. Box 500 Red Bank, New Jersey 07701 732-747-7800 -

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----- ADDRESS INCLUDING ZIP CODE, STATE OR OTHER AND TELEPHONE NUMBER

JURISDICTION OF INCLUDING AREA CODE, EXACT NAME OF

REGISTRANT INCORPORATION OR IRS EMPLOYER OF REGISTRANT'S PRINCIPAL AS SPECIFIED IN ITS CHARTER ORGANIZATION IDENTIFICATION NUMBER

EXECUTIVE OFFICES - -----

KHC Acquisition, Inc. CA 22-3303802 10

--- 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 -

--- Que
Corporation MD
52-1723878 10
Highway 35 P.O.
Box 500 Red
Bank, New
Jersey 07701
732-747-7800 -

--- Reflections
of You
Interiors, TX
75-1967894 10
Highway 35 Inc.
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 NJ
22-3670677 10
Highway 35
Organization,

Inc. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 -

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----- ADDRESS
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PRINCIPAL AS
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ORGANIZATION
IDENTIFICATION
NUMBER
EXECUTIVE
OFFICES -

The New Fortis
Corporation NC
56-1458833 10
Highway 35 P.O.
Box 500 Red
Bank, New
Jersey 07701
732-747-7800 -

--- 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, DE
Inactive 10
Highway 35 Inc.
P.O. Box 500
Red Bank, New
Jersey 07701
732-747-7800 -

--- Washington
Homes of West
WV 54-1860514
10 Highway 35
Virginia, Inc.
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
VA 52-0898765
10 Highway 35
Virginia P.O.
Box 500 Red
Bank, New
Jersey 07701
732-747-7800 -

--- Westminster
Homes
(Charlotte), NC
52-1970973 10
Highway 35 Inc.
P.O. Box 500
Red Bank, New
Jersey 07701
732-747-7800 -

--- Westminster
Homes of
Tennessee, TN
52-1973363 10
Highway 35 Inc.
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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----- ADDRESS
INCLUDING ZIP
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OF REGISTRANT'S
PRINCIPAL AS

SPECIFIED IN
ITS CHARTER
ORGANIZATION
IDENTIFICATION
NUMBER
EXECUTIVE

OFFICES - -----

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 -

--- K.
Hovnanian at
St. Margarets,
MD 22-3688864
10 Highway 35
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
Arbor Heights,
CA 33-0890775
10 Highway 35
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
Ashburn
Village, MD 22-
3681031 10
Highway 35
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-

7800 - -----

----- K.
Hovnanian at
Barnegat I, NJ
22-3804316 10
Highway 35
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
Berkeley, NJ
22-3644632 10
Highway 35
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
Bernards V, NJ
22-3618587 10
Highway 35
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
Blooms
Crossing, MD
22-3688865 10
Highway 35
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
Blue Heron NJ
22-3630449 10
Highway 35
Pines, L.L.C.
P.O. Box 500
Red Bank, New
Jersey 07701
732-747-7800 -

--- K.
Hovnanian at
Curries Woods,
NJ 22-3776466
10 Highway 35
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
Denville,
L.L.C. NJ
Applied For 10
Highway 35 P.O.
Box 500 Red
Bank, New
Jersey 07701
732-747-7800 -

--- K.
Hovnanian at
Encinitas
Ranch, CA 33-
0890770 10
Highway 35
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
Forecast,
L.L.C. CA
Applied For 10
Highway 35 P.O.
Box 500 Red
Bank, New
Jersey 07701
732-747-7800 -

--- K.
Hovnanian at 4S
Ranch, L.L.C.
CA 73-1638455
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 -

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NUMBER
JURISDICTION OF
INCLUDING AREA
CODE, EXACT
NAME OF
REGISTRANT
INCORPORATION
OR IRS EMPLOYER
OF REGISTRANT'S
PRINCIPAL AS
SPECIFIED IN
ITS CHARTER
ORGANIZATION
IDENTIFICATION
NUMBER
EXECUTIVE
OFFICES - -----

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 NJ 22-
3814175 10
Highway 35
Contractors,
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- 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,
NJ 22-3655974
10 Highway 35
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.

Hovnanian at
Kent Island, MD
22-3668315 10
Highway 35
L.L.C. 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, MD
22-3647924 10
Highway 35
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.

Hovnanian at
LaFayette NJ
22-3658926 10
Highway 35
Estates, L.L.C.
P.O. Box 500
Red Bank, New

Jersey 07701
732-747-7800 -

--- K.

Hovnanian at
Lake Ridge VA
22-3778537 10
Highway 35
Crossing,
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.

Hovnanian at
Lake Terrapin,
VA 22-3647920
10 Highway 35
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.

Hovnanian at
Lawrence V, NJ
22-3638073 10
Highway 35
L.L.C. 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 -

--- 23

----- ADDRESS
INCLUDING ZIP
CODE, STATE OR
OTHER AND

TELEPHONE
NUMBER
JURISDICTION OF
INCLUDING AREA
CODE, EXACT
NAME OF
REGISTRANT
INCORPORATION
OR IRS EMPLOYER
OF REGISTRANT'S
PRINCIPAL AS
SPECIFIED IN
ITS CHARTER
ORGANIZATION
IDENTIFICATION
NUMBER
EXECUTIVE
OFFICES - -----

K. Hovnanian at
Little Egg NJ
22-3795535 10
Highway 35
Harbor, L.L.C.
P.O. Box 500
Red Bank, New
Jersey 07701
732-747-7800 -

--- K.
Hovnanian at
Little Egg NJ
22-3832077 10
Highway 35
Harbor
Contractors,
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
Lower Moreland
I, PA 22-
3785544 10
Highway 35
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
Lower Moreland
PA 22-3785539
10 Highway 35
II, L.L.C. P.O.
Box 500 Red
Bank, New
Jersey 07701
732-747-7800 -

----- K.
Hovnanian at
Marlboro NJ 22-
3802594 10
Highway 35
Township VIII,
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
Marlboro VI, NJ
22-3791976 10
Highway 35
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
Marlboro VII,
NJ 22-3791977
10 Highway 35
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- 24

----- ADDRESS
INCLUDING ZIP
CODE, STATE OR
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PRINCIPAL AS
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ITS CHARTER
ORGANIZATION
IDENTIFICATION
NUMBER
EXECUTIVE
OFFICES - -----

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 -

--- K.
Hovnanian at
Middletown, NJ
22-3630452 10
Highway 35
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 -

----- K.
Hovnanian at
Mt. Olive NJ
22-3813043 10
Highway 35
Township,
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 -

----- K.
Hovnanian at
North NJ 22-
3627814 10
Highway 35
Brunswick VI,
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 -

----- K.
Hovnanian at
North Haledon,
NJ 22-3770598
10 Highway 35
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 -

----- K.
Hovnanian at

Northampton, NJ
22-3785527 10
Highway 35
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
Northfield, NJ
22-3665826 10
Highway 35
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
Pacific Bluffs,
TX 33-0890774
10 Highway 35
L.L.C. 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
Rancho Santa CA
33-0890773 10
Highway 35
Margarita,
L.L.C. P.O. Box

500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
Riverbend, CA
33-0890777 10
Highway 35
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

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----- ADDRESS
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PRINCIPAL AS
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IDENTIFICATION
NUMBER
EXECUTIVE
OFFICES - -----

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, CA 22-
2147833 10
Highway 35
L.L.C. P.O. Box

500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
Sayreville, NJ
22-3663105 10
Highway 35
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
South Amboy, NJ
22-3655682 10
Highway 35
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
South Bank, MD
22-3688868 10
Highway 35
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
South NJ 01-
0618098 10
Highway 35
Brunswick,
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
Spring Hill MD
22-3688864 10
Highway 35
Road, L.L.C.
P.O. Box 500
Red Bank, New
Jersey 07701
732-747-7800 -

--- K.
Hovnanian at
St. Margarets,
MD 33-0890768
10 Highway 35
L.L.C. 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, NC
22-3655975 10
Highway 35
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
Upper Freehold
NJ 22-3655975
10 Highway 35
Township II,
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
Upper Freehold
NJ 22-366680
10 Highway 35
Township III,
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
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ORGANIZATION
IDENTIFICATION
NUMBER
EXECUTIVE
OFFICES - -----

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, NJ
22-3618348 10
Highway 35
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
Wayne VIII, NJ
22-3618242 10
Highway 35
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
Wayne IX,
L.L.C. NJ 22-
3828775 10
Highway 35 P.O.
Box 500 Red
Bank, New
Jersey 07701
732-747-7800 -

--- K.
Hovnanian at
West Milford,
NJ 22-3709105
10 Highway 35
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
West Windsor,
NJ 52-2147836
10 Highway 35
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
Willow Brook,
MD 22-3556343
10 Highway 35
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
Winchester, CA
52-2147836 10
Highway 35
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian at
Woodhill NJ 01-
0550781 10
Highway 35

PRINCIPAL AS
SPECIFIED IN
ITS CHARTER
ORGANIZATION
IDENTIFICATION
NUMBER
EXECUTIVE

OFFICES - -----

K. Hovnanian
Eastern PA 04-
3630089 10
Highway 35
Pennsylvania,
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian
Forecast,
L.L.C. CA
Applied For 10
Highway 35 P.O.
Box 500 Red
Bank, New
Jersey 07701
732-747-7800 -

--- K.
Hovnanian Four
Seasons VA 22-
3647925 10
Highway 35 @
Historic
Virginia,
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian North
Central DE 22-
3554986 10
Highway 35
Acquisitions,
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian North
Jersey DE 22-

3556344 10
Highway 35
Acquisitions,
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian Shore
DE 22-3556342
10 Highway 35
Acquisitions,
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian South
Jersey DE 22-
3556341 10
Highway 35
Acquisition,
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian
Southern New NJ
01-0648280 10
Highway 35
Jersey, L.L.C.
P.O. Box 500
Red Bank, New
Jersey 07701
732-747-7800 -

--- K.
Hovnanian's
Four Seasons,
CA 52-2147837
10 Highway 35
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- K.
Hovnanian's
Private Home NJ
22-3766856 10
Highway 35
Portfolio,

L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

Kings Court at
Montgomery, NJ
22-3825046 10
Highway 35

L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

----- M&M
at Apple Ridge,
L.L.C. NJ 22-
3824654 10
Highway 35 P.O.
Box 500 Red
Bank, New
Jersey 07701
732-747-7800 -

----- ADDRESS
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OR IRS EMPLOYER
OF REGISTRANT'S
PRINCIPAL AS
SPECIFIED IN
ITS CHARTER
ORGANIZATION
IDENTIFICATION
NUMBER
EXECUTIVE
OFFICES - -----

M&M at
Brookhill,
L.L.C. NJ 22-
3824652 10
Highway 35 P.O.
Box 500 Red

Bank, New
Jersey 07701
732-747-7800 -

--- M&M at
Heritage Woods,
L.L.C. NJ 22-
3824650 10
Highway 35 P.O.
Box 500 Red
Bank, New
Jersey 07701
732-747-7800 -

--- M&M at the
Highlands,
L.L.C. NJ 22-
3824649 10
Highway 35 P.O.
Box 500 Red
Bank, New
Jersey 07701
732-747-7800 -

--- M&M at East
Mill, L.L.C. NJ
80-0036068 10
Highway 35 P.O.
Box 500 Red
Bank, New
Jersey 07701
732-747-7800 -

--- M&M at
Morristown,
L.L.C. NJ 22-
3834775 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 22-
3825357 10
Highway 35 P.O.
Box 500 Red
Bank, New
Jersey 07701
732-747-7800 -

--- M&M at
Sparta, L.L.C.
NJ 22-3825057
10 Highway 35
P.O. Box 500
Red Bank, New
Jersey 07701
732-747-7800 -

--- M&M at
Spinnaker
Pointe, L.L.C.
NJ 22-3825041
10 Highway 35
P.O. Box 500
Red Bank, New
Jersey 07701
732-747-7800 -

--- M&M at
Spruce Hollow,
L.L.C. NJ 22-
3825064 10
Highway 35 P.O.
Box 500 Red
Bank, New
Jersey 07701
732-747-7800 -

--- M&M at
Spruce Meadows,
L.L.C. NJ 22-
3825036 10
Highway 35 P.O.
Box 500 Red
Bank, New
Jersey 07701
732-747-7800 -

--- M&M at
Spruce Run,
L.L.C. NJ 22-
3825037 10

3575932 10
Highway 35
Landing, L.L.C.
P.O. Box 500
Red Bank, New
Jersey 07701
732-747-7800 -

--- Matzel &
Mumford at
Montgomery, NJ
22-3500542 10
Highway 35
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

Matzel &
Mumford at NJ
22-3619267 10
Highway 35
Phillipsburg,
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

Matzel &
Mumford at
South NJ 22-
345834 10
Highway 35
Brunswick,
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

Matzel &
Mumford at
Woodland NJ 22-
3575934 10
Highway 35
Crest, L.L.C.
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 NJ
22-3825041 10
Highway 35
Pointe, L.L.C.
P.O. Box 500
Red Bank, New
Jersey 07701
732-747-7800 -

--- Westminster
Homes of
Alabama, MD 63-
1222540 10
Highway 35
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

Westminster
Homes of MD 64-
0907820 10
Highway 35
Mississippi,
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

Westminster
Homes of South
SC 58-2690293
10 Highway 35
Carolina,
L.L.C. P.O. Box
500 Red Bank,
New Jersey
07701 732-747-
7800 - -----

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 JUNE 6, 2002

PROSPECTUS



\$250,000,000
K. HOVNIANIAN ENTERPRISES, INC.
OFFER TO EXCHANGE ALL OUTSTANDING

8.000% SENIOR NOTES DUE 2012
(\$100,000,000 AGGREGATE PRINCIPAL AMOUNT OUTSTANDING)
FOR 8.000% SENIOR NOTES DUE 2012

8.875% SENIOR SUBORDINATED NOTES DUE 2012
(\$150,000,000 AGGREGATE PRINCIPAL AMOUNT OUTSTANDING)
FOR 8.875% SENIOR SUBORDINATED NOTES DUE 2012

EACH REGISTERED UNDER THE SECURITIES ACT OF 1933

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON,
_____, 2002, UNLESS EXTENDED

The Exchange Offer

- - We will exchange all outstanding notes that are validly tendered and not validly withdrawn for an equal principal amount of exchange notes that are freely tradeable.
- - You may withdraw tenders of outstanding notes at any time prior to the expiration date of the exchange offer.
- - The exchange offer expires at 5:00 p.m., New York City time, on _____, 2002, unless extended. We do not currently intend to extend the expiration date.
- - The exchange of outstanding notes for exchange notes in the exchange offer will not be a taxable event for U.S. federal income tax purposes.
- - We will not receive any proceeds from the exchange offer.

The Exchange Notes

- The exchange notes are being offered in order to satisfy some of our obligations under registration rights agreements entered into in connection with the placement of the outstanding notes.
- The terms of the exchange notes to be issued in the exchange offer are substantially identical to the outstanding notes, except that the exchange notes will be freely tradeable.

Resales of Exchange Notes

- The exchange notes may be sold in the over-the counter market, in negotiated transactions or through a combination of such methods. The exchange notes will be eligible for trading in The Portal (SM) Market.

YOU SHOULD CONSIDER CAREFULLY THE "RISK FACTORS" BEGINNING ON PAGE 9 OF THIS PROSPECTUS BEFORE PARTICIPATING IN THE EXCHANGE OFFER.

Each broker-dealer that receives exchange notes for its own account in the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of those exchange notes. The letter of transmittal states that, by so acknowledging and delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of exchange notes received in exchange for outstanding notes where the outstanding notes were acquired by the broker-dealer as a result of market-making activities or other

trading activities.

We have agreed that, for a period of one year after the consummation of this exchange offer, we will make this prospectus available to any broker-dealer for use in connection with the resale of exchange notes. See "Plan of Distribution".

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE EXCHANGE NOTES TO BE DISTRIBUTED IN THE EXCHANGE OFFER OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This prospectus is dated , 2002.

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YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS DOCUMENT OR TO WHICH WE HAVE REFERRED YOU. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH ANY INFORMATION THAT IS DIFFERENT. THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO PURCHASE, THE SECURITIES OFFERED BY THIS DOCUMENT IN ANY JURISDICTION TO OR FROM ANY PERSON TO WHOM OR FROM WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION OF AN OFFER IN SUCH JURISDICTION. THE INFORMATION IN THIS DOCUMENT MAY ONLY BE ACCURATE AS OF THE DATE OF THIS DOCUMENT.

PROSPECTUS SUMMARY

THIS BRIEF SUMMARY HIGHLIGHTS SELECTED INFORMATION FROM THE PROSPECTUS. IT MAY NOT CONTAIN ALL OF THE INFORMATION THAT IS IMPORTANT TO YOU. YOU SHOULD CAREFULLY READ AND REVIEW THIS ENTIRE PROSPECTUS AND THE OTHER DOCUMENTS TO WHICH WE REFER YOU. IN THIS PROSPECTUS, EXCEPT AS THE CONTEXT OTHERWISE REQUIRES, REFERENCES TO "HOVNANIAN", "US", "WE", "OUR" OR THE "COMPANY" MEAN HOVNANIAN ENTERPRISES, INC., A DELAWARE CORPORATION, TOGETHER WITH ITS CONSOLIDATED SUBSIDIARIES, INCLUDING K. HOVNANIAN ENTERPRISES, INC., WHICH WE REFER TO AS THE "ISSUER" OR "K. HOVNANIAN", A NEW JERSEY CORPORATION.

SUMMARY OF THE TERMS OF THE EXCHANGE OFFER

General..... On March 26, 2002, K. Hovnanian completed a private offering of the outstanding notes, comprised of \$100,000,000 aggregate principal amount of its 8.000% Senior Notes due 2012 and \$150,000,000 aggregate principal amount of its 8.875% Senior Subordinated Notes due 2012. In

connection with the private offering, we entered into registration rights agreements with the initial purchasers in the private offerings in which we agreed, among other things, to deliver this prospectus to you and to complete an exchange offer for the outstanding notes.

Outstanding Notes..... \$100,000,000 aggregate principal amount of 8.000% Senior Notes due 2012 and \$150,000,000 aggregate principal amount of 8.875% Senior Subordinated Notes due 2012, each of which were issued on March 26, 2002.

Exchange Notes..... \$100,000,000 aggregate principal amount of 8.000% Senior Notes due 2012 and \$150,000,000 aggregate principal amount of 8.875% Senior Subordinated Notes due 2012, each of which we are offering in this exchange offer.

The Exchange Offer..... We are offering to exchange up to \$100,000,000 aggregate principal amount of our 8.000% Senior Notes due 2012, which have been registered under the Securities Act, and up to \$150,000,000 aggregate principal amount of our 8.875% Senior Subordinated Notes due 2012, which have been registered under the Securities Act, in each case for a like aggregate principal amount of the outstanding notes. You may only exchange outstanding notes in integral multiples of \$1,000.

The terms of the exchange notes are identical in all material respects to the terms of the outstanding notes, except that the registration rights, related liquidated damages provisions and the transfer restrictions, applicable to the outstanding notes are not applicable to the exchange notes.

Subject to the satisfaction or waiver of specified conditions, we will exchange the applicable exchange notes for all outstanding notes that are validly tendered and not validly withdrawn prior to the expiration of the exchange offer. We will cause the exchange to be effected promptly after the expiration of the exchange offer. Upon completion of the exchange offer, there may be no market for the outstanding notes and you may have difficulty selling them.

Resales..... Based on interpretations by the Securities and Exchange Commission set forth in no-action letters issued to third parties, we believe that you may resell or otherwise transfer exchange notes issued in the exchange offer without complying with the registration and prospectus delivery requirements of the Securities Act, if:

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(1) you are not an affiliate of K. Hovnanian within the meaning of Rule 405 under the Securities Act;

(2) you are not engaged in, and do not intend to engage in, a distribution of the exchange notes;

(3) you do not have an arrangement or understanding with any person to participate in a distribution of the exchange notes; and

(4) you are acquiring the exchange notes in the ordinary course of your business.

If you are an affiliate of K. Hovnanian, or are engaging in, or intend to engage in, or have any arrangement or understanding with any person to participate in a distribution of the exchange notes, or are not acquiring the

exchange notes in the ordinary course of your business:

(1) you cannot rely on the position of the Securities and Exchange Commission enunciated in BROWN & WOOD LLP (available February 7, 1997), MORGAN STANLEY & CO. INCORPORATED (available June 5, 1991), EXXON CAPITAL HOLDINGS CORPORATION (available May 13, 1988), as interpreted in the Securities and Exchange Commission's letter to SHEARMAN & STERLING dated July 2, 1993, or similar no-action letters; and

(2) in the absence of an exception from the position of the Securities and Exchange Commission stated in (1) above, you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale of the exchange notes.

If you are a broker-dealer and receive exchange notes for your own account in exchange for outstanding notes that you acquired as a result of market-making or other trading activities, you must acknowledge that you will deliver this prospectus in connection with any resale or other transfer of the exchange notes that you receive in the exchange offer.

Expiration Date..... The exchange offer will expire at 5:00 p.m., New York City time, on _____, 2002 unless extended by us. We do not currently intend to extend the expiration date.

Withdrawal..... You may withdraw the tender of your outstanding notes at any time prior to the expiration of the exchange offer. We will return to you any of your outstanding notes that are not accepted for any reason for exchange, without expense to you, promptly after the expiration or termination of the exchange offer.

Interest on the Exchange Notes and the Outstanding Notes..... Each exchange note will bear interest at the applicable rate per annum set forth on the cover page of this prospectus from the most recent date to which interest has been paid on the outstanding notes or, if no interest has been paid on the outstanding notes, from March 26, 2002. The applicable interest will be payable semi-annually on each April 1 and October 1, beginning October 1, 2002. No interest will be paid on outstanding notes following their acceptance for exchange.

Conditions to the Exchange Offer..... The exchange offer is subject to customary conditions, which we may assert or waive. See "The Exchange Offer--Conditions to the Exchange Offer".

Procedures for Tendering Outstanding Notes..... If you wish to accept the exchange offer, you must complete, sign and date the accompanying letter of transmittal, or a facsimile of the letter of transmittal, according to the instructions contained in this prospectus and the letter of transmittal. You must then mail or otherwise deliver the letter of transmittal, or a facsimile of the letter of transmittal, together with the outstanding notes and any other required documents, to the exchange agent at the address set forth on the cover page of the letter of transmittal. If you hold outstanding notes through The Depository Trust Company and wish to participate in the exchange offer, you must comply with the Automated Tender Offer Program

procedures of DTC, by which you will agree to be bound by the letter of transmittal. By signing, or agreeing to be bound by, the letter of transmittal, you will represent to us that, among other things:

(1) you are not an affiliate of K. Hovnanian within the meaning of Rule 405 under the Securities Act;

(2) you are not engaged in, and do not intend to engage in, a distribution of the exchange notes;

(3) you do not have an arrangement or understanding with any person to participate in a distribution of the exchange notes; and

(4) you are not acquiring the exchange notes in the ordinary course of your business.

If you are an affiliate of K. Hovnanian, or are engaging in, or intend to engage in, or have any arrangement or understanding with any person to participate in a distribution of the exchange notes, or are not acquiring the exchange notes in the ordinary course of your business, you cannot rely on the applicable interpretations of the Securities and Exchange Commission and you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale of the exchange notes.

Special Procedures for
Beneficial Owners.....

If you are a beneficial owner of outstanding notes that are registered in the name of a broker, dealer, commercial bank, trust company or other nominee, and you wish to tender those outstanding notes in the exchange offer, you should contact the registered holder promptly and instruct the registered holder to tender those outstanding notes on your behalf. If you wish to tender on your own behalf, you must, prior to completing and executing the letter of transmittal and delivering your outstanding notes, either make appropriate arrangements to register ownership of the outstanding notes in your name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time and may not be able to be completed prior to the expiration date.

Guaranteed Delivery Procedures

If you wish to tender your outstanding notes and your outstanding notes are not immediately available or you cannot deliver your outstanding notes, the letter of transmittal and any other required documents or you cannot comply with the DTC procedures for book-entry transfer prior to the expiration date, you must tender your outstanding notes according to the guaranteed delivery procedures set forth in this prospectus under "The Exchange Offer--Guaranteed Delivery Procedures".

Effect on Holders of
Outstanding Notes.....

In connection with the sale of the outstanding notes, we entered into registration rights agreements with the initial purchasers of the outstanding notes that grant the Holders of outstanding notes registration rights. By making this exchange offer, we will have fulfilled most of our obligations under each of the registration rights agreements. Accordingly, we will not be obligated to pay liquidated damages as described in each of the registration rights agreements. If you do not tender your outstanding notes in the exchange offer, you will continue to be entitled to all the rights and limitations applicable to the outstanding notes as set forth in the

applicable indenture, except we will not have any further obligation to you to provide for the registration of the outstanding notes under the applicable registration rights agreement. To the extent that outstanding notes are tendered and accepted in the exchange offer, the trading market for outstanding securities could be adversely affected.

Consequences of Failure to Exchange..... All untendered outstanding notes will continue to be subject to the restrictions on transfer set forth in the outstanding notes and in the indenture. In general, the outstanding notes may not be offered or sold, unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. Other than in connection with this exchange offer, we do not currently anticipate that we will register the outstanding notes under the Securities Act.

Use of Proceeds..... We will not receive any cash proceeds from the issuance of exchange notes in the exchange offer.

Exchange Agent..... Wachovia Bank, N.A. (formerly known as First Union National Bank) whose address and telephone number is set forth in the section captioned "The Exchange Offer--Exchange Agent" of this prospectus, is the exchange agent for the exchange offer.

SUMMARY OF THE TERMS OF THE EXCHANGE NOTES

The terms of the exchange notes are identical in all material respects to the terms of the outstanding notes, except that the registration rights, related liquidated damages provisions and the transfer restrictions applicable to the outstanding notes are not applicable to the exchange notes. The exchange notes will evidence the same debt as the outstanding notes. The exchange 8.000% Senior Notes due 2012 will be governed by the indenture under which the outstanding 8.000% Senior Notes due 2012 were issued. The exchange 8.875% Senior Subordinated Notes due 2012 will be governed by the indenture under which the outstanding 8.875% Senior Subordinated Notes due 2012 were issued. Except where the context requires otherwise, references in this prospectus to "notes" or "securities" are references to both outstanding notes and exchange notes.

THE EXCHANGE NOTES

8.000% SENIOR NOTES DUE 2012

Issuer..... K. Hovnanian Enterprises, Inc.

Notes Offered..... We are offering \$100,000,000 aggregate principal amount of 8.000% Senior Notes due 2012.

Maturity Date..... April 1, 2012.

Interest Payment Dates..... Each April 1 and October 1, beginning October 1, 2002.

Optional Redemption..... We may redeem any or all of the notes at any time on or after April 1, 2007 at the redemption prices described in this prospectus, plus accrued and unpaid interest. See "Description of the Exchange Notes - 8.000% Senior Notes due 2012" under the heading "--Redemption".

Change of Control..... Upon a change of control as described in the section "Description of the Exchange Notes - 8.000% Senior Notes due 2012", you will have the right to require us to purchase some or all of your notes at 101% of the principal amount, plus accrued and unpaid interest to the date of purchase. We can give no assurance that, upon such an event, we will have sufficient funds to purchase any of your notes.

Guarantees The guarantors are Hovnanian Enterprises, Inc., the parent corporation of the Issuer, and most of the parent's existing and future restricted subsidiaries. If the Issuer cannot make payments on the notes when they are due, the guarantors must make them instead.

Ranking These notes are our general obligations and will not be secured by any collateral. Your right to payment under these notes will be:

- o junior to the rights of our secured creditors to the extent of their security in our assets;
- o equal with the rights of creditors under our other unsecured senior debt, including our Revolving Credit Facility and Term Loan Facility; and
- o senior to the rights of creditors under debt that is expressly subordinated to these notes.

The guarantee of the notes of each of the guarantors will also not be secured by any collateral. Your right to payment under any guarantee will be:

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- o junior to the rights of secured creditors to the extent of their security in the guarantors' assets;
- o equal with the rights of creditors under the guarantors' other unsecured senior debt; and
- o senior to the rights of creditors under the guarantors' debt that is expressly subordinated to the guarantee.

8.875% Senior Subordinated Notes due 2012

Issuer..... K. Hovnanian Enterprises, Inc.

Notes Offered We are offering \$150,000,000 aggregate principal amount of 8.875% Senior Subordinated Notes due 2012.

Maturity Date..... April 1, 2012.

Interest Payment Dates..... Each April 1 and October 1, beginning October 1, 2002.

Optional Redemption..... We may redeem any or all of the notes at any time on or after April 1, 2007 at the redemption prices described in this prospectus, plus accrued and unpaid interest. See "Description of the Exchange Notes - 8.875% Senior Subordinated Notes due 2012" under the heading "Redemption".

Change of Control..... Upon a change of control as described in the section "Description of the Exchange Notes - 8.875% Senior Subordinated Notes due 2012", you will have the right to require us to purchase some or all of your notes at 101% of the principal amount, plus accrued and unpaid interest to the date of purchase. We can give no assurance that, upon such an event, we will have sufficient funds to purchase any of your notes.

Guarantees..... The guarantors are Hovnanian Enterprises, Inc., the parent corporation of the Issuer, and most of the parent's existing and future restricted subsidiaries. If the Issuer can not make payments on the notes when they are due, the guarantors must make the payments instead.

Ranking..... These notes are our general obligations and will not be secured by any collateral. Your

right to payment under these notes will be:

- o junior to the rights of our secured creditors to the extent of their security in our assets;
- o junior in right of payment to all our existing and future senior debt, including the 8.000% Senior Notes due 2012;
- o equal with the rights of creditors under our other unsecured senior subordinated debt; and
- o senior to the rights of creditors under the debt expressly subordinated to these notes.

The guarantee of the notes of each of the guarantors will also not be secured by any collateral. Your right to payment under any guarantee will be:

- o junior to the rights of secured creditors to the extent of their security in the guarantors' assets;
- o junior to the rights of creditors under the guarantors' unsecured senior debt;
- o equal with the rights of creditors under the guarantors' other unsecured senior subordinated debt; and

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- o senior to the rights of creditors under the guarantors' debt that is expressly subordinated to the guarantee.

See the section "Description of the Exchange Notes - 8.875% Senior Subordinated Notes due 2012" under the headings "--Ranking" and "--Subordination."

THE NOTES GENERALLY

Certain Covenants..... The indentures governing the notes will, among other things, restrict our ability and the ability of the guarantors to:

- o borrow money;
- o pay dividends on our common stock;
- o repurchase our common stock;
- o make investments in subsidiaries that are not restricted;
- o sell certain assets;
- o incur certain liens;
- o merge with or into other companies; and
- o enter into certain transactions with our affiliates.

For more details, see the section "Description of the Exchange Notes - 8.000% Senior Notes due 2012" and "Description of the Exchange Notes - 8.875% Senior Subordinated Notes due 2012", each under the heading "--Certain Covenants".

Use of Proceeds..... K. Hovnanian will not receive any proceeds from the exchange offer. For a description of the use of proceeds from the private offering of outstanding securities, see "Use of Proceeds".

THE COMPANY

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. K. Hovnanian was incorporated under the laws of the State of New Jersey on November 1, 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 which it lends to such subsidiaries. K. Hovnanian has essentially no independent operations and generates no operating revenues. Both Hovnanian's executive offices and K. Hovnanian's principal executive offices are located at 10 Highway 35, P.O. Box 500, Red Bank, New Jersey 07701, and their telephone number is (732) 747-7800.

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, California, Texas, Tennessee, Alabama and Mississippi and provide mortgage banking and title insurance activities to our homebuilding customers. We market our homes to first-time buyers, first-time and second-time move-up buyers, luxury buyers, active adult buyers and empty nesters. We offer a variety of homestyles in the United States at prices ranging from \$43,000 to \$950,000 with an average sales price in fiscal 2001 of \$255,000. We are currently offering homes for sale in 172 communities. Since the incorporation of our predecessor company in 1959, we have delivered in excess of 106,000 homes, including 6,791 homes in fiscal 2001.

Over the past few years, our strategies have included several initiatives to fundamentally transform our traditional practices used to design, build and sell homes and focus on "building better." We believe that the adoption and implementation of processes and systems successfully used in other manufacturing industries, such as rapid cycle times, vendor consolidation, vendor partnering and just-in-time material procurement, will dramatically improve our business and give us a clear advantage over our competitors. Our concentration in selected markets is a key factor that enables us to achieve powers and economies of scale and differentiate ourselves from most of our competitors. These performance enhancing strategies are designed to achieve operational excellence through the implementation of standardized and streamlined "best practice processes."

USE OF PROCEEDS

The exchange offer is intended to satisfy our obligations under the registration rights agreements that we entered into in connection with the private offering of the outstanding notes. We will not receive any cash proceeds from the issuance of the exchange notes in the exchange offer. As consideration for issuing the exchange notes as contemplated in this prospectus, we will receive in exchange a like principal amount of outstanding notes, the terms of which are identical in all material respects to the exchange notes. The outstanding notes that are surrendered in exchange for the exchange notes will be retired and cancelled and cannot be reissued. As a result, the issuance of the exchange notes will not result in any increase or decrease in our capitalization.

We used the net proceeds from the private offering of the outstanding notes to refund all of our outstanding debt under our 9 3/4% Subordinated Notes due 2005, repay a portion of our Term Loan Facility and repay the currently outstanding indebtedness under our Revolving Credit Facility, and the remainder for general corporate purposes.

RISK FACTORS

In addition to the other matters described in this prospectus, you should carefully consider the following risk factors.

IF YOU DO NOT PARTICIPATE IN THE EXCHANGE OFFER, YOU WILL CONTINUE TO BE SUBJECT TO TRANSFER RESTRICTIONS.

If you do not exchange your outstanding notes in the exchange offer, you will continue to be subject to restrictions on transfer of your outstanding notes. We did not register the outstanding notes under the federal or any state securities laws and we do not intend to register them following the exchange offer. As a result, you generally may not offer or sell the outstanding notes except under an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. In addition, to the extent

outstanding notes are tendered and accepted in the exchange offer, the trading market, if any, for the outstanding notes would be adversely affected. As a result, after the exchange offer, you may have difficulty selling your outstanding notes.

YOU MUST FOLLOW THE EXCHANGE OFFER PROCEDURES CAREFULLY IN ORDER TO RECEIVE THE EXCHANGE NOTES.

If you do not follow the procedures described herein, you will not receive exchange notes. The exchange notes will be issued to you in exchange for your outstanding notes only after timely receipt by the exchange agent of:

- o your outstanding notes and either:
 - o a properly completed and executed letter of transmittal and all other required documents; or
 - o a book-entry delivery by electronic transmittal of an agent's message through DTC.

If you want to tender your outstanding notes in exchange for exchange notes, you should allow sufficient time to ensure timely delivery. No one is under any obligation to give you notification of defects or irregularities with respect to tenders of outstanding notes for exchange. For additional information, please refer to the sections captioned "The Exchange Offer" and "Plan of Distribution" in this prospectus.

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 UNDER THESE NOTES.

We have a significant amount of debt. As of January 31, 2002, our consolidated debt was \$676.3 million. The private offerings did not reduce, and in the short-term increased, our debt. 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 indebtedness, including these

notes, or to fund our other liquidity needs. We may need to refinance all or a portion of our debt, including these notes, on or before maturity, which we may not be able to do on favorable terms or at all.

The indentures governing these notes and our other outstanding debt, our Term Loan 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, Term Loan and revolving credit facilities. If we fail to comply with any of these 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 of our control, including the risk of competitive over-bidding on land on lots and restrictive governmental regulation. Should suitable land opportunities 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 in 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 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 and 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 also are 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. Our competitors include other local regional and national homebuilders, some of which have greater sales and financial resources.

The 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, including these notes, 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 Forecast acquisition, which closed on January 10, 2002, 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. These 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 acquisitions. Our failure to successfully manage future acquisitions could harm our operating results.

EXERCISE OF CHANGE OF CONTROL RIGHTS--WE MAY NOT HAVE THE ABILITY TO RAISE FUNDS NECESSARY TO FINANCE ANY CHANGE OF CONTROL OFFER REQUIRED BY THE INDENTURES.

If a change of control occurs as described in the sections "Description of the Exchange Notes - 8.000% Senior Notes due 2012" and "Description of the Exchange Notes - 8.875% Senior Subordinated Notes 2012", each under the heading "Certain Covenants", we would be required to offer to purchase your Senior Notes or Senior Subordinated Notes at 101% of their principal amount together with all accrued and unpaid interest and liquidated damages, if any. If a purchase offer obligation arises under the indenture governing your series of notes, a change of control will have also occurred under one or more of the other indentures governing our debt. If a purchase offer were required under the indentures for our debt, we may not have sufficient funds to pay the purchase price for all debt that we are required to repurchase or repay. After giving effect to these offerings, we would not have sufficient funds available to purchase all of such outstanding debt.

AN ACTIVE TRADING MARKET MAY NOT DEVELOP FOR THE EXCHANGE NOTES.

The exchange notes are a new issue of securities. There is no active public trading market for the exchange notes. We do not intend to apply for listing of the exchange notes on a security exchange. The liquidity of the trading market in the exchange notes, and the market prices quoted for the exchange notes, 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, an active trading market may not develop for your exchange notes, you may not be able to sell your exchange notes, or, even if you can sell your exchange notes, you may 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.

Although you will be direct creditors of the guarantors by virtue of the guarantees, existing or future creditors of any guarantor could avoid or subordinate such 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
 - 1) was insolvent at the time of the guarantee;
 - 2) was rendered insolvent by reason of the guarantee;
 - 3) was engaged in a business or transaction for which its assets constituted unreasonably small capital to carry on its business; or
 - 4) 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 foregoing if:

- o the sum of the company's debts, including contingent, unliquidated and unmatured liabilities, is greater than all of such 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.

RATIO OF EARNINGS TO FIXED CHARGES

For purposes of computing the ratio of earnings to fixed charges, earnings consist of earnings (loss) from continuing operations before income taxes, minority interest, extraordinary items and cumulative effect of accounting changes, plus fixed charges less interest capitalized. Fixed charges consist of all interests incurred plus the amortization of debt issuance costs and bond discount.

The following table sets forth the ratio of earnings to fixed charges for Hovnanian for each of the periods indicated.

THREE MONTHS ENDED JANUARY 31, YEAR ENDED OCTOBER 31, 2002 -	2001	2000
Ratio of earnings to fixed charges...	3.5	3.1
	2.2	3.0
	2.5	(a)

(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.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The following selected historical consolidated financial information for the years ended October 31, 2001, 2000, 1999, 1998 and 1997 have been derived from the audited consolidated financial statements of Hovnanian Enterprises, Inc. The financial data for the three month periods ended January 31, 2002 and 2001 have been derived from unaudited financial statements. The unaudited financial statements include all adjustments, consisting of normal recurring accruals, which Hovnanian Enterprises, Inc. considers necessary for a fair presentation of the financial position and the results of operations for these periods. Operating results for the three months ended January 31, 2002 are not necessarily indicative of the results that may be expected for the entire year ending October 31, 2002. The data should be read in conjunction with the consolidated financial statements, related notes, and other financial information incorporated by reference herein.

THREE MONTHS YEAR ENDED OCTOBER 31, ENDED JANUARY 31, -----	2002	2001	2001	2000	1999	1998	1997
(unaudited) (\$ in thousands, except average selling prices) Income Statement Data -----							
Total revenues	\$ 454,252	\$ 293,188	\$ 1,741,9	\$ 1,135,5	\$ 948,287	\$ 941,947	\$ 784,136
Home and land sale revenues (1)	\$ 443,519	\$ 286,571	\$ 1,705,0	\$ 1,112,0	\$ 920,324	\$ 904,280	\$ 754,662
Cost of Sales	351,673	225,735	1,355,354	880,463	729,719	748,941	634,317
Inventory impairment loss (2)	905	174	4,368	1,791	2,091	3,994	14,019
Homebuilding gross margin	90,941	60,662	345,351	229,761	188,514	151,345	106,326
Selling, general and administrative expenses	37,649	28,225	140,126	104,771	81,396	67,519	62,475
Corporate general and administrative expenses	10,876	9,878	44,278	33,309	28,652	21,048	15,088
Home and land interest expense	13,702	9,505	51,446	34,956	29,175	32,151	30,467
Income (loss)							

from financial services 3,628 1,758 9,985 (426) 1,059 2,099 (69) Income (loss) from investment properties -- -- -- (1,373) 4,406 (11,906) Other (loss) income (net of other operations) (2,545) (3,252) (13,132) (4,481) 1,640 4,160 1,555 -----

----- Income (loss) before income taxes and extraordinary loss 29,797 11,560 106,354 51,818 50,617 41,292 (12,124) State and federal income taxes (benefit) 11,636 4,637 42,668 18,655 19,674 15,141 (5,154) -----

----- Income (loss) before extraordinary loss 18,161 6,923 63,686 33,163 30,943 26,151 (6,970) Extraordinary loss from extinguishment of debt net of taxes -- -- -- (868) (748) -----

----- Net Income (loss) \$ 18,161 \$ 6,923 \$ 63,686 \$ 33,163 \$ 30,075 \$ 25,403 \$ (6,970)

=====
Selected Operating Data New homes delivered: Northeast Region 421 427 1,860 1,939 2,063 2,530 2,128 Metro D.C 263 162 1,294 263 198 152 70 Texas 237 177 1,003 914 66 -- -- North Carolina 298 180 1,449 653 756 687 695 California 440 106 760 480 514 457 365 15
THREE MONTHS YEAR ENDED OCTOBER 31, ENDED JANUARY 31, -----
----- 2002 2001 2001 2000 1999 1998 1997 -----
----- (unaudited) (\$ in thousands, except average selling prices) Mid South 85 22 290 -- -- -- -- Florida 1 17 44 74 159 241 418 Other 5 31 91 44 12 71 41 -----
----- Total 1,750 1,122 6,791 4,367 3,768 4,138 3,717
=====

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Net sales contracts: New homes delivered: Northeast Region 393 479 1,871 1,963 1,885 2,375 2,438 Metro D.C 263 130 1,253 329 232 170 73 Texas 193 175 984 935 25 -- -- North Carolina 286 233 1,466 661 728 690 694 California 301 182 781 502 524 439 456 Mid South 71 29 313 -- -- -- -- Florida 1 -- -- 82 123 164 351 Other 2 22 54 70 18 39 61 -----
----- Total
1,510 1,250 6,722 4,542 3,535 3,877 4,073
=====

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Backlog at period end: Number of homes 3,328 3,230 3,033 2,096 1,921 1,681 1,872 Dollar value using base prices \$ 853,036 \$ 795,229 \$ 773,074 \$ 538,546 \$ 460,660 \$ 381,816 \$ 374,314 Average selling price for delivered homes \$ 253,199 \$ 252,589 \$ 249,406 \$ 253,141 \$ 241,123 \$ 216,444 \$ 196,881 Other data: Gross Margin percentage (3) 20.7% 21.4% 20.6% 20.7% 21.0% 17.3% 15.6% EBITDA (4) \$ 46,698 \$ 24,103 \$ 175,072 \$ 98,172 \$ 91,277 \$ 90,268 \$ 59,312 Ratio of EBITDA to interest incurred (5) 4.1x 2.1x 3.7x 2.5x 3.7x 3.1x 1.7x Ratio of total debt to EBITDA N/A N/A 2.3x 4.3x 3.6x 2.5x 5.5x Balance sheet data: Housing inventories \$ 939,830 \$ 765,112 \$ 740,114 \$ 614,983 \$ 527,121 \$ 375,733 \$ 410,393 Total assets 1,330,316 1,040,565 1,064,258 873,541 712,861 589,102 637,082 Total debt (6) 612,464 536,224 410,034 418,150 330,194 229,065 328,696 Stockholders equity 439,741 318,991 375,646 263,359 236,426 201,392 178,762
=====

(1) Land sales for the periods presented were \$421,000 for the three months ended January 31, 2002, \$3,166,000 for the three months ended January 31, 2001, \$11,356,000, \$6,549,000, \$12,077,000, \$8,636,000 and \$22,855,000 for the years ended October 31, 2001, 2000, 1999, 1998 and 1997.

(2) In accordance with the provisions of Financial Accounting Standards No. 144 ("FAS 144"), we record impairment losses on inventories related to communities under development or inventories and long-lived assets held for sale. Under FAS 144, communities under development are impaired if the undiscounted cash flows estimated to be generated from

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sales is less than the community's carrying amounts. Inventories and long-lived assets held for sale are impaired if the carrying amount exceeds its fair value less selling costs. Along with write-offs of options not exercised (including related approval engineering and capitalized interest costs), such impairment losses for housing operations are reported as "Inventory impairment loss."

(3) Before inventory impairment loss and land sales.

(4) EBITDA means earnings (loss) before (a) income taxes, (b) interest expense, (c) amortization of capitalized interest, (d) depreciation and amortization, (e) a nonrecurring noncash charge relating to real estate inventory of \$905,000 for the three months ended January 31, 2002, \$174,000 for the three months ended January 31, 2001, \$4,368,000, \$1,791,000, \$2,091,000, \$5,032,000 and \$28,465,000 for the years ended October 31, 2001, 2000, 1999, 1998 and 1997, respectively, and (f) extraordinary loss from early extinguishment of debt. EBITDA is a widely accepted financial indicator of a company's availability to service debt. However, EBITDA should not be considered as an alternative to operating income or to cash flows from operating activities (as determined in accordance with generally accepted accounting principles) and should not be construed as an indication of our operating performance or as a measure of liquidity. In addition, our method of computation may not be comparable to other similarly titled measures of other companies.

(5) Interest incurred consists of all cash interest and accrued interest costs, whether expensed or capitalized, excluding interest under our mortgage warehouse line and bonds collateralized by mortgages receivable.

(6) Total debt excludes debt under our mortgage warehouse line and bonds collateralized by mortgages receivable.

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THE EXCHANGE OFFER

INTRODUCTION

K. Hovnanian hereby offers to exchange a like principal amount of exchange notes for any or all outstanding notes in each case on the terms and subject to the conditions set forth in this prospectus and accompanying letter of transmittal. We refer to this offer as the "exchange offer." You may tender some or all of your outstanding notes pursuant to the exchange offer.

As of the date of this prospectus, \$100,000,000 aggregate principal amount of the 8.000% Senior Notes due 2012 and \$150,000,000 aggregate principal amount of the 8.875% Senior Subordinated Notes due 2012 are outstanding. This prospectus, together with the letter of transmittal, is first being sent to Holders of outstanding notes on or about , 2002.

PURPOSE AND EFFECT OF THE EXCHANGE OFFER

We have entered into registration rights agreements with the initial purchasers of the outstanding notes in which we agreed, under certain circumstances, to file a registration statement relating to an offer to exchange the outstanding notes for exchange notes. We also agreed to use our best efforts to cause such offer to be consummated on the earliest practicable date after the exchange offer registration statement has become effective but in no event no later than 40 days thereafter. The exchange notes will have terms identical in all material respects to the outstanding notes except that the exchange notes will not contain terms with respect to transfer restrictions, registration rights and liquidated damages for failure to observe certain obligations in the applicable registration rights agreement. The outstanding notes were issued on March 26, 2002.

Under the circumstances set forth below, we will use our reasonable best efforts to cause the Securities and Exchange Commission to declare effective a shelf registration statement with respect to the resale of the outstanding notes and keep the statement effective for up to two years after the effective date of the shelf registration statement. These circumstances include:

- o if applicable law does not permit the exchange offer after we have sought a no-action letter or other favorable decision from the Securities and Exchange Commission and we have taken all such other actions as may be requested by the Securities and Exchange Commission or otherwise required in connection with such decision; and
- o if any holder of the outstanding notes notifies us within 20 business days following the consummation deadline of the exchange offer that:
 - o the holder was prohibited by law or Securities and Exchange Commission policy from participating in the exchange offer;
 - o the holder may not resell the exchange notes acquired by it in the exchange offer to the public without delivering a prospectus and this prospectus is not appropriate or available for any resale by that holder; or
 - o the holder is a broker-dealer and holds outstanding notes acquired directly from us or our affiliates.

If we fail to comply with certain obligations under each of the registration rights agreements, we will be required to pay liquidated damages to Holders of the outstanding notes. Please read the sections "Description of the Exchange Notes - 8.000% Senior Notes due 2012" and "Description of the Exchange Notes - 8.875% Senior Subordinated Notes due 2012", each under the heading "--Registered Exchange Offer; Registration Rights; Liquidated Damages" for more details regarding each registration rights agreement.

Each holder of outstanding notes that wishes to exchange their outstanding notes for exchange notes in the exchange offer will be required to make the following written representations:

- o such holder is not an affiliate of K. Hovnanian within the meaning of Rule 405 of the Securities Act;

- o such holder is not engaged in, and does not intend to engage in, and has no arrangement or understanding with any person to participate in, a distribution of the exchange notes; and
- o such holder is acquiring the exchange notes in the ordinary course of its business.

Each broker-dealer that receives exchange notes for its own account in exchange for outstanding notes, where the broker-dealer acquired the outstanding notes as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such exchange notes. Please see "Plan of Distribution".

RESALE OF EXCHANGE NOTES

Based on interpretations by the Securities and Exchange Commission set forth in no-action letters issued to third parties, we believe that you may resell or otherwise transfer exchange notes issued in the exchange offer without complying with the registration and prospectus delivery provisions of the Securities Act, if:

- o you are not an affiliate of K. Hovnanian within the meaning of Rule 405 under the Securities Act;
- o you are not engaged in, and do not intend to engage in, a distribution of the exchange notes;
- o you do not have an arrangement or understanding with any person to participate in a distribution of the exchange notes; and
- o you are acquiring the exchange notes in your ordinary course of business.

If you are an affiliate of K. Hovnanian, or are engaging in, or intend to engage in, or have any arrangement or understanding with any person to participate in a distribution of the exchange notes, or are not acquiring the exchange notes in the ordinary course of your business:

- o you cannot rely on the position of the Securities and Exchange Commission set forth in BROWN & WOOD LLP (available February 7, 1997), MORGAN STANLEY & CO. INCORPORATED (available June 5, 1991), EXXON CAPITAL HOLDINGS CORPORATION (available May 13, 1988), as interpreted in the Securities and Exchange Commission's letter to SHEARMAN & STERLING dated July 2, 1993, or similar no-action letters; and
- o in the absence of an exception from the position stated immediately above, you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale of the exchange notes.

This prospectus may be used for an offer to resell, resale or other transfer of exchange notes only as specifically set forth in this prospectus. With regard to broker-dealers, only broker-dealers that acquired the outstanding notes as a result of market-making activities or other trading activities may participate in the exchange offer. Each broker-dealer that receives exchange notes for its own account in exchange for outstanding notes, where such outstanding notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of the exchange notes. Please read "Plan of Distribution" for more details regarding the transfer of exchange notes.

TERMS OF THE EXCHANGE OFFER

On the terms and subject to the conditions set forth in this prospectus and in the accompanying letter of transmittal, we will accept for exchange in the exchange offer outstanding notes that are validly tendered and not validly withdrawn prior to the expiration date. Outstanding notes may only be tendered in multiples of \$1,000. We will issue \$1,000 principal amount of exchange notes in exchange for each \$1,000 principal amount of outstanding notes surrendered in the exchange offer.

The form and terms of the exchange notes will be substantially identical to the form and terms of the outstanding notes except the exchange notes will be registered under the Securities Act, will not bear legends restricting their transfer and will not provide for any liquidated damages upon our failure to fulfill our obligations

under the registration rights agreements to file, and cause to be effective, a registration statement. The exchange notes will evidence the same debt as the outstanding notes. The exchange 8.000% Senior Notes due 2012 will be issued under and entitled to the benefits of the same indenture that authorized the issuance of the outstanding 8.000% Senior Notes due 2012. The exchange 8.875% Senior Subordinated Notes due 2012 will be issued under and entitled to the benefits of the same indenture that authorized the issuance of the outstanding 8.875% Senior Subordinated Notes due 2012. Consequently, both series of Senior Notes will be treated as a single class of debt securities and both series of Senior Subordinated Notes will be treated as a single class of debt securities each under the applicable indenture. For a description of each indenture, see "Description of the Exchange Notes - 8.000% Senior Notes due 2012" and "Description of Exchange Notes - 8.875% Senior Subordinated Notes due 2012".

The exchange offer is not conditioned upon any minimum aggregate principal amount of outstanding notes being tendered for exchange.

As of the date of this prospectus, \$100,000,000 aggregate principal amount of the outstanding 8.000% Senior Notes due 2012 and \$150,000,000 aggregate principal amount of the outstanding 8.875% Senior Subordinated Notes due 2012 are outstanding. This prospectus and the letter of transmittal are being sent to all registered holders of outstanding notes. There will be no fixed record date for determining registered holders of outstanding notes entitled to participate in the exchange offer.

We intend to conduct the exchange offer in accordance with the provisions of both registration rights agreements, the applicable requirements of the Securities Act and the Exchange Act and the rules and regulations of the SEC. Outstanding notes that are not tendered for exchange in the exchange offer will remain outstanding and continue to accrue interest and will be entitled to the rights and benefits such holders have under the indentures relating to such holders' series of outstanding notes and the applicable registration rights agreement except we will not have any further obligation to you to provide for the registration of the outstanding notes under the applicable registration rights agreement.

We will be deemed to have accepted for exchange properly tendered outstanding notes when we have given oral or written notice of the acceptance to the exchange agent. The exchange agent will act as agent for the tendering holders for the purposes of receiving the exchange notes from us and delivering exchange notes to holders. Subject to the terms of the applicable registration rights agreement, we expressly reserve the right to amend or terminate the exchange offer and to refuse to accept the occurrence of any of the conditions specified below under "--Conditions to the Exchange Offer".

Holders who tender outstanding notes in the exchange offer will not be required to pay brokerage commissions or fees or, subject to the instructions in the letter of transmittal, transfer taxes with respect to the exchange of outstanding notes. We will pay all charges and expenses, other than certain applicable taxes described below in connection with the exchange offer. It is important that you read "--Fees and Expenses" below for more details regarding fees and expenses incurred in the exchange offer.

EXPIRATION DATE; EXTENSIONS, AMENDMENTS

As used in this prospectus, the term "expiration date" means 5:00 p.m., New York City time, on _____, 2002. However, if we, in our sole discretion, extend the period of time for which the exchange offer is open, the term "expiration date" will mean the latest time and date to which we shall have extended the expiration of the exchange offer.

To extend the period of time during which the exchange offer is open, we will notify the exchange agent of any extension by oral or written notice, followed by notification to the registered holders of the outstanding notes no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date.

We reserve the right, in our sole discretion:

- o to delay accepting for exchange any outstanding notes;
- o to extend the exchange offer or to terminate the exchange offer and to refuse to accept outstanding notes not previously accepted if any of the conditions set forth below under "--Conditions to the Exchange Offer" have not been satisfied, by giving oral or written notice of such delay, extension or termination to the exchange agent; and

- o subject to the terms of the applicable registration rights agreement, to amend the terms of the exchange offer in any manner.

Any delay in acceptance, extension, termination or amendment will be followed as promptly as practicable by oral or written notice to the registered holders of the outstanding notes. If we amend the exchange offer in a manner that we determine to constitute a material change, we will promptly disclose the amendment in a manner reasonable calculated to inform the holders of outstanding notes of that amendment.

CONDITIONS TO THE EXCHANGE OFFER

Despite any other term of the exchange offer, we will not be required to accept for exchange, or to issue exchange notes in exchange for, any outstanding notes and we may terminate or amend the exchange offer as provided in this prospectus before accepting any outstanding notes for exchange if in our reasonable judgment:

- o the exchange notes to be received will not be tradeable by the holder, without restriction under the Securities Act or the Exchange Act and without material restrictions under the blue sky or securities laws of substantially all of the states of the United States;
- o the exchange offer or the making of any exchange by a holder violates any applicable law or interpretation of the Securities and Exchange Commission; or
- o any action or proceeding has been instituted or threatened in any court or by or before any governmental agency with respect to the exchange offer that, in our judgment, would reasonably be expected to impair our ability to proceed with the exchange offer.

In addition, we will not be obligated to accept for exchange the outstanding notes of any holder that has not made to us

- o the representations described under "--Procedures for Tendering" and "Plan of Distribution" or
- o any other representations as may be reasonably necessary under applicable Securities and Exchange Commission rules, regulations, or interpretations to make available to us an appropriate form for registration of the exchange notes under the Securities Act.

We expressly reserve the right at any time or at various times to extend the period of time during which the exchange offer is open. Consequently, we may delay acceptance of any outstanding notes by giving oral or written notice of such extension to their holders. During any such extensions, all outstanding notes previously tendered will remain subject to the exchange offer and we may accept them for exchange. We will return any outstanding notes that we do not accept for exchange for any reason without expense to their tendering holder as promptly as practicable after the expiration or termination of the exchange offer.

We expressly reserve the right to amend or terminate the exchange offer and to reject for exchange any outstanding notes not previously accepted for exchange, upon the occurrence of any of the conditions of the exchange offer specified above. We will give oral or written notice of any extension, amendment, non-acceptance or termination to the holders of the outstanding notes as promptly as practicable. In the case of any extension, such notice will be issued no later than 9:00 a.m. New York City time, on the next business day after the previously scheduled expiration date.

These conditions are for our sole benefit and we may assert them regardless of the circumstances that may give rise to them or waive them in whole or in part at any or at various times in our sole discretion. If we fail at any time to exercise any of the foregoing rights, this failure will not constitute a waiver of such right. Each such right will be deemed an ongoing right that we may assert at any time or at various times.

In addition, we will not accept for exchange any outstanding notes tendered, and will not issue exchange notes in exchange for any such outstanding notes, if at such time any stop order is threatened or in effect with respect to the registration statement of which this prospectus constitutes a part or the qualification of the indentures under the Trust Indenture Act of 1939.

PROCEDURES FOR TENDERING

Only a holder of outstanding notes may tender their outstanding notes in the exchange offer. To tender in the exchange offer, a holder must comply with either of the following:

- o complete, sign and date the letter of transmittal, or a facsimile of the letter of transmittal, have the signature on the letter of transmittal guaranteed if required by the letter of transmittal and mail or deliver such letter of transmittal or facsimile to the exchange agent prior to the expiration date; or
- o comply with DTC's Automated Tender Offer Program procedures described below.

In addition, either:

- o the exchange agent must receive outstanding notes along with the letter of transmittal; or
- o prior to the expiration date, the exchange agent must receive a timely confirmation of book-entry transfer of outstanding notes into the exchange agent's account at DTC according to the procedure for book-entry transfer described below or a properly transmitted agent's message; or
- o the holder must comply with the guaranteed delivery procedures described below.

To be tendered effectively, the exchange agent must receive any physical delivery of the letter of transmittal and other required documents at the address set forth below under "--Exchange Agent" prior to the expiration date.

A tender to us that is not withdrawn prior to the expiration date constitutes an agreement between us and you upon the terms and subject to the conditions described in this prospectus and in the letter of transmittal.

The method of delivery of outstanding notes, letters of transmittal, and all other required documents to the exchange agent is at your election and risk. Rather than mail these items, we recommend that you use an overnight or hand delivery service. In all cases, you should allow sufficient time to assure timely delivery to the exchange agent before the expiration date. You should not send letters of transmittal or certificates representing outstanding notes to us. You may request that your broker, dealer, commercial bank, trust company or nominee effect the above transactions for you.

If you are a beneficial owner whose outstanding notes are registered in the name of a broker, dealer, commercial bank, trust company, or other nominee who wishes to participate in the exchange offer, you should promptly contact the registered holder and instruct the registered holder to tender outstanding notes on your behalf. If you are a beneficial owner and you wish to tender the outstanding notes yourself, you must, prior to completing and executing the letter of transmittal and delivering your outstanding notes either:

- o make appropriate arrangements to register ownership of the outstanding notes in your name; or
- o obtain a properly completed bond power from the registered holder of outstanding notes.

You must make these arrangements or follow these procedures before completing and executing the letter of transmittal and delivering the outstanding notes. The transfer of record ownership may take considerable time and may not be able to be completed prior to the expiration date.

Signatures on the letter of transmittal or a notice of withdrawal, as the case may be, must be guaranteed by a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United States or another "eligible institution" within the meaning of Rule 17A(d)-15 under the Exchange Act unless the outstanding notes surrendered for exchange are tendered:

- o by a registered holder of the outstanding notes who has not completed the box entitled "Special Registration Instructions" or "Special Delivery Instructions" on the letter of transmittal; or
- o for the account of an eligible institution.

If the letter of transmittal is signed by a person other than the registered holder of any outstanding notes listed on the outstanding notes, such outstanding notes must be endorsed or accompanied by a properly completed bond power. The bond power must be signed by the registered holder as the registered holder's name appears on the outstanding notes and an eligible institution must guarantee the signature on the bond power.

If the letter of transmittal or any certificates representing outstanding notes, or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations, or others acting in a fiduciary or representative capacity, those persons should also indicate when signing and, unless waived by us, they should also submit evidence satisfactory to us of their authority to so act.

BOOK-ENTRY DELIVERY PROCEDURES

Promptly after the date of this prospectus, the exchange agent will establish accounts with respect to the outstanding notes at DTC for purposes of the exchange offer. Any financial institution that is a participant in DTC's systems may make book-entry delivery of the outstanding notes by causing DTC to transfer those outstanding notes into the exchange agent's account at DTC in accordance with DTC's procedures for such transfer. To be timely, book-entry delivery of outstanding notes requires receipt of a confirmation of a book-entry transfer, a "book-entry confirmation", prior to the expiration date. In addition, although delivery of outstanding notes may be effected through book-entry transfer into the exchange agent's account at DTC, the letter of transmittal or a manually signed facsimile thereof, together with any required signature guarantees and any other required documents, or an "agent's message", as defined below, in connection with a book-entry transfer, must, in any case, be delivered or transmitted to and received by the exchange agent at its address set forth on the cover page of the letter of transmittal prior to the expiration date to receive exchange notes for tendered outstanding notes, or the guaranteed delivery procedure described below must be complied with. Tender will not be deemed made until such documents are received by the exchange agent. Delivery of documents to DTC does not constitute delivery to the exchange agent.

TENDER OF OUTSTANDING NOTES HELD THROUGH THE DEPOSITORY TRUST COMPANY

The exchange agent and DTC have confirmed that any financial institution that is a participant in DTC's system may use DTC's Automated Tender Offer Program to tender. Participants in the program may, instead of physically completing and signing the letter of transmittal and delivering it to the exchange, electronically transmit their acceptance of the exchange by causing DTC to transfer the outstanding notes to the exchange agent in accordance with DTC's Automated Tender Offer Program procedures for transfer. DTC will then send an agent's message to the exchange agent. The term "agent's message" means a message transmitted by DTC, received by the exchange agent and forming part of the book-entry confirmation, which states that:

- o DTC has received an express acknowledgment from a participant in its Automated Tender Offer Program that is tendering outstanding notes that are the subject of the book-entry confirmation;
- o the participant has received and agrees to be bound by the terms of the letter of transmittal, or in the case of an agent's message relating to guaranteed delivery, that such participant has received and agrees to be bound by the applicable notice of guaranteed delivery; and
- o we may enforce that agreement against such participant.

In all cases, we will issue exchange notes for outstanding notes that we have accepted for exchange under the exchange offer only after the exchange agent timely receives:

- o outstanding notes or a timely book-entry confirmation of such outstanding notes into the exchange agent's account at DTC; and
- o a properly completed and duly executed letter of transmittal and all other required documents or a properly transmitted agent's message.

By tendering outstanding notes pursuant to the exchange offer, each holder will represent to us that, among other things:

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- (1) the holder is not an affiliate of K. Hovnanian within the meaning of Rule 405 under the Securities Act;
- (2) the holder is not engaged in, and does not intend to engage in, a distribution of the exchange notes;
- (3) the holder does not have an arrangement or understanding with any person to participate in a distribution of the exchange notes; and
- (4) the holder is not acquiring the exchange notes in the ordinary course of its business.

If the holder is an affiliate of K. Hovnanian, or is engaging in, or

intends to engage in, or has any arrangement or understanding with any person to participate in a distribution of the exchange notes, or is not acquiring the exchange notes in the ordinary course of its business:

- (1) the holder cannot rely on the position of the Securities and Exchange Commission enunciated in BROWN & WOOD LLP (available February 7, 1997), MORGAN STANLEY & CO. INCORPORATED (available June 5, 1991), EXXON CAPITAL HOLDINGS CORPORATION (available May 13, 1988), as interpreted in the SEC's letter to SHEARMAN & STERLING dated July 2, 1993, or similar no-action letters; and
- (2) in the absence of an exception from the position stated in (1) above the holder must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale of the exchange notes.

In addition, each broker-dealer that is to receive exchange notes for its own account in exchange for outstanding notes must represent that such outstanding notes were acquired by that broker-dealer as a result of market-making activities or other trading activities and must acknowledge that it will deliver a prospectus that meets the requirements of the Securities Act in connection with any resale of the exchange notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. See "Plan of Distribution."

We will interpret the terms and conditions of the exchange offer, including the letter of transmittal and the instructions to the letter of transmittal, and will resolve all questions as to the validity, form, eligibility, including time of receipt, and acceptance of outstanding notes tendered for exchange. Our determinations in this regard will be final and binding on all parties. We reserve the absolute right to reject any and all tenders of any particular outstanding notes not properly tendered or to not accept any particular outstanding notes if the acceptance might, in our or our counsel's judgment, be unlawful. We also reserve the absolute right to waive any defects or irregularities or conditions of the exchange offer as to any particular outstanding notes either before or after the expiration date, including the right to waive the ineligibility of any holder who seeks to tender outstanding notes in the exchange offer.

Unless waived, any defects or irregularities in connection with tenders of outstanding notes for exchange must be cured within such reasonable period of time as we determine. Neither we, the exchange agent, nor any other person will be under any duty to give notification of any defect or irregularity with respect to any tender of outstanding notes for exchange, nor will any of them incur any liability for any failure to give notification. Any outstanding notes received by the exchange agent that are not properly tendered and as to which the irregularities have not been cured or waived will be returned by the exchange agent to the tendering holder, unless otherwise provided in the letter of transmittal, promptly after the expiration date.

GUARANTEED DELIVERY PROCEDURES

Holders wishing to tender their outstanding notes but whose outstanding notes are not immediately available or who cannot deliver their outstanding notes, the letter of transmittal or any other required documents to the exchange agent or comply with the applicable procedures under DTC's Automatic Tender Offer Program prior to the expiration date may still tender if:

- o the tender is made through an eligible institution;
- o prior to the expiration date, the exchange agent receives from such eligible institution either a properly completed and duly executed notice of guaranteed delivery, by facsimile transmission, mail, or hand delivery or a properly transmitted agent's message and notice of guaranteed delivery:

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- o setting forth the name and address of the holder, the registered number(s) of such outstanding notes and the principal amount of outstanding notes tendered;
- o stating that the tender is being made thereby;
- o guaranteeing that, within three New York Stock Exchange trading days after the expiration date, the letter of transmittal, or facsimile thereof, together with the outstanding notes or a book-entry confirmation, and any other documents required by the letter of transmittal, will be deposited by the eligible institution with the exchange agent; and
- o the exchange agent receives the properly completed and executed

letter of transmittal or facsimile thereof, as well as certificate(s) representing all tendered outstanding notes in proper form for transfer or a book-entry confirmation of transfer of the outstanding notes into the exchange agent's account at DTC, and all other documents required by the letter of transmittal within three New York Stock Exchange trading days after the expiration date.

WITHDRAWAL RIGHTS

Except as otherwise provided in this prospectus, you may withdraw your tender of outstanding notes at any time prior to 5:00 p.m., New York City time, on the expiration date.

For a withdrawal to be effective:

- o the exchange agent must receive a written notice, which may be by telegram, telex, facsimile or letter, of withdrawal at one of the addresses set forth below under "--Exchange Agent"; or
- o holders must comply with the appropriate procedures of DTC's Automated Tender Offer Program system.

Any notice of withdrawal must:

- o specify the name of the person who tendered the outstanding notes to be withdrawn;
- o identify the outstanding notes to be withdrawn, including the principal amount of the outstanding notes; and
- o where certificates for outstanding notes have been transmitted, specify the name in which such outstanding notes were registered, if different from that of the withdrawing holder.

If certificates for outstanding notes have been delivered or otherwise identified to the exchange agent, then, prior to the release of such certificates, the withdrawing holder must also submit:

- o the serial numbers of the particular certificates to be withdrawn; and
- o a signed notice of withdrawal with signatures guaranteed by an eligible institution unless such holder is an eligible institution.

If outstanding notes have been tendered pursuant to the procedures for book-entry transfer described above, any notice of withdrawal must specify the name and number of the account at DTC to be credited with the withdrawn outstanding notes and otherwise comply with the procedures of the facility. We will determine all questions as to the validity, form, and eligibility, including time of receipt of notices of withdrawal and our determination will be final and binding on all parties. Any outstanding notes so withdrawn will be deemed not to have been validly tendered for exchange for purposes of the exchange offer. Any outstanding notes that have been tendered for exchange but that are not exchanged for any reason will be returned to their holder without cost to the holder, or, in account at DTC according to the procedures described above, such outstanding notes will be credited to an account maintained with DTC for outstanding notes, as soon as practicable after withdrawal, rejection of

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tender or termination of the exchange offer. Properly withdrawn outstanding notes may be retendered by following the procedures described under "--Procedures for Tendering" above at any time on or prior to the expiration date.

EXCHANGE AGENT

Wachovia Bank, National Association, formerly known as First Union National Bank, has been appointed as the exchange agent for the exchange offer. Wachovia Bank, National Association also acts as trustee under each of the indentures governing the notes. You should direct all executed letters of transmittal and all questions and requests for assistance, requests for additional copies of this prospectus or of the letter of transmittal, and requests for notices of guaranteed delivery to the exchange agent addressed as follows:

Delivery to: Wachovia Bank, National Association, Exchange Agent

By Mail:
By
Overnight
Courier
Delivery:

By Hand:
Wachovia
Bank, N.A.
Wachovia
Bank, N.A.
Wachovia
Bank, N.A.
Attn:
Marcia
Rice Attn:
Marcia
Rice Attn:
Marcia
Rice
Corporate
Trust
Operations
Corporate
Trust
Corporate
Trust
Reorg.
Operations
Reorg
Operations
Reorg 1525
West W.T.
Harris
Blvd. 1525
West W.T.
Harris
Blvd. 1525
West W.T.
Harris
Blvd.
Charlotte
NC 28288-
1153
Charlotte
NC 28262
Charlotte
NC 28288-
1153

By Facsimile Transmissions:
(704) 590-7628

Confirm By Telephone:
(704) 590-7413

For Information:
(704) 590-7413

If you deliver the letter of transmittal to an address other than as set forth above or transmit instructions via facsimile other than as set forth above, that delivery or those instructions will not be effective.

FEES AND EXPENSES

We will bear the expenses of soliciting tenders. The principal solicitation is being made by mail by the exchange agent. We may make additional solicitation by facsimile, telephone or in person by our officers and regular employees and our affiliates.

We have not retained any dealer-manager in connection with the exchange offer and will not make any payment to broker-dealers or others for soliciting acceptances of the exchange offer. We will, however, pay the exchange agent reasonable and customary fees for its services and reimburse it for its related, reasonable out-of-pocket expenses.

We will pay the estimated cash expenses to be incurred in connection with the exchange offer. The expenses are estimated in the aggregate to be approximately \$115,000. They include:

- o Securities and Exchange Commission registration fees;
- o fees and expenses of the exchange agent and trustee;
- o accounting and legal fees and printing costs; and
- o related fees and expenses.

ACCOUNTING TREATMENT

We will record the exchange notes in our accounting records at the same

carrying value as the outstanding notes, which is the aggregate principal amount as reflected in our accounting records on the date of exchange. Accordingly, we will not recognize any gain or loss for accounting purposes upon the consummation of the exchange offer. We will record the expenses of the exchange offer as incurred.

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TRANSFER TAXES

We will pay all transfer taxes, if any, applicable to the exchange of outstanding notes under the exchange offer. The tendering holder, however, will be required to pay any transfer taxes, whether imposed on the registered holder or any other person, if:

- o certificates representing outstanding notes for principal amounts not tendered or accepted for exchange are to be delivered to, or are to be issued in the name of, any person other than the registered holder of outstanding notes tendered; or
- o tendered outstanding notes are registered in the name of any person other than the person signing the letter of transmittal; or
- o a transfer tax is imposed for any reason other than the exchange of outstanding notes under the exchange offer.

If satisfactory evidence of payment of such taxes is not submitted with the letter of transmittal, the amount of such transfer taxes will be billed to that tendering holder.

CONSEQUENCES OF FAILURE TO EXCHANGE

Holders of outstanding notes who do not exchange their outstanding notes for exchange notes under the exchange offer will remain subject to the restrictions on transfer of such outstanding notes:

- o as set forth in the legend printed on the notes as a consequence of the issuance of the outstanding notes pursuant to the exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws; and
- o otherwise set forth in the offering memorandum distributed in connection with the private offering of the outstanding notes.

In general, you may not offer or sell the outstanding notes unless they are registered under the Securities Act or if the offer or sale is exempt from registration under the Securities Act and applicable state securities laws. Except as required by the applicable registration rights agreement, we do not intend to register resales of the outstanding notes under the Securities Act. Based on interpretations of the Securities and Exchange Commission, exchange notes issued pursuant to the exchange offer may be offered for resale, resold or otherwise transferred by their holders, other than any holder that is our "affiliate" within the meaning of Rule 405 under the Securities Act, without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that:

- o the holder is not an affiliate of K. Hovnanian within the meaning of Rule 405 under the Securities Act;
- o the holder is not engaged in, and does not intend to engage in, a distribution of the exchange notes;
- o the holder does not have an arrangement or understanding with any person to participate in a distribution of the exchange notes; and
- o the holder is not acquiring the exchange notes in the ordinary course of its business.

Any holder who tenders in the exchange offer for the purpose of participating in a distribution of the exchange notes:

- o cannot rely on the position of the Securities and Exchange Commission enunciated in BROWN & WOOD LLP (available February 7, 1997), MORGAN STANLEY & CO. INCORPORATED (available June 5, 1991), EXXON CAPITAL HOLDINGS CORPORATION (available May 13, 1988), as interpreted in the SEC's letter to SHEARMAN & STERLING dated July 2, 1993, or similar no-action letters; and

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- o in the absence of an exception from the position stated immediately above, must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale of exchange notes.

OTHER

Participating in the exchange offer is voluntary and you should carefully consider whether to accept. You are urged to consult your financial and tax advisors in making your own decision on what action to take.

We may in the future seek to acquire untendered outstanding notes in open market or privately negotiated transactions, through subsequent exchange offers or otherwise. We have no present plans to acquire any outstanding notes that are not tendered in the exchange offer or to file a registration statement to permit resales of any untendered outstanding notes.

DESCRIPTION OF THE EXCHANGE NOTES

IN THIS SECTION, REFERENCES TO THE "COMPANY" MEANS HOVNANIAN ENTERPRISES, INC., A DELAWARE CORPORATION, AND DOES NOT INCLUDE ANY OF ITS SUBSIDIARIES OR K. HOVNANIAN ENTERPRISES, INC., AND REFERENCES TO THE "ISSUER", "US," "WE" OR "OUR" MEANS K. HOVNANIAN ENTERPRISES, INC., A NEW JERSEY CORPORATION. REFERENCES TO "SENIOR NOTES" IN THIS SECTION ARE REFERENCES TO THE 8.000% SENIOR NOTES DUE 2012, REFERENCES TO THE "SENIOR SUBORDINATED NOTES" IN THIS SECTION ARE REFERENCES TO THE 8.875% SENIOR SUBORDINATED NOTES DUE 2012 AND REFERENCES TO "SENIOR NOTES" OR SENIOR SUBORDINATED NOTES" IN THIS SECTION ARE REFERENCES TO BOTH OUTSTANDING NOTES AND EXCHANGE NOTES OF THE SENIOR NOTES OR SENIOR SUBORDINATED NOTES, AS APPLICABLE, UNLESS OTHERWISE SPECIFIED.

We are offering to exchange the outstanding Senior Notes for \$100,000,000 aggregate principal amount of 8.000% Senior Notes due 2012 and the outstanding Senior Subordinated Notes for \$150,000,000 aggregate principal amount of 8.875% Senior Subordinated Notes due 2012.

The form and terms of the exchange notes and the outstanding notes are identical in all material respects except that the registration rights, related liquidated damages provisions and the transfer restrictions applicable to the outstanding notes do not apply to the exchange notes.

8.000% SENIOR NOTES DUE 2012

GENERAL

The outstanding Senior Notes were issued under an indenture, which we refer to as the "Senior Indenture", dated as of March 26, 2002, among us, the Guarantors and Wachovia Bank, National Association, formerly known as First Union National Bank, as trustee, which we refer to as the "Senior Trustee". The terms of the Senior Notes include those stated in the Senior Indenture and those made part of the Senior Indenture by reference to the Trust Indenture Act of 1939, as amended. The exchange Senior Notes will be issued under the same Senior Indenture.

This description of the exchange Senior Notes contains definitions of terms, including those defined under the caption "--Definitions of Certain Terms Used in the Senior Indenture". The following discussion includes a summary description of certain material terms of the Senior Indenture, the Senior Registration Rights Agreement, and the exchange Senior Notes. Because this is a summary, it does not include all of the information that is included in the Senior Indenture, the Senior Registration Rights Agreement, or the exchange Senior Notes.

You should read the Senior Indenture and the Senior Registration Rights Agreement carefully and in their entirety because they, and not this description, define your rights as Holders of the notes. You may request copies of these documents at our address set forth under "Where You Can Find More Information".

The outstanding Senior Notes and the exchange Senior Notes constitute a single series of debt securities under the Senior Indenture. If the exchange offer is consummated, Holders of Senior Notes who do not exchange their Senior Notes in the exchange offer will vote together with the Holders of the registered Senior Notes for all relevant purposes under the Senior Indenture. Accordingly, when determining whether the required Holders have given notice, consent or waiver or taken any other action permitted under the Senior

Indenture, any outstanding Senior Notes that remain outstanding after the exchange offer will be aggregated with the registered Senior Notes. All references herein to specified percentages in aggregate principal amount of Senior Notes outstanding shall be deemed to mean, at any time after the exchange offer is consummated, percentages in aggregate principal amount of Senior Notes and registered Senior Notes outstanding. Capitalized terms used in this Section but not otherwise defined have the meanings given to them in the Senior Indenture.

The exchange Senior Notes will bear interest at the rate PER ANNUM shown on the cover page of this prospectus from the most recent date to which interest has been paid on the outstanding Senior Notes or, if no interest has been paid on the outstanding Senior Notes, from March 26, 2002. The applicable interest will be payable semi-annually on each April 1 and October 1 beginning October 1, 2002, to Holders of record at the close of business on March 15 or September 15, as the case may be, immediately preceding each such interest payment date. No interest will be paid on outstanding Senior Notes following their acceptance for exchange. The exchange Senior Notes will mature on April 1, 2012, and will be issued in denominations of \$1,000 and integral multiples thereof.

The exchange Senior Notes are limited to an aggregate principal amount of \$200.0 million. The exchange Senior Notes are guaranteed by the Company and each of the other Guarantors pursuant to the guarantees, which we refer to collectively as the "--Senior Guarantees", described below.

The exchange Senior Notes will be our general unsecured obligations and will rank senior in right of payment to all our future Indebtedness that is, by its terms, expressly subordinated in right of payment to the exchange Senior Notes and PARI PASSU in right of payment with all our existing and future unsecured Indebtedness that is not so subordinated. The Senior Guarantees are general unsecured obligations of the Guarantors and will rank senior in right of payment to all future Indebtedness of the Guarantors that is, by its terms, expressly subordinated in right of payment to the Senior Guarantees and rank PARI PASSU in right of payment with all existing and future unsecured Indebtedness of the Guarantors that is not so subordinated.

Secured creditors of the Company, the Issuer and the other Guarantors have a claim on the assets which secure the obligations of the Company and the Guarantors to such creditors prior to claims of Holders of the exchange Senior Notes against those assets. At January 31, 2002, as adjusted to give effect to the transactions described under "Use of Proceeds" and the acquisition of The Forecast Group(R), L.P. on January 10, 2002, the Company, the Issuer and the other Guarantors would have had approximately \$676.3 million, including the Senior Notes, of Indebtedness outstanding, of which \$15.2 million would have been secured by assets of the Company and the other Guarantors \$150.0 million of which would have been subordinated to the Senior Notes.

EXECUTION, AUTHENTICATION AND DELIVERY

The Senior Notes will be executed by facsimile or manual signature in the name and on behalf of the Issuer, by an Officer. If an Officer whose signature is on a Senior Note no longer holds that office at the time the Senior Note is authenticated, the Senior Note will still be valid.

A Senior Note will not be valid until the Senior Trustee manually signs the certificate of authentication on the Senior Note. The signature will be conclusive evidence that the Senior Note has been authenticated under the Senior Indenture. Unless limited by the terms of its appointment, an authenticating agent may authenticate the Senior Notes whenever the Senior Trustee may do so. The Senior Notes will be issuable in denominations of \$1,000 and multiples thereof.

REDEMPTION

Except as set forth below, the Senior Notes will not be redeemable prior to April 1, 2007. Thereafter, the Issuer may redeem the Senior Notes, at its option, in whole at any time or in part from time to time. Redemption will be at the following redemption prices plus accrued and unpaid interest and liquidated damages, if any, to the redemption date, subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date, if redeemed during the 12-month period commencing on April 1 of the years set forth below:

REDEMPTION YEAR	PRICE
2007.....	104.000%
2008.....	102.667%
2009.....	101.333%
	2010 and

thereafter.....
100.000%

Selection of the Senior Notes or portions thereof for redemption pursuant to the foregoing shall be made by the Senior Trustee only on a PRO RATA basis or on as nearly a PRO RATA basis as is practicable, subject to the procedures of The Depository Trust Company, unless such method is otherwise prohibited. Notice of redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each Holder whose Senior Notes are to be redeemed at the registered address of such Holder. On and after the redemption date, interest ceases to accrue on the Senior Notes or portions thereof called for redemption.

There is no sinking fund for the Senior Notes.

THE SENIOR GUARANTEES

Each of the Guarantors will, so long, in the case of a Restricted Subsidiary, as it remains a Restricted Subsidiary, unconditionally guarantee on a joint and several basis all of our obligations under the Senior Notes, including our obligations to pay principal, premium, if any, and interest with respect to the Senior Notes. The obligations of each Guarantor other than the Company are limited to the maximum amount which, after giving effect

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to all other contingent and fixed liabilities of such Guarantor and after giving effect to any collections from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under its Senior Guarantee or pursuant to its contribution obligations under the Senior Indenture, will result in the obligations of such Guarantor under its Senior Guarantee not constituting a fraudulent conveyance or fraudulent transfer under federal or state law. Each Guarantor other than the Company that makes a payment or distribution under a Senior Guarantee shall be entitled to a contribution from each other Guarantor in an amount PRO RATA, based on the net assets of each Guarantor, determined in accordance with GAAP. Except as provided in "--Certain Covenants" below, the Company is not restricted from selling or otherwise disposing of any of the Guarantors.

The Senior Indenture requires that each existing and future Restricted Subsidiary, other than KHL, Inc. and K. Hovnanian Poland, sp z.o.o., be a Guarantor. The Company is permitted to cause any Unrestricted Subsidiary to be a Guarantor.

The Senior Indenture provides that if all or substantially all of the assets of any Guarantor other than the Company or all of the Capital Stock of any Guarantor other than the Company is sold, including by consolidation, merger, issuance or otherwise, or disposed of, including by liquidation, dissolution or otherwise, by the Company or any of its Subsidiaries, or, unless the Company elects otherwise, if any Guarantor other than the Company is designated an Unrestricted Subsidiary in accordance with the terms of the Senior Indenture, then such Guarantor, in the event of a sale or other disposition of all of the Capital Stock of such Guarantor or a designation as an Unrestricted Subsidiary, or the Person acquiring such assets, in the event of a sale or other disposition of all or substantially all of the assets of such Guarantor, shall be deemed automatically and unconditionally released and discharged from any of its obligations under the Subordinated Indenture without any further action on the part of the Subordinated Trustee or any Holder of the Senior Notes.

An Unrestricted Subsidiary that is a Guarantor shall be deemed automatically and unconditionally released and discharged from all obligations under its Senior Guarantee upon notice from the Company to the Senior Trustee to such effect, without any further action required on the part of the Senior Trustee or any Holder.

A sale of assets or Capital Stock of a Guarantor may constitute an Asset Disposition subject to the "Limitations on Dispositions of Assets" covenant.

CERTAIN COVENANTS

The following is a summary of certain covenants that are contained in the Senior Indenture. Such covenants are applicable, unless waived or amended as permitted by the Senior Indenture, so long as any of the Senior Notes are outstanding or until the Senior Notes are defeased or discharged pursuant to provisions described under "--Defeasance of Senior Indenture" or "--Discharge of Senior Indenture".

REPURCHASE OF SENIOR NOTES UPON CHANGE OF CONTROL. In the event that there shall occur a Change of Control, each Holder of Senior Notes shall have the right, at such Holder's option, to require the Issuer to purchase all or any part of such Holder's Senior Notes on a date (the "Repurchase Date") that is no later than 90 days after notice of the Change of Control, at 101% of the principal amount thereof plus accrued and unpaid interest and liquidated damages, if any, to the Repurchase Date.

On or before the thirtieth day after any Change of Control, the Issuer is obligated to mail or cause to be mailed, to all Holders of record of Senior Notes a notice regarding the Change of Control and the repurchase right. The notice shall state the Repurchase Date, the date by which the repurchase right must be exercised, the price for the Senior Notes and the procedure which the Holder must follow to exercise such right. Substantially simultaneously with mailing of the notice, the Issuer shall cause a copy of such notice to be published in a newspaper of general circulation in the Borough of Manhattan, The City of New York. To exercise such right, the Holder of such Senior Note must deliver, at least ten days prior to the Repurchase Date, written notice to the Issuer (or an agent designated by the Issuer for such purpose) of the Holder's exercise of such right, together with the Senior Note with respect to which the right is being exercised, duly endorsed for transfer; PROVIDED, HOWEVER, that if mandated by applicable law, a Holder may be permitted to deliver such written notice nearer to the Repurchase Date than may be specified by the Issuer.

The Issuer will comply with applicable law, including Section 14(e) of the Securities Exchange Act of 1934 (the "Exchange Act") and Rule 14e-1 thereunder, if applicable, if the Issuer is required to give a notice of a right of repurchase as a result of a Change of Control.

With respect to any disposition of assets, the phrase "all or substantially all" as used in the Senior Indenture (including as set forth under "Limitations on Mergers, Consolidations and Sales of Assets" below) varies according

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to the facts and circumstances of the subject transaction, has no clearly established meaning under New York law (which governs the Senior Indenture) and is subject to judicial interpretation. Accordingly, in certain circumstances there may be a degree of uncertainty in ascertaining whether a particular transaction would involve a disposition of "all or substantially all" of the assets of the Company, and therefore it may be unclear as to whether a Change of Control has occurred and whether the Holders have the right to require the Issuer to repurchase Senior Notes.

None of the provisions relating to a repurchase upon a Change of Control is waivable by the Board of Directors of the Issuer or the Company. The Company could, in the future, enter into certain transactions, including certain recapitalizations of the Company, that would not result in a Change of Control, but would increase the amount of Indebtedness outstanding at such time.

The Senior Indenture requires the payment of money for Senior Notes or portions thereof validly tendered to and accepted for payment by the Issuer pursuant to a Change of Control offer. In the event that a Change of Control has occurred under the Senior Indenture, a change of control will also have occurred under the Subordinated Indenture (as defined under "Description of The Exchange Notes -- 8.875% Senior Subordinated Notes due 2012" below) and under indentures governing the Issuer's 10 1/2% Senior Notes due 2007, 9% Senior Notes due 2009 and under the Revolving Credit Facility and the Term Loan Facility. If a Change of Control were to occur, there can be no assurance that the Issuer would have sufficient funds to pay the purchase price for all Senior Notes and amounts due under other Indebtedness that the Company may be required to repurchase or repay or that the Company or the other Guarantors would be able to make such payments. In the event that the Issuer were required to purchase outstanding Senior Notes pursuant to a Change of Control offer, the Company expects that it would need to seek third-party financing to the extent it does not have available funds to enable the Issuer to meet its purchase obligations. However, there can be no assurance that the Company would be able to obtain such financing.

Failure by the Issuer to purchase the Senior Notes when required upon a Change of Control will result in an Event of Default with respect to the Senior Notes.

These provisions could have the effect of deterring hostile or friendly acquisitions of the Company where the Person attempting the acquisition views itself as unable to finance the purchase of the principal amount of Senior Notes which may be tendered to the Company upon the occurrence of a Change of Control.

LIMITATIONS ON INDEBTEDNESS. The Senior Indenture provides that the Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary, directly or indirectly, to create, incur, assume, become liable for or guarantee the payment of (which we refer to collectively as an "INCURRENCE") any Indebtedness, including Acquired Indebtedness, unless, after giving effect thereto and the application of the proceeds therefrom, the Consolidated Fixed Charge Coverage Ratio on the date thereof would be at least 2.0 to 1.0.

Notwithstanding the foregoing, the provisions of the Senior Indenture will not prevent the incurrence of:

- (1) Permitted Indebtedness,

- (2) Refinancing Indebtedness,
- (3) Non-Recourse Indebtedness,
- (4) any Senior Guarantee of Indebtedness represented by the Senior Notes, and
- (5) any guarantee of Indebtedness incurred under Credit Facilities in compliance with the Senior Indenture.

For purposes of determining compliance with this covenant, in the event that an item of Indebtedness may be incurred through the first paragraph of this covenant or by meeting the criteria of one or more of the types of Indebtedness described in the second paragraph of this covenant (or the definitions of the terms used therein) the Company, in its sole discretion,

- (1) may classify such item of Indebtedness under and comply with either of such paragraphs, or any of such definitions, as applicable,
- (2) may classify and divide such item of Indebtedness into more than one of such paragraphs, or definitions, as applicable, and
- (3) may elect to comply with such paragraphs, or definitions, as applicable, in any order.

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The Company and the Issuer will not, and will not cause or permit any Guarantor to, directly or indirectly, in any event incur any Indebtedness that purports to be by its terms (or by the terms of any agreement governing such Indebtedness) subordinated to any other Indebtedness of the Company or of such Guarantor, as the case may be, unless such Indebtedness is also by its terms (or by the terms of any agreement governing such Indebtedness) made expressly subordinated to the Senior Notes or the Senior Guarantee of such Guarantor, as the case may be, to the same extent and in the same manner as such Indebtedness is subordinated to such other Indebtedness of the Company or such Guarantor, as the case may be.

LIMITATIONS ON RESTRICTED PAYMENTS. The Senior Indenture provides that the Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, make any Restricted Payment unless:

- (1) no Default or Event of Default shall have occurred and be continuing at the time of or immediately after giving effect to such Restricted Payment;
- (2) immediately after giving effect to such Restricted Payment, the Company could incur at least \$1.00 of Indebtedness pursuant to the first paragraph of the "Limitations on Indebtedness" covenant; and
- (3) immediately after giving effect to such Restricted Payment, the aggregate amount of all Restricted Payments (including the Fair Market Value of any non-cash Restricted Payment) declared or made after May 4, 1999 does not exceed the sum of:
 - (a) 50% of the Consolidated Net Income of the Company on a cumulative basis during the period (taken as one accounting period) from and including February 1, 1999 and ending on the last day of the Company's fiscal quarter immediately preceding the date of such Restricted Payment (or in the event such Consolidated Net Income shall be a deficit, MINUS 100% of such deficit), PLUS
 - (b) 100% of the aggregate net cash proceeds of and the Fair Market Value of Property received by the Company from (1) any capital contribution to the Company after February 1, 1999 or any issue or sale after February 1, 1999 of Qualified Stock (other than to any Subsidiary of the Company) and (2) the issue or sale after February 1, 1999 of any Indebtedness or other securities of the Company convertible into or exercisable for Qualified Stock of the Company that have been so converted or exercised, as the case may be, PLUS
 - (c) in the case of the disposition or repayment of any Investment constituting a Restricted Payment made after May 4, 1999, an amount (to the extent not included in the calculation of Consolidated Net Income referred to in (a)) equal to the lesser of (x) the return of capital with respect to such Investment (including by dividend, distribution or sale of Capital Stock) and (y) the amount of such Investment that was treated as a Restricted Payment, in either case, less the cost of the disposition or repayment of such Investment (to the extent not included in the calculation of Consolidated Net

Income referred to in (a)), PLUS

- (d) with respect to any Unrestricted Subsidiary that is redesignated as a Restricted Subsidiary after May 4, 1999, in accordance with the definition of Unrestricted Subsidiary (so long as the designation of such Subsidiary as an Unrestricted Subsidiary was treated as a Restricted Payment made after the Issue Date, and only to the extent not included in the calculation of Consolidated Net Income referred to in (a)), an amount equal to the lesser of (x) the proportionate interest of the Company or a Restricted Subsidiary in an amount equal to the excess of (I) the total assets of such Subsidiary, valued on an aggregate basis at the lesser of book value and Fair Market Value thereof, over (II) the total liabilities of such Subsidiary, determined in accordance with GAAP, and (y) the Designation Amount at the time of such Subsidiary's designation as an Unrestricted Subsidiary, PLUS
- (e) \$17 million, MINUS
- (f) the aggregate amount of all Restricted Payments (other than Restricted Payments referred to in clause (C) of the immediately succeeding paragraph) made after February 1, 1999 through May 4, 1999.

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The foregoing clauses (2) and (3) will not prohibit:

- (A) the payment of any dividend within 60 days of its declaration if such dividend could have been made on the date of its declaration without violation of the provisions of the Senior Indenture;
- (B) the repurchase, redemption or retirement of any shares of Capital Stock of the Company in exchange for, or out of the net proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company) of, other shares of Qualified Stock; and
- (C) the purchase, redemption or other acquisition, cancellation or retirement for value of Capital Stock, or options, warrants, equity appreciation rights or other rights to purchase or acquire Capital Stock, of the Company or any Subsidiary held by officers or employees or former officers or employees of the Company or any Subsidiary (or their estates or beneficiaries under their estates) not to exceed \$10 million in the aggregate since May 4, 1999;

PROVIDED, HOWEVER that each Restricted Payment described in clauses (A) and (B) of this sentence shall be taken into account for purposes of computing the aggregate amount of all Restricted Payments pursuant to clause (3) of the immediately preceding paragraph.

For purposes of determining the aggregate and permitted amounts of Restricted Payments made, the amount of any guarantee of any Investment in any Person that was initially treated as a Restricted Payment and which was subsequently terminated or expired, net of any amounts paid by the Company or any Restricted Subsidiary in respect of such guarantee, shall be deducted.

In determining the "Fair Market Value of Property" for purposes of clause (3) of the first paragraph of this covenant, Property other than cash, Cash Equivalents and Marketable Securities shall be deemed to be equal in value to the "equity value" of the Capital Stock or other securities issued in exchange therefor. The equity value of such Capital Stock or other securities shall be equal to (i) the number of shares of Common Equity issued in the transaction (or issuable upon conversion or exercise of the Capital Stock or other securities issued in the transaction) multiplied by the closing sale price of the Common Equity on its principal market on the date of the transaction (less, in the case of Capital Stock or other securities which require the payment of consideration at the time of conversion or exercise, the aggregate consideration payable thereupon) or (ii) if the Common Equity is not then traded on the New York Stock Exchange, American Stock Exchange or Nasdaq National Market, or if the Capital Stock or other securities issued in the transaction do not consist of Common Equity (or Capital Stock or other securities convertible into or exercisable for Common Equity), the value (if more than \$10 million) of such Capital Stock or other securities as determined by a nationally recognized investment banking firm retained by the Board of Directors of the Company.

LIMITATIONS ON TRANSACTIONS WITH AFFILIATES. The Senior Indenture provides that the Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, make any loan, advance, guarantee or capital contribution to, or for the benefit of, or sell, lease, transfer or otherwise

dispose of any property or assets to or for the benefit of, or purchase or lease any property or assets from, or enter into or amend any contract, agreement or understanding with, or for the benefit of, any Affiliate of the Company or any Affiliate of any of the Company's Subsidiaries or any holder of 10% or more of the Common Equity of the Company (including any Affiliates of such holders), in a single transaction or series of related transactions (each, an "Affiliate Transaction"), except for any Affiliate Transaction the terms of which are at least as favorable as the terms which could be obtained by the Company, the Issuer or such Restricted Subsidiary, as the case may be, in a comparable transaction made on an arm's length basis with Persons who are not such a holder, an Affiliate of such a holder or an Affiliate of the Company or any of the Company's Subsidiaries.

In addition, the Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, enter into an Affiliate Transaction unless:

- (1) with respect to any such Affiliate Transaction involving or having a value of more than \$1 million, the Company shall have (x) obtained the approval of a majority of the Board of Directors of the Company and (y) either obtained the approval of a majority of the Company's disinterested directors or obtained an opinion of a qualified independent financial advisor to the effect that such Affiliate Transaction is fair to the Company, the Issuer or such Restricted Subsidiary, as the case may be, from a financial point of view, and

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- (2) with respect to any such Affiliate Transaction involving or having a value of more than \$10 million, the Company shall have (x) obtained the approval of a majority of the Board of Directors of the Company and (y) delivered to the Trustee an opinion of a qualified independent financial advisor to the effect that such Affiliate Transaction is fair to the Company, the Issuer or such Restricted Subsidiary, as the case may be, from a financial point of view.

The Senior Indenture also provides that notwithstanding the foregoing, an Affiliate Transaction will not include:

- (1) any contract, agreement or understanding with, or for the benefit of, or plan for the benefit of, employees of the Company or its Subsidiaries generally (in their capacities as such) that has been approved by the Board of Directors of the Company,
- (2) Capital Stock issuances to directors, officers and employees of the Company or its Subsidiaries pursuant to plans approved by the stockholders of the Company,
- (3) any Restricted Payment otherwise permitted under the "Limitations on Restricted Payments" covenant,
- (4) any transaction between or among the Company and one or more Restricted Subsidiaries or between or among Restricted Subsidiaries (provided, HOWEVER, no such transaction shall involve any other Affiliate of the Company (other than an Unrestricted Subsidiary to the extent the applicable amount constitutes a Restricted Payment permitted by the Senior Indenture)),
- (5) any transaction between one or more Restricted Subsidiaries and one or more Unrestricted Subsidiaries where all of the payments to, or other benefits conferred upon, such Unrestricted Subsidiaries are substantially contemporaneously dividended, or otherwise distributed or transferred without charge, to the Company or a Restricted Subsidiary,
- (6) issuances, sales or other transfers or dispositions of mortgages and collateralized mortgage obligations in the ordinary course of business between Restricted Subsidiaries and Unrestricted Subsidiaries of the Company, and
- (7) the payment of reasonable and customary fees to, and indemnity provided on behalf of, officers, directors, employees or consultants of the Company, the Issuer or any Restricted Subsidiary.

LIMITATIONS ON DISPOSITIONS OF ASSETS. The Senior Indenture provides that the Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, make any Asset Disposition unless:

- (A) the Company (or such Restricted Subsidiary, as the case may be) receives consideration at the time of such Asset Disposition at least equal to the Fair Market Value thereof, and
- (B) not less than 70% of the consideration received by the Company (or such Restricted Subsidiary, as the case may be) is in the form of

The amount of (1) any Indebtedness (other than any Indebtedness subordinated to the Senior Notes) of the Company or any Restricted Subsidiary that is actually assumed by the transferee in such Asset Disposition and (2) the fair market value (as determined in good faith by the Board of Directors of the Company) of any property or assets received that are used or useful in a Real Estate Business, shall be deemed to be consideration required by clause (B) above for purposes of determining the percentage of such consideration received by the Company or the Restricted Subsidiaries.

The Net Cash Proceeds of an Asset Disposition shall, within one year, at the Company's election, (a) be used by the Company or a Restricted Subsidiary in the business of the construction and sale of homes conducted by the Company and the Restricted Subsidiaries or any other business of the Company or a Restricted Subsidiary existing at the time of such Asset Disposition or (b) to the extent not so used, be applied to make a Net Cash Proceeds offer for the Senior Notes and, if the Company or a Restricted Subsidiary elects or is required to do so repay, purchase or redeem any other unsubordinated Indebtedness (on a PRO RATA basis if the amount available for such repayment, purchase or redemption is less than the aggregate amount of (1) the principal amount of the Senior Notes tendered in such Net Cash Proceeds Offer and (2) the lesser of the principal amount, or accreted value, of such other unsubordinated Indebtedness, plus, in each case accrued interest to the date of repayment, purchase or

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redemption) at 100% of the principal amount or accreted value thereof, as the case may be, plus accrued and unpaid interest and liquidated damages, if any, to the date of repurchase or repayment.

Notwithstanding the foregoing, (A) the Company will not be required to apply such Net Cash Proceeds to the repurchase of Senior Notes in accordance with clause (b) of the preceding sentence except to the extent that such Net Cash Proceeds, together with the aggregate Net Cash Proceeds of prior Asset Dispositions (other than those so used) which have not been applied in accordance with this provision and as to which no prior Net Cash Proceeds offer shall have been made, exceed 5% of Consolidated Tangible Assets and (B) in connection with an Asset Disposition, the Company and the Restricted Subsidiaries will not be required to comply with the requirements of clause (B) of the first sentence of the first paragraph of this covenant to the extent that the non-cash consideration received in connection with such Asset Disposition, together with the sum of all non-cash consideration received in connection with all prior Asset Dispositions that has not yet been converted into cash, does not exceed 5% of Consolidated Tangible Assets; PROVIDED, HOWEVER, that when any non-cash consideration is converted into cash, such cash shall constitute Net Cash Proceeds and be subject to the preceding sentence.

LIMITATIONS ON LIENS. The Senior Indenture provides that the Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, create, incur, assume or suffer to exist any Liens, other than Permitted Liens, on any of its Property, or on any shares of Capital Stock or Indebtedness of any Restricted Subsidiary, unless contemporaneously therewith or prior thereto all payments due under the Senior Indenture and the Senior Notes are secured on an equal and ratable basis with the obligation or liability so secured until such time as such obligation or liability is no longer secured by a Lien.

LIMITATIONS ON RESTRICTIONS AFFECTING RESTRICTED SUBSIDIARIES. The Senior Indenture provides that the Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, create, assume or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction (other than encumbrances or restrictions imposed by law or by judicial or regulatory action or by provisions of agreements that restrict the assignability thereof) on the ability of any Restricted Subsidiary to:

- (1) pay dividends or make any other distributions on its Capital Stock or any other interest or participation in, or measured by, its profits, owned by the Company or any other Restricted Subsidiary, or pay interest on or principal of any Indebtedness owed to the Company or any other Restricted Subsidiary,
- (2) make loans or advances to the Company or any other Restricted Subsidiary, or
- (3) transfer any of its property or assets to the Company or any other Restricted Subsidiary,

except for

- (a) encumbrances or restrictions existing under or by reason of applicable law,
- (b) contractual encumbrances or restrictions in effect on the Issue Date and any amendments, modifications, restatements,

renewals, supplements, refundings, replacements or refinancings thereof, provided that such amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings are no more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in such contractual encumbrances or restrictions, as in effect on May 4, 1999,

- (c) any restrictions or encumbrances arising under Acquired Indebtedness; provided, that such encumbrance or restriction applies only to either the assets that were subject to the restriction or encumbrance at the time of the acquisition or the obligor on such Indebtedness and its Subsidiaries prior to such acquisition,
- (d) any restrictions or encumbrances arising in connection with Refinancing Indebtedness; PROVIDED, HOWEVER, that any restrictions and encumbrances of the type described in this clause (d) that arise under such Refinancing Indebtedness shall not be materially more restrictive or apply to additional assets than those under the agreement creating or evidencing the Indebtedness being refunded, refinanced, replaced or extended,
- (e) any Permitted Lien, or any other agreement restricting the sale or other disposition of property, securing Indebtedness permitted by the Senior Indenture if such Permitted Lien or

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agreement does not expressly restrict the ability of a Subsidiary of the Company to pay dividends or make or repay loans or advances prior to default thereunder,

- (f) reasonable and customary borrowing base covenants set forth in agreements evidencing Indebtedness otherwise permitted by the Senior Indenture,
- (g) customary non-assignment provisions in leases, licenses, encumbrances, contracts or similar assets entered into or acquired in the ordinary course of business,
- (h) any restriction with respect to a Restricted Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Restricted Subsidiary pending the closing of such sale or disposition,
- (i) encumbrances or restrictions existing under or by reason of the Senior Indenture or the Senior Notes,
- (j) purchase money obligations that impose restrictions on the property so acquired of the nature described in clause (3) of the preceding paragraph,
- (k) Liens permitted under the Senior Indenture securing Indebtedness that limit the right of the debtor to dispose of the assets subject to such Lien,
- (l) provisions with respect to the disposition or distribution of assets or property in joint venture agreements, assets sale agreements, stock sale agreements and other similar agreements,
- (m) customary provisions of any franchise, distribution or similar agreements,
- (n) restrictions on cash or other deposits or net worth imposed by contracts entered into in the ordinary course of business, and
- (o) any encumbrance or restrictions of the type referred to in clauses (1), (2) or (3) of the first paragraph of this section imposed by any amendments, modifications, restatements, renewals, supplements, refinancings, replacements or refinancings of the contracts, instruments or obligations referred to in clauses (a) through (n) of this paragraph, provided that such amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings are, in the good faith judgment of the Company's Board of Directors, no more restrictive with respect to such dividend and other payment restrictions than those contained in the dividend or other payment restrictions prior to such

amendment, modification, restatement, renewal, supplement, refunding, replacement or refinancing.

LIMITATIONS ON MERGERS, CONSOLIDATIONS AND SALES OF ASSETS. The Senior Indenture provides that neither the Issuer nor any Guarantor will consolidate or merge with or into, or sell, lease, convey or otherwise dispose of all or substantially all of its assets (including, without limitation, by way of liquidation or dissolution), or assign any of its obligations under the Senior Notes, the Senior Guarantees or the Senior Indenture (as an entirety or substantially as an entirety in one transaction or in a series of related transactions), to any Person (in each case other than in a transaction in which the Company, the Issuer or a Restricted Subsidiary is the survivor of a consolidation or merger, or the transferee in a sale, lease, conveyance or other disposition) unless:

- (1) the Person formed by or surviving such consolidation or merger (if other than the Company, the Issuer or the Guarantor, as the case may be), or to which such sale, lease, conveyance or other disposition or assignment will be made (collectively, the "Successor"), is a corporation or other legal entity organized and existing under the laws of the United States or any state thereof or the District of Columbia, and the Successor assumes by supplemental indenture in a form reasonably satisfactory to the Trustee all of the obligations of the Company, the Issuer or the Guarantor, as the case may be, under the Senior Notes or a Senior Guarantee, as the case may be, and the Senior Indenture,
- (2) immediately after giving effect to such transaction, no Default or Event of Default has occurred and is continuing, and
- (3) immediately after giving effect to such transaction, the Company (or its Successor) could incur at least \$1.00 of Indebtedness pursuant to the first paragraph of the "Limitation on Indebtedness" covenant.

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The foregoing provisions shall not apply to:

- o a transaction involving the sale or disposition of Capital Stock of a Guarantor, or the consolidation or merger of a Guarantor, or the sale, lease, conveyance or other disposition of all or substantially all of the assets of a Guarantor, that in any such case results in such Guarantor being released from its Senior Guarantee as provided under "--The Senior Guarantees" above, or
- o a transaction the purpose of which is to change the state of incorporation of the Company, the Issuer or any Guarantor.

REPORTS TO HOLDERS OF SENIOR NOTES. The Company shall file with the Commission the annual reports and the information, documents and other reports required to be filed pursuant to Section 13 or 15(d) of the Exchange Act. The Company shall file with the Trustee and mail to each Holder of record of Senior Notes such reports, information and documents within 15 days after it files them with the Commission. In the event that the Company is no longer subject to these periodic requirements of the Exchange Act, it will nonetheless continue to file reports with the Commission and the Trustee and mail such reports to each Holder of Senior Notes as if it were subject to such reporting requirements. Regardless of whether the Company is required to furnish such reports to its stockholders pursuant to the Exchange Act, the Company will cause its consolidated financial statements and a "Management's Discussion and Analysis of Results of Operations and Financial Condition" written report, similar to those that would have been required to appear in annual or quarterly reports, to be delivered to Holders of Senior Notes.

EVENTS OF DEFAULT

The following are Events of Default under the Senior Indenture:

- (1) the failure by the Company, the Issuer and the Guarantors to pay interest on, or liquidated damages with respect to, any Senior Note when the same becomes due and payable and the continuance of any such failure for a period of 30 days;
- (2) the failure by the Company, the Issuer and the Guarantors to pay the principal or premium of any Senior Note when the same becomes due and payable at maturity, upon acceleration or otherwise;
- (3) the failure by the Company, the Issuer or any Restricted Subsidiary to comply with any of its agreements or covenants in, or provisions of, the Senior Notes, the Senior Guarantees or the Senior Indenture and such failure continues for the period and after the notice specified below (except in the case of a default under covenants

described under "Certain Covenants--Repurchase of Senior Notes upon Change of Control" and "Limitations on Mergers, Consolidations and Sales of Assets," which will constitute Events of Default with notice but without passage of time);

- (4) the acceleration of any Indebtedness (other than Non-Recourse Indebtedness) of the Company, the Issuer or any Restricted Subsidiary that has an outstanding principal amount of \$10 million or more, individually or in the aggregate, and such acceleration does not cease to exist, or such Indebtedness is not satisfied, in either case within 30 days after such acceleration;
- (5) the failure by the Company, the Issuer or any Restricted Subsidiary to make any principal or interest payment in an amount of \$10 million or more, individually or in the aggregate, in respect of Indebtedness (other than Non-Recourse Indebtedness) of the Company or any Restricted Subsidiary within 30 days of such principal or interest becoming due and payable (after giving effect to any applicable grace period set forth in the documents governing such Indebtedness);
- (6) a final judgment or judgments that exceed \$10 million or more, individually or in the aggregate, for the payment of money having been entered by a court or courts of competent jurisdiction against the Company, the Issuer or any of its Restricted Subsidiaries and such judgment or judgments is not satisfied, stayed, annulled or rescinded within 60 days of being entered;
- (7) the Company or any Restricted Subsidiary that is a Significant Subsidiary pursuant to or within the meaning of any Bankruptcy Law:
 - (a) commences a voluntary case,

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- (b) consents to the entry of an order for relief against it in an involuntary case,
 - (c) consents to the appointment of a Custodian of it or for all or substantially all of its property, or
 - (d) makes a general assignment for the benefit of its creditors;
- (8) the company or any Restricted Subsidiary that is a Significant Subsidiary pursuant to or within the meaning of any Bankruptcy Law:
 - (a) is for relief against the Company or any Restricted Subsidiary that is a Significant Subsidiary as debtor in an involuntary case,
 - (b) appoints a Custodian of the Company or any Restricted Subsidiary that is a Significant Subsidiary or a Custodian for all or substantially all of the property of the Company or any Restricted Subsidiary that is a Significant Subsidiary, or
 - (c) orders the liquidation of the Company or any Restricted Subsidiary that is a Significant Subsidiary,and the order or decree remains unstayed and in effect for 60 days, or
- (9) any Senior Guarantee of a Guarantor which is a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Senior Guarantee and the Senior Indenture) or is declared null and void and unenforceable or found to be invalid or any Guarantor denies its liability under its Senior Guarantee (other than by reason of release of a Guarantor from its Senior Guarantee in accordance with the terms of the Senior Indenture and the Senior Guarantee).

A Default as described in subclause (3) above will not be deemed an Event of Default until the Senior Trustee notifies the Company, or the Holders of at least 25 percent in principal amount of the then outstanding Senior Notes notify the Company and the Senior Trustee, of the Default and (except in the case of a default with respect to covenants described under "Certain Covenants--Repurchase of Senior Notes upon Change of Control" and "Limitations on Mergers, Consolidations and Sales of Assets") the Company does not cure the Default within 60 days after receipt of the notice. The notice must specify the Default, demand that it be remedied and state that the notice is a "Notice of Default." If such a Default is cured within such time period, it ceases.

If an Event of Default (other than an Event of Default with respect to the Company resulting from subclauses (7) or (8) above), shall have occurred and be

continuing under the Senior Indenture, the Senior Trustee by notice to the Company, or the Holders of at least 25 percent in principal amount of the Senior Notes then outstanding by notice to the Company and the Senior Trustee, may declare all Senior Notes to be due and payable immediately. Upon such declaration of acceleration, the amounts due and payable on the Senior Notes will be due and payable immediately. If an Event of Default with respect to the Company specified in subclauses (7) or (8) above occurs, such an amount will IP SO FACTO become and be immediately due and payable without any declaration, notice or other act on the part of the Trustee and the Company or any Holder.

The Holders of a majority in principal amount of the Senior Notes then outstanding by written notice to the Senior Trustee and the Company may waive any Default or Event of Default (other than any Default or Event of Default in payment of principal or interest) on the Senior Notes under the Senior Indenture. Holders of a majority in principal amount of the then outstanding Senior Notes may rescind an acceleration and its consequence (except an acceleration due to nonpayment of principal or interest on the Senior Notes) if the rescission would not conflict with any judgment or decree and if all existing Events of Default (other than the non-payment of accelerated principal) have been cured or waived.

The Holders may not enforce the provisions of the Senior Indenture, the Senior Notes or the Senior Guarantees except as provided in the Senior Indenture. Subject to certain limitations, Holders of a majority in principal amount of the Senior Notes then outstanding may direct the Senior Trustee in its exercise of any trust or power, PROVIDED, HOWEVER, that such direction does not conflict with the terms of the Senior Indenture. The Trustee may withhold from the Holders notice of any continuing Default or Event of Default (except any Default or Event of Default in payment of principal or interest on the Senior Notes or that resulted from the failure to comply with the covenant entitled "Repurchase of Notes upon Change of Control") if the Senior Trustee determines that withholding such notice is in the Holders' interest.

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The Company is required to deliver to the Senior Trustee an annual statement regarding compliance with the Senior Indenture, and include in such statement, if any officer of the Company is aware of any Default or Event of Default, a statement specifying such Default or Event of Default and what action the Company is taking or proposes to take with respect thereto. In addition, the Company is required to deliver to the Senior Trustee prompt written notice of the occurrence of any Default or Event of Default.

DEFEASANCE OF SENIOR INDENTURE

The Senior Indenture permits the Issuer, the Company and the other Guarantors to terminate all of their respective obligations under the Senior Indenture with respect to the Senior Notes and the Senior Guarantees, other than the obligation to pay interest on and the principal of the Senior Notes and certain other obligations, at any time by

- o depositing in trust with the Senior Trustee, under an irrevocable trust agreement, money or U.S. government obligations in an amount sufficient to pay principal of and interest and liquidated damages, if any, on the Senior Notes to their maturity, and
- o complying with certain other conditions, including delivery to the Senior Trustee of an opinion of counsel or a ruling received from the Internal Revenue Service to the effect that Holders will not recognize income, gain or loss for federal income tax purposes as a result of the Company's exercise of such right and will be subject to federal income tax on the same amount and in the same manner and at the same times as would have been the case otherwise.

In addition, the Senior Indenture permits the Company, the Issuer and the Guarantors to terminate all of their obligations under the Senior Indenture with respect to the Senior Notes and the Senior Guarantees (including the obligations to pay interest on and the principal of the Senior Notes and certain other obligations), at any time by

- o depositing in trust with the Senior Trustee, under an irrevocable trust agreement, money or U.S. government obligations in an amount sufficient to pay principal of and interest and liquidated damages, if any, on the Senior Notes to their maturity, and
- o complying with certain other conditions, including delivery to the Senior Trustee of an opinion of counsel or a ruling, received from the Internal Revenue Service, to the effect that Holders will not recognize income, gain or loss for federal income tax purposes as a result of the Company's exercise of such right and will be subject to federal income tax on the same amount and in the same manner and at the same times as would have been the case otherwise, which opinion of counsel is based upon a change in the applicable federal

tax law since the date of the Senior Indenture.

DISCHARGE OF SENIOR INDENTURE

The Issuer, the Company and the other Guarantors may terminate all of their respective obligations under the Senior Indenture with respect to the Senior Notes, the Senior Indenture and the Senior Guarantees, other than the obligation to pay interest on and the principal of the Senior Notes and certain other obligations to the Senior Trustee, if:

- o all Senior Notes previously authenticated and delivered, other than those destroyed, lost, replaced or stolen, those previously paid in accordance with the Senior Indenture or those for whose payment money or U.S. Government Obligations have been held in trust, have been delivered to the Senior Trustee for cancellation and the Issuer had paid all sums payable by it under the Senior Indenture; or
- o the Senior Notes mature within one year, or all of them are called for redemption within one year under arrangements satisfactory to the Senior Trustee for giving notice of redemption; the Issuer deposits in trust with the Senior Trustee, under an irrevocable trust agreement, money or U.S. government obligations in an amount sufficient to pay principal of and interest and liquidated damages, if any, on the Senior Notes to their maturity or redemption, as the case may be; no Default has occurred and is continuing on the date of the deposit and the deposit will not result in a breach or violation of, or constitute a default under the Senior Indenture or any other agreement binding the Issuer; and the Issuer delivers to the Senior Trustee an Officer's Certificate and an Opinion of Counsel,

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in each case, stating that all the conditions precedent provided in the Senior Indenture for satisfaction and discharge of the Senior Indenture have been complied with.

In either case, the Senior Trustee, upon request, and at the expense of the Issuer, will provide written acknowledgement of the discharge of the Issuer's obligations under the Senior Notes and the Senior Indenture, except for certain surviving obligations.

TRANSFER AND EXCHANGE

A Holder may transfer or Senior Notes only in accordance with the provisions of the Senior Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents, and to pay any taxes and fees required by law or permitted by the Senior Indenture.

AMENDMENT, SUPPLEMENT AND WAIVER

Subject to certain exceptions, the Senior Indenture, the Senior Notes or the Senior Guarantees may be amended or supplemented with the consent (which may include consents obtained in connection with a tender offer or exchange offer for Senior Notes) of the Holders of at least a majority in principal amount of the Senior Notes then outstanding, and any existing Default under, or compliance with any provision of the Senior Indenture may be waived (other than any continuing Default or Event of Default in the payment of interest on or the principal of the Senior Notes) with the consent (which may include consents obtained in connection with a tender offer or exchange offer for Senior Notes) of the Holders of a majority in principal amount of the Senior Notes then outstanding. Without the consent of any Holder, the Company, the Issuer, the Guarantors and the Senior Trustee may amend or supplement the Senior Indenture, the Senior Notes or the Senior Guarantees to cure any ambiguity, defect or inconsistency; to comply with the "Limitations on Mergers, Consolidations and Sales of Assets" covenant set forth in the Senior Indenture; to provide for uncertificated Senior Notes in addition to or in place of Certificated Senior Notes; to make any change that does not adversely affect the legal rights of any Holder; to add a Guarantor; or to delete a Guarantor which, in accordance with the terms of the Senior Indenture, ceases to be liable on its Senior Guarantee.

Without the consent of each Holder affected, the Company, the Issuer, the Guarantors and the Senior Trustee may not

- (1) reduce the amount of Senior Notes whose Holders must consent to an amendment, supplement or waiver,
- (2) reduce the rate of or change the time for payment of interest, including default interest, on any Senior Note,
- (3) reduce the principal of or change the fixed maturity of any Senior Note or alter the provisions (including related definitions) with respect to redemptions described under "Optional Redemption" or with respect to mandatory offers to repurchase Senior Notes described

under "Limitations on Dispositions of Assets" or "Repurchase of Senior Notes upon Change of Control",

- (4) make any Senior Note payable in money other than that stated in the Senior Note,
- (5) make any change in the "Waiver of Past Defaults and Compliance with Indenture Provisions," "Rights of Holders to Receive Payment" or the "With Consent of Holders" sections set forth in the Senior Indenture,
- (6) modify the ranking or priority of the Senior Notes or any Senior Guarantee,
- (7) release any Guarantor from any of its obligations under its Senior Guarantee or the Senior Indenture otherwise than in accordance with the Senior Indenture, or
- (8) waive a continuing Default or Event of Default in the payment of principal of or interest on the Senior Notes.

The right of any Holder to participate in any consent required or sought pursuant to any provision of the Senior Indenture (and our obligation to obtain any such consent otherwise required from such Holder) may be subject to the requirement that such Holder shall have been the Holder of record of any Senior Notes with respect to which such consent is required or sought as of a date identified by the Trustee in a notice furnished to Holders in accordance with the terms of the Senior Indenture.

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STATEMENT AS TO COMPLIANCE

The Company must deliver to the Senior Trustee, within 120 days after the end of each fiscal year, a written statement by the Company's independent public accountants stating (A) that their audit examination has included a review of the terms of the Senior Indenture and the Senior Notes as they relate to accounting matters, and (B) whether, in connection with their audit examination, any Default has come to their attention and, if a Default has come to their attention, specifying the nature and period of the existence thereof.

The Company must also deliver to the Senior Trustee, on or prior to each Interest Payment Date, an Officer's Certificate setting forth the amount of Liquidated Damages, if any, the Issuer is required to pay on that Interest Payment Date. If no Liquidated Damages are required to be paid on a given Interest Payment Date, no Officer's Certificate is required to be delivered to the Senior Trustee for that Interest Payment Date.

GOVERNING LAW

The Senior Indenture, the Senior Notes and the Senior Guarantees are governed by the laws of the State of New York.

DEFINITIONS OF CERTAIN TERMS USED IN THE SENIOR INDENTURE

Set forth below is a summary of certain of the defined terms used in the Senior Indenture. Reference is made to the Senior Indenture for the full definition of all terms used in the Senior Indenture.

"ACQUIRED INDEBTEDNESS" means (1) with respect to any Person that becomes a Restricted Subsidiary (or is merged into the Company, the Issuer or any Restricted Subsidiary) after the Issue Date, Indebtedness of such Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary (or is merged into the Company, the Issuer or any Restricted Subsidiary) that was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary (or being merged into the Company, the Issuer or any Restricted Subsidiary) and (2) with respect to the Company, the Issuer or any Restricted Subsidiary, any Indebtedness expressly assumed by the Company, the Issuer or any Restricted Subsidiary in connection with the acquisition of any assets from another Person (other than the Company, the Issuer or any Restricted Subsidiary), which Indebtedness was not incurred by such other Person in connection with or in contemplation of such acquisition. Indebtedness incurred in connection with or in contemplation of any transaction described in clause (1) or (2) of the preceding sentence shall be deemed to have been incurred by the Company or a Restricted Subsidiary, as the case may be, at the time such Person becomes a Restricted Subsidiary (or is merged into the Company, the Issuer or any Restricted Subsidiary) in the case of clause (1) or at the time of the acquisition of such assets in the case of clause (2), but shall not be deemed Acquired Indebtedness.

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

"ASSET ACQUISITION" means (1) an Investment by the Company, the Issuer or any Restricted Subsidiary in any other Person if, as a result of such Investment, such Person shall become a Restricted Subsidiary or shall be consolidated or merged with or into the Company, the Issuer or any Restricted Subsidiary or (2) the acquisition by the Company, the Issuer or any Restricted Subsidiary of the assets of any Person, which constitute all or substantially all of the assets or of an operating unit or line of business of such Person or which is otherwise outside the ordinary course of business.

"ASSET DISPOSITION" means any sale, transfer, conveyance, lease or other disposition (including, without limitation, by way of merger, consolidation or sale and leaseback or sale of shares of Capital Stock in any Subsidiary) (each, a "TRANSACTION") by the Company, the Issuer or any Restricted Subsidiary to any Person of any Property having a Fair Market Value in any transaction or series of related transactions of at least \$5 million. The term "ASSET DISPOSITION" shall not include:

- (1) a transaction between the Company, the Issuer and any Restricted Subsidiary or a transaction between Restricted Subsidiaries,
- (2) a transaction in the ordinary course of business, including, without limitation, sales (directly or indirectly), dedications and other donations to governmental authorities, leases and sales and leasebacks of (A) homes, improved land and unimproved land and (B) real estate (including related amenities and improvements),

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- (3) a transaction involving the sale of Capital Stock of, or the disposition of assets in, an Unrestricted Subsidiary,
- (4) any exchange or swap of assets of the Company, the Issuer or any Restricted Subsidiary for assets that (A) are to be used by the Company, the Issuer or any Restricted Subsidiary in the ordinary course of its Real Estate Business and (B) have a Fair Market Value not less than the Fair Market Value of the assets exchanged or swapped,
- (5) any sale, transfer, conveyance, lease or other disposition of assets and properties that is governed by the provisions relating to "Limitations on Mergers, Consolidation and Sales of Assets", or
- (6) dispositions of mortgage loans and related assets and mortgage-backed securities in the ordinary course of a mortgage lending business.

"ATTRIBUTABLE DEBT" means, with respect to any Capitalized Lease Obligations, the capitalized amount thereof determined in accordance with GAAP.

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

"CAPITAL STOCK" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated) of or in such Person's capital stock or other equity interests, and options, rights or warrants to purchase such capital stock or other equity interests, whether now outstanding or issued after the Issue Date, including, without limitation, all Disqualified Stock and Preferred Stock.

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

"CASH EQUIVALENTS" means

- (1) U.S. dollars;
- (2) securities issued or directly and fully guaranteed or insured by the U.S. government or any agency or instrumentality thereof having maturities of one year or less from the date of acquisition;
- (3) certificates of deposit and eurodollar time deposits with maturities of one year or less from the date of acquisition, bankers' acceptances with maturities not exceeding six months and overnight bank deposits, in each case with any domestic commercial bank having capital and surplus in excess of \$500 million;
- (4) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (2) and (3) entered into with any financial institution meeting the

qualifications specified in clause (3) above;

- (5) commercial paper rated P-1, A-1 or the equivalent thereof by Moody's or S&P, respectively, and in each case maturing within six months after the date of acquisition; and
- (6) investments in money market funds substantially all of the assets of which consist of securities described in the foregoing clauses (1) through (5).

"CHANGE OF CONTROL" means

- (1) any sale, lease or other transfer (in one transaction or a series of transactions) of all or substantially all of the consolidated assets of the Company and its Restricted Subsidiaries to any Person (other than a Restricted Subsidiary); PROVIDED, HOWEVER, that a transaction where the Holders of all classes of Common Equity of the Company immediately prior to such transaction own, directly or indirectly, more than 50% of all classes of Common Equity of such Person immediately after such transaction shall not be a Change of Control;
- (2) a "person" or "group" (within the meaning of Section 13(d) of the Exchange Act (other than (x) the Company or (y) the Permitted Hovnanian Holders) becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of Common Equity of the Company representing more than 50% of the voting power of the Common Equity of the Company;

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- (3) Continuing Directors cease to constitute at least a majority of the Board of Directors of the Company;
- (4) the stockholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company; PROVIDED, HOWEVER, that a liquidation or dissolution of the Company which is part of a transaction that does not constitute a Change of Control under the proviso contained in clause (1) above shall not constitute a Change of Control; or
- (5) a change of control shall occur as defined in the instrument governing any publicly traded debt securities of the Company or the Issuer which requires the Company or the Issuer to repay or repurchase such debt securities.

"COMMON EQUITY" of any Person means Capital Stock of such Person that is generally entitled to (1) vote in the election of directors of such Person or (2) if such Person is not a corporation, vote or otherwise participate in the selection of the governing body, partners, managers or others that will control the management or policies of such Person.

"CONSOLIDATED ADJUSTED TANGIBLE ASSETS" of the Company as of any date means the Consolidated Tangible Assets of the Company, the Issuer and the Restricted Subsidiaries at the end of the fiscal quarter immediately preceding the date less any assets securing any Non-Recourse Indebtedness, as determined in accordance with GAAP.

"CONSOLIDATED CASH FLOW AVAILABLE FOR FIXED CHARGES" means, for any period Consolidated Net Income for such period plus (each to the extent deducted in calculating such Consolidated Net Income and determined in accordance with GAAP) the sum for such period, without duplication, of:

- (1) income taxes,
- (2) Consolidated Interest Expense,
- (3) depreciation and amortization expenses and other non-cash charges to earnings, and
- (4) interest and financing fees and expenses which were previously capitalized and which are amortized to cost of sales, MINUS

all other non-cash items (other than the receipt of notes receivable) increasing such Consolidated Net Income.

"CONSOLIDATED FIXED CHARGE COVERAGE RATIO" means, with respect to any determination date, the ratio of (x) Consolidated Cash Flow Available for Fixed Charges for the prior four full fiscal quarters (the "FOUR QUARTER PERIOD") for which financial results have been reported immediately preceding the determination date (the "TRANSACTION DATE"), to (y) the aggregate Consolidated Interest Incurred for the Four Quarter Period. For purposes of this definition, "CONSOLIDATED CASH FLOW AVAILABLE FOR FIXED CHARGES" and "CONSOLIDATED INTEREST INCURRED" shall be calculated after giving effect on a PRO FORMA basis for the

period of such calculation to

- (1) the incurrence or the repayment, repurchase, defeasance or other discharge or the assumption by another Person that is not an Affiliate (collectively, "REPAYMENT") of any Indebtedness of the Company, the Issuer or any Restricted Subsidiary (and the application of the proceeds thereof) giving rise to the need to make such calculation, and any incurrence or repayment of other Indebtedness (and the application of the proceeds thereof), at any time on or after the first day of the Four Quarter Period and on or prior to the Transaction Date, as if such incurrence or repayment, as the case may be (and the application of the proceeds thereof), occurred on the first day of the Four Quarter Period, except that Indebtedness under revolving credit facilities shall be deemed to be the average daily balance of such Indebtedness during the Four Quarter Period (as reduced on such PRO FORMA basis by the application of any proceeds of the incurrence of Indebtedness giving rise to the need to make such calculation);
- (2) any Asset Disposition or Asset Acquisition (including, without limitation, any Asset Acquisition giving rise to the need to make such calculation as a result of the Company, the Issuer or any Restricted Subsidiary (including any Person that becomes a Restricted Subsidiary as a result of any such Asset Acquisition) incurring Acquired Indebtedness at any time on or after the first day of the Four Quarter Period and on or prior to the Transaction Date), as if such Asset Disposition or Asset Acquisition (including the incurrence or repayment of any such Indebtedness) and the

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inclusion, notwithstanding clause (2) of the definition of "Consolidated Net Income," of any Consolidated Cash Flow Available for Fixed Charges associated with such Asset Acquisition as if it occurred on the first day of the Four Quarter Period; PROVIDED, HOWEVER, that the Consolidated Cash Flow Available for Fixed Charges associated with any Asset Acquisition shall not be included to the extent the net income so associated would be excluded pursuant to the definition of "Consolidated Net Income," other than clause (2) thereof, as if it applied to the Person or assets involved before they were acquired, and

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

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

- (a) interest on Indebtedness in respect of which a PRO FORMA calculation is required that is determined on a fluctuating basis as of the Transaction Date (including Indebtedness actually incurred on the Transaction Date) and which will continue to be so determined thereafter shall be deemed to have accrued at a fixed rate PER ANNUM equal to the rate of interest on such Indebtedness in effect on the Transaction Date, and
- (b) notwithstanding clause (a) above, interest on such Indebtedness determined on a fluctuating basis, to the extent such interest is covered by agreements relating to Interest Protection Agreements, shall be deemed to accrue at the rate PER ANNUM resulting after giving effect to the operation of such agreements.

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

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

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

- (1) the net income (or loss) of (x) any Unrestricted Subsidiary (other than a Mortgage Subsidiary) or (y) any Person (other than a Restricted Subsidiary or a Mortgage Subsidiary) in which any Person

other than the Company, the Issuer or any Restricted Subsidiary has an ownership interest, except, in each case, to the extent that any such income has actually been received by the Company, the Issuer or any Restricted Subsidiary in the form of cash dividends or similar cash distributions during such period, which dividends or distributions are not in excess of the Company's, the Issuer's or such Restricted Subsidiary's (as applicable) PRO RATA share of such Unrestricted Subsidiary's or such other Person's net income earned during such period,

- (2) except to the extent includable in Consolidated Net Income pursuant to the foregoing clause (1), the net income (or loss) of any Person that accrued prior to the date that (a) such Person becomes a Restricted Subsidiary or is merged with or into or consolidated with the Company, the Issuer or any of its Restricted Subsidiaries (except, in the case of an Unrestricted Subsidiary that is redesignated a Restricted Subsidiary during such period, to the extent of its retained earnings from the beginning of such period to the date of such redesignation) or (b) the assets of such Person are acquired by the Company or any Restricted Subsidiary,
- (3) the net income of any Restricted Subsidiary to the extent that (but only so long as) the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of that income is not permitted by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary during such period,

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- (4) the gains or losses, together with any related provision for taxes, realized during such period by the Company, the Issuer or any Restricted Subsidiary resulting from (a) the acquisition of securities, or extinguishment of Indebtedness, of the Company or any Restricted Subsidiary or (b) any Asset Disposition by the Company or any Restricted Subsidiary,
- (5) any extraordinary gain or loss together with any related provision for taxes, realized by the Company, the Issuer or any Restricted Subsidiary, and
- (6) any non-recurring expense recorded by the Company, the Issuer or any Restricted Subsidiary in connection with a merger accounted for as a "pooling-of-interests" transaction;

PROVIDED, FURTHER, that for purposes of calculating Consolidated Net Income solely as it relates to clause (3) of the first paragraph of the "Limitations on Restricted Payments" covenant, clause (4)(b) above shall not be applicable.

"CONSOLIDATED NET WORTH" of any Person as of any date means the stockholders' equity (including any Preferred Stock that is classified as equity under GAAP, other than Disqualified Stock) of such Person and its Restricted Subsidiaries on a consolidated basis at the end of the fiscal quarter immediately preceding such date, as determined in accordance with GAAP, less any amount attributable to Unrestricted Subsidiaries.

"CONSOLIDATED TANGIBLE ASSETS" of the Company as of any date means the total amount of assets of the Company, the Issuer and the Restricted Subsidiaries (less applicable reserves) on a consolidated basis at the end of the fiscal quarter immediately preceding such date, as determined in accordance with GAAP, less (1) Intangible Assets and (2) appropriate adjustments on account of minority interests of other Persons holding equity investments in Restricted Subsidiaries.

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

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

"CREDIT FACILITIES" means, collectively, each of the credit facilities and lines of credit of the Company or one or more Restricted Subsidiaries in existence on the Issue Date and one or more other facilities and lines of credit among or between the Company or one or more Restricted Subsidiaries and one or

more lenders pursuant to which the Company or one or more Restricted Subsidiaries may incur indebtedness for working capital and general corporate purposes (including acquisitions), as any such facility or line of credit may be amended, restated, supplemented or otherwise modified from time to time, and includes any agreement extending the maturity of, increasing the amount of, or restructuring, all or any portion of the Indebtedness under such facility or line of credit or any successor facilities or lines of credit and includes any facility or line of credit with one or more lenders refinancing or replacing all or any portion of the Indebtedness under such facility or line of credit or any successor facility or line of credit.

"CURRENCY AGREEMENT" of any Person means any foreign exchange contract, currency swap agreement or other similar agreement or arrangement designed to protect such Person or any of its Subsidiaries against fluctuations in currency values.

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

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

"DESIGNATION AMOUNT" has the meaning provided in the definition of Unrestricted Subsidiary.

"DISQUALIFIED STOCK" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, (1) matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, in whole or in part, on or prior to the final maturity date of the Senior Notes or (2) is convertible into or

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exchangeable or exercisable for (whether at the option of the issuer or the holder thereof) (a) debt securities or (b) any Capital Stock referred to in (1) above, in each case, at any time prior to the final maturity date of the Senior Notes; PROVIDED, HOWEVER, that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof (or the holders of any security into or for which such Capital Stock is convertible, exchangeable or exercisable) the right to require the Company to repurchase or redeem such Capital Stock upon the occurrence of a change in control occurring prior to the final maturity date of the Senior Notes shall not constitute Disqualified Stock if the change in control provision applicable to such Capital Stock are no more favorable to such holders than the provisions described under the caption "Certain Covenants--Repurchase of Senior Notes upon Change of Control" and such Capital Stock specifically provides that the Company will not repurchase or redeem any such Capital Stock pursuant to such provisions prior to the Company's repurchase of the Senior Notes as are required pursuant to the provisions described under the caption "Certain Covenants--Repurchase of Senior Notes upon Change of Control".

"EVENT OF DEFAULT" has the meaning set forth in "Events of Default".

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

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession of the United States, as in effect on May 4, 1999.

"GUARANTORS" means (i) initially, each of the Company's Subsidiaries, other than the Issuer, certain subsidiaries formerly engaged in the issuance of collateralized mortgage obligations, the Company's mortgage lending and title subsidiaries and a subsidiary holding and licensing the Hovnanian trade name and (ii) each of the Company's Subsidiaries which becomes a Guarantor of the Senior Notes pursuant to the provisions of the Senior Indenture.

"HOLDER" means the Person in whose name a Senior Note is registered in the books of the Registrar for the Senior Notes.

"INDEBTEDNESS" of any Person means, without duplication,

- (1) any liability of such Person (a) for borrowed money or under any reimbursement obligation relating to a letter of credit or other similar instruments (other than standby letters of credit or similar

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

- (2) any Indebtedness of others that such Person has guaranteed to the extent of the guarantee; PROVIDED, HOWEVER, that Indebtedness of the Company and its Restricted Subsidiaries will not include the obligations of the Company or a Restricted Subsidiary under warehouse lines of credit of Mortgage Subsidiaries to repurchase mortgages at prices no greater than 98% of the principal amount thereof, and upon any such purchase the excess, if any, of the purchase price thereof over the Fair Market Value of the mortgages acquired, will constitute Restricted Payments subject to the "Limitations on Restricted Payments" covenant,
- (3) to the extent not otherwise included, the obligations of such Person under Currency Agreements or Interest Protection Agreements to the extent recorded as liabilities not constituting Interest

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Incurred, net of amounts recorded as assets in respect of such agreements, in accordance with GAAP, and

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

PROVIDED, that Indebtedness shall not include accounts payable, liabilities to trade creditors of such Person or other accrued expenses arising in the ordinary course of business. The amount of Indebtedness of any Person at any date shall be (a) the outstanding balance at such date of all unconditional obligations as described above, net of any unamortized discount to be accounted for as Interest Expense, in accordance with GAAP, (b) the maximum liability of such Person for any contingent obligations under clause (1) above at such date, net of an unamortized discount to be accounted for as Interest Expense in accordance with GAAP, and (c) in the case of clause (4) above, the lesser of (x) the fair market value of any asset subject to a Lien securing the Indebtedness of others on the date that the Lien attaches and (y) the amount of the Indebtedness secured.

"INTANGIBLE ASSETS" of the Company means all unamortized debt discount and expense, unamortized deferred charges, goodwill, patents, trademarks, service marks, trade names, copyrights, write-ups of assets over their prior carrying value (other than write-ups which occurred prior to the Issue Date and other than, in connection with the acquisition of an asset, the write-up of the value of such asset (within one year of its acquisition) to its fair market value in accordance with GAAP) and all other items which would be treated as intangible on the consolidated balance sheet of the Company, the Issuer and the Restricted Subsidiaries prepared in accordance with GAAP.

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

"INTEREST INCURRED" of any Person for any period means, without duplication, the aggregate amount of (1) Interest Expense and (2) all capitalized interest and amortized debt issuance costs.

"INTEREST PROTECTION AGREEMENT" of any Person means any interest rate swap agreement, interest rate collar agreement, option or futures contract or other

similar agreement or arrangement designed to protect such Person or any of its Subsidiaries against fluctuations in interest rates with respect to Debt permitted to be incurred under the Senior Indenture.

"INVESTMENTS" of any Person means (i) all investments by such Person in any other Person in the form of loans, advances or capital contributions, (ii) all Senior Guarantees of Indebtedness or other obligations of any other Person by such Person, (iii) all purchases (or other acquisitions for consideration) by such Person of Indebtedness, Capital Stock or other securities of any other Person and (iv) all other items that would be classified as investments in any other Person (including, without limitation, purchases of assets outside the ordinary course of business) on a balance sheet of such Person prepared in accordance with GAAP.

"ISSUE DATE" means the date on which the Senior Notes are originally issued under the Senior Indenture.

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

"MARKETABLE SECURITIES" means (a) equity securities that are listed on the New York Stock Exchange, the American Stock Exchange or The Nasdaq National Market and (b) debt securities that are rated by a nationally

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recognized rating agency, listed on the New York Stock Exchange or the American Stock Exchange or covered by at least two reputable market makers.

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

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

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

"NON-RECOURSE INDEBTEDNESS" with respect to any Person means Indebtedness of such Person for which (1) the sole legal recourse for collection of principal and interest on such Indebtedness is against the specific property identified in the instruments evidencing or securing such Indebtedness and such property was acquired with the proceeds of such Indebtedness or such Indebtedness was incurred within 90 days after the acquisition of such property and (2) no other assets of such Person may be realized upon in collection of principal or interest on such Indebtedness. Indebtedness which is otherwise Non-Recourse Indebtedness will not lose its character as Non-Recourse Indebtedness because there is recourse to the borrower, any guarantor or any other Person for (a) environmental warranties and indemnities, or (b) indemnities for and liabilities arising from fraud, misrepresentation, misapplication or non-payment of rents, profits, insurance and condemnation proceeds and other sums actually received by the borrower from secured assets to be paid to the lender, waste and mechanics' liens.

"PERMITTED HOVNIANIAN HOLDERS" means, collectively, Kevork S. Hovnanian, Ara K. Hovnanian, the members of their immediate families, the respective estates, spouses, heirs, ancestors, lineal descendants, legatees and legal representatives of any of the foregoing and the trustee of any bona fide trust of which one or more of the foregoing are the sole beneficiaries or the grantors

thereof, or any entity of which any of the foregoing, individually or collectively, beneficially own more than 50% of the Common Equity.

"PERMITTED INDEBTEDNESS" means

- (1) Indebtedness under Credit Facilities which does not exceed \$440 million principal amount outstanding at any one time;
- (2) Indebtedness in respect of obligations of the Company and its Subsidiaries to the trustees under indentures for debt securities;
- (3) intercompany debt obligations of (i) the Company to the Issuer, (ii) the Issuer to the Company, (iii) the Company or the Issuer to any Restricted Subsidiary and (iv) any Restricted Subsidiary to the Company or the Issuer or any other Restricted Subsidiary; provided, HOWEVER, that any Indebtedness of any Restricted Subsidiary or the Issuer or the Company owed to any Restricted Subsidiary or the Issuer that ceases to be a Restricted Subsidiary shall be deemed to be incurred and shall be treated as an incurrence for purposes of the first paragraph of the covenant described under "Limitations on Indebtedness" at the time the Restricted Subsidiary in question ceases to be a Restricted Subsidiary;
- (4) Indebtedness of the Company or the Issuer or any Restricted Subsidiary under any Currency Agreements or Interest Protection Agreements in a notional amount no greater than the payments

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due (at the time the related Currency Agreement or Interest Protection Agreement is entered into) with respect to the Indebtedness or currency being hedged;

- (5) Purchase Money Indebtedness,
- (6) Capitalized Lease Obligations;
- (7) obligations for, pledge of assets in respect of, and guaranties of, bond financings of political subdivisions or enterprises thereof in the ordinary course of business;
- (8) Indebtedness secured only by office buildings owned or occupied by the Company or any Restricted Subsidiary, which Indebtedness does not exceed \$10 million aggregate principal amount outstanding at any one time;
- (9) Indebtedness under warehouse lines of credit, repurchase agreements and Indebtedness secured by mortgage loans and related assets of mortgage lending Subsidiaries in the ordinary course of a mortgage lending business; and
- (10) Indebtedness of the Company or any Restricted Subsidiary which, together with all other Indebtedness under this clause (10), does not exceed \$30 million aggregate principal amount outstanding at any one time.

"PERMITTED INVESTMENT" means

- (1) Cash Equivalents;
- (2) any Investment in the Company, the Issuer or any Restricted Subsidiary or any Person that becomes a Restricted Subsidiary as a result of such Investment or that is consolidated or merged with or into, or transfers all or substantially all of the assets of it or an operating unit or line of business to, the Company or a Restricted Subsidiary;
- (3) any receivables, loans or other consideration taken by the Company, the Issuer or any Restricted Subsidiary in connection with any asset sale otherwise permitted by the Senior Indenture;
- (4) Investments received in connection with any bankruptcy or reorganization proceeding, or as a result of foreclosure, perfection or enforcement of any Lien or any judgment or settlement of any Person in exchange for or satisfaction of Indebtedness or other obligations or other property received from such Person, or for other liabilities or obligations of such Person created, in accordance with the terms of the Senior Indenture;
- (5) Investments in Currency Agreements or Interest Protection Agreements described in the definition of Permitted Indebtedness;
- (6) any loan or advance to an executive officer, director or employee of the Company or any Restricted Subsidiary made in the ordinary course

of business or in accordance with past practice; PROVIDED, HOWEVER, that any such loan or advance exceeding \$1 million shall have been approved by the Board of Directors of the Company or a committee thereof consisting of disinterested members;

- (7) Investments in joint ventures in a Real Estate Business with unaffiliated third parties in an aggregate amount at any time outstanding not to exceed 10% of Consolidated Tangible Assets at such time;
- (8) Investments in interests in issuances of collateralized mortgage obligations, mortgages, mortgage loan servicing, or other mortgage related assets;
- (9) obligations of the Company or a Restricted Subsidiary under warehouse lines of credit of Mortgage Subsidiaries to repurchase mortgages; and
- (10) Investments in an aggregate amount outstanding not to exceed \$10 million.

"PERMITTED LIENS" means

- (1) Liens for taxes, assessments or governmental or quasi-government charges or claims that (a) are not yet delinquent, (b) are being contested in good faith by appropriate proceedings and as to

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which appropriate reserves have been established or other provisions have been made in accordance with GAAP, if required, or (c) encumber solely property abandoned or in the process of being abandoned,

- (2) statutory Liens of landlords and carriers', warehousemen's, mechanics', suppliers', materialmen's, repairmen's or other Liens imposed by law and arising in the ordinary course of business and with respect to amounts that, to the extent applicable, either (a) are not yet delinquent or (b) are being contested in good faith by appropriate proceedings and as to which appropriate reserves have been established or other provisions have been made in accordance with GAAP, if required,
- (3) Liens (other than any Lien imposed by the Employer Retirement Income Security Act of 1974, as amended) incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security,
- (4) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory obligations, surety and appeal bonds, development obligations, progress payments, government contracts, utility services, developer's or other obligations to make on-site or off-site improvements and other obligations of like nature (exclusive of obligations for the payment of borrowed money but including the items referred to in the parenthetical in clause (1)(a) of the definition of "INDEBTEDNESS"), in each case incurred in the ordinary course of business of the Company, the Issuer and the Restricted Subsidiaries,
- (5) attachment or judgment Liens not giving rise to a Default or an Event of Default,
- (6) easements, dedications, assessment district or similar Liens in connection with municipal or special district financing, rights-of-way, restrictions, reservations and other similar charges, burdens, and other similar charges or encumbrances not materially interfering with the ordinary course of business of the Company, the Issuer and the Restricted Subsidiaries,
- (7) zoning restrictions, licenses, restrictions on the use of real property or minor irregularities in title thereto, which do not materially impair the use of such real property in the ordinary course of business of the Company, the Issuer and the Restricted Subsidiaries,
- (8) Liens securing Indebtedness incurred pursuant to clause (8) or (9) of the definition of Permitted Indebtedness,
- (9) Liens securing Indebtedness of the Company, the Issuer or any Restricted Subsidiary permitted to be incurred under the Senior Indenture; provided, that the aggregate amount of all consolidated Indebtedness of the Company, the Issuer and the Restricted Subsidiaries (including, with respect to Capitalized Lease Obligations, the Attributable Debt in respect thereof) secured by

Liens (other than Non-Recourse Indebtedness and Indebtedness incurred pursuant to clause (9) of the definition of Permitted Indebtedness) shall not exceed 40% of Consolidated Adjusted Tangible Assets at any one time outstanding (after giving effect to the incurrence of such Indebtedness and the use of the proceeds thereof),

- (10) Liens securing Non-Recourse Indebtedness of the Company, the Issuer or any Restricted Subsidiary; provided, that such Liens apply only to the property financed out of the net proceeds of such Non-Recourse Indebtedness within 90 days after the incurrence of such Non-Recourse Indebtedness,
- (11) Liens securing Purchase Money Indebtedness; provided that such Liens apply only to the property acquired, constructed or improved with the proceeds of such Purchase Money Indebtedness within 90 days after the incurrence of such Purchase Money Indebtedness,
- (12) Liens on property or assets of the Company, the Issuer or any Restricted Subsidiary securing Indebtedness of the Company, the Issuer or any Restricted Subsidiary owing to the Company, the Issuer or one or more Restricted Subsidiaries,
- (13) leases or subleases granted to others not materially interfering with the ordinary course of business of the Company and the Restricted Subsidiaries,

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- (14) purchase money security interests (including, without limitation, Capitalized Lease Obligations); provided, that such Liens apply only to the Property acquired and the related Indebtedness is incurred within 90 days after the acquisition of such Property,
- (15) any right of first refusal, right of first offer, option, contract or other agreement to sell an asset; provided that such sale is not otherwise prohibited under the Senior Indenture,
- (16) any right of a lender or lenders to which the Company, the Issuer or a Restricted Subsidiary may be indebted to offset against, or appropriate and apply to the payment of such, Indebtedness any and all balances, credits, deposits, accounts or money of the Company, the Issuer or a Restricted Subsidiary with or held by such lender or lenders or its Affiliates,
- (17) any pledge or deposit of cash or property in conjunction with obtaining surety, performance, completion or payment bonds and letters of credit or other similar instruments or providing earnest money obligations, escrows or similar purpose undertakings or indemnifications in the ordinary course of business of the Company, the Issuer and the Restricted Subsidiaries,
- (18) Liens for homeowner and property owner association developments and assessments,
- (19) Liens securing Refinancing Indebtedness; provided, that such Liens extend only to the assets securing the Indebtedness being refinanced,
- (20) Liens incurred in the ordinary course of business as security for the obligations of the Company, the Issuer and the Restricted Subsidiaries with respect to indemnification in respect of title insurance providers,
- (21) Liens on property of a Person existing at the time such Person is merged with or into or consolidated with the Company or any Subsidiary of the Company or becomes a Subsidiary of the Company; provided that such Liens were in existence prior to the contemplation of such merger or consolidation or acquisition and do not extend to any assets other than those of the Person merged into or consolidated with the Company or the Subsidiary or acquired by the Company or its Subsidiaries,
- (22) Liens on property existing at the time of acquisition thereof by the Company or any Subsidiary of the Company, provided that such Liens were in existence prior to the contemplation of such acquisition,
- (23) Liens existing on the Issue Date and any extensions, renewals or replacements thereof, and
- (24) Liens on specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to

facilitate the purchase, shipment or storage of such inventory or other goods.

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

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

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

"PURCHASE MONEY INDEBTEDNESS" means Indebtedness of the Company, the Issuer or any Restricted Subsidiary incurred for the purpose of financing all or any part of the purchase price, or the cost of construction or improvement, of any property to be used in the ordinary course of business by the Company, the Issuer and the Restricted Subsidiaries; PROVIDED, HOWEVER, that (1) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost and (2) such Indebtedness shall be incurred no later than 90 days after the acquisition of such property or completion of such construction or improvement.

"QUALIFIED STOCK" means Capital Stock of the Company other than Disqualified Stock.

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"REAL ESTATE BUSINESS" means homebuilding, housing construction, real estate development or construction and related real estate activities, including the provision of mortgage financing or title insurance.

"REFINANCING INDEBTEDNESS" means Indebtedness (to the extent not Permitted Indebtedness) that refunds, refinances or extends any Indebtedness of the Company, the Issuer or any Restricted Subsidiary (to the extent not Permitted Indebtedness) outstanding on the Issue Date or other Indebtedness (to the extent not Permitted Indebtedness) permitted to be incurred by the Company, the Issuer or any Restricted Subsidiary pursuant to the terms of the Senior Indenture, but only to the extent that

- (1) the Refinancing Indebtedness is subordinated, if at all, to the Senior Notes or the Senior Guarantees, as the case may be, to the same extent as the Indebtedness being refunded, refinanced or extended,
- (2) the Refinancing Indebtedness is scheduled to mature either (a) no earlier than the Indebtedness being refunded, refinanced or extended or (b) after the maturity date of the Senior Notes,
- (3) the portion, if any, of the Refinancing Indebtedness that is scheduled to mature on or prior to the maturity date of the Senior Notes has a Weighted Average Life to Maturity at the time such Refinancing Indebtedness is incurred that is equal to or greater than the Weighted Average Life to Maturity of the portion of the Indebtedness being refunded, refinanced or extended that is scheduled to mature on or prior to the maturity date of the Senior Notes, and
- (4) such Refinancing Indebtedness is in an aggregate principal amount that is equal to or less than the aggregate principal amount then outstanding under the Indebtedness being refunded, refinanced or extended.

"RESTRICTED PAYMENT" means any of the following:

- (1) the declaration or payment of any dividend or any other distribution on Capital Stock of the Company, the Issuer or any Restricted Subsidiary or any payment made to the direct or indirect holders (in their capacities as such) of Capital Stock of the Company, the Issuer or any Restricted Subsidiary (other than (a) dividends or distributions payable solely in Qualified Stock and (b) in the case of the Issuer or Restricted Subsidiaries, dividends or distributions payable to the Company, the Issuer or a Restricted Subsidiary);
- (2) the purchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company, the Issuer or any Restricted Subsidiary (other than a payment made to the Company, the Issuer or any Restricted Subsidiary); and

(3) any Investment (other than any Permitted investment), including any Investment in an Unrestricted Subsidiary (including by the designation of a Subsidiary of the Company as an Unrestricted Subsidiary) and any amounts paid in accordance with clause (2) of the definition of Indebtedness.

"RESTRICTED SUBSIDIARY" means any Subsidiary of the Company which is not an Unrestricted Subsidiary.

"S&P" means Standard and Poor's Ratings Group or any successor to its debt rating business. "Senior Guarantee" means the guarantee of the Senior Notes by the Company and each other Guarantor under the Senior Indenture.

"SIGNIFICANT SUBSIDIARY" means any Subsidiary of the Company which would constitute a "significant subsidiary" as defined in Rule 1-02 of Regulation S-X under the Securities Act and the Exchange Act as in effect on the Issue Date.

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

"TRUSTEE" means the party named as such above until a successor replaces such party in accordance with the applicable provisions of the Senior Indenture and thereafter means the successor serving hereunder.

"UNRESTRICTED SUBSIDIARY" means any Subsidiary of the Company so designated by a resolution adopted by the Board of Directors of the Company or a duly authorized committee thereof as provided below; PROVIDED that (a)

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the holders of Indebtedness thereof do not have direct or indirect recourse against the Company, the Issuer or any Restricted Subsidiary, and neither the Company, the Issuer nor any Restricted Subsidiary otherwise has liability for, any payment obligations in respect of such Indebtedness (including any undertaking, agreement or instrument evidencing such Indebtedness), except, in each case, to the extent that the amount thereof constitutes a Restricted Payment permitted by the Senior Indenture, in the case of Non-Recourse Indebtedness, to the extent such recourse or liability is for the matters discussed in the last sentence of the definition of "Non-Recourse Indebtedness," or to the extent such Indebtedness is a guarantee by such Subsidiary of Indebtedness of the Company, the Issuer or a Restricted Subsidiary and (b) no holder of any Indebtedness of such Subsidiary shall have a right to declare a default on such Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity as a result of a default on any Indebtedness of the Company, the Issuer or any Restricted Subsidiary. The Unrestricted Subsidiaries will be the following: Eastern National Title Insurance Agency, Inc., Eastern Title Agency, Inc., Founders Title Agency, Inc., Governor's Abstract Co., Inc., Hexter Fair Land Title Company I, Inc., Homebuyer's Mortgage, Inc., Hovnanian Financial Services I, Inc., Hovnanian Financial Services 11, Inc., Hovnanian Financial Services III, Inc., Hovnanian Financial Services IV, Inc., K. Hovnanian Investment Properties, Inc., K. Hovnanian Mortgage, Inc., Preston Grande Homes, Inc., Heritage Pines, L.L.C., Kings Crossing at Montgomery, L.L.C., Knox Creek, L.L.C., McKinley Court, 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 13 of the Hills, L.L.C., Title Group II, L.L.C., Town Homes at Montgomery, 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 Mortgage Investors, L.P., Parkway Development, Sovereign Group, L.P., and K. Hovnanian Venture I, L.L.C.

Subject to the foregoing, the Board of Directors of the Company or a duly authorized committee thereof may designate any Subsidiary in addition to those named above to be an Unrestricted Subsidiary; PROVIDED, HOWEVER, that (1) the net amount (the "DESIGNATION AMOUNT") then outstanding of all previous Investments by the Company and the Restricted Subsidiaries in such Subsidiary will be deemed to be a Restricted Payment at the time of such designation and will reduce the amount available for Restricted Payments under the "Limitations on Restricted Payments" covenant set forth in the Senior Indenture, to the extent provided therein, (2) the Company must be permitted under the "Limitations on Restricted Payments" covenant set forth in the Senior Indenture to make the Restricted Payment deemed to have been made pursuant to clause (1), and (3) after giving effect to such designation, no Default or Event of Default shall have occurred or be continuing. In accordance with the foregoing, and not in limitation thereof, Investments made by any Person in any Subsidiary of such Person prior to such Person's merger with the Company or any Restricted Subsidiary (but not in contemplation or anticipation of such merger) shall not be counted as an Investment by the Company or such Restricted Subsidiary if such Subsidiary of such Person is designated as an Unrestricted Subsidiary.

The Board of Directors of the Company or a duly authorized committee

thereof may also redesignate an Unrestricted Subsidiary to be a Restricted Subsidiary PROVIDED, HOWEVER, that (1) the Indebtedness of such Unrestricted Subsidiary as of the date of such redesignation could then be incurred under the "Limitations on Indebtedness" covenant and (2) immediately after giving effect to such redesignation and the incurrence of any such additional Indebtedness, the Company and the Restricted Subsidiaries could incur \$1.00 of additional Indebtedness under the first paragraph of the "Limitations on Indebtedness" covenant. Any such designation or redesignation by the Board of Directors of the Company or a committee thereof will be evidenced to the Trustee by the filing with the Trustee of a certified copy of the resolution of the Board of Directors of the Company or a committee thereof giving effect to such designation or redesignation and an Officers' Certificate certifying that such designation or redesignation complied with the foregoing conditions and setting forth the underlying calculations of such Officers' Certificate. The designation of any Person as an Unrestricted Subsidiary shall be deemed to include a designation of all Subsidiaries of such Person as Unrestricted Subsidiaries; PROVIDED, HOWEVER, that the ownership of the general partnership interest (or a similar member's interest in a limited liability company) by an Unrestricted Subsidiary shall not cause a Subsidiary of the Company of which more than 95% of the equity interest is held by the Company or one or more Restricted Subsidiaries to be deemed an Unrestricted Subsidiary.

"WEIGHTED AVERAGE LIFE TO MATURITY" means, when applied to any Indebtedness or portion thereof at any date, the number of years obtained by dividing (i) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal, including, without limitation, payment at final maturity, in respect thereof, by (b) the number of years (calculated

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to the nearest one-twelfth) that will elapse between such date and the making of such payment by (ii) the sum of all such payments described in clause (i)(a) above.

CONCERNING THE SENIOR TRUSTEE

The Senior Indenture contains certain limitations on the rights of the Senior Trustee, should it become a creditor of the Company, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Senior Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest, as defined in the Senior Indenture, it must eliminate that conflict within 90 days, apply to the Securities and Exchange Commission for permission to continue or resign. The Senior Trustee is also trustee with respect to the Senior Subordinated Notes and the Issuer's 10 1/2% Senior Notes due 2007 and its 9 7/8% Senior Notes due 2009.

The Holders of a majority in principal amount of the outstanding Senior Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Senior Trustee, subject to certain exceptions. The Senior Indenture provides that in case an Event of Default shall occur (which shall not be cured), the Senior Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Senior Trustee will be under no obligation to exercise any of its rights or powers under the Senior Indenture at the request of any holder of Senior Notes, unless that holder shall have offered to the Senior Trustee security and indemnity satisfactory to it against any loss, liability or expense.

ADDITIONAL INFORMATION

Anyone who receives this prospectus may obtain a copy of the Senior Indenture and Senior Registration Rights Agreement without charge by writing to Hovnanian at 10 Highway 35, Red Bank, NJ 07701, Attention: Corporate Controller.

REGISTERED EXCHANGE OFFER; REGISTRATION RIGHTS; LIQUIDATED DAMAGES

The Company, the Issuer, the other Guarantors and the initial purchasers of the outstanding Senior Notes entered into a registration rights agreement on March 26, 2002, which we refer to as the "Senior Registration Rights Agreement". Pursuant to the Senior Registration Rights Agreement, the Company, the Issuer and the Guarantors agreed to file with the Securities and Exchange Commission the Exchange Offer Registration Statement on the appropriate form under the Securities Act with respect to the Senior Notes. Upon the effectiveness of the Exchange Offer Registration Statement, the Issuer will offer to the Holders of Transfer Restricted Securities pursuant to the Exchange Offer who are able to make certain representations the opportunity to exchange their Transfer Restricted Securities for exchange Senior Notes. Capitalized terms used in this section but not otherwise defined have the meanings given to them in the Senior Registration Rights Agreement.

Under the Senior Registration Rights Agreement:

- (1) the Company, the Issuer and the other Guarantors agreed to file an Exchange Offer Registration Statement with the Securities and Exchange Commission on or prior to 90 days after the Closing Date;
- (2) the Company, the Issuer and the other Guarantors agreed to use their reasonable best efforts to have the Exchange Offer Registration Statement declared effective by the Securities and Exchange Commission on or prior to 150 days after the Closing Date;
- (3) unless the exchange offer would not be permitted by applicable law or Securities and Exchange Commission policy, the Company, the Issuer and the other Guarantors agreed to commence the exchange offer, keep the exchange offer open for a period of not less than 20 business days and use their reasonable best efforts to issue, on or prior to 30 business days after the date on which the exchange offer Registration Statement was declared effective by the Securities and Exchange Commission, exchange Senior Notes in exchange for all outstanding Senior Notes tendered prior thereto in the exchange offer; and
- (4) if obligated to file the Shelf Registration Statement, the Company, the Issuer and the other Guarantors will file the Shelf Registration Statement with the Securities and Exchange Commission on or prior to 30 days after that filing obligation arises and use their reasonable best

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efforts to cause the Shelf Registration to be declared effective by the Securities and Exchange Commission on or prior to 90 days after that obligation arises.

In the event that:

- (1) the Issuer is not required to file the Exchange Offer Registration Statement or permitted to consummate the Exchange Offer because the Exchange Offer is not permitted by applicable law or Securities and Exchange Commission policy; or
- (2) any holder of Transfer Restricted Securities notifies the Issuer in writing prior to the 20th business day following consummation of the exchange offer that:
 - (a) based on an opinion of counsel, it is prohibited by law or Securities and Exchange Commission policy from participating in the exchange offer; or
 - (b) it is a broker-dealer and owns Senior Notes acquired directly from the Issuer,

the Company, the Issuer and the other Guarantors have agreed to file with the Securities and Exchange Commission a Shelf Registration Statement to cover resales of the Senior Notes by the Holders thereof who satisfy certain conditions relating to the provisions of information in connection with the Shelf Registration Statement.

The Company, the Issuer and the other Guarantors have agreed to use their reasonable best efforts to cause the applicable registration statement to be declared effective as promptly as possible by the Securities and Exchange Commission.

For purposes of the preceding, "Transfer Restricted Securities" means each:

- (1) Senior Note, until the earliest to occur of:
 - (a) the date on which that Senior Note is exchanged in the exchange offer for a New Senior Note which is entitled to be resold to the public by the holder thereof without complying with the prospectus delivery requirements of the Securities Act;
 - (b) the date on which that Senior Note has been disposed of in accordance with a Shelf Registration Statement (and purchasers thereof have been issued New Senior Notes); or
 - (c) the date on which that Senior Note is distributed to the public pursuant to Rule 144 under the Securities Act; and
- (2) New Senior Note issued to a broker-dealer until the date on which that New Senior Note is disposed of by that broker-dealer pursuant to the "Plan of Distribution" contemplated by the Exchange Offer Registration Statement (including the delivery of the prospectus contained therein).

The Company, the Issuer and the other Guarantors have agreed to pay liquidated damages to each holder of Senior Notes upon the occurrence of any of the following:

- (1) the Company, the Issuer and the other Guarantors fail to file any of the Registration Statements required by the Senior Registration Rights Agreement on or before the date specified for that filing;
- (2) any of such Registration Statement is not declared effective by the Securities and Exchange Commission on or prior to the date specified for that effectiveness, which we refer to as the "EFFECTIVENESS TARGET DATE";
- (3) the Issuer fails to consummate the exchange offer within 40 business days of the Effectiveness Target Date with respect to the Exchange Offer Registration Statement; or
- (4) the Shelf Registration Statement or the Exchange Offer Registration Statement is declared effective but thereafter ceases to be effective or usable in connection with resales of Transfer Restricted Securities during the periods specified in the registration rights agreement.

We refer to each event referred to in clauses (1) through (4) above as a "REGISTRATION DEFAULT".

Such liquidated damages shall be:

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- (1) with respect to the first 90-day period immediately following the occurrence of the first Registration Default, an amount equal to \$.05 per week per \$1,000 principal amount of Senior Notes held by that holder; and
- (2) an additional \$.05 per week per \$1,000 principal amount of Senior Notes with respect to each subsequent 90-day period until all Registration Defaults have been cured, up to a maximum amount of liquidated damages for all Registration Defaults of \$.25 per week per \$1,000 principal amount of Senior Notes.

All accrued liquidated damages will be paid on each Damages Payment Date to the Global Senior Note holder by wire transfer of immediately available funds or by federal funds check and to Holders of Certificated Securities by wire transfer to the accounts specified by them or by mailing checks to their registered addresses if no such accounts have been specified. Following the cure of all Registration Defaults, the accrual of liquidated damages will cease.

Holders of Senior Notes will be required to make certain representations to the Company, the Issuer and the other Guarantors, as described in the Senior Registration Rights Agreement, in order to participate in the Exchange Offer and will be required to deliver certain information to be used in connection with the Shelf Registration Statement and to provide comments on the Shelf Registration Statement within the time periods set forth in the registration rights agreement in order to have their Senior Notes included in the Shelf Registration Statement and benefit from the provisions regarding liquidated damages set forth above with respect to the Shelf Registration Statement.

8.875% SENIOR SUBORDINATED NOTES DUE 2012

GENERAL

The outstanding Senior Subordinated Notes were issued under an indenture, which we refer to as the "Subordinated Indenture," dated as of March 26, 2002, among us, the Guarantors and Wachovia Bank, National Association, formerly known as First Union National Bank, as trustee, which we refer to as the "Subordinated Trustee." The terms of the Senior Subordinated Notes include those stated in the Subordinated Indenture and those made part of the Subordinated Indenture by reference to the Trust Indenture Act of 1939, as amended. The exchange Senior Subordinated Notes will be issued under the same Subordinated Indenture.

This description of the exchange Senior Subordinated Notes contains definitions of terms, including those defined under the caption "--Definitions of Certain Terms Used in the Subordinated Indenture". The following discussion includes a summary description of certain material terms of the Subordinated Indenture, the Subordinated Registration Rights Agreement, and the exchange Senior Subordinated Notes. Because this is a summary, it does not include all of the information that is included in the Subordinated Indenture, the Subordinated Registration Rights Agreement, or the exchange Senior Subordinated Notes.

You should read the Subordinated Indenture and the Subordinated Registration Rights Agreement carefully and in their entirety because they, and

not this description, define your rights as Holders of the Senior Subordinated Notes. You may request copies of these documents at our address set forth under "Where You Can Find More Information".

The outstanding Senior Subordinated Notes and the exchange Senior Subordinated Notes constitute a single series of debt securities under the Subordinated Indenture. If the exchange offer is consummated, Holders of Senior Subordinated Notes who do not exchange their Senior Subordinated Notes in the exchange offer will vote together with the Holders of the registered Senior Subordinated Notes for all relevant purposes under the Subordinated Indenture. Accordingly, when determining whether the required Holders have given notice, consent or waiver or taken any other action permitted under the Subordinated Indenture, any outstanding Senior Subordinated Notes that remain outstanding after the exchange offer will be aggregated with the registered Senior Subordinated Notes. All references herein to specified percentages in aggregate principal amount of Senior Subordinated Notes outstanding shall be deemed to mean, at any time after the Exchange Offer is consummated, percentages in aggregate principal amount of Senior Subordinated Notes and registered Senior Subordinated Notes outstanding. Capitalized terms used in this section but not otherwise defined have the meanings given to them in the Subordinated Indenture.

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The exchange Senior Subordinated Notes will bear interest at the rate PER ANNUM shown on the cover page of this prospectus from the most recent date to which interest has been paid on the outstanding Senior Subordinated Notes or, if no interest has been paid on the outstanding Senior Subordinated Notes, from March 26, 2002. The applicable interest will be payable semi-annually on each April 1 and October 1, beginning October 1, 2002, to Holders of record at the close of business on March 15 or September 15, as the case may be, immediately preceding each such interest payment date. No interest will be paid on outstanding Senior Subordinated Notes following their acceptance for exchange. The exchange Senior Subordinated Notes will mature on April 1, 2012, and will be issued in denominations of \$1,000 and integral multiples thereof.

The exchange Senior Subordinated Notes are limited to an aggregate principal amount of \$200.0 million. The exchange Senior Subordinated Notes are guaranteed by the Company and each of the other Guarantors pursuant to the guarantees, which we refer to collectively as the "--Subordinated Guarantees", described below.

RANKING

The Senior Subordinated Notes will be our general unsecured senior subordinated obligations. This means that the payment of principal, premium and interest on, and all other amounts owing with respect to, the Senior Subordinated Notes is subordinated as set forth in the Subordinated Indenture to the prior payment in full in cash or cash equivalents of all existing and future Senior Indebtedness of the Issuer.

The Subordinated Guarantees will be general unsecured senior subordinated obligations. The Subordinated Guarantees will be subordinated on the same basis to Senior Indebtedness of the Guarantors as the Senior Subordinated Notes are subordinated to Senior Indebtedness of the Issuer.

At January 31, 2002, as adjusted to give effect to the transactions described under "Use of Proceeds" and the acquisition of The Forecast Group(R), L.P. on January 10, 2002, the Company, the Issuer and the other Guarantors would have had approximately \$676.3 million, including the Senior Notes, of Indebtedness outstanding, of which \$15.2 million would have been secured by certain real estate assets of the Company and the other Guarantors and \$526.3 million of which would have been Senior Indebtedness.

EXECUTION AUTHENTICATION AND DELIVERY

The Senior Subordinated Notes will be executed by facsimile or manual signature in the name and on behalf of the Issuer, by an Officer. If an Officer whose signature is on a Senior Subordinated Note no longer holds that office at the time the Senior Note is authenticated, the Senior Subordinated Note will still be valid.

A Senior Subordinated Note will not be valid until the Subordinated Trustee manually signs the certificate of authentication on the Senior Subordinated Note. The signature will be conclusive evidence that the Senior Subordinated Note has been authenticated under the Subordinated Indenture. Unless limited by the terms of its appointment, an authenticating agent may authenticate the Senior Subordinated Notes whenever the Subordinated Trustee may do so. The Senior Subordinated Notes will be issuable in denominations of \$1,000 and multiples thereof.

SUBORDINATION

The Indebtedness evidenced by the Senior Subordinated Notes and the Subordinated Guarantees will be subordinate to the prior payment when due of the

principal of and interest on all Senior Indebtedness of the Issuer and the Guarantors, respectively. Upon maturity of any Senior Indebtedness of the Issuer or any Guarantor, including by reason of acceleration, payment in full must be made on such Senior Indebtedness before any payment is made on or in respect of the Senior Subordinated Notes or the Subordinated Guarantee of such Guarantor. During the continuation of payment default with respect to any Senior Indebtedness of the Issuer or a Guarantor and upon written notice thereof to the Issuer and the Subordinated Trustee or upon acceleration of such senior Indebtedness, no direct or indirect payment may be made by the Issuer or such Guarantor with respect to the principal of or interest on the Senior Subordinated Notes or such Subordinated Guarantee or to repurchase or redeem any of the Senior Subordinated Notes. During the continuation of any non-payment default with respect to any Senior Indebtedness of the Issuer or a Guarantor pursuant to which the maturity thereof may be accelerated, no payment or distribution of any kind or character (excluding certain permitted equity or subordinated securities) may be made by the Issuer or such Guarantor on account of the principal of or premium, if any, or interest on, the Senior Subordinated Notes or such Subordinated Guarantee or the purchase, redemption or other acquisition of, any Senior Subordinated Notes for the period specified below (the "PAYMENT BLOCKAGE

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PERIOD"). The Payment Blockage Period will commence upon the receipt of notice of the default by the Subordinated Trustee from the holders of Senior Indebtedness of the Issuer or a Guarantor or any representative of a holder of such Senior Indebtedness and shall end on the earlier of (i) 120 days thereafter, (ii) the date on which such default is cured, waived or ceases to exist or on which such Senior Indebtedness is discharged or (iii) the date on which such Payment Blockage Period shall have been terminated by written notice to the Issuer or to the Subordinated Trustee from the holders of such Senior Indebtedness or any representative of the holders of such Senior Indebtedness initiating such Payment Blockage Period, after which the Issuer or the Guarantor, as the case may be, shall promptly resume making any and all required payments in respect of the Senior Subordinated Notes or the applicable Subordinated Guarantee, including any missed payments. In no event will a Payment Blockage period extend beyond 120 days from the date of receipt by the Subordinated Trustee of the notice initiating such Payment Blockage period (the "INITIAL PERIOD"). Any number of additional Payment Blockage Periods may be commenced during the Initial Period; PROVIDED that no such additional period shall extend beyond the Initial Period. After the expiration of the Initial Period, no Payment Blockage Period with respect to any Subordinated Notes may be commenced on the basis of a non-payment default on the Senior Indebtedness which was the basis of a Payment Blockage Period commenced during the Initial Period until 270 consecutive days have elapsed after the end of the Initial Period. No non-payment event of default with respect to Senior Indebtedness of the Issuer or a Guarantor that existed or was continuing on the date of the commencement of any Payment Blockage Period with respect to the Senior Indebtedness of the Issuer or a Guarantor initiating such Payment Blockage Period and of which such Senior Indebtedness holder(s) are aware will be, or can be, made the basis for the commencement of a second Payment Blockage Period whether or not within the specified period, unless such event of default has been cured or waived for a period of not less than 90 consecutive days. If the Issuer fails to make any payment on any Senior Subordinated Notes when due or within any applicable grace period, whether or not on account of the payment blockage provisions referred to above, such failure would constitute an event of default under the Subordinated Indenture and would enable the Holders of such Senior Subordinated Notes to accelerate the maturity thereof. If any Guarantor fails to make any payment on any Subordinated Guarantee when due or within any applicable grace period, whether or not on account of the payment blockage provisions referred to above, such failure would constitute an event of default under the Subordinated Indenture and would enable the Holders of the Senior Subordinated Notes to accelerate the maturity thereof.

Upon any distribution of assets of the Issuer or any Guarantor in any dissolution winding up, liquidation or reorganization of the Issuer or such Guarantor, payment of the principal of and premium, if any, and interest on Senior Subordinated Notes or the applicable Subordinated Guarantee will be subordinated to the extent and in the manner set forth in the Subordinated Indenture to the prior payment in full of all Senior Indebtedness of the Issuer or such Guarantor. Because of these subordination provisions, unless holders of Senior Indebtedness of the Issuer or such Guarantor are paid in full, holders of Senior Indebtedness of the Issuer or such Guarantor, including general creditors (other than certain trade creditors) of the Issuer will recover more, ratably, than Holders of the Senior Subordinated Notes.

"SENIOR INDEBTEDNESS" of any Person means (i) all Indebtedness of such Person, (ii) lease obligations of such Person, (iii) all Indebtedness, secured or unsecured, in connection with the acquisition of any business by such Person, (iv) all Indebtedness secured by a mortgage, lien, pledge, charge or encumbrance upon property owned by such Person and all Indebtedness secured in the manner specified in this clause (iv) even if such Person has not assumed or become liable for the payment thereof, (v) all customer deposits held in escrow accounts by such Person pending closing of the related sales, (vi) all

indebtedness of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person or otherwise representing the deferred and unpaid balance of the purchase price of any such property, including all indebtedness created or arising in the manner specified in this clause (vi) even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property, (vii) guarantees by such Person, direct or indirect, of any indebtedness of another Person of the types referred to in clauses (i) through (vi) and (viii) contingent obligations of such Person in respect of, or to purchase or otherwise acquire or be responsible or liable for through the purchase of products or services, irrespective of whether such products are delivered or such services are rendered, any such indebtedness referred to in clauses (i) through (vi); which indebtedness, lease obligation, deposit, guarantee or contingent obligation such Person has directly or indirectly created, incurred, assumed, guaranteed or otherwise become liable or responsible for, whether currently outstanding or hereafter created. All references to indebtedness include any renewals, extension, refundings, amendments and modifications of such indebtedness issued in exchange for such indebtedness PROVIDED, HOWEVER, THAT, with respect to the Issuer and the

Guarantors, "Senior Indebtedness" does not include, without limitation: (a) the Senior Subordinated Notes and the Subordinated Guarantees, (b) the 9 3/4% Subordinated Notes due 2005 of the Issuer and the guarantee thereof by the Guarantors, (c) accounts payable or any other indebtedness to trade creditors created or assumed by the Issuer or a Guarantor in the ordinary course of business in connection with the obtaining of materials or services, (d) any liability for federal, state, local to other taxes owned or owing by the Issuer or a Guarantor, and (e) any Indebtedness as to which, in the instrument creating or evidencing the same or pursuant to which the same is outstanding, it is provided that such indebtedness is on a parity with or otherwise not superior in right of payment to the Senior Subordinated Notes or the Subordinated Guarantees, as applicable.

REDEMPTION

Except as set forth below, the Senior Subordinated Notes will not be redeemable prior to April 1, 2007. Thereafter, the Issuer may redeem the Senior Notes, at its option, in whole at any time or in part from time to time. Redemption will be at the following redemption prices plus accrued and unpaid interest and liquidated damages, if any, to the redemption date, subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date, if redeemed during the 12-month period commencing on April 1 of the years set forth below:

YEAR	REDEMPTION PRICE

2007.....	104.000%
2008.....	102.667%
2009.....	101.333%
2010 and thereafter.....	100.000%

Selection of the Senior Subordinated Notes or portions thereof for redemption pursuant to the foregoing shall be made by the Subordinated Trustee only on a PRO RATA basis or on as nearly a PRO RATA basis as is practicable, subject to the procedures of The Depository Trust Company, unless such method is otherwise prohibited. Notice of redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each Holder whose Senior Subordinated Notes are to be redeemed at the registered address of such Holder. On and after the redemption date, interest ceases to accrue on the Senior Subordinated Notes or portions thereof called for redemption.

There is no sinking fund for the Senior Subordinated Notes.

THE SUBORDINATED GUARANTEES

Each of the Guarantors will, so long, in the case of a Restricted Subsidiary, as it remains a Restricted Subsidiary, unconditionally guarantee on a joint and several basis all of our obligations under the Senior Notes, including our obligations to pay principal, premium, if any, and interest with respect to the Senior Subordinated Notes. The obligations of each Guarantor other than the Company are limited to the maximum amount which, after giving effect to all other contingent and fixed liabilities of such Guarantor and after giving effect to any collections from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under its Subordinated Guarantee or pursuant to its contribution obligations under the Subordinated Indenture, will result in the obligations of such Guarantor under its Subordinated Guarantee not constituting a fraudulent conveyance or fraudulent transfer under federal or state law. Each Guarantor other than the Company that makes a payment or distribution under a Subordinated Guarantee

shall be entitled to a contribution from each other Guarantor in an amount PRO RATA, based on the net assets of each Guarantor, determined in accordance with GAAP. Except as provided in "--Certain Covenants" below, the Company is not restricted from selling or otherwise disposing of any of the Guarantors.

The Subordinated Indenture requires that each existing and future Restricted Subsidiary, other than KHL, Inc. and K. Hovnanian Poland, sp z.o.o., be a Guarantor. The Company is permitted to cause any Unrestricted Subsidiary to be a Guarantor.

The Subordinated Indenture provides that if all or substantially all of the assets of any Guarantor other than the Company or all of the Capital Stock of any Guarantor other than the Company is sold, including by consolidation, merger, issuance or otherwise, or disposed of, including by liquidation, dissolution or otherwise, by

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the Company or any of its Subsidiaries, or, unless the Company elects otherwise, if any Guarantor other than the Company is designated an Unrestricted Subsidiary in accordance with the terms of the Subordinated Indenture, then such Guarantor, in the event of a sale or other disposition of all of the Capital Stock of such Guarantor or a designation as an Unrestricted Subsidiary, or the Person acquiring such assets, in the event of a sale or other disposition of all or substantially all of the assets of such Guarantor, shall be deemed automatically and unconditionally released and discharged from any of its obligations under the Subordinated Indenture without any further action on the part of the Subordinated Trustee or any Holder of the Senior Subordinated Notes.

An Unrestricted Subsidiary that is a Guarantor shall be deemed automatically and unconditionally released and discharged from all obligations under its Subordinated Guarantee upon notice from the Company to the Subordinated Trustee to such effect, without any further action required on the part of the Subordinated Trustee or any holder.

A sale of assets or Capital Stock of a Guarantor may constitute an Asset Disposition subject to the "Limitations on Dispositions of Assets" covenant.

CERTAIN COVENANTS

The following is a summary of certain covenants that are contained in the Subordinated Indenture. Such covenants are applicable, unless waived or amended as permitted by the Subordinated Indenture, so long as any of the Senior Subordinated Notes are outstanding or until the Senior Subordinated Notes are defeased or discharged pursuant to provisions described under "--Defeasance of Subordinated Indenture" or "--Discharge of Subordinated Indenture".

REPURCHASE OF SENIOR SUBORDINATED NOTES UPON CHANGE OF CONTROL. In the event that there shall occur a Change of Control, each Holder of Senior Subordinated Notes shall have the right, at such holder's option, to require the Issuer to purchase all or any part of such Holder's Senior Subordinated Notes on a date, (the "REPURCHASE DATE") that is no later than 90 days after notice of the Change of Control, at 101% of the principal amount thereof plus accrued and unpaid interest and liquidated damages, if any, to the Repurchase Date.

On or before the thirtieth day after any Change of Control, the Issuer is obligated to mail or cause to be mailed, to all Holders of record of Senior Subordinated Notes a notice regarding the Change of Control and the repurchase right. The notice shall state the Repurchase Date, the date by which the repurchase right must be exercised, the price for the Senior Subordinated Notes and the procedure which the Holder must follow to exercise such right. Substantially simultaneously with mailing of the notice, the Issuer shall cause a copy of such notice to be published in a newspaper of general circulation in the Borough of Manhattan, The City of New York. To exercise such right, the Holder of such Subordinated Note must deliver at least ten days prior to the Repurchase Date written notice to the Issuer (or an agent designated by the Issuer for such purpose) of the Holder's exercise of such right, together with the Subordinated Note with respect to which the right is being exercised, duly endorsed for transfer; PROVIDED, HOWEVER, that if mandated by applicable law, a Holder may be permitted to deliver such written notice nearer to the Repurchase Date than may be specified by the Issuer.

The Issuer will comply with applicable law, including Section 14(e) of the Securities Exchange Act of 1934 (the "EXCHANGE ACT") and Rule 14e-1 thereunder, if applicable, if the Issuer is required to give a notice of a right of repurchase as a result of a Change of Control.

With respect to any disposition of assets, the phrase "all or substantially all" as used in the Subordinated Indenture (including as set forth under "Limitations on Mergers, Consolidations and Sales of Assets" below) varies according to the facts and circumstances of the subject transaction, has no clearly established meaning under New York law (which governs the Subordinated Indenture) and is subject to judicial interpretation. Accordingly, in certain circumstances there may be a degree of uncertainty in ascertaining whether a

particular transaction would involve a disposition of "all or substantially all" of the assets of the Company, and therefore it may be unclear as to whether a Change of Control has occurred and whether the Holders have the right to require the Issuer to repurchase Senior Subordinated Notes.

None of the provisions relating to a repurchase upon a Change of Control is waivable by the Board of Directors of the Issuer or the Company. The Company could, in the future, enter into certain transactions, including certain recapitalizations of the Company, that would not result in a Change of Control, but would increase the amount of Indebtedness outstanding at such time.

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The Subordinated Indenture requires the payment of money for Senior Subordinated Notes or portions thereof validly tendered to and accepted for payment by the Issuer pursuant to a Change of Control offer. In the event that a Change of Control has occurred under the Subordinated Indenture, a change of control will also have occurred under the Senior Indenture (as defined under "Description of the Exchange Notes -- 8.000% Senior Notes due 2012" above) and under the indentures governing the Issuer's 10 1/2% Senior Notes due 2007, 9% Senior Notes due 2009 and under the Revolving Credit Facility and the Term Loan Facility. If a Change of Control were to occur, there can be no assurance that the Issuer would have sufficient funds to pay the purchase price for all Senior Subordinated Notes and amounts due under other Indebtedness that the Company may be required to repurchase or repay or that the Company or the other Guarantors would be able to make such payments. In the event that the Issuer were required to purchase outstanding Senior Subordinated Notes pursuant to a Change of Control offer, the Company expects that it would need to seek third-party financing to the extent it does not have available funds to enable the Issuer to meet its purchase obligations. However, there can be no assurance that the Company would be able to obtain such financing.

Failure by the Issuer to purchase the Senior Subordinated Notes when required upon a Change of Control will result in an Event of Default with respect to the Senior Subordinated Notes.

These provisions could have the effect of deterring hostile or friendly acquisitions of the Company where the Person attempting the acquisition views itself as unable to finance the purchase of the principal amount of Senior Subordinated Notes which may be tendered to the Company upon the occurrence of a Change of Control.

LIMITATIONS ON INDEBTEDNESS. The Subordinated Indenture provides that the Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary, directly or indirectly, to create, incur, assume, become liable for or guarantee the payment of (which we refer to collectively as an "INCURRENCE") any Indebtedness (including Acquired Indebtedness) unless, after giving effect thereto and the application of the proceeds therefrom, the Consolidated Fixed Charge Coverage Ratio on the date thereof would be at least 2.0 to 1.0.

Notwithstanding the foregoing, the provisions of the Subordinated Indenture will not prevent the incurrence of:

- (1) Permitted Indebtedness,
- (2) Refinancing Indebtedness,
- (3) Non-Recourse Indebtedness,
- (4) any Subordinated Guarantee of Indebtedness represented by the Senior Subordinated Notes, and
- (5) any guarantee of Indebtedness incurred under Credit Facilities in compliance with the Subordinated Indenture.

For purposes of determining compliance with this covenant, in the event that an item of Indebtedness may be incurred through the first paragraph of this covenant or by meeting the criteria of one or more of the types of Indebtedness described in the second paragraph of this covenant (or the definitions of the terms used therein) the Company, in its sole discretion,

- (1) may classify such item of Indebtedness under and comply with either of such paragraphs, or any of such definitions, as applicable,
- (2) may classify and divide such item of Indebtedness into more than one of such paragraphs, or definitions, as applicable, and
- (3) may elect to comply with such paragraphs (or definitions), as applicable, in any order.

The Company and the Issuer will not, and will not cause or permit any Guarantor to, directly or indirectly, in any event incur any Indebtedness that purports to be by its terms (or by the terms of any agreement governing such

Indebtedness) subordinated to any other Indebtedness of the Company or of such Guarantor, as the case may be, unless such Indebtedness is also by its terms (or by the terms of any agreement governing such Indebtedness) made expressly subordinated to the Senior Subordinated Notes or the Subordinated Guarantee of such Guarantor, as the case may be, to the same extent and in the same manner as such Indebtedness is subordinated to such other Indebtedness of the Company or such Guarantor, as the case may be.

LIMITATIONS ON RESTRICTED PAYMENTS. The Subordinated Indenture provides that the Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, make any Restricted Payment unless:

- (1) no Default or Event of Default shall have occurred and be continuing at the time of or immediately after giving effect to such Restricted Payment;
- (2) immediately after giving effect to such Restricted Payment, the Company could incur at least \$1.00 of Indebtedness pursuant to the first paragraph of the "Limitations on Indebtedness" covenant; and
- (3) immediately after giving effect to such Restricted Payment, the aggregate amount of all Restricted Payments (including the Fair Market Value of any non-cash Restricted Payment) declared or made after May 4, 1999 does not exceed the sum of:
 - (a) 50% of the Consolidated Net Income of the Company on a cumulative basis during the period taken as one accounting period) from and including February 1, 1999 and ending on the last day of the Company's fiscal quarter immediately preceding the date of such Restricted Payment (or in the event such Consolidated Net Income shall be a deficit, MINUS 100% of such deficit), PLUS
 - (b) 100% of the aggregate net cash proceeds of and the Fair Market Value of Property received by the Company from (1) any capital contribution to the Company after February 1, 1999 or any issue or sale after February 1, 1999 of Qualified Stock (other than to any Subsidiary of the Company) and (2) the issue or sale after February 1, 1999 of any Indebtedness or other securities of the Company convertible into or exercisable for Qualified Stock of the Company that have been so converted or exercised, as the case may be, PLUS
 - (c) in the case of the disposition or repayment of any Investment constituting a Restricted Payment made after May 4, 1999, an amount (to the extent not included in the calculation of Consolidated Net Income referred to in (a)) equal to the lesser of (x) the return of capital with respect to such Investment (including by dividend, distribution or sale of Capital Stock) and (y) the amount of such Investment that was treated as a Restricted Payment, in either case, less the cost of the disposition or repayment of such Investment (to the extent not included in the calculation of Consolidated Net Income referred to in (a)), PLUS
 - (d) with respect to any Unrestricted Subsidiary that is redesignated as a Restricted Subsidiary after May 4, 1999, in accordance with the definition of Unrestricted Subsidiary (so long as the designation of such Subsidiary as an Unrestricted Subsidiary was treated as a Restricted Payment made after the Issue Date, and only to the extent not included in the calculation of Consolidated Net Income referred to in (a)), an amount equal to the lesser of (x) the proportionate interest of the Company or a Restricted Subsidiary in an amount equal to the excess of (I) the total assets of such Subsidiary, valued on an aggregate basis at the lesser of book value and Fair Market Value thereof, over (II) the total liabilities of such Subsidiary, determined in accordance with GAAP, and (y) the Designation Amount at the time of such Subsidiary's designation as an Unrestricted Subsidiary, PLUS
 - (e) \$17 million, MINUS
 - (f) the aggregate amount of all Restricted Payments (other than Restricted Payments referred to in clause (C) of the immediately succeeding paragraph) made after February 1, 1999 through May 4, 1999.

The foregoing clauses (2) and (3) will not prohibit:

- (A) the payment of any dividend within 60 days of its declaration if such dividend could have been made on the date of its declaration without violation of the provisions of the Subordinated Indenture;
- (B) the repurchase, redemption or retirement of any shares of Capital Stock of the Company in exchange for, or out of the net proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company) of, other shares of Qualified Stock; and

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- (C) the purchase, redemption or other acquisition, cancellation or retirement for value of Capital Stock, or options, warrants, equity appreciation rights or other rights to purchase or acquire Capital Stock, of the Company or any Subsidiary held by officers or employees or former officers or employees of the Company or any Subsidiary (or their estates or beneficiaries under their estates) not to exceed \$10 million in the aggregate since May 4, 1999;

PROVIDED, HOWEVER, that each Restricted Payment described in clauses (A) and (B) of this sentence shall be taken into account for purposes of computing the aggregate amount of all Restricted Payments pursuant to clause (3) of the immediately preceding paragraph.

For purposes of determining the aggregate and permitted amounts of Restricted Payments made, the amount of any guarantee of any Investment in any Person that was initially treated as a Restricted Payment and which was subsequently terminated or expired, net of any amounts paid by the Company or any Restricted Subsidiary in respect of such guarantee, shall be deducted.

In determining the "Fair Market Value of Property" for purposes of clause (3) of the first paragraph of this covenant, Property other than cash, Cash Equivalents and Marketable Securities shall be deemed to be equal in value to the "equity value" of the Capital Stock or other securities issued in exchange therefor. The equity value of such Capital Stock or other securities shall be equal to (i) the number of shares of Common Equity issued in the transaction (or issuable upon conversion or exercise of the Capital Stock or other securities issued in the transaction) multiplied by the closing sale price of the Common Equity on its principal market on the date of the transaction (less, in the case of Capital Stock or other securities which require the payment of consideration at the time of conversion or exercise, the aggregate consideration payable thereupon) or (ii) if the Common Equity is not then traded on the New York Stock Exchange, American Stock Exchange or Nasdaq National Market, or if the Capital Stock or other securities issued in the transaction do not consist of Common Equity (or Capital Stock or other securities convertible into or exercisable for Common Equity), the value (if more than \$10 million) of such Capital Stock or other securities as determined by a nationally recognized investment banking firm retained by the Board of Directors of the Company.

LIMITATIONS ON TRANSACTIONS WITH AFFILIATES. The Subordinated Indenture provides that the Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, make any loan, advance, guarantee or capital contribution to, or for the benefit of, or sell, lease, transfer or otherwise dispose of any property or assets to or for the benefit of, or purchase or lease any property or assets from, or enter into or amend any contract, agreement or understanding with, or for the benefit of, any Affiliate of the Company or any Affiliate of any of the Company's Subsidiaries or any holder of 10% or more of the Common Equity of the Company (including any Affiliates of such holders), in a single transaction or series of related transactions (each, an "AFFILIATE TRANSACTION"), except for any Affiliate Transaction the terms of which are at least as favorable as the terms which could be obtained by the Company, the Issuer or such Restricted Subsidiary, as the case may be, in a comparable transaction made on an arm's length basis with Persons who are not such a holder, an Affiliate of such a holder or an Affiliate of the Company or any of the Company's Subsidiaries.

In addition, the Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, enter into an Affiliate Transaction unless:

- (1) with respect to any such Affiliate Transaction involving or having a value of more than \$1 million, the Company shall have (x) obtained the approval of a majority of the Board of Directors of the Company and (y) either obtained the approval of a majority of the Company's disinterested directors or obtained an opinion of a qualified independent financial advisor to the effect that such Affiliate Transaction is fair to the Company, the Issuer or such Restricted Subsidiary, as the case may be, from a financial point of view, and
- (2) with respect to any such Affiliate Transaction involving or having a value of more than \$10 million, the Company shall have (x) obtained the approval of a majority of the Board of Directors of

the Company and (y) delivered to the Trustee an opinion of a qualified independent financial advisor to the effect that such Affiliate Transaction is fair to the Company, the Issuer or such Restricted Subsidiary, as the case may be, from a financial point of view.

The Subordinated Indenture also provides that notwithstanding the foregoing, an Affiliate Transaction will not include:

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- (1) any contract, agreement or understanding with, or for the benefit of, or plan for the benefit of, employees of the Company or its Subsidiaries generally (in their capacities as such) that has been approved by the Board of Directors of the Company,
- (2) Capital Stock issuances to directors, officers and employees of the Company or its Subsidiaries pursuant to plans approved by the stockholders of the Company,
- (3) any Restricted Payment otherwise permitted under the "Limitations on Restricted Payments" covenant,
- (4) any transaction between or among the Company and one or more Restricted Subsidiaries or between or among Restricted Subsidiaries (PROVIDED, HOWEVER, no such transaction shall involve any other Affiliate of the Company (other than an Unrestricted Subsidiary to the extent the applicable amount constitutes a Restricted Payment permitted by the Subordinated Indenture)),
- (5) any transaction between one or more Restricted Subsidiaries and one or more Unrestricted Subsidiaries where all of the payments to, or other benefits conferred upon, such Unrestricted Subsidiaries are substantially contemporaneously dividended, or otherwise distributed or transferred without charge, to the Company or a Restricted Subsidiary,
- (6) issuances, sales or other transfers or dispositions of mortgages and collateralized mortgage obligations in the ordinary course of business between Restricted Subsidiaries and Unrestricted Subsidiaries of the Company, and
- (7) the payment of reasonable and customary fees to, and indemnity provided on behalf of, officers, directors, employees or consultants of the Company, the Issuer or any Restricted Subsidiary.

LIMITATIONS ON DISPOSITIONS OF ASSETS. The Subordinated Indenture provides that the Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, make any Asset Disposition unless:

- (A) the Company (or such Restricted Subsidiary, as the case may be) receives consideration at the time of such Asset Disposition at least equal to the Fair Market Value thereof, and
- (B) not less than 70% of the consideration received by the Company (or such Restricted Subsidiary, as the case may be) is in the form of cash, Cash Equivalents and Marketable Securities.

The amount of (1) any Indebtedness (other than any Indebtedness subordinated to the Senior Subordinated Notes) of the Company or any Restricted Subsidiary that is actually assumed by the transferee in such Asset Disposition and (2) the fair market value (as determined in good faith by the Board of Directors of the Company) of any property or assets received that are used or useful in a Real Estate Business, shall be deemed to be consideration required by clause (B) above for purposes of determining the percentage of such consideration received by the Company or the Restricted Subsidiaries.

The Net Cash Proceeds of an Asset Disposition shall, within one year, at the Company's election, (a) be used by the Company or a Restricted Subsidiary in the business of the construction and sale of homes conducted by the Company and the Restricted Subsidiaries or any other business of the Company or a Restricted Subsidiary existing at the time of such Asset Disposition, (b) be used to repay Senior Indebtedness of the Issuer or any Guarantor or (c) to the extent not so used, be applied to make a Net Cash Proceeds offer for the Senior Subordinated Notes and, if the Company or a Restricted Subsidiary elects or is required to do so repay, purchase or redeem any other unsubordinated Indebtedness (on a PRO RATA basis if the amount available for such repayment, purchase or redemption is less than the aggregate amount of (1) the principal amount of the Senior Subordinated Notes tendered in such Net Cash Proceeds Offer and (2) the lesser of the principal amount, or accreted value, of such other unsubordinated Indebtedness, plus, in each case accrued interest to the date of repayment,

purchase or redemption) at 100% of the principal amount or accreted value thereof, as the case may be, plus accrued and unpaid interest and liquidated damages, if any, to the date of repurchase or repayment.

Notwithstanding the foregoing, (A) the Company will not be required to apply such Net Cash Proceeds to the repurchase of Senior Subordinated Notes in accordance with clause (c) of the preceding sentence except to the extent that such Net Cash Proceeds, together with the aggregate Net Cash Proceeds of prior Asset Dispositions (other than those so used) which have not been applied in accordance with this provision and as to which no prior

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Net Cash Proceeds offer shall have been made, exceed 5% of Consolidated Tangible Assets and (B) in connection with an Asset Disposition, the Company and the Restricted Subsidiaries will not be required to comply with the requirements of clause (B) of the first sentence of the first paragraph of this covenant to the extent that the non-cash consideration received in connection with such Asset Disposition, together with the sum of all non-cash consideration received in connection with all prior Asset Dispositions that has not yet been converted into cash, does not exceed 5% of Consolidated Tangible Assets; PROVIDED, HOWEVER, that when any non-cash consideration is converted into cash, such cash shall constitute Net Cash Proceeds and be subject to the preceding sentence.

LIMITATIONS ON LIENS. The Subordinated Indenture provides that the Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, create, incur, assume or suffer to exist any Liens, other than Permitted Liens, on any of its Property, or on any shares of Capital Stock or Indebtedness of any Restricted Subsidiary, which secures indebtedness other than Senior Indebtedness unless contemporaneously therewith or prior thereto all payments due under the Subordinated Indenture and the Senior Subordinated Notes are secured on an equal and ratable basis with the obligation or liability so secured until such time as such indebtedness is no longer secured by a Lien.

LIMITATION ON SENIOR SUBORDINATED INDEBTEDNESS. The Company and the Issuer will not, and will not cause or permit any Guarantor to, incur any Indebtedness that is subordinate in right of payment to any Senior Indebtedness unless such Indebtedness is PARI PASSU with, or subordinated in right of payment to, the Subordinated Notes or any Subordinated Note Guarantee; PROVIDED that the foregoing limitation shall not apply to distinctions between categories of Senior Indebtedness that exist by reason of any Liens or guarantees arising or created in respect of some but not all such Senior Indebtedness or priorities of paydown, from proceeds of collateral or otherwise, among classes or tranches of any issue of Senior Indebtedness.

LIMITATIONS ON RESTRICTIONS AFFECTING RESTRICTED SUBSIDIARIES. The Subordinated Indenture provides that the Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, create, assume or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction (other than encumbrances or restrictions imposed by law or by judicial or regulatory action or by provisions of agreements that restrict the assignability thereof) on the ability of any Restricted Subsidiary to:

- (1) pay dividends or make any other distributions on its Capital Stock or any other interest or participation in, or measured by, its profits, owned by the Company or any other Restricted Subsidiary, or pay interest on or principal of any Indebtedness owed to the Company or any other Restricted Subsidiary,
- (2) make loans or advances to the Company or any other Restricted Subsidiary, or
- (3) transfer any of its property or assets to the Company or any other Restricted Subsidiary, except for:
 - (a) encumbrances or restrictions existing under or by reason of applicable law,
 - (b) contractual encumbrances or restrictions in effect on the Issue Date and any amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings thereof, provided that such amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings are no more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in such contractual encumbrances or restrictions, as in effect on May 4, 1999,
 - (c) any restrictions or encumbrances arising under Acquired Indebtedness; provided, that such encumbrance or restriction applies only to either the assets that were subject to the restriction or encumbrance at the time of

the acquisition or the obligor on such Indebtedness and its Subsidiaries prior to such acquisition,

- (d) any restrictions or encumbrances arising in connection with Refinancing Indebtedness; PROVIDED, HOWEVER, that any restrictions and encumbrances of the type described in this clause (d) that arise under such Refinancing Indebtedness shall not be materially more restrictive or apply to additional assets than those under the agreement creating or evidencing the Indebtedness being refunded, refinanced, replaced or extended,

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- (e) any Permitted Lien, or any other agreement restricting the sale or other disposition of property, securing Indebtedness permitted by the Subordinated Indenture if such Permitted Lien or agreement does not expressly restrict the ability of a Subsidiary of the Company to pay dividends or make or repay loans or advances prior to default thereunder,
- (f) reasonable and customary borrowing base covenants set forth in agreements evidencing Indebtedness otherwise permitted by the Subordinated Indenture,
- (g) customary non-assignment provisions in leases, licenses, encumbrances, contracts or similar assets entered into or acquired in the ordinary course of business,
- (h) any restriction with respect to a Restricted Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Restricted Subsidiary pending the closing of such sale or disposition,
- (i) encumbrances or restrictions existing under or by reason of the Subordinated Indenture or the Senior Subordinated Notes,
- (j) purchase money obligations that impose restrictions on the property so acquired of the nature described in clause (3) of the preceding paragraph,
- (k) Liens permitted under the Subordinated Indenture securing Indebtedness that limit the right of the debtor to dispose of the assets subject to such Lien,
- (l) provisions with respect to the disposition or distribution of assets or property in joint venture agreements, assets sale agreements, stock sale agreements and other similar agreements,
- (m) customary provisions of any franchise, distribution or similar agreements,
- (n) restrictions on cash or other deposits or net worth imposed by contracts entered into in the ordinary course of business, and
- (o) any encumbrance or restrictions of the type referred to in clauses (1), (2) or (3) of the first paragraph of this section imposed by any amendments, modifications, restatements, renewals, supplements, refinancings, replacements or refinancings of the contracts, instruments or obligations referred to in clauses (a) through (n) of this paragraph, provided that such amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings are, in the good faith judgment of the Company's Board of Directors, no more restrictive with respect to such dividend and other payment restrictions than those contained in the dividend or other payment restrictions prior to such amendment, modification, restatement, renewal, supplement, refunding, replacement or refinancing.

LIMITATIONS ON MERGERS, CONSOLIDATIONS AND SALES OF ASSETS. The Subordinated Indenture provides that neither the Issuer nor any Guarantor will consolidate or merge with or into, or sell, lease, convey or otherwise dispose of all or substantially all of its assets (including, without limitation, by way of liquidation or dissolution), or assign any of its obligations under the Senior Subordinated Notes, the Subordinated Guarantees or the Subordinated Indenture (as an entirety or substantially as an entirety in one transaction or in a series of related transactions), to any Person (in each case other than in

a transaction in which the Company, the Issuer or a Restricted Subsidiary is the survivor of a consolidation or merger, or the transferee in a sale, lease, conveyance or other disposition) unless:

- (1) the Person formed by or surviving such consolidation or merger (if other than the Company, the Issuer or the Guarantor, as the case may be), or to which such sale, lease, conveyance or other disposition or assignment will be made (collectively, the "SUCCESSOR"), is a corporation or other legal entity organized and existing under the laws of the United States or any state thereof or the District of Columbia, and the Successor assumes by supplemental indenture in a form reasonably satisfactory to the Trustee all of the obligations of the Company, the Issuer or the Guarantor, as the case may be, under the Senior Subordinated Notes or a Subordinated Guarantee, as the case may be, and the Subordinated Indenture,
- (2) immediately after giving effect to such transaction, no Default or Event of Default has occurred and is continuing, and

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- (3) immediately after giving effect to such transaction, the Company (or its Successor) could incur at least \$1.00 of Indebtedness pursuant to the first paragraph of the "Limitation on Indebtedness" covenant.

The foregoing provisions shall not apply to:

- o a transaction involving the sale or disposition of Capital Stock of a Guarantor, or the consolidation or merger of a Guarantor, or the sale, lease, conveyance or other disposition of all or substantially all of the assets of a Guarantor, that in any such case results in such Guarantor being released from its Subordinated Guarantee as provided under "--The Subordinated Guarantees" above, or
- o a transaction the purpose of which is to change the state of incorporation of the Company, the Issuer or any Guarantor.

REPORTS TO HOLDERS OF SENIOR SUBORDINATED NOTES. The Company shall file with the Commission the annual reports and the information, documents and other reports required to be filed pursuant to Section 13 or 15(d) of the Exchange Act. The Company shall file with the Trustee and mail to each holder of record of Senior Subordinated Notes such reports, information and documents within 15 days after it files them with the Commission. In the event that the Company is no longer subject to these periodic requirements of the Exchange Act, it will nonetheless continue to file reports with the Commission and the Subordinated Trustee and mail such reports to each holder of Senior Subordinated Notes as if it were subject to such reporting requirements. Regardless of whether the Company is required to furnish such reports to its stockholders pursuant to the Exchange Act, the Company will cause its consolidated financial statements and a "Management's Discussion and Analysis of Results of Operations and Financial Condition" written report, similar to those that would have been required to appear in annual or quarterly reports, to be delivered to Holders of Senior Subordinated Notes.

EVENTS OF DEFAULT

The following are Events of Default under the Subordinated Indenture:

- (1) the failure by the Company, the Issuer and the Guarantors to pay interest on, or liquidated damages with respect to, any Note when the same becomes due and payable and the continuance of any such failure for a period of 30 days;
- (2) the failure by the Company, the Issuer and the Guarantors to pay the principal or premium of any Subordinated Note when the same becomes due and payable at maturity, upon acceleration or otherwise;
- (3) the failure by the Company, the Issuer or any Restricted Subsidiary to comply with any of its agreements or covenants in, or provisions of, the Senior Subordinated Notes, the Subordinated Guarantees or the Subordinated Indenture and such failure continues for the period and after the notice specified below (except in the case of a default under covenants described under "Certain Covenants--Repurchase of Senior Subordinated Notes upon Change of Control" and "Limitations on Mergers, Consolidations and Sales of Assets," which will constitute Events of Default with notice but without passage of time);
- (4) the acceleration of any Indebtedness (other than Non-Recourse

Indebtedness) of the Company, the Issuer or any Restricted Subsidiary that has an outstanding principal amount of \$10 million or more, individually or in the aggregate, and such acceleration does not cease to exist, or such Indebtedness is not satisfied, in either case within 30 days after such acceleration;

- (5) the failure by the Company, the Issuer or any Restricted Subsidiary to make any principal or interest payment in an amount of \$10 million or more, individually or in the aggregate, in respect of Indebtedness (other than Non-Recourse Indebtedness) of the Company or any Restricted Subsidiary within 30 days of such principal or interest becoming due and payable (after giving effect to any applicable grace period set forth in the documents governing such Indebtedness);
- (6) a final judgment or judgments that exceed \$10 million or more, individually or in the aggregate, for the payment of money having been entered by a court or courts of competent jurisdiction

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against the Company, the Issuer or any of its Restricted Subsidiaries and such judgment or judgments is not satisfied, stayed, annulled or rescinded within 60 days of being entered;

- (7) the Company or any Restricted Subsidiary that is a Significant Subsidiary pursuant to or within the meaning of any Bankruptcy Law:
 - (a) commences a voluntary case,
 - (b) consents to the entry of an order for relief against it in an involuntary case,
 - (c) consents to the appointment of a Custodian of it or for all or substantially all of its property, or
 - (d) makes a general assignment for the benefit of creditors.
- (8) A court of competent jurisdiction enters an order or decree under any Bankruptcy law that:
 - (a) is for relief against the Company or any Restricted Subsidiary that is a Significant Subsidiary as debtor in an involuntary case,
 - (b) appoints a Custodian of the Company or any Restricted Subsidiary that is a Significant Subsidiary or a Custodian for all or substantially all of the property of the Company or any Restricted Subsidiary that is a Significant Subsidiary, or
 - (c) orders the liquidation of the Company or any Restricted Subsidiary that is a Significant Subsidiary,and the order remains unstayed and in effect for 60 days or
- (9) any Subordinated Guarantee of a Guarantor which is a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Subordinated Guarantee and the Subordinated Indenture) or is declared null and void and unenforceable or found to be invalid or any Guarantor denies its liability under its Subordinated Guarantee (other than by reason of release of a Guarantor from its Subordinated Guarantee in accordance with the terms of the Subordinated Indenture and the Subordinated Guarantee).

A Default as described in subclause (3) above will not be deemed an Event of Default until the Subordinated Trustee notifies the Company, or the Holders of at least 25 percent in principal amount of the then outstanding Senior Subordinated Notes notify the Company and the Trustee, of the Default and (except in the case of a default with respect to covenants described under "Certain Covenants--Repurchase of Senior Subordinated Notes upon Change of Control" and "Limitations on Mergers, Consolidations and Sales of Assets") the Company does not cure the Default within 60 days after receipt of the notice. The notice must specify the Default, demand that it be remedied and state that the notice is a "Notice of Default." If such a Default is cured within such time period, it ceases.

If an Event of Default (other than an Event of Default with respect to the Company resulting from subclauses (7) or (8) above), shall have occurred and be continuing under the Subordinated Indenture, the Subordinated Trustee by notice to the Company, or the Holders of at least 25 percent in principal amount of the Senior Subordinated Notes then outstanding by notice to the Company and

the Subordinated Trustee, may declare all Senior Subordinated Notes to be due and payable immediately. Upon such declaration of acceleration, the amounts due and payable on the Senior Subordinated Notes will be due and payable immediately. If an Event of Default with respect to the Company specified in subclauses (7) or (8) above occurs, such an amount will IPSO FACTO become and be immediately due and payable without any declaration, notice or other act on the part of the Trustee and the Company or any Holder.

The Holders of a majority in principal amount of the Senior Subordinated Notes then outstanding by written notice to the Subordinated Trustee and the Company may waive any Default or Event of Default (other than any Default or Event of Default in payment of principal or interest) on the Senior Subordinated Notes under the Subordinated Indenture. Holders of a majority in principal amount of the then outstanding Senior Subordinated Notes may rescind an acceleration and its consequence (except an acceleration due to nonpayment of principal or interest on the Senior Subordinated Notes) if the rescission would not conflict with any judgment or decree and if all existing Events of Default (other than the non-payment of accelerated principal) have been cured or waived.

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The Holders may not enforce the provisions of the Subordinated Indenture, the Senior Subordinated Notes or the Subordinated Guarantees except as provided in the Subordinated Indenture. Subject to certain limitations, Holders of a majority in principal amount of the Senior Subordinated Notes then outstanding may direct the Subordinated Trustee in its exercise of any trust or power, PROVIDED, HOWEVER, that such direction does not conflict with the terms of the Subordinated Indenture. The Subordinated Trustee may withhold from the Holders notice of any continuing Default or Event of Default (except any Default or Event of Default in payment of principal or interest on the Subordinated Notes or that resulted from the failure to comply with the covenant entitled "Repurchase of Notes upon Change of Control") if the Subordinated Trustee determines that withholding such notice is in the Holders' interest.

The Company is required to deliver to the Subordinated Trustee an annual statement regarding compliance with the Subordinated Indenture, and include in such statement, if any officer of the Company is aware of any Default or Event of Default, a statement specifying such Default or Event of Default and what action the Company is taking or proposes to take with respect thereto. In addition, the Company is required to deliver to the Subordinated Trustee prompt written notice of the occurrence of any Default or Event of Default.

DEFEASANCE OF SUBORDINATED INDENTURE

The Subordinated Indenture permits the Issuer, the Company and the other Guarantors to terminate all of their respective obligations under the Subordinated Indenture with respect to the Senior Subordinated Notes and the Subordinated Guarantees, other than the obligation to pay interest on and the principal of the Senior Subordinated Notes and certain other obligations, at any time by

- o depositing in trust with the Subordinated Trustee, under an irrevocable trust agreement, money or U.S. government obligations in an amount sufficient to pay principal of and interest and liquidated damages, if any, on the Senior Subordinated Notes to their maturity, and
- o complying with certain other conditions, including delivery to the Subordinated Trustee of an opinion of counsel or a ruling received from the Internal Revenue Service to the effect that Holders will not recognize income, gain or loss for federal income tax purposes as a result of the Company's exercise of such right and will be subject to federal income tax on the same amount and in the same manner and at the same times as would have been the case otherwise.

In addition, the Subordinated Indenture permits the Company, the Issuer and the Guarantors to terminate all of their obligations under the Subordinated Indenture with respect to the Senior Subordinated Notes and the Subordinated Guarantees (including the obligations to pay interest on and the principal of the Subordinated Notes and certain other obligations), at any time by

- o depositing in trust with the Subordinated Trustee, under an irrevocable trust agreement, money or U.S. government obligations in an amount sufficient to pay principal of and interest and liquidated damages, if any, on the Senior Subordinated Notes to their maturity, and
- o complying with certain other conditions, including delivery to the Subordinated Trustee of an opinion of counsel or a ruling, received from the Internal Revenue Service, to the effect that Holders will not recognize income, gain or loss for federal income tax purposes as a result of the Company's exercise of such right and will be subject to federal income tax on the same amount and

in the same manner and at the same times as would have been the case otherwise, which opinion of counsel is based upon a change in the applicable federal tax law since the date of the Subordinated Indenture.

DISCHARGE OF SUBORDINATED INDENTURE

The Issuer, the Company and the other Guarantors may terminate all of their respective obligations under the Subordinated Indenture with respect to the Senior Subordinated Notes, the Subordinated Indenture and the Subordinated Guarantees, other than the obligation to pay interest on and the principal of the Senior Subordinated Notes and certain other obligations to the Subordinated Trustee, if:

- o all Senior Subordinated Notes previously authenticated and delivered, other than those destroyed, lost, replaced or stolen, those previously paid in accordance with the Subordinated Indenture or those for whose payment money or U.S. Government Obligations have been held in trust, have been delivered to

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the Subordinated Trustee for cancellation and the Issuer had paid all sums payable by it under the Subordinated Indenture; or

- o the Senior Subordinated Notes mature within one year, or all of them are called for redemption within one year under arrangements satisfactory to the Subordinated Trustee for giving notice of redemption; the Issuer deposits in trust with the Subordinated Trustee, under an irrevocable trust agreement, money or U.S. government obligations in an amount sufficient to pay principal of and interest and liquidated damages, if any, on the Senior Subordinated Notes to their maturity or redemption, as the case may be; no Default has occurred and is continuing on the date of the deposit and the deposit will not result in a breach or violation of, or constitute a default under the Subordinated Indenture or any other agreement binding the Issuer; and the Issuer delivers to the Subordinated Trustee an Officer's Certificate and an Opinion of Counsel, in each case, stating that all the conditions precedent provided in the Subordinated Indenture for satisfaction and discharge of the Subordinated Indenture have been complied with.

In either case, the Subordinated Trustee, upon request, and at the expense of the Issuer, will provide written acknowledgement of the discharge of the Issuer's obligations under the Senior Subordinated Notes and the Subordinated Indenture, except for certain surviving obligations.

TRANSFER AND EXCHANGE

A Holder may transfer or Senior Subordinated Notes only in accordance with the provisions of the Subordinated Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents, and to pay any taxes and fees required by law or permitted by the Subordinated Indenture.

AMENDMENT, SUPPLEMENT AND WAIVER

Subject to certain exceptions, the Subordinated Indenture, the Senior Subordinated Notes or the Subordinated Guarantees may be amended or supplemented with the consent (which may include consents obtained in connection with a tender offer or exchange offer for Senior Subordinated Notes) of the Holders of at least a majority in principal amount of the Senior Subordinated Notes then outstanding, and any existing Default under, or compliance with any provision of the Subordinated Indenture may be waived (other than any continuing Default or Event of Default in the payment of interest on or the principal of the Subordinated Notes) with the consent (which may include consents obtained in connection with a tender offer or exchange offer for Subordinated Notes) of the Holders of a majority in principal amount of the Senior Subordinated Notes then outstanding. Without the consent of any Holder, the Company, the Issuer, the Guarantors and the Subordinated Trustee may amend or supplement the Subordinated Indenture, the Senior Subordinated Notes or the Subordinated Guarantees to cure any ambiguity, defect or inconsistency; to comply with the "Limitations on Mergers, Consolidations and Sales of Assets" covenant set forth in the Subordinated Indenture; to provide for uncertificated Senior Subordinated Notes in addition to or in place of certificated Senior Subordinated Notes; to make any change that does not adversely affect the legal rights of any Holder; to add a Guarantor; or to delete a Guarantor which, in accordance with the terms of the Subordinated Indenture, ceases to be liable on its Subordinated Guarantee.

Without the consent of each Holder affected, the Company, the Issuer, the Guarantors and the Subordinated Trustee may not:

- (1) reduce the amount of Senior Subordinated Notes whose Holders must

consent to an amendment, supplement or waiver,

- (2) reduce the rate of or change the time for payment of interest, including default interest, on any Subordinated Note,
- (3) reduce the principal of or change the fixed maturity of any Subordinated Note or alter the provisions (including related definitions) with respect to redemptions described under "Optional Redemption" or with respect to mandatory offers to repurchase Senior Subordinated Notes described under "Limitations on Dispositions of Assets" or "Repurchase of Senior Subordinated Notes upon Change of Control",
- (4) make any Subordinated Note payable in money other than that stated in the Subordinated Note,

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- (5) make any change in the "Waiver of Past Defaults and Compliance with Indenture Provisions," "Rights of Holders to Receive Payment" or the "With Consent of Holders" sections set forth in the Subordinated Indenture,
- (6) modify the ranking or priority of the Senior Subordinated Notes or any Subordinated Guarantee,
- (7) release any Guarantor from any of its obligations under its Subordinated Guarantee or the Subordinated Indenture otherwise than in accordance with the Subordinated Indenture, or
- (8) waive a continuing Default or Event of Default in the payment of principal of or interest on the Senior Subordinated Notes.

The right of any Holder to participate in any consent required or sought pursuant to any provision of the Subordinated Indenture (and our obligation to obtain any such consent otherwise required from such Holder) may be subject to the requirement that such Holder shall have been the Holder of record of any Notes with respect to which such consent is required or sought as of a date identified by the Trustee in a notice furnished to Holders in accordance with the terms of the Subordinated Indenture.

STATEMENT AS TO COMPLIANCE

The Company must deliver to the Subordinated Trustee, within 120 days after the end of each fiscal year, a written statement by the Company's independent public accountants stating (A) that their audit examination has included a review of the terms of the Subordinated Indenture and the Senior Subordinated Notes as they relate to accounting matters, and (B) whether, in connection with their audit examination, any Default has come to their attention and, if a Default has come to their attention, specifying the nature and period of the existence thereof.

The Company must also deliver to the Subordinated Trustee, on or prior to each Interest Payment Date, an Officer's Certificate setting forth the amount of Liquidated Damages, if any, the Issuer is required to pay on that Interest Payment Date. If no Liquidated Damages are required to be paid on a given Interest Payment Date, no Officer's Certificate is required to be delivered to the Subordinated Trustee for that Interest Payment Date.

GOVERNING LAW

The Subordinated Indenture, the Senior Subordinated Notes and the Subordinated Guarantees are governed by the laws of the State of New York.

DEFINITIONS OF CERTAIN TERMS USED IN THE SUBORDINATED INDENTURE

Set forth below is a summary of certain of the defined terms used in the Subordinated Indenture. Reference is made to the Subordinated Indenture for the full definition of all terms used in the Subordinated Indenture.

"ACQUIRED INDEBTEDNESS" means (1) with respect to any Person that becomes a Restricted Subsidiary (or is merged into the Company, the Issuer or any Restricted Subsidiary) after the Issue Date, Indebtedness of such Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary (or is merged into the Company, the Issuer or any Restricted Subsidiary) that was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary (or being merged into the Company, the Issuer or any Restricted Subsidiary) and (2) with respect to the Company, the Issuer or any Restricted Subsidiary, any Indebtedness expressly assumed by the Company, the Issuer or any Restricted Subsidiary in connection with the acquisition of any assets from another Person (other than the Company, the Issuer or any Restricted Subsidiary), which Indebtedness was not incurred by such other Person in connection with or in contemplation of such acquisition. Indebtedness incurred in connection with or in contemplation of any transaction

described in clause (1) or (2) of the preceding sentence shall be deemed to have been incurred by the Company or a Restricted Subsidiary, as the case may be, at the time such Person becomes a Restricted Subsidiary (or is merged into the Company, the Issuer or any Restricted Subsidiary) in the case of clause (1) or at the time of the acquisition of such assets in the case of clause (2), but shall not be deemed Acquired Indebtedness.

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

"ASSET ACQUISITION" means (1) an Investment by the Company, the Issuer or any Restricted Subsidiary in any other Person if, as a result of such Investment, such Person shall become a Restricted Subsidiary or shall be consolidated or merged with or into the Company, the Issuer or any Restricted Subsidiary or (2) the acquisition by the Company, the Issuer or any Restricted Subsidiary of the assets of any Person, which constitute all or

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substantially all of the assets or of an operating unit or line of business of such Person or which is otherwise outside the ordinary course of business.

"ASSET DISPOSITION" means any sale, transfer, conveyance, lease or other disposition (including, without limitation, by way of merger, consolidation or sale and leaseback or sale of shares of Capital Stock in any Subsidiary) (each, a "TRANSACTION") by the Company, the Issuer or any Restricted Subsidiary to any Person of any Property having a Fair Market Value in any transaction or series of related transactions of at least \$5 million. The term "ASSET DISPOSITION" shall not include:

- (1) a transaction between the Company, the Issuer and any Restricted Subsidiary or a transaction between Restricted Subsidiaries,
- (2) a transaction in the ordinary course of business, including, without limitation, sales (directly or indirectly), dedications and other donations to governmental authorities, leases and sales and leasebacks of (A) homes, improved land and unimproved land and (B) real estate (including related amenities and improvements),
- (3) a transaction involving the sale of Capital Stock of, or the disposition of assets in, an Unrestricted Subsidiary,
- (4) any exchange or swap of assets of the Company, the Issuer or any Restricted Subsidiary for assets that (A) are to be used by the Company, the Issuer or any Restricted Subsidiary in the ordinary course of its Real Estate Business and (B) have a Fair Market Value not less than the Fair Market Value of the assets exchanged or swapped,
- (5) any sale, transfer, conveyance, lease or other disposition of assets and properties that is governed by the provisions relating to "Limitations on Mergers, Consolidation and Sales of Assets", or
- (6) dispositions of mortgage loans and related assets and mortgage-backed securities in the ordinary course of a mortgage lending business.

"ATTRIBUTABLE DEBT" means, with respect to any Capitalized Lease Obligations, the capitalized amount thereof determined in accordance with GAAP.

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

"CAPITAL STOCK" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated) of or in such Person's capital stock or other equity interests, and options, rights or warrants to purchase such capital stock or other equity interests, whether now outstanding or issued after the Issue Date, including, without limitation, all Disqualified Stock and Preferred Stock.

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

"CASH EQUIVALENTS" means

- (1) U.S. dollars;
- (2) securities issued or directly and fully guaranteed or insured by the U.S. government or any agency or instrumentality thereof having maturities of one year or less from the date of

acquisition;

- (3) certificates of deposit and eurodollar time deposits with maturities of one year or less from the date of acquisition, bankers' acceptances with maturities not exceeding six months and overnight bank deposits, in each case with any domestic commercial bank having capital and surplus in excess of \$500 million;
- (4) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (2) and (3) entered into with any financial institution meeting the qualifications specified in clause (3) above;
- (5) commercial paper rated P-1, A-1 or the equivalent thereof by Moody's or S&P, respectively, and in each case maturing within six months after the date of acquisition; and

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- (6) investments in money market funds substantially all of the assets of which consist of securities described in the foregoing clauses (1) through (5).

"CHANGE OF CONTROL" means

- (1) any sale, lease or other transfer (in one transaction or a series of transactions) of all or substantially all of the consolidated assets of the Company and its Restricted Subsidiaries to any Person (other than a Restricted Subsidiary); PROVIDED, HOWEVER, that a transaction where the holders of all classes of Common Equity of the Company immediately prior to such transaction own, directly or indirectly, more than 50% of all classes of Common Equity of such Person immediately after such transaction shall not be a Change of Control;
- (2) a "person" or "group" (within the meaning of Section 13(d) of the Exchange Act (other than (x) the Company or (y) the Permitted Hovnanian Holders) becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of Common Equity of the Company representing more than 50% of the voting power of the Common Equity of the Company;
- (3) Continuing Directors cease to constitute at least a majority of the Board of Directors of the Company;
- (4) the stockholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company; PROVIDED, HOWEVER, that a liquidation or dissolution of the Company which is part of a transaction that does not constitute a Change of Control under the proviso contained in clause (1) above shall not constitute a Change of Control; or
- (5) a change of control shall occur as defined in the instrument governing any publicly traded debt securities of the Company or the Issuer which requires the Company or the Issuer to repay or repurchase such debt securities.

"COMMON EQUITY" of any Person means Capital Stock of such Person that is generally entitled to (1) vote in the election of directors of such Person or (2) if such Person is not a corporation, vote or otherwise participate in the selection of the governing body, partners, managers or others that will control the management or policies of such Person.

"CONSOLIDATED ADJUSTED TANGIBLE ASSETS" of the Company as of any date means the Consolidated Tangible Assets of the Company, the Issuer and the Restricted Subsidiaries at the end of the fiscal quarter immediately preceding the date less any assets securing any Non-Recourse Indebtedness, as determined in accordance with GAAP.

"CONSOLIDATED CASH FLOW AVAILABLE FOR FIXED CHARGES" means, for any period Consolidated Net Income for such period plus (each to the extent deducted in calculating such Consolidated Net Income and determined in accordance with GAAP) the sum for such period, without duplication, of:

- (1) income taxes,
- (2) Consolidated Interest Expense,
- (3) depreciation and amortization expenses and other non-cash charges to earnings and
- (4) interest and financing fees and expenses which were previously capitalized and which are amortized to cost of sales, MINUS

all other non-cash items (other than the receipt of notes receivable) increasing such Consolidated Net Income.

"CONSOLIDATED FIXED CHARGE COVERAGE RATIO" means, with respect to any determination date, the ratio of (x) Consolidated Cash Flow Available for Fixed Charges for the prior four full fiscal quarters (the "FOUR QUARTER PERIOD") for which financial results have been reported immediately preceding the determination date (the "TRANSACTION DATE"), to (y) the aggregate Consolidated Interest Incurred for the Four Quarter Period. For purposes of this definition, "CONSOLIDATED CASH FLOW AVAILABLE FOR FIXED CHARGES" and "CONSOLIDATED INTEREST INCURRED" shall be calculated after giving effect on a PRO FORMA basis for the period of such calculation to

- (1) the incurrence or the repayment, repurchase, defeasance or other discharge or the assumption by another Person that is not an Affiliate (collectively, "REPAYMENT") of any Indebtedness of the Company, the Issuer or any Restricted Subsidiary (and the application of the proceeds thereof)

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giving rise to the need to make such calculation, and any incurrence or repayment of other Indebtedness (and the application of the proceeds thereof), at any time on or after the first day of the Four Quarter Period and on or prior to the Transaction Date, as if such incurrence or repayment, as the case may be (and the application of the proceeds thereof), occurred on the first day of the Four Quarter Period, except that Indebtedness under revolving credit facilities shall be deemed to be the average daily balance of such Indebtedness during the Four Quarter Period (as reduced on such PRO FORMA basis by the application of any proceeds of the incurrence of Indebtedness giving rise to the need to make such calculation);

- (2) any Asset Disposition or Asset Acquisition (including, without limitation, any Asset Acquisition giving rise to the need to make such calculation as a result of the Company, the Issuer or any Restricted Subsidiary (including any Person that becomes a Restricted Subsidiary as a result of any such Asset Acquisition) incurring Acquired Indebtedness at any time on or after the first day of the Four Quarter Period and on or prior to the Transaction Date), as if such Asset Disposition or Asset Acquisition (including the incurrence or repayment of any such Indebtedness) and the inclusion, notwithstanding clause (2) of the definition of "Consolidated Net Income," of any Consolidated Cash Flow Available for Fixed Charges associated with such Asset Acquisition as if it occurred on the first day of the Four Quarter Period; PROVIDED, HOWEVER, that the Consolidated Cash Flow Available for Fixed Charges associated with any Asset Acquisition shall not be included to the extent the net income so associated would be excluded pursuant to the definition of "Consolidated Net Income," other than clause (2) thereof, as if it applied to the Person or assets involved before they were acquired, and
- (3) the Consolidated Cash Flow Available for Fixed Charges and the Consolidated Interest Incurred attributable to discontinued operations, as determined in accordance with GAAP, shall be excluded.

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

- (a) interest on Indebtedness in respect of which a PRO FORMA calculation is required that is determined on a fluctuating basis as of the Transaction Date (including Indebtedness actually incurred on the Transaction Date) and which will continue to be so determined thereafter shall be deemed to have accrued at a fixed rate PER ANNUM equal to the rate of interest on such Indebtedness in effect on the Transaction Date, and
- (b) notwithstanding clause (a) above, interest on such Indebtedness determined on a fluctuating basis, to the extent such interest is covered by agreements relating to Interest Protection Agreements, shall be deemed to accrue at the rate PER ANNUM resulting after giving effect to the operation of such agreements.

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

"CONSOLIDATED INTEREST INCURRED" for any period means the Interest

Incurring of the Company, the Issuer and the Restricted Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP.

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

- (1) the net income (or loss) of (x) any Unrestricted Subsidiary (other than a Mortgage Subsidiary) or (y) any Person (other than a Restricted Subsidiary or a Mortgage Subsidiary) in which any Person other than the Company, the Issuer or any Restricted Subsidiary has an ownership interest, except, in each case, to the extent that any such income has actually been received by the Company, the Issuer or any Restricted Subsidiary in the form of cash dividends or similar cash distributions during such period, which dividends or distributions are not in excess of the Company's, the Issuer's or such Restricted Subsidiary's (as applicable) PRO RATA share of such Unrestricted Subsidiary's or such other Person's net income earned during such period,
- (2) except to the extent includable in Consolidated Net Income pursuant to the foregoing clause (1), the net income (or loss) of any Person that accrued prior to the date that (a) such Person becomes a Restricted Subsidiary or is merged with or into or consolidated with the Company, the Issuer or any of its Restricted Subsidiaries (except, in the case of an Unrestricted Subsidiary that is redesignated a Restricted Subsidiary during such period, to the extent of its retained earnings from the beginning of such period to the date of such redesignation) or (b) the assets of such Person are acquired by the Company or any Restricted Subsidiary,
- (3) the net income of any Restricted Subsidiary to the extent that (but only so long as) the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of that income is not permitted by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary during such period,
- (4) the gains or losses, together with any related provision for taxes, realized during such period by the Company, the Issuer or any Restricted Subsidiary resulting from (a) the acquisition of securities, or extinguishment of Indebtedness, of the Company or any Restricted Subsidiary or (b) any Asset Disposition by the Company or any Restricted Subsidiary,
- (5) any extraordinary gain or loss together with any related provision for taxes, realized by the Company, the Issuer or any Restricted Subsidiary, and
- (6) any non-recurring expense recorded by the Company, the Issuer or any Restricted Subsidiary in connection with a merger accounted for as a "pooling-of-interests" transaction;

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PROVIDED, FURTHER, that for purposes of calculating Consolidated Net Income solely as it relates to clause (3) of the first paragraph of the "Limitations on Restricted Payments" covenant, clause (4)(b) above shall not be applicable.

"CONSOLIDATED NET WORTH" of any Person as of any date means the stockholders' equity (including any Preferred Stock that is classified as equity under GAAP, other than Disqualified Stock) of such Person and its Restricted Subsidiaries on a consolidated basis at the end of the fiscal quarter immediately preceding such date, as determined in accordance with GAAP, less any amount attributable to Unrestricted Subsidiaries.

"CONSOLIDATED TANGIBLE ASSETS" of the Company as of any date means the total amount of assets of the Company, the Issuer and the Restricted Subsidiaries (less applicable reserves) on a consolidated basis at the end of the fiscal quarter immediately preceding such date, as determined in accordance with GAAP, less (1) Intangible Assets and (2) appropriate adjustments on account of minority interests of other Persons holding equity investments in Restricted Subsidiaries.

"CONTINUING DIRECTOR" means a director who either was a member of the Board of Directors of the Company on the date of the Subordinated Indenture or who became a director of the Company subsequent to such date and whose election or nomination for election by the Company's stockholders, was duly approved by a majority of the Continuing Directors on the Board of Directors of the Company at the time of such approval, either by a specific vote or by approval of the proxy

statement issued by the Company on behalf of the entire Board of Directors of the Company in which such individual is named as nominee for director.

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

"CREDIT FACILITIES" means, collectively, each of the credit facilities and lines of credit of the Company or one or more Restricted Subsidiaries in existence on the Issue Date and one or more other facilities and lines of credit among or between the Company or one or more Restricted Subsidiaries and one or more lenders pursuant to which the Company or one or more Restricted Subsidiaries may incur indebtedness for working capital and general corporate purposes (including acquisitions), as any such facility or line of credit may be amended, restated, supplemented or otherwise modified from time to time, and includes any agreement extending the maturity of, increasing the amount of, or restructuring, all or any portion of the Indebtedness under such facility or line of credit or any successor facilities or lines of credit and includes any facility or line of credit with one or more lenders refinancing or replacing all or any portion of the Indebtedness under such facility or line of credit or any successor facility or line of credit.

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"CURRENCY AGREEMENT" of any Person means any foreign exchange contract, currency swap agreement or other similar agreement or arrangement designed to protect such Person or any of its Subsidiaries against fluctuations in currency values.

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

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

"DESIGNATION AMOUNT" has the meaning provided in the definition of Unrestricted Subsidiary.

"DISQUALIFIED STOCK" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, (1) matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, in whole or in part, on or prior to the final maturity date of the Senior Subordinated Notes or (2) is convertible into or exchangeable or exercisable for (whether at the option of the issuer or the holder thereof) (a) debt securities or (b) any Capital Stock referred to in (1) above, in each case, at any time prior to the final maturity date of the Senior Subordinated Notes; PROVIDED, HOWEVER, that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof (or the holders of any security into or for which such Capital Stock is convertible, exchangeable or exercisable) the right to require the Company to repurchase or redeem such Capital Stock upon the occurrence of a change in control occurring prior to the final maturity date of the Senior Subordinated Notes shall not constitute Disqualified Stock if the change in control provision applicable to such Capital Stock are no more favorable to such holders than the provisions described under the caption "Certain Covenants--Repurchase of Notes upon Change of Control" and such Capital Stock specifically provides that the Company will not repurchase or redeem any such Capital Stock pursuant to such provisions prior to the Company's repurchase of the Senior Subordinated Notes as are required pursuant to the provisions described under the caption "Certain Covenants--Repurchase of Senior Subordinated Notes upon Change of Control".

"EVENT OF DEFAULT" has the meaning set forth in "Events of Default".

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

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession of the United States, as in effect on May 4, 1999.

"GUARANTORS" means (i) initially, each of the Company's Subsidiaries, other than the Issuer, certain subsidiaries formerly engaged in the issuance of collateralized mortgage obligations, the Company's mortgage lending and title subsidiaries and a subsidiary holding and licensing the Hovnanian trade name and

(ii) each of the Company's Subsidiaries which becomes a Guarantor of the Senior Subordinated Notes pursuant to the provisions of the Subordinated Indenture.

"HOLDER" means the Person in whose name a Note is registered in the books of the Registrar for the Subordinated Notes.

"INDEBTEDNESS" of any Person means, without duplication,

- (1) any liability of such Person (a) for borrowed money or under any reimbursement obligation relating to a letter of credit or other similar instruments (other than standby letters of credit or similar instrument issued for the benefit of or surety, performance, completion or payment bonds, earnest money notes or similar purpose undertakings or indemnifications issued by, such Person in the ordinary course of business), (b) evidenced by a bond, note, debenture or similar instrument (including a purchase money obligation) given in connection with the acquisition of any businesses, properties or assets of any kind or with services incurred in connection with capital expenditures (other than any obligation to pay a contingent purchase price which, as of the date of

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incurrence thereof is not required to be recorded as a liability in accordance with GAAP), or (c) in respect of Capitalized Lease Obligations (to the extent of the Attributable Debt in respect thereof),

- (2) any Indebtedness of others that such Person has guaranteed to the extent of the guarantee; PROVIDED, HOWEVER, that Indebtedness of the Company and its Restricted Subsidiaries will not include the obligations of the Company or a Restricted Subsidiary under warehouse lines of credit of Mortgage Subsidiaries to repurchase mortgages at prices no greater than 98% of the principal amount thereof, and upon any such purchase the excess, if any, of the purchase price thereof over the Fair Market Value of the mortgages acquired, will constitute Restricted Payments subject to the "Limitations on Restricted Payments" covenant,
- (3) to the extent not otherwise included, the obligations of such Person under Currency Agreements or Interest Protection Agreements to the extent recorded as liabilities not constituting Interest Incurred, net of amounts recorded as assets in respect of such agreements, in accordance with GAAP, and
- (4) all Indebtedness of others secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person;

PROVIDED, that Indebtedness shall not include accounts payable, liabilities to trade creditors of such Person or other accrued expenses arising in the ordinary course of business. The amount of Indebtedness of any Person at any date shall be (a) the outstanding balance at such date of all unconditional obligations as described above, net of any unamortized discount to be accounted for as Interest Expense, in accordance with GAAP, (b) the maximum liability of such Person for any contingent obligations under clause (1) above at such date, net of an unamortized discount to be accounted for as Interest Expense in accordance with GAAP, and (c) in the case of clause (4) above, the lesser of (x) the fair market value of any asset subject to a Lien securing the Indebtedness of others on the date that the Lien attaches and (y) the amount of the Indebtedness secured.

"INTANGIBLE ASSETS" of the Company means all unamortized debt discount and expense, unamortized deferred charges, goodwill, patents, trademarks, service marks, trade names, copyrights, write-ups of assets over their prior carrying value (other than write-ups which occurred prior to the Issue Date and other than, in connection with the acquisition of an asset, the write-up of the value of such asset (within one year of its acquisition) to its fair market value in accordance with GAAP) and all other items which would be treated as intangible on the consolidated balance sheet of the Company, the Issuer and the Restricted Subsidiaries prepared in accordance with GAAP.

"INTEREST EXPENSE" of any Person for any period means, without duplication, the aggregate amount of (i) interest which, in conformity with GAAP, would be set opposite the caption "interest expense" or any like caption on an income statement for such Person (including, without limitation, imputed interest included in Capitalized Lease Obligations, all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing, the net costs (but reduced by net gains) associated with Currency Agreements and Interest Protection Agreements, amortization of other financing fees and expenses, the interest portion of any deferred payment obligation, amortization of discount or premium, if any, and all other noncash interest expense (other than interest and other charges amortized to cost of sales), and (ii) all interest actually paid by the Company or a Restricted

Subsidiary under any guarantee of Indebtedness (including, without limitation, a guarantee of principal, interest or any combination thereof) of any Person other than the Company, the Issuer or any Restricted Subsidiary during such period; PROVIDED, that Interest Expense shall exclude any expense associated with the complete write-off of financing fees and expenses in connection with the repayment of any Indebtedness.

"INTEREST INCURRED" of any Person for any period means, without duplication, the aggregate amount of (1) Interest Expense and (2) all capitalized interest and amortized debt issuance costs.

"INTEREST PROTECTION AGREEMENT" of any Person means any interest rate swap agreement, interest rate collar agreement, option or futures contract or other similar agreement or arrangement designed to protect such Person or any of its Subsidiaries against fluctuations in interest rates with respect to Debt permitted to be incurred under the Subordinated Indenture.

"INVESTMENTS" of any Person means (i) all investments by such Person in any other Person in the form of loans, advances or capital contributions, (ii) all guarantees of Indebtedness or other obligations of any other Person by such Person, (iii) all purchases (or other acquisitions for consideration) by such Person of Indebtedness, Capital

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Stock or other securities of any other Person and (iv) all other items that would be classified as investments in any other Person (including, without limitation, purchases of assets outside the ordinary course of business) on a balance sheet of such Person prepared in accordance with GAAP.

"ISSUE DATE" means the date on which the Senior Subordinated Notes are originally issued under the Subordinated Indenture.

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

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

"MOODY'S" means Moody's Investors Service, Inc. or any successor to its debt rating business. "Mortgage Subsidiary" means any Subsidiary of the Company substantially all of whose operations consist of the mortgage lending business.

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

"NON-RECOURSE INDEBTEDNESS" with respect to any Person means Indebtedness of such Person for which (1) the sole legal recourse for collection of principal and interest on such Indebtedness is against the specific property identified in the instruments evidencing or securing such Indebtedness and such property was acquired with the proceeds of such Indebtedness or such Indebtedness was incurred within 90 days after the acquisition of such property and (2) no other assets of such Person may be realized upon in collection of principal or interest on such Indebtedness. Indebtedness which is otherwise Non-Recourse Indebtedness will not lose its character as Non-Recourse Indebtedness because there is recourse to the borrower, any guarantor or any other Person for (a)

environmental warranties and indemnities, or (b) indemnities for and liabilities arising from fraud, misrepresentation, misapplication or non-payment of rents, profits, insurance and condemnation proceeds and other sums actually received by the borrower from secured assets to be paid to the lender, waste and mechanics' liens.

"PERMITTED HOVNIANIAN HOLDERS" means, collectively, Kevork S. Hovnanian, Ara K. Hovnanian, the members of their immediate families, the respective estates, spouses, heirs, ancestors, lineal descendants, legatees and legal representatives of any of the foregoing and the trustee of any BONA FIDE trust of which one or more of the foregoing are the sole beneficiaries or the grantors thereof, or any entity of which any of the foregoing, individually or collectively, beneficially own more than 50% of the Common Equity.

"PERMITTED INDEBTEDNESS" means

- (1) Indebtedness under Credit Facilities which does not exceed \$440 million principal amount outstanding at any one time;
- (2) Indebtedness in respect of obligations of the Company and its Subsidiaries to the trustees under indentures for debt securities;

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- (3) intercompany debt obligations of (i) the Company to the Issuer, (ii) the Issuer to the Company, (iii) the Company or the Issuer to any Restricted Subsidiary and (iv) any Restricted Subsidiary to the Company or the Issuer or any other Restricted Subsidiary; PROVIDED, HOWEVER, that any Indebtedness of any Restricted Subsidiary or the Issuer or the Company owed to any Restricted Subsidiary or the Issuer that ceases to be a Restricted Subsidiary shall be deemed to be incurred and shall be treated as an incurrence for purposes of the first paragraph of the covenant described under "Limitations on Indebtedness" at the time the Restricted Subsidiary in question ceases to be a Restricted Subsidiary;
- (4) Indebtedness of the Company or the Issuer or any Restricted Subsidiary under any Currency Agreements or Interest Protection Agreements in a notional amount no greater than the payments due (at the time the related Currency Agreement or Interest Protection Agreement is entered into) with respect to the Indebtedness or currency being hedged;
- (5) Purchase Money Indebtedness;
- (6) Capitalized Lease Obligations;
- (7) obligations for, pledge of assets in respect of, and guaranties of, bond financings of political subdivisions or enterprises thereof in the ordinary course of business;
- (8) Indebtedness secured only by office buildings owned or occupied by the Company or any Restricted Subsidiary, which Indebtedness does not exceed \$10 million aggregate principal amount outstanding at any one time;
- (9) Indebtedness under warehouse lines of credit, repurchase agreements and Indebtedness secured by mortgage loans and related assets of mortgage lending Subsidiaries in the ordinary course of a mortgage lending business; and
- (10) Indebtedness of the Company or any Restricted Subsidiary which, together with all other Indebtedness under this clause (10), does not exceed \$30 million aggregate principal amount outstanding at any one time.

"PERMITTED INVESTMENT" means

- (1) Cash Equivalents;
- (2) any Investment in the Company, the Issuer or any Restricted Subsidiary or any Person that becomes a Restricted Subsidiary as a result of such Investment or that is consolidated or merged with or into, or transfers all or substantially all of the assets of it or an operating unit or line of business to, the Company or a Restricted Subsidiary;
- (3) any receivables, loans or other consideration taken by the Company, the Issuer or any Restricted Subsidiary in connection with any asset sale otherwise permitted by the Subordinated Indenture;
- (4) Investments received in connection with any bankruptcy or

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

- (5) Investments in Currency Agreements or Interest Protection Agreements described in the definition of Permitted Indebtedness;
- (6) any loan or advance to an executive officer, director or employee of the Company or any Restricted Subsidiary made in the ordinary course of business or in accordance with past practice; PROVIDED, HOWEVER, that any such loan or advance exceeding \$1 million shall have been approved by the Board of Directors of the Company or a committee thereof consisting of disinterested members;
- (7) Investments in joint ventures in a Real Estate Business with unaffiliated third parties in an aggregate amount at any time outstanding not to exceed 10% of Consolidated Tangible Assets at such time;

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- (8) Investments in interests in issuances of collateralized mortgage obligations, mortgages, mortgage loan servicing, or other mortgage related assets;
- (9) obligations of the Company or a Restricted Subsidiary under warehouse lines of credit of Mortgage Subsidiaries to repurchase mortgages; and
- (10) Investments in an aggregate amount outstanding not to exceed \$10 million.

"PERMITTED LIENS" means

- (1) Liens for taxes, assessments or governmental or quasi-government charges or claims that (a) are not yet delinquent, (b) are being contested in good faith by appropriate proceedings and as to which appropriate reserves have been established or other provisions have been made in accordance with GAAP, if required, or (c) encumber solely property abandoned or in the process of being abandoned,
- (2) statutory Liens of landlords and carriers', warehousemen's, mechanics', suppliers', materialmen's, repairmen's or other Liens imposed by law and arising in the ordinary course of business and with respect to amounts that, to the extent applicable, either (a) are not yet delinquent or (b) are being contested in good faith by appropriate proceedings and as to which appropriate reserves have been established or other provisions have been made in accordance with GAAP, if required,
- (3) Liens (other than any Lien imposed by the Employer Retirement Income Security Act of 1974, as amended) incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security,
- (4) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory obligations, surety and appeal bonds, development obligations, progress payments, government contacts, utility services, developer's or other obligations to make on-site or off-site improvements and other obligations of like nature (exclusive of obligations for the payment of borrowed money but including the items referred to in the parenthetical in clause (1)(a) of the definition of "INDEBTEDNESS"), in each case incurred in the ordinary course of business of the Company, the Issuer and the Restricted Subsidiaries,
- (5) attachment or judgment Liens not giving rise to a Default or an Event of Default,
- (6) easements, dedications, assessment district or similar Liens in connection with municipal or special district financing, rights-of-way, restrictions, reservations and other similar charges, burdens, and other similar charges or encumbrances not materially interfering with the ordinary course of business of the Company, the Issuer and the Restricted Subsidiaries,
- (7) zoning restrictions, licenses, restrictions on the use of real property or minor irregularities in title thereto, which do not

materially impair the use of such real property in the ordinary course of business of the Company, the Issuer and the Restricted Subsidiaries,

- (8) Liens securing Indebtedness incurred pursuant to clause (8) or (9) of the definition of Permitted Indebtedness,
- (9) Liens securing Indebtedness of the Company, the Issuer or any Restricted Subsidiary permitted to be incurred under the Subordinated Indenture; provided, that the aggregate amount of all consolidated Indebtedness of the Company, the Issuer and the Restricted Subsidiaries (including, with respect to Capitalized Lease Obligations, the Attributable Debt in respect thereof) secured by Liens (other than Non-Recourse Indebtedness and Indebtedness incurred pursuant to clause (9) of the definition of Permitted Indebtedness) shall not exceed 40% of Consolidated Adjusted Tangible Assets at any one time outstanding (after giving effect to the incurrence of such Indebtedness and the use of the proceeds thereof),
- (10) Liens securing Non-Recourse Indebtedness of the Company, the Issuer or any Restricted Subsidiary; provided, that such Liens apply only to the property financed out of the net proceeds of such Non-Recourse Indebtedness within 90 days after the incurrence of such Non-Recourse Indebtedness,

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- (11) Liens securing Purchase Money Indebtedness; provided that such Liens apply only to the property acquired, constructed or improved with the proceeds of such Purchase Money Indebtedness within 90 days after the incurrence of such Purchase Money Indebtedness,
- (12) Liens on property or assets of the Company, the Issuer or any Restricted Subsidiary securing Indebtedness of the Company, the Issuer or any Restricted Subsidiary owing to the Company, the Issuer or one or more Restricted Subsidiaries,
- (13) leases or subleases granted to others not materially interfering with the ordinary course of business of the Company and the Restricted Subsidiaries,
- (14) purchase money security interests (including, without limitation, Capitalized Lease Obligations); provided, that such Liens apply only to the Property acquired and the related Indebtedness is incurred within 90 days after the acquisition of such Property,
- (15) any right of first refusal, right of first offer, option, contract or other agreement to sell an asset; provided that such sale is not otherwise prohibited under the Subordinated Indenture,
- (16) any right of a lender or lenders to which the Company, the Issuer or a Restricted Subsidiary may be indebted to offset against, or appropriate and apply to the payment of such, Indebtedness any and all balances, credits, deposits, accounts or money of the Company, the Issuer or a Restricted Subsidiary with or held by such lender or lenders or its Affiliates,
- (17) any pledge or deposit of cash or property in conjunction with obtaining surety, performance, completion or payment bonds and letters of credit or other similar instruments or providing earnest money obligations, escrows or similar purpose undertakings or indemnifications in the ordinary course of business of the Company, the Issuer and the Restricted Subsidiaries,
- (18) Liens for homeowner and property owner association developments and assessments,
- (19) Liens securing Refinancing Indebtedness; provided, that such Liens extend only to the assets securing the Indebtedness being refinanced,
- (20) Liens incurred in the ordinary course of business as security for the obligations of the Company, the Issuer and the Restricted Subsidiaries with respect to indemnification in respect of title insurance providers,
- (21) Liens on property of a Person existing at the time such Person is merged with or into or consolidated with the Company or any Subsidiary of the Company or becomes a Subsidiary of the Company; provided that such Liens were in existence prior to the contemplation of such merger or consolidation or acquisition and do not extend to any assets other than those of the Person merged into or consolidated with the Company or the Subsidiary or

acquired by the Company or its Subsidiaries,

- (22) Liens on property existing at the time of acquisition thereof by the Company or any Subsidiary of the Company, provided that such Liens were in existence prior to the contemplation of such acquisition,
- (23) Liens existing on the Issue Date and any extensions, renewals or replacements thereof, and
- (24) Liens on specific items of inventory or other goods and proceeds of any Person securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods.

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

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

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

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"PURCHASE MONEY INDEBTEDNESS" means Indebtedness of the Company, the Issuer or any Restricted Subsidiary incurred for the purpose of financing all or any part of the purchase price, or the cost of construction or improvement, of any property to be used in the ordinary course of business by the Company, the Issuer and the Restricted Subsidiaries; PROVIDED, HOWEVER, that (1) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost and (2) such Indebtedness shall be incurred no later than 90 days after the acquisition of such property or completion of such construction or improvement.

"QUALIFIED STOCK" means Capital Stock of the Company other than Disqualified Stock.

"REAL ESTATE BUSINESS" means homebuilding, housing construction, real estate development or construction and related real estate activities, including the provision of mortgage financing or title insurance.

"REFINANCING INDEBTEDNESS" means Indebtedness (to the extent not Permitted Indebtedness) that refunds, refinances or extends any Indebtedness of the Company, the Issuer or any Restricted Subsidiary (to the extent not Permitted Indebtedness) outstanding on the Issue Date or other Indebtedness (to the extent not Permitted Indebtedness) permitted to be incurred by the Company, the Issuer or any Restricted Subsidiary pursuant to the terms of the Subordinated Indenture, but only to the extent that

- (1) the Refinancing Indebtedness is subordinated, if at all, to the Senior Subordinated Notes or the Subordinated Guarantees, as the case may be, to the same extent as the Indebtedness being refunded, refinanced or extended,
- (2) the Refinancing Indebtedness is scheduled to mature either (a) no earlier than the Indebtedness being refunded, refinanced or extended or (b) after the maturity date of the Senior Subordinated Notes,
- (3) the portion, if any, of the Refinancing Indebtedness that is scheduled to mature on or prior to the maturity date of the Senior Subordinated Notes has a Weighted Average Life to Maturity at the time such Refinancing Indebtedness is incurred that is equal to or greater than the Weighted Average Life to Maturity of the portion of the Indebtedness being refunded, refinanced or extended that is scheduled to mature on or prior to the maturity date of the Senior Subordinated Notes, and
- (4) such Refinancing Indebtedness is in an aggregate principal amount that is equal to or less than the aggregate principal amount then outstanding under the Indebtedness being refunded, refinanced or extended.

"RESTRICTED PAYMENT" means any of the following:

- (1) the declaration or payment of any dividend or any other

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

- (2) the purchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company, the Issuer or any Restricted Subsidiary (other than a payment made to the Company, the Issuer or any Restricted Subsidiary); and
- (3) any Investment (other than any Permitted Investment), including any Investment in an Unrestricted Subsidiary (including by the designation of a Subsidiary of the Company as an Unrestricted Subsidiary) and any amounts paid in accordance with clause (2) of the definition of Indebtedness.

"RESTRICTED SUBSIDIARY" means any Subsidiary of the Company which is not an Unrestricted Subsidiary.

"S&P" means Standard and Poor's Ratings Group or any successor to its debt rating business.

"SUBORDINATED GUARANTEE" means the guarantee of the Senior Subordinated Notes by the Company and each other Guarantor under the Subordinated Indenture.

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"SIGNIFICANT SUBSIDIARY" means any Subsidiary of the Company which would constitute a "significant subsidiary" as defined in Rule 1-02 of Regulation S-X under the Securities Act and the Exchange Act as in effect on the Issue Date.

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

"TRUSTEE" means the party named as such above until a successor replaces such party in accordance with the applicable provisions of the Subordinated Indenture and thereafter means the successor serving hereunder.

"UNRESTRICTED SUBSIDIARY" means any Subsidiary of the Company so designated by a resolution adopted by the Board of Directors of the Company or a duly authorized committee thereof as provided below; PROVIDED that (a) the holders of Indebtedness thereof do not have direct or indirect recourse against the Company, the Issuer or any Restricted Subsidiary, and neither the Company, the Issuer nor any Restricted Subsidiary otherwise has liability for, any payment obligations in respect of such Indebtedness (including any undertaking, agreement or instrument evidencing such Indebtedness), except, in each case, to the extent that the amount thereof constitutes a Restricted Payment permitted by the Subordinated Indenture, in the case of Non-Recourse Indebtedness, to the extent such recourse or liability is for the matters discussed in the last sentence of the definition of "Non-Recourse Indebtedness," or to the extent such Indebtedness is a guarantee by such Subsidiary of Indebtedness of the Company, the Issuer or a Restricted Subsidiary and (b) no holder of any Indebtedness of such Subsidiary shall have a right to declare a default on such Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity as a result of a default on any Indebtedness of the Company, the Issuer or any Restricted Subsidiary. The Unrestricted Subsidiaries will be the following: Eastern National Title Insurance Agency, Inc., Eastern Title Agency, Inc., Founders Title Agency, Inc., Governor's Abstract Co., Inc., Hexter Fair Land Title Company I, Inc., Homebuyer's Mortgage, Inc., Hovnanian Financial Services I, Inc., Hovnanian Financial Services 11, Inc., Hovnanian Financial Services III, Inc., Hovnanian Financial Services IV, Inc., K. Hovnanian Investment Properties, Inc., K Hovnanian Mortgage, Inc., Preston Grande Homes, Inc., Heritage Pines, L.L.C., Kings Crossing at Montgomery, L.L.C., Knox Creek, L.L.C., McKinley Court, 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 13 of the Hills, L.L.C., Title Group II, L.L.C., Town Homes at Montgomery, 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 Mortgage Investors, L.P., Parkway Development, Sovereign Group, L.P., K. Hovnanian Venture I, L.L.C.

Subject to the foregoing, the Board of Directors of the Company or a duly authorized committee thereof may designate any Subsidiary in addition to those named above to be an Unrestricted Subsidiary; PROVIDED, HOWEVER, that (1) the net amount (the "DESIGNATION AMOUNT") then outstanding of all previous Investments by the Company and the Restricted Subsidiaries in such Subsidiary will be deemed to be a Restricted Payment at the time of such designation and will reduce the amount available for Restricted Payments under the "Limitations

on Restricted Payments" covenant set forth in the Subordinated Indenture, to the extent provided therein, (2) the Company must be permitted under the "Limitations on Restricted Payments" covenant set forth in the Subordinated Indenture to make the Restricted Payment deemed to have been made pursuant to clause (1), and (3) after giving effect to such designation, no Default or Event of Default shall have occurred or be continuing. In accordance with the foregoing, and not in limitation thereof, Investments made by any Person in any Subsidiary of such Person prior to such Person's merger with the Company or any Restricted Subsidiary (but not in contemplation or anticipation of such merger) shall not be counted as an Investment by the Company or such Restricted Subsidiary if such Subsidiary of such Person is designated as an Unrestricted Subsidiary.

The Board of Directors of the Company or a duly authorized committee thereof may also redesignate an Unrestricted Subsidiary to be a Restricted Subsidiary PROVIDED, HOWEVER, that (1) the Indebtedness of such Unrestricted Subsidiary as of the date of such redesignation could then be incurred under the "Limitations on Indebtedness" covenant and (2) immediately after giving effect to such redesignation and the incurrence of any such additional Indebtedness, the Company and the Restricted Subsidiaries could incur \$1.00 of additional Indebtedness under the first paragraph of the "Limitations on Indebtedness" covenant. Any such designation or redesignation by the Board of Directors of the Company or a committee thereof will be evidenced to the Trustee by the filing with the Trustee of a certified copy of the resolution of the Board of Directors of the Company or a committee thereof giving effect to such designation or redesignation and an Officers' Certificate certifying that such designation or redesignation complied with the foregoing conditions and setting forth the underlying calculations of such Officers'

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Certificate. The designation of any Person as an Unrestricted Subsidiary shall be deemed to include a designation of all Subsidiaries of such Person as Unrestricted Subsidiaries; PROVIDED, HOWEVER, that the ownership of the general partnership interest (or a similar member's interest in a limited liability company) by an Unrestricted Subsidiary shall not cause a Subsidiary of the Company of which more than 95% of the equity interest is held by the Company or one or more Restricted Subsidiaries to be deemed an Unrestricted Subsidiary.

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

CONCERNING THE SUBORDINATED TRUSTEE

The Subordinated Indenture contains certain limitations on the rights of the Subordinated Trustee, should it become a creditor of the Company, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Subordinated Trustee will be permitted to engage in other transactions; however, if within 90 days, apply to the Securities and Exchange Commission for permission to continue acquires any conflicting interest, as defined in the Subordinated Indenture, it must eliminate that conflict within 90 days, apply to the Securities and Exchange Commission for permission to continue or resign. The Subordinated Trustee is also trustee with respect to the Senior Notes and the Issuer's 10 1/2% Senior Notes due 2007 and its 9 % Senior Notes due 2009.

ADDITIONAL INFORMATION

Anyone who receives this prospectus may obtain a copy of the Subordinated Indenture and Subordinated Registration Rights Agreement without charge by writing to Hovnanian at 10 Highway 35, Red Bank, NJ 07701, Attention: Corporate Controller.

REGISTERED EXCHANGE OFFER; REGISTRATION RIGHTS; LIQUIDATED DAMAGES

The Company, the Issuer, the other Guarantors and the initial purchasers of the outstanding Senior Subordinated Notes entered into a registration rights agreement on March 26, 2002, which we refer to as the "Subordinated Registration Rights Agreement". Pursuant to the Subordinated Registration Rights Agreement, the Company, the Issuer and the Guarantors agreed to file with the Securities and Exchange Commission the Exchange Offer Registration Statement on the appropriate form under the Securities Act with respect to the Senior Subordinated Notes. Upon the effectiveness of the Exchange Offer Registration Statement, the Issuer will offer to the holders of Transfer Restricted Securities pursuant to the exchange offer who are able to make certain representations the opportunity to exchange their Transfer Restricted Securities for exchange Senior Subordinated Notes. Capitalized terms used in this section but not otherwise defined have the meanings given to them in the Subordinated

Under the Subordinated Registration Rights Agreement:

- (1) the Company, the Issuer and the other Guarantors agreed to file an Exchange Offer Registration Statement with the Securities and Exchange Commission on or prior to 90 days after the Closing Date;
- (2) the Company, the Issuer and the Guarantors agreed to use their reasonable best efforts to have the Exchange Offer Registration Statement declared effective by the Securities and Exchange Commission on or prior to 150 days after the Closing Date;
- (3) unless the exchange offer would not be permitted by applicable law or Securities and Exchange Commission policy, the Company, the Issuer and the other Guarantors agreed to commence the exchange offer, keep the exchange offer open for a period of not less than 20 business days and use their reasonable best efforts to issue, on or prior to 30 business days after the date on which the Exchange Offer Registration Statement was declared effective by the Securities and Exchange Commission, exchange Senior Subordinated Notes in exchange for all outstanding Senior Subordinated Notes tendered prior thereto in the exchange offer;

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- (4) if obligated to file the Shelf Registration Statement, the Company, the Issuer and the other Guarantors will file the Shelf Registration Statement with the Securities and Exchange Commission on or prior to 30 days after that filing obligation arises and use their reasonable best efforts to cause the Shelf Registration to be declared effective by the Securities and Exchange Commission on or prior to 90 days after that obligation arises;
- (5) the Issuer is not required to file the Exchange Offer Registration Statement or permitted to consummate the exchange offer because the exchange offer is not permitted by applicable law or Securities and Exchange Commission policy; or
- (6) any holder of Transfer Restricted Securities notifies the Issuer in writing prior to the 20th business day following consummation of the exchange offer that:
 - (a) based on an opinion of counsel, it is prohibited by law or Securities and Exchange Commission policy from participating in the exchange offer; or
 - (b) it is a broker-dealer and owns Senior Subordinated Notes acquired directly from the Issuer,

the Company, the Issuer and the Guarantors have agreed to file with the Securities and Exchange Commission a Shelf Registration Statement to cover resales of the Senior Subordinated Notes by the Holders thereof who satisfy certain conditions relating to the provisions of information in connection with the Shelf Registration Statement.

The Company, the Issuer and the other Guarantors have agreed to use their reasonable best efforts to cause the applicable registration statement to be declared effective as promptly as possible by the Securities and Exchange Commission.

For purposes of the preceding, "Transfer Restricted Securities" means each:

- (1) Senior Subordinated Note, until the earliest to occur of:
 - (a) the date on which that Senior Subordinated Note is exchanged in the Exchange Offer for a New Senior Subordinated Note which is entitled to be resold to the public by the holder thereof without complying with the prospectus delivery requirements of the Securities Act;
 - (b) the date on which that Senior Subordinated Note has been disposed of in accordance with a Shelf Registration Statement (and purchasers thereof have been issued New Senior Subordinated Notes); or
 - (c) the date on which that Senior Subordinated Note is distributed to the public pursuant to Rule 144 under the Securities Act; and
- (2) New Senior Subordinated Note issued to a broker-dealer until the date on which that New Senior Subordinated Note is disposed of by that broker-dealer pursuant to the "Plan of Distribution"

contemplated by the Exchange Offer Registration Statement (including the delivery of the prospectus contained therein).

The Company, the Issuer and the other Guarantors have agreed to pay liquidated damages to each holder of Senior Subordinated Notes upon the occurrence of any of the following:

- (1) the Company, the Issuer and the other Guarantors fail to file any of the Registration Statements required by the Subordinated Registration Rights Agreement on or before the date specified for that filing;
- (2) any of such Registration Statements is not declared effective by the Securities and Exchange Commission on or prior to the date specified for that effectiveness, which we refer to as the "EFFECTIVENESS TARGET DATE";
- (3) the Issuer fails to consummate the Exchange Offer within 40 business days of the Effectiveness Target Date with respect to the Exchange Offer Registration Statement; or
- (4) the Shelf Registration Statement or the Exchange Offer Registration Statement is declared effective but thereafter ceases to be effective or usable in connection with resales of Transfer Restricted Securities during the periods specified in the Subordinated Registration Rights Agreement

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We refer to each event referred to in clauses (1) through (4) above as a "REGISTRATION DEFAULT".

Such liquidated damages shall be:

- (1) with respect to the first 90-day period immediately following the occurrence of the first Registration Default, an amount equal to \$.05 per week per \$1,000 principal amount of Senior Subordinated Notes held by that holder; and
- (2) an additional \$.05 per week per \$1,000 principal amount of Senior Subordinated Notes with respect to each subsequent 90-day period until all Registration Defaults have been cured, up to a maximum amount of liquidated damages for all Registration Defaults of \$.25 per week per \$1,000 principal amount of Senior Subordinated Notes.

All accrued liquidated damages will be paid on each Damages Payment Date to the Global Senior Subordinated Note holder by wire transfer of immediately available funds or by federal funds check and to holders of Certificated Securities by wire transfer to the accounts specified by them or by mailing checks to their registered addresses if no such accounts have been specified. Following the cure of all Registration Defaults, the accrual of liquidated damages will cease.

Holders of Senior Subordinated Notes will be required to make certain representations to the Company, the Issuer and the other Guarantors, as described in the Subordinated Registration Rights Agreement, in order to participate in the Exchange Offer and will be required to deliver certain information to be used in connection with the Shelf Registration Statement and to provide comments on the Shelf Registration Statement within the time periods set forth in the registration rights agreement in order to have their Senior Subordinated Notes included in the Shelf Registration Statement and benefit from the provisions regarding liquidated damages set forth above with respect to the Shelf Registration Statement.

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BOOK ENTRY; DELIVERY AND FORM

BOOK-ENTRY PROCEDURES FOR THE GLOBAL NOTES

The exchange notes will initially be represented in the form of one or more global notes in fully-registered book-entry form, without interest coupons that will be deposited with or on behalf of The Depository Trust Company, or DTC, and registered in the name of DTC or its participants.

Except as set forth below, the global notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its

nominee. Beneficial interests in the global notes may not be exchanged for notes in certificated form except in the limited circumstances described below.

The descriptions of the operations and procedures of DTC set forth below are provided solely as a matter of convenience. These operations and procedures are solely within the control of the settlement system of DTC and are subject to change by DTC from time to time. We take no responsibility for these operations or procedures, and investors are urged to contact DTC or its participants directly to discuss these matters.

DTC has advised us that it is:

- o a limited-purpose trust company organized under the laws of the State of New York;
- o a "banking organization" within the meaning of the New York Banking Law;
- o a member of the Federal Reserve System;
- o a "clearing corporation" within the meaning of the Uniform Commercial Code, as amended; and
- o a "clearing agency" registered under Section 17A of the Securities Exchange Act of 1934.

DTC was created to hold securities for its participants, organizations, which we refer to as "participants", and to and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes to the accounts of participants, which eliminates the need for physical transfer and delivery of certificates. DTC's participants include securities brokers and dealers; banks and trust companies; clearing corporations and specified other organizations. Indirect access to DTC's system is also available to other entities such as banks, brokers, dealers, and trust companies; these indirect participants clear through or maintain a custodial relationship with a participant, either directly or indirectly. Investors who are not participants may beneficially own securities held by or on behalf of DTC only through participants or indirect participants.

We expect that under the procedures established by DTC:

- o upon deposit of each global note, DTC will credit the accounts of participants in DTC with an interest in the global note; and
- o ownership of the notes will be shown on, and the transfer of ownership of the notes will be effected only through, records maintained by DTC, with respect to the interests of participants in DTC, and the records of participants and indirect participants, with respect to the interests of persons other than participants in DTC.

The laws of some jurisdictions may require that some purchasers of securities take physical delivery of the securities in definitive form. Accordingly, the ability to transfer interests in the new notes represented by a global note to these persons may be limited. In addition, because DTC can act only on behalf of its participants, who in turn act on behalf of persons who hold interests through participants, the ability of a person having an interest in the new notes represented by a global note to pledge or transfer that interest to persons or entities that do not participate in DTC's system, or to otherwise take actions in respect of that interest, may be affected by the lack of a physical definitive security in respect of the interest.

So long as DTC or its nominee is the registered owner of a global note, DTC or the nominee, as the case may be, will be considered the sole owner or holder of the notes represented by the global note for all purposes

under each of the Senior Indenture and the Subordinated Indenture. Except as provided below, owners of beneficial interests in a global note:

- o will not be entitled to have notes represented by the global notes registered in their names;
- o will not receive or be entitled to receive physical delivery of certificated notes; and
- o will not be considered the owners or Holders of the notes under the Senior Indenture and the Subordinated Indenture, as applicable, for any purpose, including with respect to the giving of any direction, instruction or approval to the trustee under the Senior Indenture and the Subordinated Indenture, respectively.

Accordingly, each holder owning a beneficial interest in a global note

must rely on the procedure of DTC and, if the holder is not a participant or an indirect participant in DTC, on the procedures of the participant through which the holder owns its interest, to exercise any rights of a holder of notes under the Senior Indenture and the Subordinated Indenture, as applicable, or the global note. We understand that under existing industry practice, if we request any action of Holders of notes or a holder that is an owner of a beneficial interest in a global note desires to take any action that DTC, as the holder of the global note, is entitled to take, then DTC would authorize the participants to take the action and the participants would authorize Holders owning through participants to take the action or would otherwise act upon the instruction of the holders. Neither we nor the Senior Trustee or the Subordinated Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of notes by DTC, or for maintaining, supervising or reviewing any records of DTC relating to the notes.

Payment with respect to the principal of premium, if any, liquidated damages, if any, and interest on any notes represented by a global note registered in the name of DTC or its nominee on the applicable record date will be payable by the Senior Trustee or Subordinated Trustee, as applicable, to or at the direction of DTC or its nominee, in its capacity as the registered holder of the global note representing the notes under the Senior Indenture and the Subordinated Indenture, as applicable. Under the terms of the Senior Indenture and the Subordinated Indenture, as applicable, we and the Senior Trustee or Subordinated Trustee may treat the persons in whose names the notes, including the global notes, are registered as the owners of the notes for the purpose of receiving payment on the notes and for any and all other purposes whatsoever. Accordingly, neither we nor the Senior Trustee or Subordinated Trustee has or will have any responsibility or liability for the payment of amounts to owners of beneficial interests in a global note, including principal, premium, if any, liquidated damages, if any, and interest. Payments by the participants and the indirect participants in DTC to the owners of beneficial interests in a global note will be governed by standing instructions and customary industry practice and will be the responsibility of the participants or the indirect participants and DTC.

Transfers between participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds. Transfers between participants in Euroclear or Clearstream will be effected in the ordinary way according to their respective rules and operating procedures.

Cross-market transfers between the participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depository. These cross-market transactions, however, will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in that system in accordance with the rules and procedures and within the established deadlines, Brussels time, of that system. If the transaction meets its settlement requirements, Euroclear or Clearstream, as the case may be, will deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant global notes in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a global note from a participant in DTC will be credited, and any crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day, which must be a business day for Euroclear and Clearstream, immediately following the settlement date of DTC. Cash received in Euroclear or Clearstream as a result of sales of interest in a global note by or through a Euroclear or Clearstream

participant to a participant in DTC will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

Although DTC, Euroclear and Clearstream have agreed to the above procedures to facilitate transfers of interests in the global notes among its participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform the procedures, and the procedures may be discontinued at any time. Neither we nor the Senior Trustee or Subordinated Trustee will have any responsibility for the performance by DTC, Euroclear or Clearstream or its respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

A global note is exchangeable for certificated notes if:

- o DTC (a) notifies the Issuer that it is unwilling or unable to continue as depository for the global note and the Issuer fails to appoint a successor depository or (b) has ceased to be a clearing agency registered under the Exchange Act;
- o the Issuer, at its option, notifies the Senior Trustee or Subordinated Trustee in writing that it elects to cause the issuance of the notes in certificated form; or
- o there shall have occurred and be continuing to occur a Default or an Event of Default with respect to the notes.

In addition, beneficial interest in a global note may be exchanged for certificated notes upon request but only upon at least 20 days' prior written notice given to the Senior Trustee or Subordinated Trustee, as applicable, by or on behalf of DTC in accordance with customary procedures. In all cases, certificated notes delivered in exchange for any global note or beneficial interest therein will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depository, according to its customary procedures.

Subject to certain conditions, any person having a beneficial interest in the global notes may, upon request to the Senior Trustee or Subordinated Trustee, as applicable, exchange their beneficial interest for notes in the form of certificated notes. Upon any such issuance, the Senior Trustee or Subordinated Trustee, is required to register the certificated notes in the name of, and deliver to such person or persons, or the nominee of any thereof. In addition, if:

- o we notify the Senior Trustee or Subordinated Trustee in writing that DTC is no longer willing or able to act as a depository or DTC ceases to be registered as a clearing agency under the Securities Exchange Act of 1934 and a successor depository is not appointed within 90 days of the notice or cessation; or
- o we, at our option, notify the Senior Trustee or Subordinated Trustee in writing that we elect to cause the issuance of notes in definitive form under the applicable indenture;

then, upon surrender of the global notes, certificated notes will be issued to each person that DTC identifies as the beneficial owner of the notes represented by the global notes. Upon the issuance of certificated notes, the Senior Trustee or Subordinated Trustee is required to register certificated notes in the name of that person or persons, or their nominee, and cause the certified notes to be delivered to those persons.

Neither we nor the trustee will be liable for any delay by DTC or any participant or indirect participant in identifying the beneficial owners of the related notes and each of those persons may conclusively rely on, and will be protected in relying on, instructions from DTC for all purposes, including with respect to the registration and delivery, and the respective principal amounts, of the notes to be issued.

SAME DAY SETTLEMENT AND PAYMENT

Each of the Senior Indenture and the Subordinated Indenture requires that payments in respect of the notes represented by the global note, including principal, premium, if any, interest and liquidated damages, if any, be

made by wire transfer of immediately available next day funds to the accounts specified by the global note holder. With respect to certificated notes, we will make all payments of principal, premium, if any, interest and liquidated damages, if any, by wire transfer of immediately available funds to the accounts specified by the Holders thereof or, if no such account is specified, by mailing a check to each such holder's registered address. We expect that secondary trading in the certificated notes will also be settled in immediately available funds.

EXCHANGE OF NOTES

The exchange of outstanding notes for exchange notes in the exchange offer will not constitute a taxable event to holders for United States federal income tax purposes. Consequently, no gain or loss will be recognized by a holder upon receipt of an exchange note, the holding period of the exchange note will include the holding period of the outstanding note and the basis of the exchange note will be the same as the basis of the outstanding note immediately before the exchange.

In any event, persons considering the exchange of outstanding notes for exchange notes should consult their own tax advisors concerning the United States federal income tax consequences in light of their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction.

PLAN OF DISTRIBUTION

Each broker-dealer that receives exchange notes for its own account as a result of market-making activities and other trading activities, other than outstanding notes acquired directly from us or any of our affiliates, in the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of exchange notes. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of exchange notes received in exchange for outstanding notes where outstanding notes were acquired as a result of market-making activities or other trading activities. We have agreed that, for a period of one year after the consummation of the exchange offer or such shorter period as will terminate when all outstanding notes covered by the registration statement have been sold, we will make this prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any resale.

We will not receive any proceeds from any sale of exchange notes by broker-dealers. Exchange notes received by broker-dealers for their own account in the exchange offer may be sold from time to time in one or more transactions in the over-the-counter market, in negotiated transactions, through the writing of options on the exchange notes, or through a combination of such methods of resale, at market prices prevailing at the time of resale, at prices related to such prevailing market prices, or at negotiated prices. Any resale may be made directly to purchasers or to or through brokers or dealers who may receive compensation in the form of commissions or concessions from any broker-dealer or the purchasers of any exchange notes. Any broker-dealer that resells exchange notes that were received by it for its own account in the exchange offer and any broker or dealer that participates in a distribution of exchange notes may be deemed to be an "underwriter" within the meaning of the Securities Act, and any profit on any resale of exchange notes and any commission or concessions received by any of those persons may be deemed to be underwriting compensation under the Securities Act. The letter of transmittal states that, by acknowledging that it will deliver and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is in an "underwriter" within the meaning of the Securities Act.

We have agreed, for a period of one year after the consummation of the exchange offer or such shorter period as will terminate when all transfer restricted securities covered by the registration statement have been sold, to promptly send additional copies of this prospectus and any amendment or supplement to this prospectus to any broker-dealer that requests those documents in the letter of transmittal. We have also agreed to pay all expenses incident to the exchange offer, including the expenses of one counsel for the holders of the outstanding notes directly from us, and will indemnify the holders of the notes, including any broker-dealers, against certain liabilities, including liabilities caused by any omission or alleged omission to state a material fact required to be stated in the registration statement or prospectus or necessary to make the statements in the registration statement or prospectus not misleading. This indemnification obligation does not extend to statements or omissions in the registration statement or prospectus made in reliance upon and in conformity with written information pertaining to the holder that is furnished in writing to us by or on behalf of any holder.

FORWARD-LOOKING STATEMENTS

This prospectus includes "forward-looking statements" including, in particular, the statements about our plans, strategies and prospects under the heading "Prospectus Summary," and in the Unaudited Pro Forma Combined Financial Data and the related notes thereto. Although we believe that our plans, intentions and

expectations reflected in, or suggested by such forward-looking statements are reasonable, we can give no assurance that such plans, intentions or expectations will be achieved. The forward-looking statements we make in the prospectus are subject to risks, uncertainties, and assumptions, including, among other things, factors discussed under the heading "Risk Factors". All forward-looking statements attributable to Hovnanian or the Issuer or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements and risk factors contained throughout this prospectus.

LEGAL MATTERS

Certain legal matters related to the exchange notes offered hereby will be passed upon for us by Simpson Thacher & Bartlett, New York, New York.

EXPERTS

The consolidated financial statements of Hovnanian Enterprises, Inc., appearing in Hovnanian Enterprises, Inc.'s Annual Report (Form 10-K) for the year ended October 31, 2001, have been audited by Ernst & Young LLP, independent auditors, as set forth in their report 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.

WHERE YOU CAN FIND MORE INFORMATION

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 office located at 500 West Madison Street, 14th Floor, Chicago, Illinois 60661. Copies of such 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, 2001, Registration File No. 1-8551;
- o Quarterly Report on Form 10-Q for the quarter ended January 31, 2002, Registration File No. 1-8551; and
- o Current Reports on Form 8-K filed on January 24, 2002, as amended by Current Report on Form 8-K/A filed February 19, 2002, Registration File Nos. 1-8551 and on March 21, 2002, Registration File No. 1-8551.

This prospectus is part of a registration statement filed with the SEC. The Securities and Exchange Commission allows us to "incorporate by reference" selected documents we file with it, which means that we can disclose important information to you by referring you to those documents. The information in the documents incorporated by reference is considered to be part of this prospectus, and information in documents that we file later with the Securities and Exchange Commission will automatically update and supersede this information. We incorporate by reference the documents listed below filed under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act.

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 offerings 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 such statement. Any such statement so modified or superseded shall 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 such person, a copy of any or all of the information incorporated by reference in this prospectus, other than exhibits to such information (unless such exhibits are specifically incorporated by reference into the information that this prospectus incorporates). Requests for such 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).

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 20. 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.

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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.

Neither K. Hovnanian's Certificate of Incorporation nor its bylaws contain any provisions relating to indemnity.

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ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits

- 4.1 Indenture, dated as of March 26, 2002 among K. Hovnanian Enterprises, Inc., the Guarantors party named therein, and Wachovia Bank, National Association, formerly known as First Union National Bank, as trustee (filed herewith).
- 4.2 Indenture, dated as of March 26, 2002 among K. Hovnanian Enterprises, Inc., the Guarantors party named therein, and Wachovia Bank, National Association, formerly known as First Union National Bank, as trustee (filed herewith).
- 4.3 Registration Rights Agreement, dated as of March 26, 2002 among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., certain of its Subsidiaries, Salomon Smith Barney, Inc., Banc of America Securities LLC, Credit Suisse First Boston Corporation and PNC Capital Markets, Inc. (filed herewith).

- 4.4 Registration Rights Agreement, dated as of March 26, 2002 among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., certain of its Subsidiaries, Salomon Smith Barney, Inc., Banc of America Securities LLC and Credit Suisse First Boston Corporation (filed herewith).
- 5.1 Opinion of Simpson Thacher & Bartlett (filed herewith).
- 12.1 Statement re: Computation of Ratio of Earnings to Fixed Charges (filed herewith).
- 23.1 Consent of Simpson Thacher & Bartlett (contained in Exhibit 5.1 filed herewith).
- 23.2 Consent of Ernst & Young LLP (filed herewith).
- 24.1 Powers of Attorney of the Board of Directors of Hovnanian Enterprises, Inc. (included on signature page).
- 24.2 Powers of Attorney of the Board of Directors of K. Hovnanian Enterprises, Inc. (included on signature page).
- 24.3 Powers of Attorney of the Board of Directors of Subsidiary Registrants (included on signature page).
- 25.1 Statement of Eligibility of Trustee under both the Indenture filed as Exhibit 4.1 hereto and under the Indenture filed as Exhibit 4.2 hereto (filed herewith).
- 99.1 Form of Letter of Transmittal.*
- 99.2 Form of Letter to Securities Dealers, Commercial Banks, Trust Companies and Other Nominees.*
- 99.3 Form of Letter to Clients.*
- 99.4 Form of Notice of Guaranteed Delivery.*

* To be filed by amendment.

ITEM 22. UNDERTAKINGS.

- 1. The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) 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.
- 2. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers, or controlling persons of the registrant pursuant to the foregoing provisions, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant 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 Registrant will, unless in the opinion of its 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 Act and will be governed by the final adjudication of such issue.
- 3. The undersigned registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Item 4, 10(b), 11, or 13 of this form, within one business day of

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receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

- 4. The undersigned registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of

and included in the registration statement when it became effective.

5. The undersigned registrant hereby undertakes:

(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;

(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.

(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.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, 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 reprove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, Hovnanian Enterprises, Inc. 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 June 6, 2002.

HOVNANIAN ENTERPRISES, INC.

By: /s/ J. Larry Sorsby

J. Larry Sorsby
Executive Vice-President and
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, 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 registration statement has been signed by the following persons in the capacities indicated on June 6, 2002.

Signature Title

/s/ Kevork S.
Hovnanian
Chairman of the
Board - -----

Kevork S.
Hovnanian /s/
Ara K. Hovnanian
President, Chief

Executive
Officer and - --

-- Director Ara
K. Hovnanian /s/
Paul W. Buchanan
Senior Vice-
President,
Corporate - ----

Controller and
Director Paul W.
Buchanan /s/
Geaton A.
Decesaris, Jr.
President of
Homebuilding
Operations - ---

- and Chief
Operating
Officer and
Director Geaton
A. DeCesaris,
Jr. /s/ Arthur
M. Greenbaum
Director - -----

Arthur M.
Greenbaum /s/
Desmond P.
McDonald
Director - -----

Desmond P.
McDonald /s/
Peter S.
Reinhart Senior
Vice-President,
General - -----

Counsel/Secretary
and Director
Peter S.
Reinhart /s/
John J. Robbins
Director - -----

John J. Robbins
II-5 /s/ J.
Larry Sorsby
Executive Vice-
President, Chief
- -----

----- Financial
Officer and
Director J.
Larry Sorsby /s/
Stephen D.
Weinroth
Director - -----

Stephen D.
Weinroth

Pursuant to the requirements of the Securities Act of 1933, K. Hovnanian Enterprises, Inc. 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, June 6, 2002.

K. HOVNIANIAN 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, 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 registration statement has been signed by the following persons in the capacities indicated on June 6, 2002.

SIGNATURE TITLE

/s/ Kevork S.
Hovnanian
Chairman of the
Board - -----

Kevork S.
Hovnanian /s/
Ara K. Hovnanian
President, Chief
Executive
Officer - -----

and Director Ara
K. Hovnanian /s/
Paul W. Buchanan
Senior Vice-
President,
Corporate - ----

Controller and
Director Paul W.
Buchanan /s/
Geaton A.
Decesaris, Jr.
President of
Homebuilding - -

--- Operations
and Chief
Operating Geaton
A. DeCesaris,
Jr. Officer and
Director /s/
Peter S.
Reinhart Senior
Vice-President,
General - -----

Counsel/Secretary
and Director
Peter S.
Reinhart /s/ J.

Larry Sorsby
Executive Vice-
President, Chief

----- Financial
Officer and
Director J.
Larry Sorsby

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, 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, thereunto duly authorized, in the City of Red Bank, state of New Jersey, on June 6, 2002.

Registrants (as listed on the attached Schedule
of Subsidiary Registrants)

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, 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 registration statement has been signed by the following persons in the capacities indicated on June 6, 2002.

SIGNATURE TITLE

/s/ Kevork S.
Hovnanian
Chairman of the
Board and
Director - -----

Kevork S.
Hovnanian /s/
Ara K. Hovnanian
Vice Chairman of
the Board - -----

Ara K. Hovnanian
/s/ Paul W.
Buchanan Senior
Vice-President,
Corporate - -----

Controller and
Director Paul W.
Buchanan /s/
Geaton A.
Decesaris, Jr.
President of
Homebuilding

Operations - ---

- and Chief
Operating
Officer and
Geaton A.
DeCesaris, Jr.
Director /s/
Peter S.
Reinhart Senior
Vice-President,
General - -----

Counsel/Secretary
and Director
Peter S.
Reinhart /s/ J.
Larry Sorsby
Executive Vice-
President, Chief
- -----

----- Financial
Officer and
Director J.
Larry Sorsby

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.
- 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.
- EXC, Inc.
- Fortis Homes, Inc.
- Housing-Home Sales, Inc.
- Hovnanian at Tarpon Lakes I, Inc.
- Hovnanian Developments of Florida, Inc.
- Hovnanian Pennsylvania, Inc.
- K. Hov A, Inc.
- K. Hov International, Inc.
- K. Hovnanian Acquisitions, Inc.
- K. Hovnanian at Ashburn Village, Inc.
- K. Hovnanian at Atlantic City, Inc.
- K. Hovnanian at Ballantrae 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 IV, Inc.
- K. Hovnanian at Branchburg III, Inc.
- K. Hovnanian at Bridgeport, 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.

EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER

- 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.
K. Hovnanian at Dominion Ridge, 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.
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 Howell Township, Inc.
K. Hovnanian at Hunter Estates, Inc.

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EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER

K. Hovnanian at Jacksonville II, Inc.
K. Hovnanian at Jefferson, 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.
K. Hovnanian at Lakewood, Inc.
K. Hovnanian at Lawrence V, 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 Mahwah 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, Inc.
K. Hovnanian at Manalapan III, Inc.
K. Hovnanian at Marlboro II, Inc.
K. Hovnanian at Marlboro Township IV, Inc.
K. Hovnanian at Marlboro Township VI, Inc.
K. Hovnanian at Marlboro Township VII, Inc.
K. Hovnanian at Marlboro Township, 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 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 Bergen, Inc.
K. Hovnanian at North Brunswick IV, Inc.
K. Hovnanian at Northern Westchester, Inc.
K. Hovnanian at Northlake, Inc.
K. Hovnanian at Ocean Walk, Inc.

II-11

EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER

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 III, Inc.
K. Hovnanian at Polo Trace, Inc.
K. Hovnanian at Port Imperial North, 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 Sevaie, 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 Somers Point, 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 Spring Ridge, Inc.
K. Hovnanian at Stone Canyon, Inc.
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 Sycamore, Inc.
K. Hovnanian at Tannery Hill, Inc.

II-12

EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER

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 at 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 VI, Inc.
K. Hovnanian at Wall Township VIII, Inc.
K. Hovnanian at Washingtonville, Inc.
K. Hovnanian at Wayne III, Inc.
K. Hovnanian at Wayne V, Inc.
K. Hovnanian at Wayne VI, Inc.
K. Hovnanian at Wayne VII, Inc.
K. Hovnanian at Wildrose, Inc.
K. Hovnanian at Winston Trails, Inc.
K. Hovnanian at Woodmont, 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.

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EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER

K. Hovnanian Developments of New York, Inc.
K. Hovnanian Developments of South Carolina, Inc.
K. Hovnanian Developments of Texas, Inc.
K. Hovnanian Equities, Inc.
K. Hovnanian Florida Division, Inc.
K. Hovnanian Forecast Acquisition, Inc.
K. Hovnanian Forecast Homes, Inc.
K. Hovnanian Investment Properties of New Jersey, Inc.
K. Hovnanian Marine, Inc.
K. Hovnanian Port Imperial Urban Renewal, Inc.
K. Hovnanian Properties of East Brunswick II, Inc.
K. Hovnanian Properties of NB Theatre, Inc.
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 Piscataway, Inc.
K. Hovnanian Properties of Red Bank, 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.
Kings Grant Evesham Corp.
Landarama, Inc.
Matzel & Mumford of Delaware, Inc.
M & M at Long Branch, Inc.
New K. Hovnanian Developments of Florida, Inc.
Parthenon Group, Inc.
Pine Brook Co., 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.

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EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER

Washington Homes of West Virginia, Inc.
Washington Homes, Inc.
Washington Homes, Inc. of Virginia
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.
K. Hovnanian at St. Margarets, 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 Camden I, 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 Denville, L.L.C.
K. Hovnanian at Encinitas Ranch, L.L.C.
K. Hovnanian at Forecast, L.L.C.
K. Hovnanian at 4S 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.

II-15

EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER

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.
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 Manalapan 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 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 South Brunswick, 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.

II-16

EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER

K. Hovnanian at Upper Freehold Township II, L.L.C.
K. Hovnanian at Upper Freehold Township III, L.L.C.
K. Hovnanian at Wanaque, L.L.C.
K. Hovnanian at Washington, L.L.C.
K. Hovnanian at Wayne VIII, L.L.C.
K. Hovnanian at Wayne IX, 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 at Woodhill Estates, L.L.C.
K. Hovnanian at Woolwich, L.L.C.
K. Hovnanian Central Acquisitions, L.L.C.
K. Hovnanian Companies of Metro D.C. North, L.L.C.
K. Hovnanian Eastern Pennsylvania, L.L.C.
K. Hovnanian Forecast, L.L.C.
K. Hovnanian Four Seasons @ Historic Virginia, 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 Southern New Jersey, 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.
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.
M&M at East Mill, 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 Cranbury Knoll, L.L.C.

II-17

EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER

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 South Brunswick, L.L.C.
Matzel & Mumford at Woodland Crest, L.L.C.
Section 14 of the Hills, L.L.C.
The Landings at Spinnaker Pointe, L.L.C.
Westminster Homes of Alabama, L.L.C.
Westminster Homes of Mississippi, L.L.C.
Westminster Homes of South Carolina, L.L.C.
Goodman Family Builders, L.P.
M&M Investments, L.P.
Washabama, L.P.

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K. HOVNIANIAN ENTERPRISES, INC.,

AS ISSUER

HOVNIANIAN ENTERPRISES, INC.

THE GUARANTORS PARTY HERETO

AND

FIRST UNION NATIONAL BANK,

AS TRUSTEE

INDENTURE

DATED AS OF MARCH 26, 2002

8.000% SENIOR NOTES DUE 2012

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EXHIBIT F	RULE 144A CERTIFICATE
EXHIBIT G	INSTITUTIONAL ACCREDITED INVESTOR CERTIFICATE
EXHIBIT H	CERTIFICATE OF BENEFICIAL OWNERSHIP
EXHIBIT I	REGULATION S TEMPORARY GLOBAL NOTE LEGEND

INDENTURE, dated as of March 26, 2002, between K. HOVNIANIAN ENTERPRISES, INC., a New Jersey corporation (the "Issuer"), HOVNIANIAN ENTERPRISES, INC., a Delaware corporation (the "Company"), each of the Guarantors (as defined hereto) and FIRST UNION NATIONAL BANK, as Trustee.

RECITALS

The Issuer has duly authorized the execution and delivery of the Indenture to provide for the issuance of up to \$200,000,000 aggregate principal amount of the Issuer's 8.000% Senior Notes Due 2012, and, if and when issued, any Additional Notes, together with any Exchange Notes issued therefor as provided herein (the "NOTES"). All things necessary to make the Indenture a valid agreement of the Issuer, in accordance with its terms, have been done, and the Issuer has done all things necessary to make the Notes (in the case of the Additional Notes, when duly authorized), when executed by the Issuer and authenticated and delivered by the Trustee and duly issued by the Issuer, the valid obligations of the Issuer as hereinafter provided.

In addition, the Guarantors party hereto have duly authorized the execution and delivery of the Indenture as guarantors of the Notes. All things necessary

to make the Indenture a valid agreement of each Guarantor, in accordance with its terms, have been done, and each Guarantor has done all things necessary to make the Note Guarantees, when executed by each Guarantor, and the Notes, when executed by the Issuer and authenticated and delivered by the Trustee and duly issued by the Issuer, the valid obligations of such Guarantor as hereinafter provided.

This Indenture is subject to, and will be governed by, the provisions of the Trust Indenture Act that are required to be a part of and govern indentures qualified under the Trust Indenture Act.

THIS INDENTURE WITNESSETH

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

ARTICLE 1

DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.01. DEFINITIONS.

"ACQUIRED INDEBTEDNESS" means (a) with respect to any Person that becomes a Restricted Subsidiary (or is merged into the Company, the Issuer or any Restricted Subsidiary) after the Issue Date, Indebtedness of such Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary (or is merged into the Company, the Issuer or any Restricted Subsidiary) that was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary (or being merged into the Company, the Issuer or any Restricted Subsidiary) and (b) with respect to the Company, the Issuer or any Restricted Subsidiary, any Indebtedness expressly assumed by the Company, the Issuer or any Restricted Subsidiary in connection with the acquisition of any assets from another Person (other than the

Company, the Issuer or any Restricted Subsidiary), which Indebtedness was not incurred by such other Person in connection with or in contemplation of such acquisition. Indebtedness incurred in connection with or in contemplation of any transaction described in clause (a) or (b) of the preceding sentence shall be deemed to have been incurred by the Company or a Restricted Subsidiary, as the case may be, at the time such Person becomes a Restricted Subsidiary (or is merged into the Company, the Issuer or any Restricted Subsidiary) in the case of clause (a) or at the time of the acquisition of such assets in the case of clause (b), but shall not be deemed Acquired Indebtedness.

"ADDITIONAL NOTES" means any notes issued under the Indenture in addition to the Original Notes, including any Exchange Notes issued in exchange for such Additional Notes, having the same terms in all respects as the Original Notes except that interest will accrue on the Additional Notes from their date of issuance.

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

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

"AGENT MEMBER" means a member of, or a participant in, the Depositary.

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

"ASSET DISPOSITION" means any sale, transfer, conveyance, lease or other disposition (including, without limitation, by way of merger, consolidation or sale and leaseback or sale of shares of Capital Stock in any Subsidiary) (each, a "TRANSACTION") by the Company, the Issuer or any Restricted Subsidiary to any Person of any Property having a Fair Market Value in any transaction or series of related transactions of at least \$5 million. The term "Asset Disposition" shall not include:

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

(b) a transaction in the ordinary course of business, including, without limitation, sales (directly or indirectly), dedications and other donations to governmental authorities, leases and sales and leasebacks of (A) homes, improved land and unimproved land and (B) real estate (including related amenities and improvements),

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

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(d) any exchange or swap of assets of the Company, the Issuer or any Restricted Subsidiary for assets that (x) are to be used by the Company, the Issuer or any Restricted Subsidiary in the ordinary course of its Real Estate Business and (y) have a Fair Market Value not less than the Fair Market Value of the assets exchanged or swapped,

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

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

"ATTRIBUTABLE DEBT" means, with respect to any Capitalized Lease Obligations, the capitalized amount thereof determined in accordance with GAAP.

"AUTHENTICATING AGENT" refers to a Person engaged to authenticate the Notes in the stead of the Trustee.

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

"BOARD OF DIRECTORS" means the board of directors of the Issuer, or any committee thereof duly authorized to act on its behalf.

"BOARD RESOLUTION" means a resolution duly adopted by the Board of Directors which, as of the date of any certification thereof, remains in full force and effect.

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

"CAPITAL STOCK" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated) of or in such Person's capital stock or other equity interests, and options, rights or warrants to purchase such capital stock or other equity interests, whether now outstanding or issued after the Issue Date, including, without limitation, all Disqualified Stock and Preferred Stock.

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

"CASH EQUIVALENTS" means

(g) U.S. dollars;

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(h) securities issued or directly and fully guaranteed or insured by the U.S. government or any agency or instrumentality thereof having maturities of one year or less from the date of acquisition;

(i) certificates of deposit and eurodollar time deposits with maturities of one year or less from the date of acquisition, bankers' acceptances with maturities not exceeding six months and overnight bank deposits, in each case with any domestic commercial bank having capital and surplus in excess of \$500 million;

(j) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (b) and (c) entered into with any financial institution meeting the qualifications specified in clause (c) above;

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

(l) investments in money market funds substantially all of the assets of which consist of securities described in the foregoing clauses (a) through (e).

"CERTIFICATE OF BENEFICIAL OWNERSHIP" means a certificate substantially in the form of Exhibit H.

"CERTIFICATED NOTE" means a Note in registered individual form without interest coupons.

"Change of Control" means

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

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

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

(d) the stockholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company; PROVIDED, HOWEVER, that a liquidation or dissolution of the Company which is part of a transaction that does not constitute a

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Change of Control under the proviso contained in clause (a) above shall not constitute a Change of Control; or

(e) a change of control shall occur as defined in the instrument governing any publicly traded debt securities of the Company or the Issuer which requires the Company or the Issuer to repay or repurchase such debt securities.

"CLEARSTREAM" means Clearstream Banking, societe anonyme, Luxembourg, formerly Cedelbank.

"COMMISSION" means the Securities and Exchange Commission.

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

"COMPANY" means Hovnanian Enterprises, Inc., or any successor obligor under the Indenture and the Note Guarantees pursuant to Section 4.14.

"CONSOLIDATED ADJUSTED TANGIBLE ASSETS" of the Company as of any date means the Consolidated Tangible Assets of the Company, the Issuer and the Restricted Subsidiaries at the end of the fiscal quarter immediately preceding the date less any assets securing any Non-Recourse Indebtedness, as determined in accordance with GAAP.

"CONSOLIDATED CASH FLOW AVAILABLE FOR FIXED CHARGES" means, for any period, Consolidated Net Income for such period plus (each to the extent deducted in calculating such Consolidated Net Income and determined in accordance with GAAP) the sum for such period, without duplication, of:

- (a) income taxes,
- (b) Consolidated Interest Expense,
- (c) depreciation and amortization expenses and other non-cash charges to earnings, and
- (d) interest and financing fees and expenses which were previously capitalized and which are amortized to cost of sales, MINUS

all other non-cash items (other than the receipt of notes receivable) increasing such Consolidated Net Income.

"CONSOLIDATED FIXED CHARGE COVERAGE RATIO" means, with respect to any determination date, the ratio of (x) Consolidated Cash Flow Available for Fixed Charges for the prior four full fiscal quarters (the "FOUR QUARTER PERIOD") for which financial results have been reported immediately preceding the determination date (the "TRANSACTION DATE"), to (y) the aggregate Consolidated Interest Incurred for the Four Quarter Period. For purposes of this

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definition, "CONSOLIDATED CASH FLOW AVAILABLE FOR FIXED CHARGES" and "CONSOLIDATED INTEREST INCURRED" shall be calculated after giving effect on a PRO FORMA basis for the period of such calculation to:

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

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

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

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

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

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

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

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

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

(a) the net income (or loss) of (x) any Unrestricted Subsidiary (other than a Mortgage Subsidiary) or (y) any Person (other than a Restricted Subsidiary or a Mortgage Subsidiary) in which any Person other than the Company, the Issuer or any Restricted Subsidiary has an ownership interest, except, in each case, to the extent that any such income has actually been received by the Company, the Issuer or any Restricted Subsidiary in the form of cash dividends or similar cash distributions during such period, which dividends or distributions are not in excess of the Company's, the Issuer's or such Restricted Subsidiary's (as applicable)

pro rata share of such Unrestricted Subsidiary's or such other Person's net income earned during such period,

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

(c) the net income of any Restricted Subsidiary to the extent that (but only so long as) the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of that income is not permitted by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary during such period,

(d) the gains or losses, together with any related provision for taxes, realized during such period by the Company, the Issuer or any Restricted Subsidiary resulting from (i) the acquisition of securities, or extinguishment of Indebtedness, of the Company

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or any Restricted Subsidiary or (ii) any Asset Disposition by the Company or any Restricted Subsidiary,

(e) any extraordinary gain or loss together with any related provision for taxes, realized by the Company, the Issuer or any Restricted Subsidiary, and

(f) any non-recurring expense recorded by the Company, the Issuer or any Restricted Subsidiary in connection with a merger accounted for as a "pooling-of-interests" transaction;

PROVIDED FURTHER, that for purposes of calculating Consolidated Net Income solely as it relates to clause (iii) of Section 4.07 hereof, clause (d)(ii) above shall not be applicable.

"CONSOLIDATED NET WORTH" of any Person as of any date means the stockholders' equity (including any Preferred Stock that is classified as equity under GAAP, other than Disqualified Stock) of such Person and its Restricted Subsidiaries on a consolidated basis at the end of the fiscal quarter immediately preceding such date, as determined in accordance with GAAP, less any amount attributable to Unrestricted Subsidiaries.

"CONSOLIDATED TANGIBLE ASSETS" of the Company as of any date means the total amount of assets of the Company, the Issuer and the Restricted Subsidiaries (less applicable reserves) on a consolidated basis at the end of the fiscal quarter immediately preceding such date, as determined in accordance with GAAP, less (a) Intangible Assets and (b) appropriate adjustments on account of minority interests of other Persons holding equity investments in Restricted Subsidiaries.

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

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

"CORPORATE TRUST OFFICE" means the office of the Trustee at which the corporate trust business of the Trustee is principally administered, which at the date of the Indenture is located at 21 South Street, Morristown, NJ 07960.

"CREDIT FACILITIES" means, collectively, each of the credit facilities and lines of credit of the Company or one or more Restricted Subsidiaries in existence on the Issue Date and one or more other facilities and lines of credit among or between the Company or one or more Restricted Subsidiaries and one or more lenders pursuant to which the Company or one or more Restricted Subsidiaries may incur indebtedness for working capital and general corporate

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purposes (including acquisitions), as any such facility or line of credit may be amended, restated, supplemented or otherwise modified from time to time, and includes any agreement extending the maturity of, increasing the amount of, or restructuring, all or any portion of the Indebtedness under such facility or line of credit or any successor facilities or lines of credit and includes any facility or line of credit with one or more lenders refinancing or replacing all or any portion of the Indebtedness under such facility or line of credit or any successor facility or line of credit.

"CURRENCY AGREEMENT" of any Person means any foreign exchange contract, currency swap agreement or other similar agreement or arrangement designed to protect such Person or any of its Subsidiaries against fluctuations in currency values.

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

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

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

"DESIGNATION AMOUNT" has the meaning provided in the definition of Unrestricted Subsidiary.

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

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

"DTC LEGEND" means the legend set forth in Exhibit D.

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

"EVENT OF DEFAULT" has the meaning assigned to such term in Section 5.01.

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"EXCHANGE ACT" means the Securities Exchange Act of 1934.

"EXCHANGE NOTES" means the Notes of the Issuer issued pursuant to the Indenture in exchange for, and in an aggregate principal amount equal to, the Initial Notes or any Initial Additional Notes in compliance with the terms of a Registration Rights Agreement and containing terms substantially identical to the Initial Notes or any Initial Additional Notes (except that (i) such Exchange Notes will be registered under the Securities Act and will not be subject to transfer restrictions or bear the Restricted Legend, and (ii) the provisions relating to Liquidated Damages will be eliminated).

"EXCHANGE OFFER" means an offer by the Issuer to the Holders of the Initial Notes or any Initial Additional Notes to exchange outstanding Notes for Exchange Notes, as provided for in a Registration Rights Agreement.

"EXCHANGE OFFER REGISTRATION STATEMENT" means the Exchange Offer Registration Statement as defined in a Registration Rights Agreement.

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

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession of the United States, as in effect on May 4, 1999.

"GLOBAL NOTE" means a Note in registered global form without interest coupons.

"GLOBAL NOTE LEGEND" means the legend set forth in Exhibit I.

"GUARANTEE" means the guarantee of the Notes by each Guarantor under the Indenture.

"GUARANTORS" means (a) initially, the Company and each of the Company's Restricted Subsidiaries in existence on the Issue Date, except the Issuer, KHL, Inc. and K. Hovnanian Poland, sp. z.o.o. and (b) each of the Company's Subsidiaries that executes a supplemental indenture in the form of Exhibit B to the Indenture providing for the guaranty of the payment of the Notes, or any successor obligor under its Note Guaranty pursuant to Section 4.14., in each case unless an until such Guarantor is released from its Note Guaranty pursuant to the Indenture.

"HOLDER" means the Person in whose name a Note is registered in the books of the Registrar for the Notes.

"INDEBTEDNESS" of any Person means, without duplication,

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

(b) any Indebtedness of others that such Person has guaranteed to the extent of the guarantee, PROVIDED HOWEVER, that Indebtedness of the Company and its Restricted Subsidiaries will not include the obligations of the Company or a Restricted Subsidiary under warehouse lines of credit of Mortgage Subsidiaries to repurchase mortgages at prices no greater than 98% of the principal amount thereof, and upon any such purchase the excess, if any, of the purchase price thereof over the Fair Market Value of the mortgages acquired, will constitute Restricted Payments subject to Section 4.07 hereof,

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

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

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

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

"INITIAL ADDITIONAL NOTES" means Additional Notes issued in an offering not registered under the Securities Act and any Notes issued in replacement thereof, but not including any Exchange Notes issued in exchange therefor.

"INITIAL NOTES" means the Notes issued on the Issue Date and any Notes issued in replacement thereof, but not including any Exchange Notes issued in exchange therefor.

"INITIAL PURCHASERS" means the initial purchasers party to a purchase agreement with the Issuer relating to the sale of the Initial Notes by the Issuer.

"INSTITUTIONAL ACCREDITED INVESTOR CERTIFICATE" means a certificate substantially in the form of Exhibit G hereto.

"INTANGIBLE ASSETS" of the Company means all unamortized debt discount and expense, unamortized deferred charges, goodwill, patents, trademarks, service marks, trade names, copyrights, write-ups of assets over their prior carrying value (other than write-ups which occurred prior to the Issue Date and other than, in connection with the acquisition of an asset, the write-up of the value of such asset (within one year of its acquisition) to its fair market value in accordance with GAAP) and all other items which would be treated as intangible on the consolidated balance sheet of the Company, the Issuer and the Restricted Subsidiaries prepared in accordance with GAAP.

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

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

"INTEREST PAYMENT DATE" means each April 1 and October 1 of each year, commencing October 1, 2002.

"INTEREST PROTECTION AGREEMENT" of any Person means any interest rate swap agreement, interest rate collar agreement, option or futures contract or other similar agreement or arrangement designed to protect such Person or any of its Subsidiaries against fluctuations in interest rates with respect to Debt permitted to be incurred under the Indenture.

"INVESTMENTS" of any Person means (a) all investments by such Person in any other Person in the form of loans, advances or capital contributions, (b) all guarantees of Indebtedness

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

"ISSUE DATE" means the date on which the Initial Notes are originally issued under the Indenture.

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

"LIQUIDATED DAMAGES" means liquidated damages owed to the Holders pursuant to a Registration Rights Agreement.

"MARKETABLE SECURITIES" means (a) equity securities that are listed on the New York Stock Exchange, the American Stock Exchange or The Nasdaq National Market and (b) debt securities that are rated by a nationally recognized rating

agency, listed on the New York Stock Exchange or the American Stock Exchange or covered by at least two reputable market makers.

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

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

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

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payments made to minority interest holders in Restricted Subsidiaries or joint ventures as a result of such Asset Disposition.

"NON-RECOURSE INDEBTEDNESS" with respect to any Person means Indebtedness of such Person for which (a) the sole legal recourse for collection of principal and interest on such Indebtedness is against the specific property identified in the instruments evidencing or securing such Indebtedness and such property was acquired with the proceeds of such Indebtedness or such Indebtedness was incurred within 90 days after the acquisition of such property and (b) no other assets of such Person may be realized upon in collection of principal or interest on such Indebtedness. Indebtedness which is otherwise Non-Recourse Indebtedness will not lose its character as Non-Recourse Indebtedness because there is recourse to the borrower, any guarantor or any other Person for (i) environmental warranties and indemnities, or (ii) indemnities for and liabilities arising from fraud, misrepresentation, misapplication or non-payment of rents, profits, insurance and condemnation proceeds and other sums actually received by the borrower from secured assets to be paid to the lender, including waste and mechanics' liens.

"NON-U.S. PERSON" means a Person that is not a U.S. person, as defined in Regulation S.

"NOTES" has the meaning assigned to such term in the Recitals.

"OFFER TO PURCHASE" has the meaning assigned to such term in Section 3.03.

"OFFICER" means the chairman of the Board of Directors, the president or chief executive officer, any vice president, the chief financial officer, the treasurer or any assistant treasurer, or the secretary or any assistant secretary, of the Company.

"OFFICERS' CERTIFICATE" means a certificate signed in the name of the Company (i) by the chairman of the Board of Directors, the president or chief executive officer or a vice president and (ii) by the chief financial officer, the treasurer or any assistant treasurer or the secretary or any assistant secretary.

"OPINION OF COUNSEL" means a written opinion signed by legal counsel, who may be an employee of or counsel to the Issuer, satisfactory to the Trustee.

"ORIGINAL NOTES" means the Initial Notes and any Exchange Notes issued in exchange therefor.

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

"PERMANENT REGULATION S GLOBAL NOTE" means a Regulation S Global Note that does not bear the Regulation S Temporary Global Note Legend.

"PERMITTED HOVNANIAN HOLDERS" means, collectively, Kevork S. Hovnanian, Ara K. Hovnanian, the members of their immediate families, the respective estates,

spouses, heirs, ancestors, lineal descendants, legatees and legal representatives of any of the foregoing and the trustee of any BONA FIDE trust of which one or more of the foregoing are the sole beneficiaries or

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the grantors thereof, or any entity of which any of the foregoing, individually or collectively, beneficially own more than 50% of the Common Equity.

"PERMITTED INDEBTEDNESS" means

(a) Indebtedness under Credit Facilities which does not exceed \$440 million principal amount outstanding at any one time;

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

(c) intercompany debt obligations of (i) the Company to the Issuer, (ii) the Issuer to the Company, (iii) the Company or the Issuer to any Restricted Subsidiary and (iv) any Restricted Subsidiary to the Company or the Issuer or any other Restricted Subsidiary; PROVIDED HOWEVER, that any Indebtedness of any Restricted Subsidiary or the Issuer or the Company owed to any Restricted Subsidiary or the Issuer that ceases to be a Restricted Subsidiary shall be deemed to be incurred and shall be treated as an incurrence for purposes of Section 4.06(a) hereof at the time the Restricted Subsidiary in question ceases to be a Restricted Subsidiary;

(d) Indebtedness of the Company or the Issuer or any Restricted Subsidiary under any Currency Agreements or Interest Protection Agreements in a notional amount no greater than the payments due (at the time the related Currency Agreement or Interest Protection Agreement is entered into) with respect to the Indebtedness or currency being hedged;

(e) Purchase Money Indebtedness;

(f) Capitalized Lease Obligations;

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

(h) Indebtedness secured only by office buildings owned or occupied by the Company or any Restricted Subsidiary, which Indebtedness does not exceed \$10 million aggregate principal amount outstanding at any one time;

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

(j) Indebtedness of the Company or any Restricted Subsidiary which, together with all other Indebtedness under this clause (j), does not exceed \$30 million aggregate principal amount outstanding at any one time.

"PERMITTED INVESTMENT" means

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(a) Cash Equivalents;

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

(c) any receivables, loans or other consideration taken by the Company, the Issuer or any Restricted Subsidiary in connection with any asset sale otherwise permitted by the Indenture;

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

(e) Investments in Currency Agreements or Interest Protection Agreements described in the definition of Permitted Indebtedness;

(f) any loan or advance to an executive officer, director or employee of the Company or any Restricted Subsidiary made in the ordinary course of business or in accordance with past practice; PROVIDED, HOWEVER, that any such loan or advance exceeding \$1 million shall have been approved by the

Board of Directors of the Company or a committee thereof consisting of disinterested members;

(g) Investments in joint ventures in a Real Estate Business with unaffiliated third parties in an aggregate amount at any time outstanding not to exceed 10% of Consolidated Tangible Assets at such time;

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

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

(j) Investments in an aggregate amount outstanding not to exceed \$10 million.

"PERMITTED LIENS" means

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

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

(c) Liens (other than any Lien imposed by the Employer Retirement Income Security Act of 1974, as amended) incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security,

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

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

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

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

(h) Liens securing Indebtedness incurred pursuant to clause (h) or (i) of the definition of Permitted Indebtedness,

(i) Liens securing Indebtedness of the Company, the Issuer or any Restricted Subsidiary permitted to be incurred under the Indenture; PROVIDED that the aggregate amount of all consolidated Indebtedness of the Company, the Issuer and the Restricted Subsidiaries (including, with respect to Capitalized Lease Obligations, the Attributable Debt in respect thereof) secured by Liens (other than Non-Recourse Indebtedness and Indebtedness incurred pursuant to clause (i) of the definition of Permitted Indebtedness) shall not exceed 40% of Consolidated Adjusted Tangible Assets at any one time outstanding (after giving effect to the incurrence of such Indebtedness and the use of the proceeds thereof),

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(j) Liens securing Non-Recourse Indebtedness of the Company, the

Issuer or any Restricted Subsidiary; PROVIDED, that such Liens apply only to the property financed out of the net proceeds of such Non-Recourse Indebtedness within 90 days after the incurrence of such Non-Recourse Indebtedness,

(k) Liens securing Purchase Money Indebtedness; PROVIDED that such Liens apply only to the property acquired, constructed or improved with the proceeds of such Purchase Money Indebtedness within 90 days after the incurrence of such Purchase Money Indebtedness,

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

(m) leases or subleases granted to others not materially interfering with the ordinary course of business of the Company and the Restricted Subsidiaries,

(n) purchase money security interests (including, without limitation, Capitalized Lease Obligations); PROVIDED that such Liens apply only to the Property acquired and the related Indebtedness is incurred within 90 days after the acquisition of such Property,

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

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

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

(r) Liens for homeowner and property owner association developments and assessments,

(s) Liens securing Refinancing Indebtedness; PROVIDED, that such Liens extend only to the assets securing the Indebtedness being refinanced,

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

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

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

(w) Liens existing on the Issue Date and any extensions, renewals or replacements thereof, and

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

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

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

"PROPERTY" of any Person means all types of real, personal, tangible, intangible or mixed property owned by such Person, whether or not included in

the most recent consolidated balance sheet of such Person and its Subsidiaries under GAAP.

"PURCHASE MONEY INDEBTEDNESS" means Indebtedness of the Company, the Issuer or any Restricted Subsidiary incurred for the purpose of financing all or any part of the purchase price, or the cost of construction or improvement, of any property to be used in the ordinary course of business by the Company, the Issuer and the Restricted Subsidiaries; PROVIDED, HOWEVER, that (a) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost and (b) such Indebtedness shall be incurred no later than 90 days after the acquisition of such property or completion of such construction or improvement.

"QUALIFIED STOCK" means Capital Stock of the Company other than Disqualified Stock.

"REAL ESTATE BUSINESS" means homebuilding, housing construction, real estate development or construction and related real estate activities, including the provision of mortgage financing or title insurance.

"REFINANCING INDEBTEDNESS" means Indebtedness (to the extent not Permitted Indebtedness) that refunds, refinances or extends any Indebtedness of the Company, the Issuer or any Restricted Subsidiary (to the extent not Permitted Indebtedness) outstanding on the Issue Date or other Indebtedness (to the extent not Permitted Indebtedness) permitted to be incurred by

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the Company, the Issuer or any Restricted Subsidiary pursuant to the terms of the Indenture, but only to the extent that

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

(b) the Refinancing Indebtedness is scheduled to mature either (i) no earlier than the Indebtedness being refunded, refinanced or extended or (ii) after the maturity date of the Notes,

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

(d) such Refinancing Indebtedness is in an aggregate principal amount that is equal to or less than the aggregate principal amount then outstanding under the Indebtedness being refunded, refinanced or extended.

"REGISTER" has the meaning assigned to such term in Section 2.09.

"REGISTRAR" means a Person engaged to maintain the Register.

"REGISTRATION RIGHTS AGREEMENT" means (i) the Registration Rights Agreement dated the Issue Date between the Company and the Initial Purchasers party thereto with respect to the Initial Notes, and (ii) with respect to any Additional Notes, any registration rights agreements between the Company and the Initial Purchasers party thereto relating to rights given by the Company to the purchasers of Additional Notes to register such Additional Notes or exchange them for Notes registered under the Securities Act.

"REGULAR RECORD DATE" for the interest payable on any Interest Payment Date means the March 15 or September 15 (whether or not a Business Day) next preceding such Interest Payment Date.

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

"REGULATION S CERTIFICATE" means a certificate substantially in the form of Exhibit E hereto.

"REGULATION S GLOBAL NOTE" means a Global Note representing Notes issued and sold pursuant to Regulation S.

"REGULATION S TEMPORARY GLOBAL NOTE" means an Regulation S Global Note that bears the Regulation S Temporary Global Note Legend.

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"REGULATION S TEMPORARY GLOBAL NOTE LEGEND" means the legend set forth in Exhibit I.

"RESTRICTED LEGEND" means the legend set forth in Exhibit C.

"RESTRICTED PAYMENT" means any of the following:

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

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

(c) any Investment (other than any Permitted Investment), including any Investment in an Unrestricted Subsidiary (including by the designation of a Subsidiary of the Company as an Unrestricted Subsidiary) and any amounts paid in accordance with clause (b) of the definition of Indebtedness.

"RESTRICTED PERIOD" means the relevant 40-day distribution compliance period as defined in Regulation S, which, for each relevant Note, commences on the date such Note is Issued.

"RESTRICTED SUBSIDIARY" means any Subsidiary of the Company which is not an Unrestricted Subsidiary.

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

"RULE 144A CERTIFICATE" means (i) a certificate substantially in the form of Exhibit F hereto or (ii) a written certification addressed to the Issuer and the Trustee to the effect that the Person making such certification (x) is acquiring such Note (or beneficial interest) for its own account or one or more accounts with respect to which it exercises sole investment discretion and that it and each such account is a qualified institutional buyer within the meaning of Rule 144A, (y) is aware that the transfer to it or exchange, as applicable, is being made in reliance upon the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A, and (z) acknowledges that it has received such information regarding the Issuer as it has requested pursuant to Rule 144A(d)(4) or has determined not to request such information.

"RULE 144A GLOBAL NOTE" means a Global Note that bears the Restricted Legend representing Notes issued and sold pursuant to Rule 144A.

"S&P" means Standard & Poor's Ratings Group, a division of McGraw Hill, Inc. and its successors.

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"SECURITIES ACT" means the Securities Act of 1933.

"SHELF REGISTRATION STATEMENT" means the Shelf Registration Statement as defined in a Registration Rights Agreement.

"SIGNIFICANT SUBSIDIARY" means any Subsidiary of the Company that would constitute a "significant subsidiary" as defined in Article 1, Rule 1-02 (w)(1) or (2) of Regulation S-X promulgated under the Securities Act, as such regulation is in effect on the date of the Indenture.

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

"TRUSTEE" means the party named as such in the first paragraph of the Indenture or any successor trustee under the Indenture pursuant to Article 7.

"TRUST INDENTURE ACT" means the Trust Indenture Act of 1939.

"U.S. GOVERNMENT OBLIGATIONS" means obligations issued or directly and fully guaranteed or insured by the United States of America or by any agent or instrumentality thereof, provided that the full faith and credit of the United States of America is pledged in support thereof.

"UNRESTRICTED SUBSIDIARY" means any Subsidiary of the Company so designated by a resolution adopted by the Board of Directors of the Company or a duly authorized committee thereof as provided below; PROVIDED that (a) the holders of Indebtedness thereof do not have direct or indirect recourse against the Company, the Issuer or any Restricted Subsidiary, and neither the Company, the Issuer nor any Restricted Subsidiary otherwise has liability for, any payment obligations in respect of such Indebtedness (including any undertaking, agreement or instrument evidencing such Indebtedness), except, in each case, to

the extent that the amount thereof constitutes a Restricted Payment permitted by the Indenture, in the case of Non-Recourse Indebtedness, to the extent such recourse or liability is for the matters discussed in the last sentence of the definition of "Non-Recourse Indebtedness," or to the extent such Indebtedness is a guarantee by such Subsidiary of Indebtedness of the Company, the Issuer or a Restricted Subsidiary and (b) no holder of any Indebtedness of such Subsidiary shall have a right to declare a default on such Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity as a result of a default on any Indebtedness of the Company, the Issuer or any Restricted Subsidiary. As of the Issue Date, the Unrestricted Subsidiaries will be the following:

Eastern National Title Insurance Agency, Inc., Eastern Title Agency, Inc., Founders Title Agency, Inc., Governor's Abstract Co., Inc. Hexter Fair Land Title Company I, Inc., Homebuyer's Mortgage, Inc., K. Hovnanian Mortgage, Inc., Hovnanian Financial Services I, Inc., Hovnanian Financial Services II, Inc., Hovnanian Financial Services III, Inc., Hovnanian Financial Services IV. Inc., K. Hovnanian Investment Properties, Inc., Preston Grande Homes, Inc., Heritage Pines, L.L.C., Kings Crossing at Montgomery, L.L.C., Knox Creek, L.L.C., McKinley Court, 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 13 of the

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Hills, L.L.C., Title Group II, L.L.C., Town Homes at Montgomery, 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 Mortgage Investors, L.P., Parkway Development, Sovereign Group, L.P., and K. Hovnanian Venture I, L.L.C.

Subject to the foregoing, the Board of Directors of the Company or a duly authorized committee thereof may designate any Subsidiary in addition to those named above to be an Unrestricted Subsidiary; PROVIDED HOWEVER, that (a) the net amount (the "DESIGNATION AMOUNT") then outstanding of all previous Investments by the Company and the Restricted Subsidiaries in such Subsidiary will be deemed to be a Restricted Payment at the time of such designation and will reduce the amount available for Restricted Payments under Section 4.07 hereof to the extent provided therein, (b) the Company must be permitted under Section 4.07 hereof to make the Restricted Payment deemed to have been made pursuant to clause (a), and (c) after giving effect to such designation, no Default or Event of Default shall have occurred or be continuing. In accordance with the foregoing, and not in limitation thereof, Investments made by any Person in any Subsidiary of such Person prior to such Person's merger with the Company or any Restricted Subsidiary (but not in contemplation or anticipation of such merger) shall not be counted as an Investment by the Company or such Restricted Subsidiary if such Subsidiary of such Person is designated as an Unrestricted Subsidiary.

The Board of Directors of the Company or a duly authorized committee thereof may also redesignate an Unrestricted Subsidiary to be a Restricted Subsidiary PROVIDED, HOWEVER, that (a) the Indebtedness of such Unrestricted Subsidiary as of the date of such redesignation could then be incurred under Section 4.06 hereof and (b) immediately after giving effect to such redesignation and the incurrence of any such additional Indebtedness, the Company and the Restricted Subsidiaries could incur \$1.00 of additional Indebtedness under Section 4.06(a) hereof. Any such designation or redesignation by the Board of Directors of the Company or a committee thereof will be evidenced to the Trustee by the filing with the Trustee of a certified copy of the resolution of the Board of Directors of the Company or a committee thereof giving effect to such designation or redesignation and an Officers' Certificate certifying that such designation or redesignation complied with the foregoing conditions and setting forth the underlying calculations of such Officers' Certificate. The designation of any Person as an Unrestricted Subsidiary shall be deemed to include a designation of all Subsidiaries of such Person as Unrestricted Subsidiaries; PROVIDED, HOWEVER, that the ownership of the general partnership interest (or a similar member's interest in a limited liability company) by an Unrestricted Subsidiary shall not cause a Subsidiary of the Company of which more than 95% of the equity interest is held by the Company or one or more Restricted Subsidiaries to be deemed an Unrestricted Subsidiary.

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

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SECTION 1.02. RULES OF CONSTRUCTION. Unless the context otherwise requires or except as otherwise expressly provided,

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

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

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

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

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

ARTICLE 2

THE NOTES

SECTION 2.01. FORM, DATING AND DENOMINATIONS; LEGENDS. The Notes and the Trustee's certificate of authentication will be substantially in the form attached as Exhibit A. The terms and provisions contained in the form of the Notes annexed as Exhibit A constitute, and are hereby expressly made, a part of the Indenture. The Notes may have notations, legends or endorsements required by law, rules of or agreements with national securities exchanges to which the Issuer is subject, or usage. Each Note will be dated the date of its authentication. The Notes will be issuable in denominations of \$1,000 in principal amount and any multiple of \$1,000 in excess thereof.

(a) (i) Except as otherwise provided in paragraph (c), Section 2.10(b)(iii), (b)(v), or (c) or Section 2.09(b)(iv), each Initial Note or Initial Additional Note (other than a Permanent Regulation S Note) will bear the Restricted Legend.

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

(iii) Each Regulation S Temporary Global Note will bear the Regulation S Temporary Global Note Legend.

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

(v) Initial Notes and Initial Additional Notes offered and sold in reliance on any exception under the Securities Act other than Regulation S and Rule 144A will be

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issued, and upon the request of the Issuer to the Trustee, Initial Notes offered and sold in reliance on Rule 144A may be issued, in the form of Certificated Notes.

(vi) Exchange Notes will be issued, subject to Section 2.09(b), in the form of one or more Global Notes.

(b) (i) If the Issuer determines (upon the advice of counsel and such other certifications and evidence as the Issuer may reasonably require) that a Note is eligible for resale pursuant to Rule 144(k) under the Securities Act (or a successor provision) and that the Restricted Legend is no longer necessary or appropriate in order to ensure that subsequent transfers of the Note (or a beneficial interest therein) are effected in compliance with the Securities Act, or

(ii) after an Initial Note or any Initial Additional Note is

(A) sold pursuant to an effective registration statement under the Securities Act, pursuant to the Registration Rights Agreement or otherwise, or

(B) is validly tendered for exchange into an Exchange Note pursuant to an Exchange Offer

the Issuer may instruct the Trustee to cancel the Note and issue to the Holder thereof (or to its transferee) a new Note of like tenor and amount, registered in the name of the Holder thereof (or its transferee), that does not bear the Restricted Legend, and the Trustee will comply with such instruction.

(c) By its acceptance of any Note bearing the Restricted Legend (or any beneficial interest in such a Note), each Holder thereof and each owner of a beneficial interest therein acknowledges the restrictions on transfer

of such Note (and any such beneficial interest) set forth in this Indenture and in the Restricted Legend and agrees that it will transfer such Note (and any such beneficial interest) only in accordance with the Indenture and such legend.

SECTION 2.02. EXECUTION AND AUTHENTICATION; EXCHANGE NOTES; ADDITIONAL NOTES. (a) An Officer shall execute the Notes for the Issuer by facsimile or manual signature in the name and on behalf of the Issuer. If an Officer whose signature is on a Note no longer holds that office at the time the Note is authenticated, the Note will still be valid.

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

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

(i) Initial Notes for original issue in the aggregate principal amount not to exceed \$100,000,000,

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(ii) Initial Additional Notes from time to time for original issue in aggregate principal amounts up to \$100,000,000 specified by the Issuer, and

(iii) Exchange Notes from time to time for issue in exchange for a like principal amount of Initial Notes or Initial Additional Notes

after the following conditions have been met:

(A) Receipt by the Trustee of an Officers' Certificate specifying

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

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

(3) in the case of Initial Additional Notes, that the issuance of such Notes does not contravene any provision of Article 4,

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

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

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

(C) In the case of Exchange Notes, effectiveness of an Exchange Offer Registration Statement and Consummation (as defined in the Registration Rights Agreement) of the exchange offer thereunder (and receipt by the Trustee of an Officers' Certificate to that effect). Initial Notes or Initial Additional Notes exchanged for Exchange Notes will be cancelled by the Trustee.

SECTION 2.03. REGISTRAR, PAYING AGENT AND AUTHENTICATING AGENT; PAYING AGENT TO HOLD MONEY IN TRUST. (a) The Issuer may appoint one or more Registrars and one or more Paying Agents, and the Trustee may appoint an Authenticating Agent, in which case each reference in the Indenture to the Trustee in respect of the obligations of the Trustee to be performed by that Agent will be deemed to be references to the Agent. The Issuer may act as Registrar or (except for purposes of Article 8) Paying Agent. In each case the Issuer and the Trustee will enter into an appropriate agreement with the Agent implementing the provisions of the Indenture relating to the obligations of the Trustee to be performed by the Agent and the related rights.

(b) The Issuer will require each Paying Agent other than the Trustee to agree in writing that the Paying Agent will hold in trust for the benefit of the Holders or the Trustee all

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money held by the Paying Agent for the payment of principal of and interest on the Notes and will promptly notify the Trustee of any default by the Issuer in making any such payment. The Issuer at any time may require a Paying Agent to

pay all money held by it to the Trustee and account for any funds disbursed, and the Trustee may at any time during the continuance of any payment default, upon written request to a Paying Agent, require the Paying Agent to pay all money held by it to the Trustee and to account for any funds disbursed. Upon doing so, the Paying Agent will have no further liability for the money so paid over to the Trustee.

SECTION 2.04. REPLACEMENT NOTES. If a mutilated Note is surrendered to the Trustee or if a Holder claims that its Note has been lost, destroyed or wrongfully taken, the Issuer will issue and the Trustee will authenticate a replacement Note of like tenor and principal amount and bearing a number not contemporaneously outstanding. Every replacement Note is an additional obligation of the Issuer and entitled to the benefits of the Indenture. If required by the Trustee or the Issuer, an indemnity must be furnished that is sufficient in the judgment of both the Trustee and the Issuer to protect the Issuer and the Trustee from any loss they may suffer if a Note is replaced. The Issuer may charge the Holder for the expenses of the Issuer and the Trustee in replacing a Note. In case the mutilated, lost, destroyed or wrongfully taken Note has become or is about to become due and payable, the Issuer in its discretion may pay the Note instead of issuing a replacement Note.

SECTION 2.05. OUTSTANDING NOTES. (a) Notes outstanding at any time are all Notes that have been authenticated by the Trustee except for

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

(ii) any Note which has been replaced pursuant to Section 2.04 unless and until the Trustee and the Issuer receive proof satisfactory to them that the replaced Note is held by a BONA FIDE purchaser; and

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

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

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SECTION 2.06. TEMPORARY NOTES. Until definitive Notes are ready for delivery, the Issuer may prepare and the Trustee will authenticate temporary Notes. Temporary Notes will be substantially in the form of definitive Notes but may have insertions, substitutions, omissions and other variations determined to be appropriate by the Officer executing the temporary Notes, as evidenced by the execution of the temporary Notes. If temporary Notes are issued, the Issuer will cause definitive Notes to be prepared without unreasonable delay. After the preparation of definitive Notes, the temporary Notes will be exchangeable for definitive Notes upon surrender of the temporary Notes at the office or agency of the Issuer designated for the purpose pursuant to Section 4.02, without charge to the Holder. Upon surrender for cancellation of any temporary Notes the Issuer will execute and the Trustee will authenticate and deliver in exchange therefor a like principal amount of definitive Notes of authorized denominations. Until so exchanged, the temporary Notes will be entitled to the same benefits under the Indenture as definitive Notes.

SECTION 2.07. CANCELLATION. The Issuer at any time may deliver to the Trustee for cancellation any Notes previously authenticated and delivered hereunder which the Issuer may have acquired in any manner whatsoever, and may deliver to the Trustee for cancellation any Notes previously authenticated hereunder which the Issuer has not issued and sold. Any Registrar or the Paying Agent will forward to the Trustee any Notes surrendered to it for transfer, exchange or payment. The Trustee will cancel all Notes surrendered for transfer, exchange, payment or cancellation and dispose of them in accordance with its normal procedures or the written instructions of the Issuer. The Issuer may not issue new Notes to replace Notes it has paid in full or delivered to the Trustee for cancellation.

SECTION 2.08. CUSIP AND ISIN NUMBERS. The Issuer in issuing the Notes may use "CUSIP" and "ISIN" numbers, and the Trustee will use CUSIP numbers or ISIN numbers in notices of redemption or exchange or in Offers to Purchase as a convenience to Holders, the notice to state that no representation is made as to

the correctness of such numbers either as printed on the Notes or as contained in any notice of redemption or exchange or Offer to Purchase. The Issuer will promptly notify the Trustee of any change in the CUSIP or ISIN numbers.

SECTION 2.09. REGISTRATION, TRANSFER AND EXCHANGE. (a) The Notes will be issued in registered form only, without coupons, and the Issuer shall cause the Trustee to maintain a register (the "REGISTER") of the Notes, for registering the record ownership of the Notes by the Holders and transfers and exchanges of the Notes.

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

(ii) Each Global Note will be delivered to the Trustee as custodian for the Depository. Transfers of a Global Note (but not a beneficial interest therein) will be limited to transfers thereof in whole, but not in part, to the Depository, its successors or their respective nominees, except (A) as set forth in Section 2.09(b)(iv) and (B) transfers of portions thereof in the form of Certificated Notes may be made upon request of an Agent Member (for itself or on behalf of a beneficial owner) by written notice given to

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the Trustee by or on behalf of the Depository in accordance with customary procedures of the Depository and in compliance with this Section and Section 2.10.

(iii) Agent Members will have no rights under the Indenture with respect to any Global Note held on their behalf by the Depository, and the Depository may be treated by the Issuer, the Trustee and any agent of the Issuer or the Trustee as the absolute owner and Holder of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, the Depository or its nominee may grant proxies and otherwise authorize any Person (including any Agent Member and any Person that holds a beneficial interest in a Global Note through an Agent Member) to take any action which a Holder is entitled to take under the Indenture or the Notes, and nothing herein will impair, as between the Depository and its Agent Members, the operation of customary practices governing the exercise of the rights of a holder of any security.

(iv) If (x) the Depository notifies the Issuer that it is unwilling or unable to continue as Depository for a Global Note and a successor depository is not appointed by the Issuer within 90 days of the notice or (y) an Event of Default has occurred and is continuing and the Trustee has received a request from the Depository, the Trustee will promptly exchange each beneficial interest in the Global Note for one or more Certificated Notes in authorized denominations having an equal aggregate principal amount registered in the name of the owner of such beneficial interest, as identified to the Trustee by the Depository, and thereupon the Global Note will be deemed canceled. If such Note does not bear the Restricted Legend, then the Certificated Notes issued in exchange therefor will not bear the Restricted Legend. If such Note bears the Restricted Legend, then the Certificated Notes issued in exchange therefor will bear the Restricted Legend, PROVIDED that any Holder of any such Certificated Note issued in exchange for a beneficial interest in a Regulation S Temporary Global Note will have the right upon presentation to the Trustee of a duly completed Certificate of Beneficial Ownership after the Restricted Period to exchange such Certificated Note for a Certificated Note of like tenor and amount that does not bear the Restricted Legend, registered in the name of such Holder.

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

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

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

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(ii) the Trustee will not be required (x) to issue, register the transfer of or exchange any Note for a period of 15 days before a selection of Notes to be redeemed or purchased pursuant to an Offer to Purchase, (y)

to register the transfer of or exchange any Note so selected for redemption or purchase in whole or in part, except, in the case of a partial redemption or purchase, that portion of any Note not being redeemed or purchased, or (z) if a redemption or a purchase pursuant to an Offer to Purchase is to occur after a Regular Record Date but on or before the corresponding Interest Payment Date, to register the transfer of or exchange any Note on or after the Regular Record Date and before the date of redemption or purchase. Prior to the registration of any transfer, the Issuer, the Trustee and their agents will treat the Person in whose name the Note is registered as the owner and Holder thereof for all purposes (whether or not the Note is overdue), and will not be affected by notice to the contrary.

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

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

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

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

(iii) CERTIFICATED NOTE TO GLOBAL NOTE. If a Certificated Note is transferred or exchanged for a beneficial interest in a Global Note, the Trustee will (x) cancel such Certificated Note, (y) record an increase in the principal amount of such Global Note equal to the principal amount of such transfer or exchange and (z) in the event that such transfer or exchange involves less than the entire principal amount of the canceled

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Certificated Note, deliver to the Holder thereof one or more new Certificated Notes in authorized denominations having an aggregate principal amount equal to the untransferred or unexchanged portion of the canceled Certificated Note, registered in the name of the Holder thereof.

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

SECTION 2.10. RESTRICTIONS ON TRANSFER AND EXCHANGE. (a) The transfer or exchange of any Note (or a beneficial interest therein) may only be made in accordance with this Section and Section 2.09 and, in the case of a Global Note (or a beneficial interest therein), the applicable rules and procedures of the Depositary. The Trustee shall refuse to register any requested transfer or exchange that does not comply with the preceding sentence.

(b) Subject to paragraph (c), the transfer or exchange of any Note (or a beneficial interest therein) of the type set forth in column A below for a Note

(or a beneficial interest therein) of the type set forth opposite in column B below may only be made in compliance with the certification requirements (if any) described in the clause of this paragraph set forth opposite in column C below.

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

(i) No certification is required.

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

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

(iv) The Person requesting the transfer or exchange must deliver or cause to be delivered to the Trustee a duly completed Rule 144A Certificate.

(v) Notwithstanding anything to the contrary contained herein, no such exchange is permitted if the requested exchange involves a beneficial interest in a Regulation S Temporary Global Note. If the requested transfer or exchange involves a beneficial interest in a Permanent Regulation S

Global Note, no certification is required and the Trustee will deliver a Certificated Note that does not bear the Restricted Legend.

(c) No certification is required in connection with any transfer or exchange of any Note (or a beneficial interest therein)

(i) after such Note is eligible for resale pursuant to Rule 144(k) under the Securities Act (or a successor provision); PROVIDED that the Issuer has provided the Trustee with a certificate to that effect, and the Issuer may require from any Person requesting a transfer or exchange in reliance upon this clause (i) an opinion of counsel and any other reasonable certifications and evidence in order to support such certificate; or

(ii) (A) sold pursuant to an effective registration statement, pursuant to the Registration Rights Agreement or otherwise or (B) which is validly tendered for exchange into an Exchange Note pursuant to an Exchange Offer.

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

(d) The Trustee will retain copies of all certificates, opinions and other documents received in connection with the transfer or exchange of a Note (or a beneficial interest therein), and the Issuer will have the right to inspect and make copies thereof at any reasonable time upon written notice to the Trustee.

SECTION 2.11. REGULATION S TEMPORARY GLOBAL NOTES. (a) Each Note originally sold by the Initial Purchasers in reliance upon Regulation S will be evidenced by one or more Regulation S Global Notes that bear the Regulation S Temporary Global Note Legend.

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

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

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

ARTICLE 3

REDEMPTION; OFFER TO PURCHASE

Section 3.01. OPTIONAL REDEMPTION. At any time and from time to time on or after April 1, 2007, the Issuer may redeem the Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, and Liquidated Damages, if any, thereon, to the redemption date.

12-MONTH PERIOD COMMENCING APRIL 1 IN YEAR	PERCENTAGE
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-----	-----
-----	-----
-----	-----
-----	-----

104.000%
2008
102.667%
2009
101.333%
2010 and
thereafter
100.000%

SECTION 3.02. METHOD AND EFFECT OF REDEMPTION. (a) If the Issuer elects to redeem Notes, it must notify the Trustee of the redemption date and the principal amount of Notes to be redeemed by delivering an Officers' Certificate at least 60 days before the redemption date (unless a shorter period is satisfactory to the Trustee). If fewer than all of the Notes are being redeemed, the Officers' Certificate must also specify a record date not less than 15 days after the

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date of the notice of redemption is given to the Trustee, and the Trustee will select the Notes to be redeemed pro rata, or as nearly a pro rata basis as is practicable (subject to the procedures of DTC), unless such method is otherwise prohibited, in which case, by lot or by any other method the Trustee in its sole discretion deems fair and appropriate, in denominations of \$1,000 principal amount and multiples thereof. The Trustee will notify the Issuer promptly of the Notes or portions of Notes to be called for redemption. Notice of redemption must be sent by the Issuer or at the Issuer's request, by the Trustee in the name and at the expense of the Issuer, to Holders whose Notes are to be redeemed at least 30 days but not more than 60 days before the redemption date.

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

(i) the redemption date;

(ii) the redemption price, including the portion thereof representing any accrued interest or Liquidated Damages;

(iii) the place or places where Notes are to be surrendered for redemption;

(iv) Notes called for redemption must be so surrendered in order to collect the redemption price;

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

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

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

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

SECTION 3.03. OFFER TO PURCHASE. (a) An "OFFER TO PURCHASE" means an offer by the Issuer to purchase Notes as required by the Indenture. An Offer to Purchase must be made by written offer (the "OFFER") sent to the Holders. The Issuer will notify the Trustee at least 15 days (or such shorter period as is acceptable to the Trustee) prior to sending the offer to Holders

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of its obligation to make an Offer to Purchase, and the offer will be sent by the Issuer or, at the Issuer's request, by the Trustee in the name and at the expense of the Issuer.

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

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

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

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

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

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

(A) the most recent annual and quarterly financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" for the Company,

(B) a description of material developments in the Company's business subsequent to the date of the latest of the financial statements (including a description of the events requiring the Issuer to make the Offer to Purchase), and

(C) if applicable, appropriate pro forma financial information concerning the Offer to Purchase and the events requiring the Issuer to make the Offer to Purchase;

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

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

(viii) each Holder electing to tender a Note pursuant to the offer will be required to surrender such Note at the place or places specified in the offer prior to the close of business on the expiration date (such Note being, if the Issuer or the Trustee so requires, duly endorsed or accompanied by a duly executed written instrument of transfer);

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(ix) interest on any Note not tendered, or tendered but not purchased by the Issuer pursuant to the Offer to Purchase, will continue to accrue;

(x) on the purchase date the purchase price will become due and payable on each Note accepted for purchase, and interest on Notes purchased will cease to accrue on and after the purchase date;

(xi) Holders are entitled to withdraw Notes tendered by giving notice, which must be received by the Issuer or the Trustee not later than the close of business on the expiration date, setting forth the name of the Holder, the principal amount of the tendered Notes, the certificate number of the tendered Notes and a statement that the Holder is withdrawing all or a portion of the tender;

(xii) (A) if Notes in an aggregate principal amount less than or equal to the purchase amount are duly tendered and not withdrawn pursuant to the Offer to Purchase, the Issuer will purchase all such Notes, and (B) if the Offer to Purchase is for less than all of the outstanding Notes and Notes in an aggregate principal amount in excess of the purchase amount are tendered and not withdrawn pursuant to the offer, the Issuer will purchase Notes having an aggregate principal amount equal to the purchase amount on a pro rata basis, with adjustments so that only Notes in multiples of \$1,000 principal amount will be purchased;

(xiii) if any Note is purchased in part, new Notes equal in principal amount to the unpurchased portion of the Note will be issued; and

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

(c) Prior to the purchase date, the Issuer will accept tendered Notes for purchase as required by the Offer to Purchase and deliver to the Trustee all Notes so accepted together with an Officers' Certificate specifying which Notes have been accepted for purchase. On the purchase date the purchase price will become due and payable on each Note accepted for purchase, and interest on Notes purchased will cease to accrue on and after the purchase date. The Trustee will

promptly return to Holders any Notes not accepted for purchase and send to Holders new Notes equal in principal amount to any unpurchased portion of any Notes accepted for purchase in part.

(d) The Issuer will comply with Rule 14e-1 under the Exchange Act and all other applicable laws in making any Offer to Purchase, and the above procedures will be deemed modified as necessary to permit such compliance.

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ARTICLE 4

COVENANTS

SECTION 4.01. PAYMENT OF NOTES. (a) The Issuer agrees to pay the principal of and interest and Liquidated Damages, if any, on the Notes on the dates and in the manner provided in the Notes and the Indenture. The Issuer shall pay Liquidated Damages in the amounts set forth in the Registration Rights Agreement. Not later than 9:00 A.M. (New York City time) on the due date of any principal of or interest on any Notes, or any redemption or purchase price of the Notes, the Issuer will deposit with the Trustee (or Paying Agent) money in immediately available funds sufficient to pay such amounts, PROVIDED that if the Issuer or any Affiliate of the Issuer is acting as Paying Agent, it will, on or before each due date, segregate and hold in a separate trust fund for the benefit of the Holders a sum of money sufficient to pay such amounts until paid to such Holders or otherwise disposed of as provided in the Indenture. In each case the Issuer will promptly notify the Trustee of its compliance with this paragraph.

(b) An installment of principal or interest will be considered paid on the date due if the Trustee (or Paying Agent, other than the Issuer or any Affiliate of the Issuer) holds on that date money designated for and sufficient to pay the installment. If the Issuer or any Affiliate of the Issuer acts as Paying Agent, an installment of principal or interest will be considered paid on the due date only if paid to the Holders.

(c) The Issuer agrees to pay interest on overdue principal, and, to the extent lawful, overdue installments of interest and Liquidated Damages at the rate per annum specified in the Notes.

(d) Payments in respect of the Notes represented by the Global Notes are to be made by wire transfer of immediately available funds to the accounts specified by the Holders of the Global Notes. With respect to Certificated Notes, the Issuer will make all payments by wire transfer of immediately available funds to the accounts specified by the Holders thereof or, if no such account is specified, by mailing a check to each Holder's registered address.

SECTION 4.02. MAINTENANCE OF OFFICE OR AGENCY. The Issuer will maintain an office or agency where Notes may be surrendered for registration of transfer or exchange or for presentation for payment and where notices and demands to or upon the Issuer in respect of the Notes and the Indenture may be served. The Issuer hereby initially designates the Corporate Trust Office of the Trustee as such office of the Issuer. The Issuer will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Issuer fails to maintain any such required office or agency or fails to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served to the Trustee.

The Issuer may also from time to time designate one or more other offices or agencies where the Notes may be surrendered or presented for any of such purposes and may from time to time rescind such designations. The Issuer will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

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SECTION 4.03. EXISTENCE. The Company and the Issuer will each do or cause to be done all things necessary to preserve and keep in full force and effect its existence and the existence of each of its Restricted Subsidiaries in accordance with their respective organizational documents, and the material rights, licenses and franchises of the Company, the Issuer and each Restricted Subsidiary, PROVIDED that the Company and the Issuer are not required to preserve any such right, license or franchise, or the existence of any Restricted Subsidiary, if the maintenance or preservation thereof is no longer desirable in the conduct of the business of the Company and its Restricted Subsidiaries taken as a whole; and PROVIDED FURTHER that this Section does not prohibit any transaction otherwise permitted by Section 4.10 or Section 4.14.

SECTION 4.04. PAYMENT OF TAXES AND OTHER CLAIMS. The Company will pay or discharge, and cause each of its Subsidiaries to pay or discharge before the same become delinquent (a) all material taxes, assessments and governmental charges levied or imposed upon the Company or any Subsidiary or its income or profits or property, and (b) all material lawful claims for labor, materials and

supplies that, if unpaid, might by law become a Lien upon the property of the Company or any Subsidiary, other than any such tax, assessment, charge or claim the amount, applicability or validity of which is being contested in good faith by appropriate proceedings and for which adequate reserves have been established.

SECTION 4.05. MAINTENANCE OF PROPERTIES AND INSURANCE. (a) The Company will cause all properties used or useful in the conduct of its business or the business of any of its Restricted Subsidiaries to be maintained and kept in good condition, repair and working order as in the judgment of the Company may be necessary so that the business of the Company and its Restricted Subsidiaries may be properly and advantageously conducted at all times; PROVIDED that nothing in this Section prevents the Company or any Restricted Subsidiary from discontinuing the use, operation or maintenance of any of such properties or disposing of any of them, if such discontinuance or disposal is, in the judgment of the Company, desirable in the conduct of the business of the Company and its Restricted Subsidiaries taken as a whole.

(b) The Company will provide or cause to be provided, for itself and its Restricted Subsidiaries, insurance (including appropriate self-insurance) against loss or damage of the kinds customarily insured against by corporations similarly situated and owning like properties, including, but not limited to, products liability insurance and public liability insurance, with reputable insurers, in such amounts, with such deductibles and by such methods as are customary for corporations similarly situated in the industry in which the Company and its Restricted Subsidiaries are then conducting business.

SECTION 4.06. LIMITATIONS ON INDEBTEDNESS. (a) The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary, directly or indirectly, to create, incur, assume, become liable for or guarantee the payment of (collectively, an "INCURRENCE") any Indebtedness (including Acquired Indebtedness) unless, after giving effect thereto and the application of the proceeds therefrom, the Consolidated Fixed Charge Coverage Ratio on the date thereof would be at least 2.0 to 1.0.

(b) Notwithstanding the foregoing, the provisions of the Indenture will not prevent the incurrence of:

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- (i) Permitted Indebtedness,
- (ii) Refinancing Indebtedness,
- (iii) Non-Recourse Indebtedness,
- (iv) any Guarantee of Indebtedness represented by the Notes, and
- (v) any guarantee of Indebtedness incurred under Credit Facilities in compliance with the Indenture.

(c) For purposes of determining compliance with this covenant, in the event that an item of Indebtedness may be incurred through the first paragraph of this covenant or by meeting the criteria of one or more of the types of Indebtedness described in the second paragraph of this covenant (or the definitions of the terms used therein), the Company, in its sole discretion,

- (i) may classify such item of Indebtedness under and comply with either of such paragraphs (or any of such definitions), as applicable,
- (ii) may classify and divide such item of Indebtedness into more than one of such paragraphs (or definitions), as applicable, and
- (iii) may elect to comply with such paragraphs (or definitions), as applicable, in any order.

(d) The Company and the Issuer will not, and will not cause or permit any Guarantor to, directly or indirectly, in any event incur any Indebtedness that purports to be by its terms (or by the terms of any agreement governing such Indebtedness) subordinated to any other Indebtedness of the Company or of such Guarantor, as the case may be, unless such Indebtedness is also by its terms (or by the terms of any agreement governing such Indebtedness) made expressly subordinated to the Notes or the Guarantee of such Guarantor, as the case may be, to the same extent and in the same manner as such Indebtedness is subordinated to such other Indebtedness of the Company or such Guarantor, as the case may be.

SECTION 4.07. LIMITATION ON RESTRICTED PAYMENTS. (a) The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, make any Restricted Payment unless:

- (i) no Default or Event of Default shall have occurred and be continuing at the time of or immediately after giving effect to such Restricted Payment;

(ii) immediately after giving effect to such Restricted Payment, the Company could incur at least \$1.00 of Indebtedness pursuant to Section 4.06(a) hereof; and

(iii) immediately after giving effect to such Restricted Payment, the aggregate amount of all Restricted Payments (including the Fair Market Value of any non-cash Restricted Payment) declared or made after May 4, 1999 does not exceed the sum of:

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(A) 50% of the Consolidated Net Income of the Company on a cumulative basis during the period (taken as one accounting period) from and including February 1, 1999 and ending on the last day of the Company's fiscal quarter immediately preceding the date of such Restricted Payment (or in the event such Consolidated Net Income shall be a deficit, minus 100% of such deficit), PLUS

(B) 100% of the aggregate net cash proceeds of and the Fair Market Value of Property received by the Company from (1) any capital contribution to the Company after February 1, 1999 or any issue or sale after February 1, 1999 of Qualified Stock (other than to any Subsidiary of the Company) and (2) the issue or sale after February 1, 1999 of any Indebtedness or other securities of the Company convertible into or exercisable for Qualified Stock of the Company that have been so converted or exercised, as the case may be, PLUS

(C) in the case of the disposition or repayment of any Investment constituting a Restricted Payment made after May 4, 1999, an amount (to the extent not included in the calculation of Consolidated Net Income referred to in (A)) equal to the lesser of (x) the return of capital with respect to such Investment (including by dividend, distribution or sale of Capital Stock) and (y) the amount of such Investment that was treated as a Restricted Payment, in either case, less the cost of the disposition or repayment of such Investment (to the extent not included in the calculation of Consolidated Net Income referred to in (A)), PLUS

(D) with respect to any Unrestricted Subsidiary that is redesignated as a Restricted Subsidiary after May 4, 1999, in accordance with the definition of Unrestricted Subsidiary (so long as the designation of such Subsidiary as an Unrestricted Subsidiary was treated as a Restricted Payment made after May 4, 1999, and only to the extent not included in the calculation of Consolidated Net Income referred to in (A)), an amount equal to the lesser of (x) the proportionate interest of the Company or a Restricted Subsidiary in an amount equal to the excess of (I) the total assets of such Subsidiary, valued on an aggregate basis at the lesser of book value and Fair Market Value thereof, over (II) the total liabilities of such Subsidiary, determined in accordance with GAAP, and (y) the Designation Amount at the time of such Subsidiary's designation as an Unrestricted Subsidiary, PLUS

(E) \$17 million, MINUS

(F) the aggregate amount of all Restricted Payments (other than Restricted Payments referred to in clause (iii) of paragraph (b) below) made after February 1, 1999 through May 4, 1999.

(b) Clauses (ii) and (iii) of paragraph (a) will not prohibit:

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(i) the payment of any dividend within 60 days of its declaration if such dividend could have been made on the date of its declaration without violation of the provisions of the Indenture;

(ii) the repurchase, redemption or retirement of any shares of Capital Stock of the Company in exchange for, or out of the net proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company) of, other shares of Qualified Stock; and

(iii) the purchase, redemption or other acquisition, cancellation or retirement for value of Capital Stock, or options, warrants, equity appreciation rights or other rights to purchase or acquire Capital Stock, of the Company or any Subsidiary held by officers or employees or former officers or employees of the Company or any Subsidiary (or their estates or beneficiaries under their estates) not to exceed \$10 million in the aggregate since May 4, 1999; PROVIDED, HOWEVER that each Restricted Payment described in clauses (i) and (ii) of this sentence shall be taken into account for purposes of computing the aggregate amount of all Restricted Payments pursuant to clause (iii) of the immediately preceding paragraph.

(c) For purposes of determining the aggregate and permitted amounts of

Restricted Payments made, the amount of any guarantee of any Investment in any Person that was initially treated as a Restricted Payment and which was subsequently terminated or expired, net of any amounts paid by the Company or any Restricted Subsidiary in respect of such guarantee, shall be deducted.

(d) In determining the "Fair Market Value of Property" for purposes of clause (iii) of paragraph (a), Property other than cash, Cash Equivalents and Marketable Securities shall be deemed to be equal in value to the "equity value" of the Capital Stock or other securities issued in exchange therefor. The equity value of such Capital Stock or other securities shall be equal to (i) the number of shares of Common Equity issued in the transaction (or issuable upon conversion or exercise of the Capital Stock or other securities issued in the transaction) multiplied by the closing sale price of the Common Equity on its principal market on the date of the transaction (less, in the case of Capital Stock or other securities which require the payment of consideration at the time of conversion or exercise, the aggregate consideration payable thereupon) or (ii) if the Common Equity is not then traded on the New York Stock Exchange, American Stock Exchange or Nasdaq National Market, or if the Capital Stock or other securities issued in the transaction do not consist of Common Equity (or Capital Stock or other securities convertible into or exercisable for Common Equity), the value (if more than \$10 million) of such Capital Stock or other securities as determined by a nationally recognized investment banking firm retained by the Board of Directors of the Company.

SECTION 4.08. LIMITATION ON LIENS. The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, create, incur, assume or suffer to exist any Liens, other than Permitted Liens, on any of its Property, or on any shares of Capital Stock or Indebtedness of any Restricted Subsidiary, unless contemporaneously therewith or prior thereto all payments due under the Indenture and the Notes are secured on an equal and ratable basis with the obligation or liability so secured until such time as such obligation or liability is no longer secured by a Lien.

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SECTION 4.09. LIMITATIONS ON RESTRICTIONS AFFECTING RESTRICTED SUBSIDIARIES. The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, create, assume or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction (other than encumbrances or restrictions imposed by law or by judicial or regulatory action or by provisions of agreements that restrict the assignability thereof) on the ability of any Restricted Subsidiary to:

(a) pay dividends or make any other distributions on its Capital Stock or any other interest or participation in, or measured by, its profits, owned by the Company or any other Restricted Subsidiary, or pay interest on or principal of any Indebtedness owed to the Company or any other Restricted Subsidiary,

(b) make loans or advances to the Company or any other Restricted Subsidiary, or

(c) transfer any of its property or assets to the Company or any other Restricted Subsidiary,

except for

(i) encumbrances or restrictions existing under or by reason of applicable law,

(ii) contractual encumbrances or restrictions in effect on the Issue Date and any amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings thereof, PROVIDED that such amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings are no more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in such contractual encumbrances or restrictions, as in effect on May 4, 1999,

(iii) any restrictions or encumbrances arising under Acquired Indebtedness; PROVIDED that such encumbrance or restriction applies only to either the assets that were subject to the restriction or encumbrance at the time of the acquisition or the obligor on such Indebtedness and its Subsidiaries prior to such acquisition,

(iv) any restrictions or encumbrances arising in connection with Refinancing Indebtedness; PROVIDED, HOWEVER, that any restrictions and encumbrances of the type described in this clause (iv) that arise under such Refinancing Indebtedness shall not be materially more restrictive or apply to additional assets than those under the agreement creating or evidencing the Indebtedness being refunded, refinanced, replaced or extended,

(v) any Permitted Lien, or any other agreement restricting the sale or other disposition of property, securing Indebtedness permitted by the Indenture if such Permitted Lien or agreement does not expressly restrict

the ability of a Subsidiary of the Company to pay dividends or make or repay loans or advances prior to default thereunder,

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(vi) reasonable and customary borrowing base covenants set forth in agreements evidencing Indebtedness otherwise permitted by the Indenture,

(vii) customary non-assignment provisions in leases, licenses, encumbrances, contracts or similar assets entered into or acquired in the ordinary course of business,

(viii) any restriction with respect to a Restricted Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Restricted Subsidiary pending the closing of such sale or disposition,

(ix) encumbrances or restrictions existing under or by reason of the Indenture or the Notes,

(x) purchase money obligations that impose restrictions on the property so acquired of the nature described in clause (c) of the preceding paragraph,

(xi) Liens permitted under the Indenture securing Indebtedness that limit the right of the debtor to dispose of the assets subject to such Lien,

(xii) provisions with respect to the disposition or distribution of assets or property in joint venture agreements, assets sale agreements, stock sale agreements and other similar agreements,

(xiii) customary provisions of any franchise, distribution or similar agreements,

(xiv) restrictions on cash or other deposits or net worth imposed by contracts entered into in the ordinary course of business, and

(xv) any encumbrance or restrictions of the type referred to in clauses (a), (b) or (c) of the first paragraph of this section imposed by any amendments, modifications, restatements, renewals, supplements, refinancings, replacements or refinancings of the contracts, instruments or obligations referred to in clauses (i) through (xiv) of this paragraph, PROVIDED that such amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings are, in the good faith judgment of the Company's Board of Directors, no more restrictive with respect to such dividend and other payment restrictions than those contained in the dividend or other payment restrictions prior to such amendment, modification, restatement, renewal, supplement, refunding, replacement or refinancing.

SECTION 4.10. LIMITATIONS ON DISPOSITIONS OF ASSETS. The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, make any Asset Disposition unless (x) the Company (or such Restricted Subsidiary, as the case may be) receives consideration at the time of such Asset Disposition at least equal to the Fair Market Value thereof, and (y) not less than 70% of the consideration received by the Company (or such Restricted Subsidiary, as the case may be) is in the form of cash, Cash Equivalents and Marketable Securities. The amount of (i) any Indebtedness (other than any Indebtedness subordinated to the Notes) of the Company or any Restricted Subsidiary that is actually assumed by the transferee in such Asset Disposition

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and (ii) the fair market value (as determined in good faith by the Board of Directors of the Company) of any property or assets received that are used or useful in a Real Estate Business, shall be deemed to be consideration required by clause (y) above for purposes of determining the percentage of such consideration received by the Company or the Restricted Subsidiaries. The Net Cash Proceeds of an Asset Disposition shall, within one year, at the Company's election, (a) be used by the Company or a Restricted Subsidiary in the business of the construction and sale of homes conducted by the Company and the Restricted Subsidiaries or any other business of the Company or a Restricted Subsidiary existing at the time of such Asset Disposition or (b) to the extent not so used, be applied to make an Offer to Purchase Notes and, if the Company or a Restricted Subsidiary elects or is required to do so repay, purchase or redeem any other unsubordinated Indebtedness (on a PRO RATA basis if the amount available for such repayment, purchase or redemption is less than the aggregate amount of (i) the principal amount of the Notes tendered in such Offer to Purchase and (ii) the lesser of the principal amount, or accreted value, of such other unsubordinated Indebtedness, plus, in each case accrued interest to the date of repayment, purchase or redemption) at 100% of the principal amount or accreted value thereof, as the case may be, plus accrued interest and Liquidated Damages, if any, to the date of repurchase or repayment. Notwithstanding the

foregoing, (A) the Company will not be required to apply such Net Cash Proceeds to the repurchase of Notes in accordance with clause (b) of the preceding sentence except to the extent that such Net Cash Proceeds, together with the aggregate Net Cash Proceeds of prior Asset Dispositions (other than those so used) which have not been applied in accordance with this provision and as to which no prior Offer to Purchase shall have been made, exceed 5% of Consolidated Tangible Assets and (B) in connection with an Asset Disposition, the Company and the Restricted Subsidiaries will not be required to comply with the requirements of clause (y) of the first sentence of the first paragraph of this covenant to the extent that the non-cash consideration received in connection with such Asset Disposition together with the sum of all non-cash consideration received in connection with all prior Asset Disposition that has not yet been converted into cash, does not exceed 5% of Consolidated Tangible Assets; PROVIDED HOWEVER, that when any non-cash consideration is converted into cash, such cash shall constitute Net Cash Proceeds and be subject to the preceding sentence.

SECTION 4.11. GUARANTEES BY RESTRICTED SUBSIDIARIES. Each existing Restricted Subsidiary (other than KHL, Inc. and K. Hovnanian Poland, sp. z.o.o.) will provide a Note Guaranty. The Company will be permitted to cause any Unrestricted Subsidiary to provide a Note Guaranty. If the Issuer, the Company or any of its Restricted Subsidiaries acquires or creates a Restricted Subsidiary after the date of the Indenture, the new Restricted Subsidiary must provide a Note Guaranty.

A Restricted Subsidiary required to provide a Note Guaranty shall execute a supplemental indenture in the form of Exhibit B, and deliver an Opinion of Counsel to the Trustee to the effect that the supplemental indenture has been duly authorized, executed and delivered by the Restricted Subsidiary and constitutes a valid and binding obligation of the Restricted Subsidiary, enforceable against the Restricted Subsidiary in accordance with its terms (subject to customary exceptions).

SECTION 4.12. REPURCHASE OF NOTES UPON A CHANGE OF CONTROL. (a) In the event that there shall occur a Change of Control, each Holder of Notes shall have the right, at such Holder's option, to require the Issuer to purchase all or any part of such Holder's Notes on a date

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(the "REPURCHASE DATE") that is no later than 90 days after notice of the Change of Control, at 101% of the principal amount thereof plus accrued and unpaid interest and Liquidated Damages, if any, to the Repurchase Date.

(b) On or before the thirtieth day after any Change of Control, the Issuer is obligated to mail or cause to be mailed, to all Holders of record of Notes a notice regarding the Change of Control and the repurchase right. The notice shall state the Repurchase Date, the date by which the repurchase right must be exercised, the price for the Notes and the procedure which the Holder must follow to exercise such right. Substantially simultaneously with mailing of the notice, the Issuer shall cause a copy of such notice to be published in a newspaper of general circulation in the Borough of Manhattan, The City of New York. To exercise such right, the Holder of such Note must deliver at least ten days prior to the Repurchase Date written notice to the Issuer (or an agent designated by the Issuer for such purpose) of the Holder's exercise of such right, together with the Note with respect to which the right is being exercised, duly endorsed for transfer; PROVIDED, HOWEVER, that if mandated by applicable law, a Holder may be permitted to deliver such written notice nearer to the Repurchase Date than may be specified by the Issuer.

(c) The Issuer will comply with applicable law, including Section 14(e) of Exchange Act and Rule 14e-1 thereunder, if applicable, if the Issuer is required to give a notice of a right of repurchase as a result of a Change of Control.

SECTION 4.13. LIMITATION ON TRANSACTIONS WITH AFFILIATES. (a) The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, make any loan, advance, guarantee or capital contribution to, or for the benefit of, or sell, lease, transfer or otherwise dispose of any property or assets to or for the benefit of, or purchase or lease any property or assets from, or enter into or amend any contract, agreement or understanding with, or for the benefit of, any Affiliate of the Company or any Affiliate of any of the Company's Subsidiaries or any holder of 10% or more of the Common Equity of the Company (including any Affiliates of such holders), in a single transaction or series of related transactions (each, an "AFFILIATE TRANSACTION"), except for any Affiliate Transaction the terms of which are at least as favorable as the terms which could be obtained by the Company, the Issuer or such Restricted Subsidiary, as the case may be, in a comparable transaction made on an arm's length basis with Persons who are not such a holder, an Affiliate of such a holder or an Affiliate of the Company or any of the Company's Subsidiaries.

(b) In addition, the Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, enter into an Affiliate Transaction unless:

(i) with respect to any such Affiliate Transaction involving or having a value of more than \$1 million, the Company shall have (x) obtained

the approval of a majority of the Board of Directors of the Company and (y) either obtained the approval of a majority of the Company's disinterested directors or obtained an opinion of a qualified independent financial advisor to the effect that such Affiliate Transaction is fair to the Company, the Issuer or such Restricted Subsidiary, as the case may be, from a financial point of view, and

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(ii) with respect to any such Affiliate Transaction involving or having a value of more than \$10 million, the Company shall have (x) obtained the approval of a majority of the Board of Directors of the Company and (y) delivered to the Trustee an opinion of a qualified independent financial advisor to the effect that such Affiliate Transaction is fair to the Company, the Issuer or such Restricted Subsidiary, as the case may be, from a financial point of view.

(c) Notwithstanding the foregoing, an Affiliate Transaction will not include:

(i) any contract, agreement or understanding with, or for the benefit of, or plan for the benefit of, employees of the Company or its Subsidiaries generally (in their capacities as such) that has been approved by the Board of Directors of the Company,

(ii) Capital Stock issuances to directors, officers and employees of the Company or its Subsidiaries pursuant to plans approved by the stockholders of the Company,

(iii) any Restricted Payment otherwise permitted under Section 4.07 hereof,

(iv) any transaction between or among the Company and one or more Restricted Subsidiaries or between or among Restricted Subsidiaries (PROVIDED, HOWEVER, no such transaction shall involve any other Affiliate of the Company (other than an Unrestricted Subsidiary to the extent the applicable amount constitutes a Restricted Payment permitted by the Indenture)),

(v) any transaction between one or more Restricted Subsidiaries and one or more Unrestricted Subsidiaries where all of the payments to, or other benefits conferred upon, such Unrestricted Subsidiaries are substantially contemporaneously dividended, or otherwise distributed or transferred without charge, to the Company or a Restricted Subsidiary,

(vi) issuances, sales or other transfers or dispositions of mortgages and collateralized mortgage obligations in the ordinary course of business between Restricted Subsidiaries and Unrestricted Subsidiaries of the Company, and

(vii) the payment of reasonable and customary fees to, and indemnity provided on behalf of, officers, directors, employees or consultants of the Company, the Issuer or any Restricted Subsidiary.

SECTION 4.14. LIMITATIONS ON MERGERS, CONSOLIDATIONS AND SALES OF ASSETS. Neither the Company nor the Issuer nor any Guarantor will consolidate or merge with or into, or sell, lease, convey or otherwise dispose of all or substantially all of its assets (including, without limitation, by way of liquidation or dissolution), or assign any of its obligations under the Notes, the Guarantee or the Indenture (as an entirety or substantially as an entirety in one transaction or in a series of related transactions), to any Person (in each case other than in a transaction in which the Company, the Issuer or a Restricted Subsidiary is the survivor of a consolidation or merger, or the transferee in a sale, lease, conveyance or other disposition) unless:

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(i) the Person formed by or surviving such consolidation or merger (if other than the Company, the Issuer or the Guarantor, as the case may be), or to which such sale, lease, conveyance or other disposition or assignment will be made (collectively, the "SUCCESSOR"), is a corporation or other legal entity organized and existing under the laws of the United States or any state thereof or the District of Columbia, and the Successor assumes by supplemental indenture in a form reasonably satisfactory to the Trustee all of the obligations of the Company, the Issuer or the Guarantor, as the case may be, under the Notes or a Guarantee, as the case may be, and the Indenture,

(ii) immediately after giving effect to such transaction, no Default or Event of Default has occurred and is continuing, and

(iii) immediately after giving effect to such transaction, the Company (or its Successor) could incur at least \$1.00 of Indebtedness pursuant to Section 4.06(a) hereof.

The foregoing provisions shall not apply to (i) a transaction involving the sale or disposition of Capital Stock of a Guarantor, or the consolidation or merger of a Guarantor, or the sale, lease, conveyance or other disposition of all or substantially all of the assets of a Guarantor, that in any such case results in such Guarantor being released from its Guarantee pursuant to the Indenture, or (ii) a transaction the purpose of which is to change the state of incorporation of the Company, the Issuer or any Guarantor.

SECTION 4.15. REPORTS TO HOLDERS OF NOTES. (a) The Company shall file with the Commission the annual reports and the information, documents and other reports required to be filed pursuant to Section 13 or 15(d) of the Exchange Act. The Company shall file with the Trustee and mail to each Holder of record of Notes such reports, information and documents within 15 days after it files them with the Commission. In the event that the Company is no longer subject to these periodic requirements of the Exchange Act, it will nonetheless continue to file reports with the Commission and the Trustee and mail such reports to each Holder of Notes as if it were subject to such reporting requirements. Regardless of whether the Company is required to furnish such reports to its stockholders pursuant to the Exchange Act, the Company will cause its consolidated financial statements and a "Management's Discussion and Analysis of Results of Operations and Financial Condition" written report, similar to those that would have been required to appear in annual or quarterly reports, to be delivered to Holders of Notes.

(b) For so long as any of the Notes remain outstanding and constitute "restricted securities" under Rule 144, the Company will furnish to the Holders of the Notes and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

(c) All obligors on the Notes will comply with Section 314(a) of the Trust Indenture Act.

(d) Delivery of these reports and information to the Trustee is for informational purposes only and the Trustee's receipt of them will not constitute constructive notice of any information contained therein or determinable from information contained therein, including the

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Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

SECTION 4.16. REPORTS TO TRUSTEE. (a) The Company will deliver to the Trustee within 120 days after the end of each fiscal year a written statement by the Company's independent public accountants stating (i) that their audit examination has included a review of the terms of this Indenture and the Notes as they relate to accounting matters, and (ii) whether, in connection with their audit examination, any Default has come to their attention and, if a Default has come to their attention, specifying the nature and period of the existence thereof.

(b) The Company shall deliver to the Trustee, on or prior to each Interest Payment Date, an Officer's Certificate setting forth the amount of Liquidated Damages, if any, the Issuer is required to pay on that Interest Payment Date. If no Liquidated Damages are required to be paid on a given Interest Payment Date, no such Officer's Certificate is required to be delivered to the Trustee for that Interest Payment Date.

(c) The Company will notify the Trustee when any Notes are listed on any national securities exchange and of any delisting.

ARTICLE 5

REMEDIES

SECTION 5.01. EVENTS OF DEFAULT. (a) "EVENT OF DEFAULT" means any one or more of the following events:

(i) the failure by the Company, the Issuer and the Guarantors to pay interest on, or Liquidated Damages with respect to, any Note when the same becomes due and payable and the continuance of any such failure for a period of 30 days;

(ii) the failure by the Company, the Issuer and the Guarantors to pay the principal or premium of any Note when the same becomes due and payable at maturity, upon acceleration or otherwise;

(iii) the failure by the Company, the Issuer or any Restricted Subsidiary to comply with any of its agreements or covenants in, or provisions of, the Notes, the Guarantee or the Indenture and such failure continues for the period and after the notice specified below (except in the case of a default under Sections 4.12 and 4.14 hereof, which will constitute Events of Default with notice but without passage of time);

(iv) the acceleration of any Indebtedness (other than Non-Recourse Indebtedness) of the Company, the Issuer or any Restricted Subsidiary that has an outstanding principal amount of \$10 million or more, individually or in the aggregate, and such acceleration does not cease to exist, or such Indebtedness is not satisfied, in either case within 30 days after such acceleration;

(v) the failure by the Company, the Issuer or any Restricted Subsidiary to make any principal or interest payment in an amount of \$10 million or more, individually

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or in the aggregate, in respect of Indebtedness (other than Non-Recourse Indebtedness) of the Company or any Restricted Subsidiary within 30 days of such principal or interest becoming due and payable (after giving effect to any applicable grace period set forth in the documents governing such Indebtedness);

(vi) a final judgment or judgments that exceed \$10 million or more, individually or in the aggregate, for the payment of money having been entered by a court or courts of competent jurisdiction against the Company, the Issuer or any of its Restricted Subsidiaries and such judgment or judgments is not satisfied, stayed, annulled or rescinded within 60 days of being entered;

(vii) the Company or any Restricted Subsidiary that is a Significant Subsidiary pursuant to or within the meaning of any Bankruptcy Law:

(A) commences a voluntary case,

(B) consents to the entry of an order for relief against it in an involuntary case,

(C) consents to the appointment of a Custodian of it or for all or substantially all of its property, or

(D) makes a general assignment for the benefit of its creditors;

(viii) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief against the Company or any Restricted Subsidiary that is a Significant Subsidiary as debtor in an involuntary case,

(B) appoints a Custodian of the Company or any Restricted Subsidiary that is a Significant Subsidiary or a Custodian for all or substantially all of the property of the Company or any Restricted Subsidiary that is a Significant Subsidiary, or

(C) orders the liquidation of the Company or any Restricted Subsidiary that is a Significant Subsidiary,

and the order or decree remains unstayed and in effect for 60 days, or

(ix) any Guarantee of a Guarantor which is a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Guarantee and the Indenture) or is declared null and void and unenforceable or found to be invalid or any Guarantor denies its liability under its Guarantee (other than by reason of release of a Guarantor from its Guarantee in accordance with the terms of the Indenture and the Guarantee).

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A Default as described in subclause (iii) above will not be deemed an Event of Default until the Trustee notifies the Company, or the Holders of at least 25 percent in principal amount of the then outstanding Notes notify the Company and the Trustee, of the Default and (except in the case of a default with respect to Sections 4.12 and 4.14 hereof) the Company does not cure the Default within 60 days after receipt of the notice. The notice must specify the Default, demand that it be remedied and state that the notice is a "Notice of Default." If such a Default is cured within such time period, it ceases.

If an Event of Default (other than an Event of Default with respect to the Company resulting from subclauses (vii) or (viii) above), shall have occurred and be continuing under the Indenture, the Trustee by notice to the Company, or the Holders of at least 25 percent in principal amount of the Notes then outstanding by notice to the Company and the Trustee, may declare all Notes to be due and payable immediately. Upon such declaration of acceleration, the amounts due and payable on the Notes will be due and payable immediately. If an Event of Default with respect to the Company specified in subclauses (vii) or

(viii) above occurs, such an amount will ipso facto become and be immediately due and payable without any declaration, notice or other act on the part of the Trustee and the Company or any Holder.

Except with respect to an Event of Default pursuant to clauses (i) or (ii) of this Section 5.01, the Trustee shall not be charged with knowledge of any Event of Default unless written notice thereof shall have been given to the Trustee by the Issuer or any Holder.

SECTION 5.02. OTHER REMEDIES. If an Event of Default occurs and is continuing, the Trustee may pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest or Liquidated Damages, if any, on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding.

SECTION 5.03. WAIVER OF DEFAULTS BY MAJORITY OF HOLDERS. The Holders of a majority in principal amount of the Notes then outstanding by written notice to the Trustee and the Company may waive any Default or Event of Default (other than any Default or Event of Default in payment of principal or interest or Liquidated Damages) on the Notes under the Indenture. Holders of a majority in principal amount of the then outstanding Notes may rescind an acceleration and its consequence (except an acceleration due to nonpayment of principal or interest or Liquidated Damages, if any, on the Notes) if the rescission would not conflict with any judgment or decree and if all existing Events of Default (other than the non-payment of accelerated principal) have been cured or waived.

SECTION 5.04. DIRECTION OF PROCEEDINGS. The Holders may not enforce the provisions of the Indenture, the Notes or the Guarantees except as provided in the Indenture. Subject to certain limitations, Holders of a majority in principal amount of the Notes then outstanding may direct the Trustee in its exercise of any trust or power, PROVIDED, HOWEVER, that such direction does not conflict with the terms of the Indenture. The Trustee may withhold from the Holders notice of any continuing Default or Event of Default (except any Default or Event of Default in payment of principal or interest or Liquidated Damages, if any, on the Notes or that resulted

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from the failure to comply with Section 4.12 hereof) if the Trustee determines that withholding such notice is in the Holders' interest or would involve the Trustee in personal liability.

SECTION 5.05. APPLICATION OF MONEYS COLLECTED BY TRUSTEE. Any moneys collected by the Trustee pursuant to this Article with respect to Notes shall be applied in the order following, at the date or dates fixed by the Trustee for the distribution of such moneys, upon presentation of the Notes and stamping thereon the payment, if only partially paid, and upon surrender thereof, if fully paid:

FIRST: To the payment of costs and expenses of collection and reasonable compensation to the Trustee, its agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Trustee pursuant to Section 7.07 except as a result of its negligence or bad faith;

SECOND: If the principal of the Notes shall not have become due and be unpaid, to the payment of interest or Liquidated Damages, if any, on the Notes with interest (to the extent that such interest has been collected by the Trustee) upon the overdue installments of interest and Liquidated Damages, if any, at the rate borne by the Notes, such payment to be made ratably to the Persons entitled thereto;

THIRD: If the principal of the Notes shall have become due, by declaration or otherwise, to the payment of the whole amount then owing and unpaid upon the Notes for principal, interest and Liquidated Damages, if any, with interest on the overdue principal and (to the extent that such interest has been collected by the Trustee) upon overdue installments of interest and Liquidated Damages, if any, at the rate borne by the Notes, and in case such moneys shall be insufficient to pay in full the whole amounts so due and unpaid upon the Notes, then to the payment of such principal and interest and Liquidated Damages, if any, without preference or priority of principal over interest or Liquidated Damages or of interest or Liquidated Damages over principal, or of interest over Liquidated Damages, or of any installment of interest or Liquidated Damages over any other installment of interest or Liquidated Damages, ratably to the aggregate of such principal and accrued and unpaid interest and Liquidated Damages, if any; and

FOURTH: To the payment of any surplus then remaining to the Issuer, its successors or assigns, or to whomsoever may be lawfully entitled to receive the same.

No claim for interest which in any manner at or after maturity shall have

been transferred or pledged separate or apart from the Notes to which it relates, or which in any manner shall have been kept alive after maturity by an extension (otherwise than pursuant to an extension made pursuant to a plan proposed by the Issuer to the Holders of all Notes), purchase, funding or otherwise by or on behalf or with the consent or approval of the Issuer shall be entitled, in case of a default hereunder, to any benefit of this Indenture, except after prior payment in full of the principal of all Notes and of all claims for interest not so transferred, pledged, kept alive, extended, purchased or funded.

SECTION 5.06. PROCEEDINGS BY HOLDERS. No holder of any Notes shall have any right by virtue of or by availing of any provision of this Indenture to institute any suit, action or

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proceeding in equity or at law upon or under or with respect to this Indenture for the appointment of a receiver or trustee or similar official, or for any other remedy hereunder, unless such Holder previously shall have given to the Trustee written notice of default and of the continuance thereof, as hereinbefore provided, and unless the Holders of not less than 25% in aggregate principal amount of the Notes shall have made written request to the Trustee to institute such action, suit or proceeding in its own name as Trustee hereunder and shall have offered to the Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee for 60 days after its receipt of such notice, request and offer of indemnity, shall have neglected or refused to institute any such action, suit or proceeding, it being understood and intended, and being expressly covenanted by the Holder of every Note with every other Holder and the Trustee, that no one or more Holders of Notes shall have any right in any manner whatever by virtue of or by availing of any provision of this Indenture or of the Notes to affect, disturb or prejudice the rights of any other Holder of Notes, or to obtain or seek to obtain priority over or preference as to any other such Holder, or to enforce any right under this Indenture or the Notes, except in the manner herein provided and for the equal, ratable and common benefit of all Holders of Notes.

Notwithstanding any other provisions in this Indenture, however, the right of any Holder of any Note to receive payment of the principal of, premium, if any, and interest and Liquidated Damages, if any, on such Note, on or after the maturity thereof, or to institute suit for the enforcement of any such payment on or after such respective dates shall not be impaired or affected without the consent of such Holder.

SECTION 5.07. PROCEEDINGS BY TRUSTEE. In case of an Event of Default hereunder, the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any of such rights, either by suit in equity or by action at law or by proceedings in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted in this Indenture, or to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law.

SECTION 5.08. REMEDIES CUMULATIVE AND CONTINUING. All powers and remedies given by this Article Five to the Trustee or to the Holders shall, to the extent permitted by law, be deemed cumulative and not exclusive of any thereof or of any other powers and remedies available to the Trustee or the Holders, by judicial proceedings or otherwise, to enforce the performance or observance of the covenants and agreements contained in this Indenture, and no delay or omission of the Trustee or of any Holder to exercise any right or power accruing upon any default occurring and continuing as aforesaid shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence therein; and, subject to the provisions of Section 5.06, every power and remedy given by this Article 5 or by law to the Trustee or to the Holders may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by the Holders.

SECTION 5.09. UNDERTAKING TO PAY COSTS. All parties to this Indenture agree and each Holder of any Note by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, or in any suit for the enforcement of any right or remedy under this

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Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of any undertaking to pay the cost of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 5.09 shall not apply to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in principal amount of the Notes, or to any suit instituted by any

Holder for the enforcement of the payment of the principal of or interest or Liquidated Damages, if any, on any Note against the Issuer on or after the due date of such Note.

SECTION 5.10. NOTICE OF DEFAULTS. The Company is required to deliver to the Trustee an annual statement regarding compliance with the Indenture, and include in such statement, if any officer of the Company is aware of any Default or Event of Default, a statement specifying such Default or Event of Default and what action the Company is taking or proposes to take with respect thereto. In addition, the Company is required to deliver to the Trustee prompt written notice of the occurrence of any Default or Event of Default.

SECTION 5.11. WAIVER OF STAY, EXTENSION OR USURY LAWS. The Company, the Issuer and each Guarantor 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 or any usury law or other law that would prohibit or forgive the Company, the Issuer or the Guarantor from paying all or any portion of the principal of, or interest or Liquidated Damages, if any, on the Notes as contemplated herein, wherever enacted, now or at any time hereafter in force, or that may affect the covenants or the performance of the Indenture. The Company, the Issuer and each Guarantor hereby expressly waives, to the extent that it may lawfully do so, all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE 6

GUARANTEE

SECTION 6.01. GUARANTEE. Each of the Guarantors hereby unconditionally guarantees, jointly and severally, to each Holder and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of this Indenture, the Notes or the obligations of the Issuer hereunder or thereunder, that: (i) the due and punctual payment of the principal of and any premium, interest or Liquidated Damages on the Notes, whether at maturity or on an interest payment date, by acceleration, pursuant to an Offer to Purchase or otherwise, and interest on the overdue principal of and interest and Liquidated Damages, if any, on the Notes, if lawful, and all other obligations of the Issuer to the Holders or the Trustee hereunder or thereunder shall be promptly paid in full when due or performed in accordance with the terms hereof and thereof; including all amounts payable to the Trustee under Section 7.07 hereof, and (ii) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, the same shall be promptly paid in full when due or to be performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise.

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If the Issuer fails to make any payment when due of any amount so guaranteed for whatever reason, each Guarantor shall be obligated to pay the same immediately. Each Guarantor hereby agrees that its obligations hereunder shall be continuing, absolute and unconditional, irrespective of, and shall be unaffected by, the validity regularity or enforceability of the Notes, this Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder or the Trustee with respect to any provisions hereof or thereof, the recovery of any judgment against the Issuer, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of such Guarantor. If any Holder is required by any court or otherwise to return to the Issuer or any Guarantor, or any custodian, trustee, liquidator or other similar official acting in relation to the Issuer or such Guarantor, any amount paid by the Issuer or any Guarantor to the Trustee or such Holder, this Article 6, to the extent theretofore discharged, shall be reinstated in full force and effect. Each Guarantor agrees that it shall not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby until payment in full of all obligations guaranteed hereby.

The Guarantee set forth in this Section 6.01 shall not be valid or become obligatory for any purpose with respect to a Note until the certificate of authentication on such Note shall have been signed by the Trustee or any duly appointed agent.

SECTION 6.02. OBLIGATIONS OF EACH GUARANTOR UNCONDITIONAL. Nothing contained in this Article 6 or elsewhere in this Indenture or in any Note is intended to or shall impair, as between each Guarantor and the Holders, which are absolute and unconditional, to pay to the Holders the principal of and interest and Liquidated Damages, if any, on the Notes as and when the same shall become due and payable in accordance with the provisions of the Guarantee or is intended to or shall affect the relative rights of the Holders and creditors of the Issuer, nor shall anything herein or therein prevent the Trustee or any Holder from exercising all remedies otherwise permitted by applicable law upon any Default under this Indenture in respect of cash, property or securities of such Guarantor received upon the exercise of any such remedy.

Upon any distribution of assets of a Guarantor referred to in this Article 6, the Trustee, subject to the provisions of Article 7, and the Holders shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which such dissolution, winding up, liquidation or reorganization proceedings are pending, or a certificate of the liquidating trustee or agent or other person making any distribution to the Trustee or to the Holders, for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of other indebtedness of such Guarantor, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article 6.

SECTION 6.03. RELEASE OF A GUARANTOR. If all or substantially all of the assets of any Guarantor other than the Company or all of the Capital Stock of any Guarantor other than the Company is sold (including by consolidation, merger, issuance or otherwise) or disposed of (including by liquidation, dissolution or otherwise) by the Company or any of its Subsidiaries, or, unless the Company elects otherwise, if any Guarantor other than the Company is designated an Unrestricted Subsidiary in accordance with the terms of the Indenture, then such Guarantor (in the event of a sale or other disposition of all of the Capital Stock of such Guarantor or a designation as an Unrestricted Subsidiary) or the Person acquiring such assets (in the event of a

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sale or other disposition of all or substantially all of the assets of such Guarantor) shall be deemed automatically and unconditionally released and discharged from any of its obligations under the Indenture without any further action on the part of the Trustee or any Holder of the Notes.

An Unrestricted Subsidiary that is a Guarantor shall be deemed automatically and unconditionally released and discharged from all obligations under its Guarantee upon notice from the Company to the Trustee to such effect, without any further action required on the part of the Trustee or any Holder.

SECTION 6.04. EXECUTION AND DELIVERY OF GUARANTY. The execution by each Guarantor of the Indenture (or a supplemental indenture in the form of Exhibit B) evidences the Note Guaranty of such Guarantor, whether or not the person signing as an officer of the Guarantor still holds that office at the time of authentication of any Note. The delivery of any Note by the Trustee after authentication constitutes due delivery of the Note Guaranty set forth in the Indenture on behalf of each Guarantor.

SECTION 6.05. LIMITATION ON GUARANTOR LIABILITY. Notwithstanding anything to the contrary in this Article, each Guarantor, and by its acceptance of Notes, each Holder, hereby confirms that it is the intention of all such parties that the Note Guaranty of such Guarantor not constitute a fraudulent conveyance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of state law. To effectuate that intention, the Trustee, the Holders and the Guarantors hereby irrevocably agree that the obligations of each Guarantor under its Note Guaranty are limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of state law.

SECTION 6.06. ARTICLE 6 NOT TO PREVENT EVENTS OF DEFAULT. The failure to make a payment on account of principal or interest or Liquidated Damages, if any, on the Notes by reason of any provision in this Article 6 shall not be construed as preventing the occurrence of any Event of Default under Section 5.01.

SECTION 6.07. WAIVER BY THE GUARANTORS. Each Guarantor hereby irrevocably waives diligence, presentment, demand of payment, demand of performance, filing of claims with a court in the event of insolvency of bankruptcy of the Issuer, any right to require a proceeding first against the Issuer, the benefit of discussion, protest, notice and all demand whatsoever and covenants that this Guarantee shall not be discharged except by complete performance of the obligations contained in the Notes, in this Indenture and in this Article 6.

SECTION 6.08. SUBROGATION AND CONTRIBUTION. Upon making any payment with respect to any obligation of the Issuer under this Article, the Guarantor making such payment will be subrogated to the rights of the payee against the Issuer with respect to such obligation, PROVIDED that the Guarantor may not enforce either any right of subrogation, or any right to receive payment in the nature of contribution, or otherwise, from any other Guarantor, with respect to such payment so long as any amount payable by the Issuer hereunder or under the Notes remains unpaid.

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SECTION 6.09. STAY OF ACCELERATION. If acceleration of the time for payment of any amount payable by the Issuer under the Indenture or the Notes is stayed upon the insolvency, bankruptcy or reorganization of the Issuer, all such amounts otherwise subject to acceleration under the terms of the Indenture are

nonetheless payable by the Guarantors hereunder forthwith on demand by the Trustee or the Holders.

ARTICLE 7

THE TRUSTEE

SECTION 7.01. GENERAL. (a) The duties and responsibilities of the Trustee are as provided by the Trust Indenture Act and as set forth herein. Whether or not expressly so provided, every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee is subject to this Article.

(b) Except during the continuance of an Event of Default, the Trustee need perform only those duties that are specifically set forth in the Indenture and no others, and no implied covenants or obligations will be read into the Indenture against the Trustee. In case an Event of Default has occurred and is continuing, the Trustee shall exercise those rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

SECTION 7.02. CERTAIN RIGHTS OF TRUSTEE. Subject to Trust Indenture Act Sections 315(a) through (d):

(a) The Trustee may rely, and will be protected in acting or refraining from acting, upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document, but the Trustee, in its discretion, may make further inquiry or investigation into such facts or matters as it sees fit.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel conforming to Section 10.05 and the Trustee will not be liable for any action it takes or omits to take in good faith in reliance on the certificate or opinion.

(c) The Trustee may act through its attorneys and agents and will not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Trustee will be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Holders, unless such Holders have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction.

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(e) The Trustee will not be liable for any action it takes or omits to take in good faith that it believes to be authorized or within its rights or powers or for any action it takes or omits to take in accordance with the direction of the Holders in accordance with Section 5.04 relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under the Indenture.

(f) The Trustee may consult with counsel, and the written advice of such counsel or any Opinion of Counsel will 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.

(g) No provision of the Indenture will require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder, or in the exercise of its rights or powers, unless it receives indemnity satisfactory to it against any loss, liability or expense.

SECTION 7.03. INDIVIDUAL RIGHTS OF TRUSTEE. The Trustee, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not the Trustee. Any Agent may do the same with like rights. However, the Trustee is subject to Trust Indenture Act Sections 310(b) and 311. For purposes of Trust Indenture Act Section 311(b)(4) and (6):

(a) "CASH TRANSACTION" means any transaction in which full payment for goods or securities sold is made within seven days after delivery of the goods or securities in currency or in checks or other orders drawn upon banks or bankers and payable upon demand; and

(b) "SELF-LIQUIDATING PAPER" means any draft, bill of exchange,

acceptance or obligation which is made, drawn, negotiated or incurred for the purpose of financing the purchase, processing, manufacturing, shipment, storage or sale of goods, wares or merchandise and which is secured by documents evidencing title to, possession of, or a lien upon, the goods, wares or merchandise or the receivables or proceeds arising from the sale of the goods, wares or merchandise previously constituting the security, provided the security is received by the Trustee simultaneously with the creation of the creditor relationship arising from the making, drawing, negotiating or incurring of the draft, bill of exchange, acceptance or obligation.

SECTION 7.04. TRUSTEE'S DISCLAIMER. The Trustee (a) makes no representation as to the validity or adequacy of the Indenture or the Notes, (b) is not accountable for the Company's use or application of the proceeds from the Notes and (c) is not responsible for any statement in the Notes other than its certificate of authentication.

SECTION 7.05. NOTICE OF DEFAULT. If any Default occurs and is continuing and is known to the Trustee, the Trustee will send notice of the Default to each Holder within 90 days after it occurs, unless the Default has been cured; PROVIDED that, except in the case of a default in the payment of the principal of or interest or Liquidated Damages, if any, on any Note, the Trustee

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may withhold the notice if and so long as the board of directors, the executive committee or a trust committee of directors of the Trustee in good faith determines that withholding the notice is in the interest of the Holders. Notice to Holders under this SECTION will be given in the manner and to the extent provided in Trust Indenture Act Section 313(c).

SECTION 7.06. REPORTS BY TRUSTEE TO HOLDERS. Within 60 days after each May 15, beginning with May 15, 2002, the Trustee will mail to each Holder, as provided in Trust Indenture Act Section 313(c), a brief report dated as of such May 15, if required by Trust Indenture Act Section 313(a).

SECTION 7.07. COMPENSATION AND INDEMNITY. (a) The Company will pay the Trustee compensation as agreed upon in writing for its services. The compensation of the Trustee is not limited by any law on compensation of a Trustee of an express trust. The Company will reimburse the Trustee upon request for all reasonable out-of-pocket expenses, disbursements and advances incurred or made by the Trustee, including the reasonable compensation and expenses of the Trustee's agents and counsel.

(b) The Company will indemnify the Trustee for, and hold it harmless against, any loss or liability or expense incurred by it without negligence or bad faith on its part arising out of or in connection with the acceptance or administration of the Indenture and its duties under the Indenture and the Notes, including the costs and expenses of defending itself against any claim or liability and of complying with any process served upon it or any of its officers in connection with the exercise or performance of any of its powers or duties under the Indenture and the Notes.

(c) To secure the Company's payment obligations in this Section, the Trustee will have a lien prior to the Notes on all money or property held or collected by the Trustee, in its capacity as Trustee, except money or property held in trust to pay principal of, and interest or Liquidated Damages, if any, on particular Notes.

SECTION 7.08. REPLACEMENT OF TRUSTEE. (a) (i) The Trustee may resign at any time by written notice to the Company.

(ii) The Holders of a majority in principal amount of the outstanding Notes may remove the Trustee by written notice to the Trustee.

(iii) If the Trustee is no longer eligible under Section 7.10 or in the circumstances described in Trust Indenture Act Section 310(b), any Holder that satisfies the requirements of Trust Indenture Act Section 310(b) may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(iv) The Company may remove the Trustee if: (A) the Trustee is no longer eligible under Section 7.10; (B) the Trustee is adjudged a bankrupt or an insolvent; (C) a receiver or other public officer takes charge of the Trustee or its property; or (D) the Trustee becomes incapable of acting.

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A resignation or removal of the Trustee and appointment of a successor Trustee will become effective only upon the successor Trustee's acceptance of appointment as provided in this Section.

(b) If the Trustee has been removed by the Holders, Holders of a majority in principal amount of the Notes may appoint a successor Trustee with the

consent of the Company. Otherwise, if the Trustee resigns or is removed, or if a vacancy exists in the office of Trustee for any reason, the Company will promptly appoint a successor Trustee. If the successor Trustee does not deliver its written acceptance within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company or the Holders of a majority in principal amount of the outstanding Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) Upon delivery by the successor Trustee of a written acceptance of its appointment to the retiring Trustee and to the Company, (i) the retiring Trustee will transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 7.07, (ii) the resignation or removal of the retiring Trustee will become effective, and (iii) the successor Trustee will have all the rights, powers and duties of the Trustee under the Indenture. Upon request of any successor Trustee, the Company will execute any and all instruments for fully and vesting in and confirming to the successor Trustee all such rights, powers and trusts. The Company will give notice of any resignation and any removal of the Trustee and each appointment of a successor Trustee to all Holders, and include in the notice the name of the successor Trustee and the address of its Corporate Trust Office.

(d) Notwithstanding replacement of the Trustee pursuant to this Section, the Company's obligations under Section 7.07 will continue for the benefit of the retiring Trustee.

(e) The Trustee agrees to give the notices provided for in, and otherwise comply with, Trust Indenture Act Section 310(b).

SECTION 7.09. SUCCESSOR TRUSTEE BY MERGER. If the Trustee consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation or national banking association, the resulting, surviving or transferee corporation or national banking association without any further act will be the successor Trustee with the same effect as if the successor Trustee had been named as the Trustee in the Indenture.

SECTION 7.10. ELIGIBILITY. The Indenture must always have a Trustee that satisfies the requirements of Trust Indenture Act Section 310(a) and has a combined capital and surplus of at least \$25,000,000 as set forth in its most recent published annual report of condition.

SECTION 7.11. MONEY HELD IN TRUST. The Trustee will not be liable for interest on any money received by it except as it may agree with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law and except for money held in trust under Article 8.

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ARTICLE 8

DEFEASANCE AND DISCHARGE

SECTION 8.01. DISCHARGE OF ISSUER'S OBLIGATIONS. (a) Subject to paragraph (b), the Issuer's obligations under the Notes and the Indenture, and each Guarantor's obligations under its Note Guaranty, will terminate if:

(1) all Notes previously authenticated and delivered (other than (a) destroyed, lost or stolen Notes that have been replaced or (b) Notes that are paid pursuant to Section 4.01 or (c) Notes for whose payment money or U.S. Government Obligations have been held in trust and then repaid to the Issuer pursuant to Section 8.05) have been delivered to the Trustee for cancellation and the Issuer has paid all sums payable by it hereunder; or

(2) (A) the Notes mature within one year, or all of them are to be called for redemption within one year under arrangements satisfactory to the Trustee for giving the notice of redemption,

(B) the Issuer irrevocably deposits in trust with the Trustee, as trust funds solely for the benefit of the Holders, money or U.S. Government Obligations or a combination thereof sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certificate delivered to the Trustee, without consideration of any reinvestment, to pay principal of and premium, interest and Liquidated Damages, if any, on the Notes to maturity or redemption, as the case may be, and to pay all other sums payable by it hereunder,

(C) no Default has occurred and is continuing on the date of the deposit,

(D) the deposit will not result in a breach or violation of, or constitute a default under, the Indenture or any other agreement or instrument to which the Issuer is a party or by which it is bound, and

(E) the Issuer delivers to the Trustee an Officers' Certificate and

an Opinion of Counsel, in each case stating that all conditions precedent provided for herein relating to the satisfaction and discharge of the Indenture have been complied with.

(b) After satisfying the conditions in clause (a)(1), only the Issuer's obligations under Section 7.07 will survive. After satisfying the conditions in clause (a)(2), only the Issuer's obligations in Article 2 and Sections 4.01, 4.02, 7.07, 7.08, 8.05 and 8.06 will survive. In either case, the Trustee, upon the request and at the cost and expense of the Issuer, will acknowledge in writing the discharge of the Issuer's obligations under the Notes and the Indenture other than the surviving obligations.

SECTION 8.02. LEGAL DEFEASANCE. On the 91st day following the deposit referred to in clause (1), the Issuer will be deemed to have paid and will be discharged from its obligations in respect of the Notes and the Indenture, other than its obligations in Article 2 and Sections 4.01, 4.02, 7.07, 7.08, 8.05 and 8.06, and each Guarantor's obligations under its Note Guaranty will terminate, PROVIDED the following conditions have been satisfied:

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(1) The Issuer has irrevocably deposited in trust with the Trustee, as trust funds solely for the benefit of the Holders, money or U.S. Government Obligations or a combination thereof sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certificate thereof delivered to the Trustee, without consideration of any reinvestment, to pay principal of and premium, interest and Liquidated Damages, if any, on the Notes to maturity or redemption, as the case may be, PROVIDED that any redemption before maturity has been irrevocably provided for under arrangements satisfactory to the Trustee.

(2) The deposit will not result in a breach or violation of, or constitute a default under, the Indenture or any other agreement or instrument to which the Issuer is a party or by which it is bound.

(3) The Issuer has delivered to the Trustee either (x) a ruling received from the Internal Revenue Service to the effect that the Holders will not recognize income, gain or loss for federal income tax purposes as a result of the defeasance and will be subject to federal income tax on the same amount and in the same manner and at the same times as would otherwise have been the case or (y) an Opinion of Counsel, based on a change in law after the date of the Indenture, to the same effect as the ruling described in clause (x).

(4) The Issuer has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, in each case stating that all conditions precedent provided for herein relating to the defeasance have been complied with.

Prior to the end of the 91-day period, none of the Issuer's obligations under the Indenture will be discharged. Thereafter, the Trustee, upon the request and at the cost and expense of the Issuer, will acknowledge in writing the discharge of the Issuer's obligations under the Notes and the Indenture except for the surviving obligations specified above.

SECTION 8.03. COVENANT DEFEASANCE. After the 91st day following the deposit referred to in clause (1), the Issuer's obligations set forth in Sections 4.06 through 4.13, inclusive and clause (iii) of Section 4.14, and each Guarantor's obligations under its Note Guaranty, will terminate, and clauses (iii), (iv), (v), (vi) and (ix) of Section 5.01 will no longer constitute Events of Default, PROVIDED the following conditions have been satisfied:

(1) The Issuer has complied with clauses (1), (2) and (4) of Section 8.02; and

(2) the Issuer has delivered to the Trustee an Opinion of Counsel to the effect that the Holders will not recognize income, gain or loss for federal income tax purposes as a result of the defeasance and will be subject to federal income tax on the same amount and in the same manner and at the same times as would otherwise have been the case.

Except as specifically stated above, none of the Issuer's obligations under the Indenture will be discharged.

SECTION 8.04. APPLICATION OF TRUST MONEY. Subject to Section 8.05, the Trustee will hold in trust the money or U.S. Government Obligations deposited with it pursuant to Section 8.01, 8.02 or 8.03, and apply the deposited money and the proceeds from deposited U.S.

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Government Obligations to the payment of principal of and premium, interest and Liquidated Damages, if any, on the Notes in accordance with the Notes and the

Indenture. Such money and U.S. Government Obligations need not be segregated from other funds except to the extent required by law.

SECTION 8.05. REPAYMENT TO ISSUER. Subject to Sections 7.07, 8.01, 8.02 and 8.03, the Trustee will promptly pay to the Issuer upon request any excess money held by the Trustee at any time and thereupon be relieved from all liability with respect to such money. The Trustee will pay to the Issuer upon written request any money deposited with or paid to the Trustee for the payment of the principal of, premium, interest or Liquidated Damages, if any, with respect to the Notes and not applied but remaining unclaimed for two years after the date upon which such After payment to the Company, Holders entitled to such principal, premium, interest or Liquidated Damages, shall have become due and payable, shall, upon the written request of the Issuer and unless otherwise required by mandatory provisions of applicable escheat or abandoned or unclaimed property law, be repaid to the Issuer by the Trustee. Thereafter, the Holder of the Notes must look solely to the Issuer for any payment such Holder may be entitled to collect, unless otherwise required by mandatory provisions of applicable escheat or abandoned or unclaimed property laws, and all liability of the Trustee with respect to such money shall thereupon cease.

SECTION 8.06. REINSTATEMENT. If and for so long as the Trustee is unable to apply any money or U.S. Government Obligations held in trust pursuant to Section 8.01, 8.02 or 8.03 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Issuer's obligations under the Indenture and the Notes will be reinstated as though no such deposit in trust had been made. If the Issuer makes any payment of principal of or interest or Liquidated Damages, if any, on any Notes because of the reinstatement of its obligations, it will be subrogated to the rights of the Holders of such Notes to receive such payment from the money or U.S. Government Obligations held in trust.

SECTION 8.07. INDEMNITY FOR U.S. GOVERNMENT OBLIGATIONS. The Issuer shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the U.S. Government Obligations deposited pursuant to Sections 8.01, 8.02 or 8.03.

ARTICLE 9

AMENDMENTS, SUPPLEMENTS AND WAIVERS

SECTION 9.01. AMENDMENTS WITHOUT CONSENT OF HOLDERS. The Company, the Issuer, the Guarantors and the Trustee may amend or supplement the Indenture or the Notes without notice to or the consent of any Holder

(a) to cure any ambiguity, defect or inconsistency in the Indenture or the Notes that does not adversely affect the interests of the Holders;

(b) to comply with Section 4.14;

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(c) to comply with any requirements of the Commission in connection with the qualification of the Indenture under the Trust Indenture Act;

(d) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee;

(e) to provide for uncertificated Notes in addition to or in place of certificated Notes;

(f) to provide for any Guarantee of the Notes, to secure the Notes or to confirm and evidence the release, termination or discharge of any Guarantee of or Lien securing the Notes when such release, termination or discharge is permitted by the Indenture;

(g) to provide for or confirm the issuance of Additional Notes; or

(h) to make any other change that does not adversely affect the legal rights of any Holder.

SECTION 9.02. AMENDMENTS WITH CONSENT OF HOLDERS. (a) Except as otherwise provided in Sections 5.01, 5.03 and 5.06 or paragraph (b), the Company, the Issuer, the Guarantors and the Trustee may amend the Indenture and the Notes with the written consent of the Holders of a majority in principal amount of the outstanding Notes, and the Holders of a majority in principal amount of the outstanding Notes by written notice to the Trustee may waive future compliance by the Company, the Issuer and the Guarantors with any provision of the Indenture or the Notes.

(b) Notwithstanding the provisions of paragraph (a), without the consent of each Holder affected, an amendment or waiver may not

(i) reduce the amount of Notes whose Holders must consent to an amendment, supplement or waiver,

(ii) reduce the rate of or change the time for payment of any interest, including default interest, on any Note,

(iii) reduce principal of or change the fixed maturity of any Note or alter the provisions (including related definitions) with respect to redemptions described under Section 3.01 or with respect to mandatory offers to repurchase Notes described under Section 4.10 and 4.12,

(iv) make any Note payable in money other than that stated in the Note,

(v) modify the ranking or priority of the Notes or any Guarantee,

(vi) make any change in Section 5.03 or 5.06,

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(vii) release any Guarantor from any of its obligations under its Guarantee or the Indenture otherwise than in accordance with the Indenture, or

(viii) waive a continuing Default or Event of Default in the payment of principal of or interest or Liquidated Damages on the Notes.

(c) It is not necessary for Holders to approve the particular form of any proposed amendment, supplement or waiver, but is sufficient if their consent approves the substance thereof.

(d) An amendment, supplement or waiver under this Section will become effective on receipt by the Trustee of written consents from the Holders of the requisite percentage in principal amount of the outstanding Notes. After an amendment, supplement or waiver under this Section becomes effective, the Issuer will send to the Holders affected thereby a notice briefly describing the amendment, supplement or waiver. The Issuer will send supplemental indentures to Holders upon request. Any failure of the Issuer to send such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such supplemental indenture or waiver.

SECTION 9.03. EFFECT OF CONSENT. (a) After an amendment, supplement or waiver becomes effective, it will bind every Holder unless it is of the type requiring the consent of each Holder affected. If the amendment, supplement or waiver is of the type requiring the consent of each Holder affected, the amendment, supplement or waiver will bind each Holder that has consented to it and every subsequent Holder of a Note that evidences the same debt as the Note of the consenting Holder.

(b) If an amendment, supplement or waiver changes the terms of a Note, the Trustee may require the Holder to deliver it to the Trustee so that the Trustee may place an appropriate notation of the changed terms on the Note and return it to the Holder, or exchange it for a new Note that reflects the changed terms. The Trustee may also place an appropriate notation on any Note thereafter authenticated. However, the effectiveness of the amendment, supplement or waiver is not affected by any failure to annotate or exchange Notes in this fashion.

SECTION 9.04. TRUSTEE'S RIGHTS AND OBLIGATIONS. The Trustee is entitled to receive, and will be fully protected in relying upon, an Opinion of Counsel stating that the execution of any amendment, supplement or waiver authorized pursuant to this Article is authorized or permitted by the Indenture. If the Trustee has received such an Opinion of Counsel, it shall sign the amendment, supplement or waiver so long as the same does not adversely affect the rights of the Trustee. The Trustee may, but is not obligated to, execute any amendment, supplement or waiver that affects the Trustee's own rights, duties or immunities under the Indenture.

SECTION 9.05. CONFORMITY WITH TRUST INDENTURE ACT. Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act.

SECTION 9.06. PAYMENTS FOR CONSENTS. Neither the Issuer, the Company nor any of its Subsidiaries or Affiliates may, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes

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unless such consideration is offered to be paid or agreed to be paid to all Holders of the Notes that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to the consent, waiver or amendment.

ARTICLE 10

SECTION 10.01. TRUST INDENTURE ACT OF 1939. The Indenture shall incorporate and be governed by the provisions of the Trust Indenture Act that are required to be part of and to govern indentures qualified under the Trust Indenture Act.

SECTION 10.02. HOLDER COMMUNICATIONS; HOLDER ACTIONS. (a) The rights of Holders to communicate with other Holders with respect to the Indenture or the Notes are as provided by the Trust Indenture Act, and the Company and the Trustee shall comply with the requirements of Trust Indenture Act Section 312(a). Neither the Company, the Issuer nor the Trustee will be held accountable by reason of any disclosure of information as to names and addresses of Holders made pursuant to the Trust Indenture Act.

(b) (i) Any request, demand, authorization, direction, notice, consent to amendment, supplement or waiver or other action provided by this Indenture to be given or taken by a Holder (an "ACT") may be evidenced by an instrument signed by the Holder delivered to the Trustee. The fact and date of the execution of the instrument, or the authority of the person executing it, may be proved in any manner that the Trustee deems sufficient.

(ii) The Trustee may make reasonable rules for action by or at a meeting of Holders, which will be binding on all the Holders.

(c) Any act by the Holder of any Note binds that Holder and every subsequent Holder of a Note that evidences the same debt as the Note of the acting Holder, even if no notation thereof appears on the Note. Subject to paragraph (d), a Holder may revoke an act as to its Notes, but only if the Trustee receives the notice of revocation before the date the amendment or waiver or other consequence of the act becomes effective.

(d) The Issuer may, but is not obligated to, fix a record date (which need not be within the time limits otherwise prescribed by Trust Indenture Act Section 316(c)) for the purpose of determining the Holders entitled to act with respect to any amendment or waiver or in any other regard, except that during the continuance of an Event of Default, only the Trustee may set a record date as to notices of default, any declaration or acceleration or any other remedies or other consequences of the Event of Default. If a record date is fixed, those Persons that were Holders at such record date and only those Persons will be entitled to act, or to revoke any previous act, whether or not those Persons continue to be Holders after the record date. No act will be valid or effective for more than 90 days after the record date.

SECTION 10.03. NOTICES. (a) Any notice or communication to the Issuer or the Company will be deemed given if in writing (i) when delivered in person or (ii) five days after mailing when mailed by first class mail, or (iii) when sent by facsimile transmission, with

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transmission confirmed. Notices or communications to a Guarantor will be deemed given if given to the Issuer. Any notice to the Trustee will be effective only upon receipt. In each case the notice or communication should be addressed as follows:

IF TO THE ISSUER:

K. Hovnanian Enterprises, Inc.
10 Highway 35
P.O. Box 500
Red Bank, NJ 007701
732-747-7159

IF TO THE TRUSTEE:

First Union National Bank
21 South Street
Morristown, NJ 07960
ATTN: Corporate Trust Administration
(K. Hovnanian Enterprises, Inc. Senior Notes due 2012)
973-682-4531

The Issuer or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

(b) Except as otherwise expressly provided with respect to published notices, any notice or communication to a Holder will be deemed given when mailed to the Holder at its address as it appears on the Register by first class mail or, as to any Global Note registered in the name of DTC or its nominee, as agreed by the Issuer, the Trustee and DTC. Copies of any notice or communication to a Holder, if given by the Issuer or the Company, will be mailed to the Trustee at the same time. Defect in mailing a notice or communication to any particular Holder will not affect its sufficiency with respect to other Holders.

(c) Where the Indenture provides for notice, the notice may be waived in

writing by the Person entitled to receive such notice, either before or after the event, and the waiver will be the equivalent of the notice. Waivers of notice by Holders must be filed with the Trustee, but such filing is not a condition precedent to the validity of any action taken in reliance upon such waivers.

SECTION 10.04. CERTIFICATE AND OPINION AS TO CONDITIONS PRECEDENT. Upon any request or application by the Issuer or the Company to the Trustee to take any action under the Indenture, the Issuer or the Company will furnish to the Trustee:

(a) an Officers' Certificate stating that, in the opinion of the signers, all conditions precedent, if any, provided for in the Indenture relating to the proposed action have been complied with; and

(b) an Opinion of Counsel stating that all such conditions precedent relating to the proposed action have been complied with.

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SECTION 10.05. STATEMENTS REQUIRED IN CERTIFICATE OR OPINION. Each certificate or opinion with respect to compliance with a condition or covenant provided for in the Indenture must include:

(a) a statement that each person signing the certificate or opinion has read the covenant or condition and the related definitions;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statement or opinion contained in the certificate or opinion is based;

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

(d) a statement as to whether or not, in the opinion of each such person, such condition or covenant has been complied with, PROVIDED that an Opinion of Counsel may rely on an Officers' Certificate or certificates of public officials with respect to matters of fact.

SECTION 10.06. PAYMENT DATE OTHER THAN A BUSINESS DAY. If any payment with respect to a payment of any principal of, premium, if any, or interest or Liquidated Damages, if any, on any Note (including any payment to be made on any date fixed for redemption or purchase of any Note) is due on a day which is not a Business Day, then the payment need not be made on such date, but may be made on the next Business Day with the same force and effect as if made on such date, and no interest will accrue for the intervening period.

SECTION 10.07. GOVERNING LAW. The Indenture, including any Note Guaranties, and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 10.08. NO ADVERSE INTERPRETATION OF OTHER AGREEMENTS. The Indenture may not be used to interpret another indenture or loan or debt agreement of the Issuer, the Company or any Subsidiary of the Company, and no such indenture or loan or debt agreement may be used to interpret the Indenture.

SECTION 10.09. SUCCESSORS. All agreements of the Issuer, the Company or any Guarantor in the Indenture and the Notes will bind its successors. All agreements of the Trustee in the Indenture will bind its successor.

SECTION 10.10. DUPLICATE ORIGINALS. The parties may sign any number of copies of the Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

SECTION 10.11. SEPARABILITY. In case any provision in the Indenture or in the Notes is invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions will not in any way be affected or impaired thereby.

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SECTION 10.12. TABLE OF CONTENTS AND HEADINGS. The Table of Contents, Cross-Reference Table and headings of the Articles and Sections of the Indenture have been inserted for convenience of reference only, are not to be considered a part of the Indenture and in no way modify or restrict any of the terms and provisions of the Indenture.

SECTION 10.13. NO LIABILITY OF DIRECTORS, OFFICERS, EMPLOYEES, INCORPORATORS AND STOCKHOLDERS. No director, officer, employee, incorporator, member or stockholder of the Issuer, the Company or any Guarantor, as such, will have any liability for any obligations of the Issuer, the Company or such Guarantor under the Notes, any Note Guaranty or the Indenture or for any claim

based on, in respect of, or by reason of, such obligations. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

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SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused the Indenture to be duly executed as of the date first written above.

K. HOVNIANIAN ENTERPRISES, INC.
as Issuer

/s/ J. Larry Sorsby

By: J. Larry Sorsby
Title: Executive Vice President
Chief Financial Officer

HOVNIANIAN ENTERPRISES, INC.
as the Company

/s/ J. Larry Sorsby

By: J. Larry Sorsby
Title: Executive Vice President
Chief Financial Officer

GUARANTORS:

ALL SEASONS, INC.
ARROW PROPERTIES, INC.
BALLANTRAE DEVELOPMENT CORP.
BALLANTRAE HOME SALES, 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.
EXC, INC.
FORTIS HOMES, INC.
HOUSING-HOME SALES, INC.
HOVNIANIAN AT TARPON LAKES I, INC.
HOVNIANIAN DEVELOPMENTS OF FLORIDA, INC.

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HOVNIANIAN PENNSYLVANIA, INC.
K. HOV INTERNATIONAL, INC.
K. HOVNIANIAN ACQUISITIONS, INC.
K. HOVNIANIAN AT ASHBURN VILLAGE, INC.
K. HOVNIANIAN AT ATLANTIC CITY, INC.
K. HOVNIANIAN AT BALLANTRAE ESTATES, INC.
K. HOVNIANIAN AT BARRINGTON, INC.
K. HOVNIANIAN AT BEDMINSTER II, INC.
K. HOVNIANIAN AT BEDMINSTER, INC.
K. HOVNIANIAN AT BELMONT, INC.
K. HOVNIANIAN AT BERNARDS IV, INC.
K. HOVNIANIAN AT BRANCHBURG III, INC.
K. HOVNIANIAN AT BRIDGEPORT, INC.
K. HOVNIANIAN AT BRIDGEWATER IV, INC.
K. HOVNIANIAN AT BRIDGEWATER V, INC.
K. HOVNIANIAN AT BRIDGEWATER VI, INC.
K. HOVNIANIAN AT BULL RUN, INC.
K. HOVNIANIAN AT BURLINGTON III, INC.
K. HOVNIANIAN AT BURLINGTON, INC.
K. HOVNIANIAN AT CALABRIA, INC.
K. HOVNIANIAN AT CAMERON CHASE, INC.
K. HOVNIANIAN AT CARMEL DEL MAR, INC.
K. HOVNIANIAN AT CAROLINA COUNTRY CLUB I, INC.
K. HOVNIANIAN AT CAROLINA COUNTRY CLUB II, INC.
K. HOVNIANIAN AT CAROLINA COUNTRY CLUB III, INC.
K. HOVNIANIAN AT CASTILE, INC.
K. HOVNIANIAN AT CEDAR GROVE I, INC.
K. HOVNIANIAN AT CEDAR GROVE II, INC.
K. HOVNIANIAN AT CHAPARRAL, INC.
K. HOVNIANIAN AT CLARKSTOWN, INC.
K. HOVNIANIAN AT COCONUT CREEK, INC.
K. HOVNIANIAN AT CRESTLINE, INC.
K. HOVNIANIAN AT CRYSTAL SPRINGS, INC.
K. HOVNIANIAN AT DOMINGUEZ, INC.

K. HOVNIANIAN AT DOMINION RIDGE, INC.
K. HOVNIANIAN AT EAST BRUNSWICK VI, INC.
K. HOVNIANIAN AT EAST BRUNSWICK VIII, INC.
K. HOVNIANIAN AT EAST WHITELAND I, INC.
K. HOVNIANIAN AT EXETER HILLS, INC.
K. HOVNIANIAN AT FAIR LAKES GLEN, INC.
K. HOVNIANIAN AT FAIR LAKES, INC.
K. HOVNIANIAN AT FREEHOLD TOWNSHIP, INC.
K. HOVNIANIAN AT FREEHOLD TOWNSHIP I, INC.

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K. HOVNIANIAN AT FT. MYERS I, INC.
K. HOVNIANIAN AT FT. MYERS II, INC.
K. HOVNIANIAN AT GREAT NOTCH, INC.
K. HOVNIANIAN AT HACKETTSTOWN, INC.
K. HOVNIANIAN AT HALF MOON BAY, INC.
K. HOVNIANIAN AT HAMPTON OAKS, INC.
K. HOVNIANIAN AT HANOVER, INC.
K. HOVNIANIAN AT HERSHEY'S MILL, INC.(a PA Corp)
K. HOVNIANIAN AT HIGHLAND VINEYARDS, INC.
K. HOVNIANIAN AT HOLLY CREST, INC.
K. HOVNIANIAN AT HOPEWELL IV, INC.
K. HOVNIANIAN AT HOPEWELL V, INC.
K. HOVNIANIAN AT HOPEWELL VI, INC.
K. HOVNIANIAN AT HOWELL TOWNSHIP, INC.
K. HOVNIANIAN AT HUNTER ESTATES, INC.
K. HOVNIANIAN AT JACKSONVILLE II, INC.
K. HOVNIANIAN AT JEFFERSON, INC.
K. HOVNIANIAN AT JERSEY CITY III, INC.
K. HOVNIANIAN AT KINGS GRANT I, INC.
K. HOVNIANIAN AT KLOCKNER FARMS, INC.
K. HOVNIANIAN AT LA TERRAZA, INC.
K. HOVNIANIAN AT LA TROVATA, INC.
K. HOVNIANIAN AT LAKEWOOD, INC.
K. HOVNIANIAN AT LAWRENCE V, INC.
K. HOVNIANIAN AT LOWER SAUCON II, INC.
K. HOVNIANIAN AT LOWER SAUCON, INC.
K. HOVNIANIAN AT MAHWAH II, INC.
K. HOVNIANIAN AT MAHWAH IV, INC. (Whalepond)
K. HOVNIANIAN AT MAHWAH IX, INC.
K. HOVNIANIAN AT MAHWAH V, INC.
K. HOVNIANIAN AT MAHWAH VI, INC. (Norfolk)
K. HOVNIANIAN AT MAHWAH VII, INC.
K. HOVNIANIAN AT MAHWAH VIII, INC.
K. HOVNIANIAN AT MANALAPAN, INC.
K. HOVNIANIAN AT MARLBORO II, INC.
K. HOVNIANIAN AT MARLBORO TOWNSHIP IV, INC.
K. HOVNIANIAN AT MARLBORO TOWNSHIP VI, INC.
K. HOVNIANIAN AT MARLBORO TOWNSHIP VII, INC.
K. HOVNIANIAN AT MARLBORO TOWNSHIP III, INC.
K. HOVNIANIAN AT MEDFORD I, INC.
K. HOVNIANIAN AT MERRIMACK, INC.
K. HOVNIANIAN AT METRO DC SOUTH, INC.

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K. HOVNIANIAN AT MONTCLAIR NJ, INC.
K. HOVNIANIAN AT MONTCLAIR, INC.
K. HOVNIANIAN AT MONTGOMERY I, INC.
K. HOVNIANIAN AT NEWARK URBAN RENEWAL
CORPORATION I, INC.
K. HOVNIANIAN AT NEWARK URBAN RENEWAL
CORPORATION IV, INC.
K. HOVNIANIAN AT NEWARK URBAN RENEWAL
CORPORATION V, INC.
K. HOVNIANIAN AT NORTH BERGEN, INC.
K. HOVNIANIAN AT NORTH BRUNSWICK IV, INC.
K. HOVNIANIAN AT NORTHERN WESTCHESTER, INC.
K. HOVNIANIAN AT NORTHLAKE, INC.
K. HOVNIANIAN AT OCEAN WALK, INC.
K. HOVNIANIAN AT P.C. PROPERTIES, INC.
K. HOVNIANIAN AT PARK RIDGE, INC.
K. HOVNIANIAN AT PASCO I, INC.
K. HOVNIANIAN AT PASCO II, INC.
K. HOVNIANIAN AT PEEKSKILL, INC.
K. HOVNIANIAN AT PEMBROKE SHORES, INC.
K. HOVNIANIAN AT PERKIOMEN I, INC.
K. HOVNIANIAN AT PERKIOMEN II, INC.
K. HOVNIANIAN AT PLAINSBORO III, INC.
K. HOVNIANIAN AT POLO TRACE, INC.
K. HOVNIANIAN AT PORT IMPERIAL NORTH, INC.
K. HOVNIANIAN AT PRINCETON, INC.
K. HOVNIANIAN AT RANCHO CHRISTIANITOS, INC.

K. HOVNIANIAN AT RARITAN I, INC.
K. HOVNIANIAN AT READINGTON II, INC.
K. HOVNIANIAN AT RESERVOIR RIDGE, INC.
K. HOVNIANIAN AT RIVER OAKS, INC.
K. HOVNIANIAN AT SAN SEVAINE, INC.
K. HOVNIANIAN AT SARATOGA, INC.
K. HOVNIANIAN AT SCOTCH PLAINS II, INC.
K. HOVNIANIAN AT SCOTCH PLAINS, INC.
K. HOVNIANIAN AT SENECA CROSSING, INC.
K. HOVNIANIAN AT SMITHVILLE, INC.
K. HOVNIANIAN AT SMITHVILLE III, INC.
K. HOVNIANIAN AT SOMERS POINT, INC.
K. HOVNIANIAN AT SOUTH BRUNSWICK II, INC.
K. HOVNIANIAN AT SOUTH BRUNSWICK III, INC.
K. HOVNIANIAN AT SOUTH BRUNSWICK IV, INC.
K. HOVNIANIAN AT SOUTH BRUNSWICK V, INC.
K. HOVNIANIAN AT SPRING RIDGE, INC.
K. HOVNIANIAN AT STONE CANYON, INC.

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K. HOVNIANIAN AT STONEGATE, INC. (a CA Corporation)
K. HOVNIANIAN AT STONEGATE, INC. (a VA Corporation)
K. HOVNIANIAN AT STONY POINT, INC.
K. HOVNIANIAN AT STUART ROAD, INC.
K. HOVNIANIAN AT SULLY STATION, INC.
K. HOVNIANIAN AT SUMMERWOOD, INC.
K. HOVNIANIAN AT SYCAMORE, INC.
K. HOVNIANIAN AT TANNERY HILL, INC.
K. HOVNIANIAN AT THE BLUFF, INC.
K. HOVNIANIAN AT THE CEDARS, INC.
K. HOVNIANIAN AT THE GLEN, INC.
K. HOVNIANIAN AT THE RESERVE AT MEDFORD, INC.
K. HOVNIANIAN AT THORNBURY, INC.
K. HOVNIANIAN AT TIERRASANTA, INC.
K. HOVNIANIAN AT TUXEDO, INC.
K. HOVNIANIAN AT UNION TOWNSHIP I, INC.
K. HOVNIANIAN AT UPPER FREEHOLD TOWNSHIP I, INC.
K. HOVNIANIAN AT UPPER MAKEFIELD I, INC.
K. HOVNIANIAN AT UPPER MERION, INC.
K. HOVNIANIAN AT VAIL RANCH, INC.
K. HOVNIANIAN AT VALLEYBROOK II, INC.
K. HOVNIANIAN AT VALLEYBROOK, INC.
K. HOVNIANIAN AT WALL TOWNSHIP VI, INC.
K. HOVNIANIAN AT WALL TOWNSHIP VIII, INC.
K. HOVNIANIAN AT WASHINGTONVILLE, INC.
K. HOVNIANIAN AT WAYNE III, INC.
K. HOVNIANIAN AT WAYNE V, INC.
K. HOVNIANIAN AT WAYNE VI, INC.
K. HOVNIANIAN AT WAYNE VII, INC.
K. HOVNIANIAN AT WILDROSE, INC.
K. HOVNIANIAN AT WINSTON TRAILS, INC.
K. HOVNIANIAN AT WOODMONT, INC.
K. HOVNIANIAN AVIATION, INC.
K. HOVNIANIAN COMPANIES NORTHEAST, INC.
K. HOVNIANIAN COMPANIES OF CALIFORNIA, INC.
K. HOVNIANIAN COMPANIES OF FLORIDA, INC.
K. HOVNIANIAN COMPANIES OF MARYLAND, INC.
K. HOVNIANIAN COMPANIES OF METRO WASHINGTON, INC.
K. HOVNIANIAN COMPANIES OF NEW YORK, INC.
K. HOVNIANIAN COMPANIES OF NORTH CAROLINA, INC.

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K. HOVNIANIAN COMPANIES OF PENNSYLVANIA, INC.
K. HOVNIANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.
K. HOVNIANIAN CONSTRUCTION MANAGEMENT, INC.
K. HOVNIANIAN'S DESIGN GALLERY, INC.
K. HOVNIANIAN DEVELOPMENTS OF CALIFORNIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF MARYLAND, INC.
K. HOVNIANIAN DEVELOPMENTS OF METRO WASHINGTON, INC.
K. HOVNIANIAN DEVELOPMENTS OF NEW JERSEY, INC.
K. HOVNIANIAN DEVELOPMENTS OF NEW YORK, INC.
K. HOVNIANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.
K. HOVNIANIAN DEVELOPMENTS OF TEXAS, INC.
K. HOVNIANIAN EQUITIES, INC.
K. HOVNIANIAN FLORIDA DIVISION, INC.
K. HOVNIANIAN FORECAST ACQUISITION, INC.

K. HOVNIANIAN FORECAST HOMES, INC.
K. HOVNIANIAN INVESTMENT PROPERTIES OF NEW
JERSEY, INC.
K. HOVNIANIAN MARINE, INC.
K. HOVNIANIAN PORT IMPERIAL URBAN RENEWAL, INC.
K. HOVNIANIAN PROPERTIES OF EAST BRUNSWICK II,
INC.
K. HOVNIANIAN PROPERTIES OF NB THEATRE, INC.
K. HOVNIANIAN PROPERTIES OF NEWARK URBAN RENEWAL
CORPORATION, INC.
K. HOVNIANIAN PROPERTIES OF NORTH BRUNSWICK II,
INC.
K. HOVNIANIAN PROPERTIES OF NORTH BRUNSWICK V,
INC.
K. HOVNIANIAN PROPERTIES OF PISCATAWAY, INC.
K. HOVNIANIAN PROPERTIES OF RED BANK, INC.
K. HOVNIANIAN PROPERTIES OF WALL, INC.
K. HOVNIANIAN REAL ESTATE INVESTMENT, INC.
K. HOVNIANIAN REAL ESTATE OF FLORIDA, INC.
K. HOVNIANIAN SOUTHEAST FLORIDA, INC.
K. HOVNIANIAN SOUTHEAST REGION, INC.

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K. HOVNIANIAN'S FOUR SEASONS OF THE PALM
BEACHES, INC.
KHC ACQUISITION, INC.
KINGS GRANT EVESHAM CORP.
LANDARAMA, INC.
MATZEL & MUMFORD OF DELAWARE, INC.
M & M AT LONG BRANCH, INC.
NEW K. HOVNIANIAN DEVELOPMENTS OF FLORIDA, INC.
PARK VILLAGE REALTY, INC.
PARTHENON GROUP, INC.
PINE BROOK CO., 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
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.
K. HOVNIANIAN AT ST. MARGARETS, L.L.C.
K. HOVNIANIAN AT ARBOR HEIGHTS, L.L.C.
K. HOVNIANIAN AT ASHBURN VILLAGE, L.L.C.
K. HOVNIANIAN AT BARNEGAT I, L.L.C.
K. HOVNIANIAN AT BERKELEY, L.L.C.
K. HOVNIANIAN AT BERNARDS V, L.L.C.
K. HOVNIANIAN AT BLOOMS CROSSING, L.L.C.
K. HOVNIANIAN AT BLUE HERON PINES, L.L.C.
K. HOVNIANIAN AT BRENBROOKE, L.L.C.
K. HOVNIANIAN AT CAMDEN I, L.L.C.
K. HOVNIANIAN AT CARMEL VILLAGE, L.L.C.
K. HOVNIANIAN AT CEDAR GROVE III, L.L.C.
K. HOVNIANIAN AT CHESTER I, L.L.C.
K. HOVNIANIAN AT CLIFTON, L.L.C.
K. HOVNIANIAN AT COLUMBIA TOWN CENTER, L.L.C.

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K. HOVNIANIAN AT CRANBURY, L.L.C.
K. HOVNIANIAN AT CURRIES WOODS, L.L.C.
K. HOVNIANIAN AT ENCINITAS RANCH, L.L.C.
K. HOVNIANIAN AT FORECAST, L.L.C.
K. HOVNIANIAN AT GUTTENBERG, L.L.C.
K. HOVNIANIAN AT HAMBURG, L.L.C.
K. HOVNIANIAN AT HAMBURG CONTRACTORS, L.L.C.
K. HOVNIANIAN AT JACKSON, L.L.C.
K. HOVNIANIAN AT JERSEY CITY IV, L.L.C.
K. HOVNIANIAN AT KENT ISLAND, L.L.C.
K. HOVNIANIAN AT KINCAID, L.L.C.
K. HOVNIANIAN AT KING FARM, L.L.C.
K. HOVNIANIAN AT LAFAYETTE ESTATES, L.L.C.

K. HOVNIANIAN AT LAKE RIDGE CROSSING, L.L.C.
K. HOVNIANIAN AT LAKE TERRAPIN, L.L.C.
K. HOVNIANIAN AT LAWRENCE V, L.L.C.
K. HOVNIANIAN AT LINWOOD, L.L.C.
K. HOVNIANIAN AT LITTLE EGG HARBOR, L.L.C.
K. HOVNIANIAN AT LITTLE EGG HARBOR CONTRACTORS,
L.L.C.
K. HOVNIANIAN AT LOWER MORELAND I, L.L.C.
K. HOVNIANIAN AT LOWER MORELAND II, L.L.C.
K. HOVNIANIAN AT LOWER SAUCON II, L.L.C.
K. HOVNIANIAN AT MANSFIELD I, LLC
K. HOVNIANIAN AT MANSFIELD II, LLC
K. HOVNIANIAN AT MANSFIELD III, L.L.C.
K. HOVNIANIAN AT MARLBORO TOWNSHIP VIII, L.L.C.
K. HOVNIANIAN AT MARLBORO VI, L.L.C.
K. HOVNIANIAN AT MARLBORO VII, L.L.C.
K. HOVNIANIAN AT MENIFEE, L.L.C.
K. HOVNIANIAN AT MIDDLETOWN, L.L.C.
K. HOVNIANIAN AT MT. OLIVE TOWNSHIP, L.L.C.
K. HOVNIANIAN AT NORTH BRUNSWICK VI, L.L.C.
K. HOVNIANIAN AT NORTH HALEDON, L.L.C.
K. HOVNIANIAN AT NORTHAMPTON, L.L.C.
K. HOVNIANIAN AT NORTHFIELD, L.L.C.
K. HOVNIANIAN AT PACIFIC BLUFFS, L.L.C.
K. HOVNIANIAN AT PARAMUS, L.L.C.
K. HOVNIANIAN AT PARK LANE, L.L.C.
K. HOVNIANIAN AT PRINCE WILLIAM, L.L.C.
K. HOVNIANIAN AT RANCHO SANTA MARGARITA, L.L.C.
K. HOVNIANIAN AT RIVERBEND, L.L.C.
K. HOVNIANIAN AT RODERUCK. L.L.C.

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K. HOVNIANIAN AT ROWLAND HEIGHTS, L.L.C.
K. HOVNIANIAN AT SAYREVILLE, L.L.C.
K. HOVNIANIAN AT SOUTH AMBOY, L.L.C.
K. HOVNIANIAN AT SOUTH BANK, L.L.C.
K. HOVNIANIAN AT SOUTH BRUNSWICK, L.L.C.
K. HOVNIANIAN AT SPRING HILL ROAD, L.L.C.
K. HOVNIANIAN AT ST. MARGARETS, L.L.C.
K. HOVNIANIAN AT SUNSETS, L.L.C.
K. HOVNIANIAN AT THE GABLES, L.L.C.
K. HOVNIANIAN AT UPPER FREEHOLD TOWNSHIP II,
L.L.C.
K. HOVNIANIAN AT UPPER FREEHOLD TOWNSHIP III,
L.L.C.
K. HOVNIANIAN AT WANAQUE, L.L.C.
K. HOVNIANIAN AT WASHINGTON, L.L.C.
K. HOVNIANIAN AT WAYNE VIII, L.L.C.
K. HOVNIANIAN AT WAYNE IX, L.L.C.
K. HOVNIANIAN AT WEST MILFORD, L.L.C.
K. HOVNIANIAN AT WEST WINDSOR, L.L.C.
K. HOVNIANIAN AT WILLOW BROOK, L.L.C.
K. HOVNIANIAN AT WINCHESTER, L.L.C.
K. HOVNIANIAN AT WOODHILL ESTATES, L.L.C.
K. HOVNIANIAN AT WOOLWICH, L.L.C.
K. HOVNIANIAN CENTRAL ACQUISITIONS, L.L.C.
K. HOVNIANIAN COMPANIES OF METRO D.C. NORTH,
L.L.C.
K. HOVNIANIAN EASTERN PENNSYLVANIA, L.L.C.
K. HOVNIANIAN FORECAST, L.L.C.
K. HOVNIANIAN NORTH CENTRAL ACQUISITIONS, L.L.C.
K. HOVNIANIAN NORTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNIANIAN SHORE ACQUISITIONS, L.L.C.
K. HOVNIANIAN SOUTH JERSEY ACQUISITION, L.L.C.
K. HOVNIANIAN SOUTHERN NEW JERSEY, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS, L.L.C.
K. HOVNIANIAN'S PRIVATE HOME PORTFOLIO, L.L.C.
KINGS COURT AT MONTGOMERY, 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.
M&M AT EAST MILL, L.L.C.
M&M AT MORRISTOWN, L.L.C.

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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 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 SOUTH BRUNSWICK, L.L.C.
MATZEL & MUMFORD AT WOODLAND CREST, L.L.C.
SECTION 14 OF THE HILLS, L.L.C.
THE LANDINGS AT SPINNAKER POINTE, L.L.C.
WESTMINSTER HOMES OF ALABAMA, L.L.C.
WESTMINSTER HOMES OF MISSISSIPPI, L.L.C.
WESTMINSTER HOMES OF SOUTH CAROLINA, L.L.C.
GOODMAN FAMILY BUILDERS, L.P.
M & M INVESTMENTS, L.P.
WASHABAMA, L.P.

/s/ J. Larry Sorsby

By: J. Larry Sorsby
Title: Executive Vice President
Chief Financial Officer

FIRST UNION NATIONAL BANK,
as Trustee

By: /s/ S. Roche

Name: Stephanie Roche
Title: Vice President

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EXHIBIT A

[FACE OF NOTE]

K. HOVNIANIAN ENTERPRISES, INC.

8.000% Senior Note Due 2012

No. [CUSIP] [ISIN] _____

No. \$ _____

K. Hovnianian Enterprises, Inc., a New Jersey corporation (the "ISSUER", which term includes any successor under the Indenture hereinafter referred to), for value received, promises to pay to _____, or its registered assigns, the principal sum of _____ DOLLARS (\$ _____) on April 1, 2012

Initial Interest Rate: 8.000% per annum.

Interest Payment Dates: April 1 and October 1, commencing October 1, 2002.

Regular Record Dates: March 15 and September 15.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which will for all purposes have the same effect as if set forth at this place.

IN WITNESS WHEREOF, the Issuer has caused this Note to be signed manually or by facsimile by its duly authorized officers.

Date: K. HOVNIANIAN ENTERPRISES, INC.

By: _____
Name:
Title:

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(Form of Trustee's Certificate of Authentication)

This is one of the 8.000% Senior Notes Due 2012 described in the Indenture referred to in this Note.

FIRST UNION NATIONAL BANK,
as Trustee

By: _____
Authorized Signatory

[REVERSE SIDE OF NOTE]

K. HOVNIANIAN ENTERPRISES, INC.

8.000% Senior Note Due 2012

1. PRINCIPAL AND INTEREST.

The Issuer promises to pay the principal of this Note on April 1, 2012.

The Issuer promises to pay interest on the principal amount of this Note on each interest payment date, as set forth on the face of this Note, at the rate of 8.000% per annum.

Interest will be payable semiannually (to the holders of record of the Notes at the close of business on the March 15 or September 15 immediately preceding the interest payment date) on each interest payment date, commencing October 1, 2002.

The Holder of this Note is entitled to the benefits of the Registration Rights Agreement, dated March 26, 2002, between the Issuer, the Guarantors party thereto and the Initial Purchasers named therein (the "REGISTRATION RIGHTS AGREEMENT"). In the event that neither the Exchange Offer Registration Statement (as defined in the Registration Rights Agreement) nor the Shelf Registration Statement (as defined in the Registration Rights Agreement) is declared effective on or prior to the date that is 150 days after the Issue Date (the "EFFECTIVENESS DEADLINE"), the Holder shall be entitled to Liquidated Damages as specified in the Registration Rights Agreement until the Exchange Offer Registration Statement or the Shelf Registration Statement is declared effective by the Commission. If the Exchange Offer Registration Statement is declared effective but the Exchange Offer is not consummated on or prior to the earlier to occur of 40 Business Days after the date of effectiveness of the Exchange Offer Registration Statement, the Issuer shall be required to pay Liquidated Damages as specified in the Registration Rights Agreement.

Interest on this Note will accrue from the most recent date to which interest has been paid on this Note or the Note surrendered in exchange for this Note (or, if there is no existing default in the payment of interest and if this Note is authenticated between a regular record date and the next interest payment date, from such interest payment date) or, if no interest has been paid, from the Issue Date. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Issuer will pay interest on overdue principal, premium, if any, and, to the extent lawful, interest and Liquidated Damages, if any, at a rate per annum that is 1% in excess of 8.000%. Interest and Liquidated Damages not paid when due and any interest on principal, premium or interest not paid when due will be paid to the Persons that are Holders on a special record date, which will be the 15th day preceding the date fixed by the Issuer for the payment of such interest, whether or not such day is a Business Day. At least 15 days before a special record date, the Issuer will send to each Holder and to the Trustee a notice that sets forth the special record date, the payment date and the amount of interest to be paid.

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2. INDENTURES; NOTE GUARANTY.

This is one of the Notes issued under an Indenture dated as of March 26, 2002 (as amended from time to time, the "INDENTURE"), among the Issuer, the Guarantors party thereto and First Union National Bank, as Trustee. Capitalized terms used herein are used as defined in the Indenture unless otherwise indicated. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act. The Notes are subject to all such terms, and Holders are referred to the Indenture and the Trust Indenture Act for a statement of all such terms. To the extent permitted by applicable law, in the event of any inconsistency between the terms of this Note and the terms of the Indenture, the terms of the Indenture will control.

The Notes are general unsecured obligations of the Issuer. The Indenture limits the original aggregate principal amount of the Notes to \$100,000,000, but Additional Notes in an aggregate principal amount of up to \$100,000,000 may be issued pursuant to the Indenture, and the originally issued Notes and all such Additional Notes vote together for all purposes as a single class. This Note is guaranteed as set forth in the Indenture.

3. REDEMPTION AND REPURCHASE; DISCHARGE PRIOR TO REDEMPTION OR MATURITY.

This Note is subject to optional redemption, and may be the subject of an Offer to Purchase, as further described in the Indenture. There is no sinking fund or mandatory redemption applicable to this Note.

If the Issuer deposits with the Trustee money or U.S. Government Obligations sufficient to pay the then outstanding principal of, premium and Liquidated Damages, if any, and accrued interest on the Notes to redemption or maturity, the Company may in certain circumstances be discharged from the Indenture and the Notes or may be discharged from certain of its obligations under certain provisions of the Indenture.

4. REGISTERED FORM; DENOMINATIONS; TRANSFER; EXCHANGE.

The Notes are in registered form without coupons in denominations of \$1,000 principal amount and any multiple of \$1,000 in excess thereof. A Holder may register the transfer or exchange of Notes in accordance with the Indenture. The Trustee may require a Holder to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. Pursuant to the Indenture, there are certain periods during which the Trustee will not be required to issue, register the transfer of or exchange any Note or certain portions of a Note.

5. DEFAULTS AND REMEDIES.

If an Event of Default, as defined in the Indenture, occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the Notes may declare all the Notes to be due and payable. If a bankruptcy or insolvency default with respect to the Issuer occurs and is continuing, the Notes automatically become due and payable. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. The Trustee may require indemnity

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satisfactory to it before it enforces the Indenture or the Notes. Subject to certain limitations, Holders of a majority in principal amount of the Notes then outstanding may direct the Trustee in its exercise of remedies.

6. AMENDMENT AND WAIVER.

Subject to certain exceptions, the Indenture and the Notes may be amended, or default may be waived, with the consent of the Holders of a majority in principal amount of the outstanding Notes. Without notice to or the consent of any Holder, the Issuer and the Trustee may amend or supplement the Indenture or the Notes to, among other things, cure any ambiguity, defect or inconsistency.

7. AUTHENTICATION.

This Note is not valid until the Trustee (or Authenticating Agent) signs the certificate of authentication on the other side of this Note.

8. ABBREVIATIONS.

Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian) and U/G/M/A/ (= Uniform Gifts to Minors Act).

The Company will furnish a copy of the Indenture to any Holder upon written request and without charge.

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[FORM OF NOTATION ON NOTE RELATING TO GUARANTEE]

GUARANTEE

The undersigned (the "GUARANTORS") have unconditionally guaranteed, jointly and severally (such guarantee by each Guarantor being referred to herein as the "GUARANTEE") (i) the due and punctual payment of the principal of and interest on the Notes, whether at maturity, by acceleration or otherwise, the due and punctual payment of interest on the overdue principal and interest, if any, on the Notes, to the extent lawful, and the due and punctual performance of all other obligations of the Issuer to the Holders or the Trustee all in accordance with the terms set forth in Article 6 of the Indenture and (ii) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise.

No past, present or future stockholder, officer, director, employee or incorporator, as such, of any of the Guarantors shall have any liability under the Guarantee by reason of such person's status as stockholder, officer, director, employee or incorporator. Each Holder of a Note by accepting a Note waives and releases all such liability. This waiver and release are part of the consideration for the issuance of the Guarantee.

Each Holder of a Note by accepting a Note agrees that any Guarantor named below shall have no further liability with respect to its Guarantee if such Guarantor otherwise ceases to be liable in respect of its Guarantee in accordance with the terms of the Indenture.

The Guarantee shall not be valid or obligatory for any purpose until the certificate of authentication on the Notes upon which the Guarantee is noted shall have been executed by the Trustee under the Indenture by the manual signature of one of its authorized officers.

[Guarantors]

By: _____

Title:

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[FORM OF TRANSFER NOTICE]

FOR VALUE RECEIVED the undersigned registered holder hereby sell(s), assign(s) and transfer(s) unto

Insert Taxpayer Identification No.

Please print or typewrite name and address including zip code of assignee

_____ the within Note and all rights thereunder, hereby irrevocably constituting and appointing

_____ attorney to transfer said Note on the books of the Issuer with full power of substitution in the premises.

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[THE FOLLOWING PROVISION TO BE INCLUDED ON ALL CERTIFICATES BEARING A RESTRICTED LEGEND]

In connection with any transfer of this Note occurring prior to _____, the undersigned confirms that such transfer is made without utilizing any general solicitation or general advertising and further as follows:

Check One

// (1) This Note is being transferred to a "qualified institutional buyer" in compliance with Rule 144A under the Securities Act of 1933, as amended and certification in the form of Exhibit F to the Indenture is being furnished herewith.

// (2) This Note is being transferred to a Non-U.S. Person in compliance with the exemption from registration under the Securities Act of 1933, as amended, provided by Regulation S thereunder, and certification in the form of Exhibit E to the Indenture is being furnished herewith.

OR

// (3) This Note is being transferred other than in accordance with (1) or (2) above and documents are being furnished which comply with the conditions of transfer set forth in this Note and the Indenture.

If none of the foregoing boxes is checked, the Trustee is not obligated to register this Note in the name of any Person other than the Holder hereof unless and until the conditions to any such transfer of registration set forth herein and in the Indenture have been satisfied.

Date: _____

_____ Seller

By _____

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within-mentioned instrument in

every particular, without alteration or any change whatsoever.

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Signature Guarantee:(1)

By

To be executed by an executive officer

(1) Signatures must be guaranteed by an "ELIGIBLE GUARANTOR INSTITUTION" meeting the requirements of the Trustee, which requirements include membership or participation in the Note Transfer Agent Medallion Program ("STAMP") or such other "SIGNATURE GUARANTEE PROGRAM" as may be determined by the Trustee in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

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OPTION OF HOLDER TO ELECT PURCHASE

If you wish to have all of this Note purchased by the Company pursuant to Section 4.10 or Section 4.12 of the Indenture, check the box: / /

If you wish to have a portion of this Note purchased by the Company pursuant to Section 4.10 or Section 4.12 of the Indenture, state the amount (in original principal amount) below:

\$ _____

Date: _____

Your Signature: _____

(Sign exactly as your name appears on the other side of this Note)

Signature Guarantee:(1)

(1) Signatures must be guaranteed by an "ELIGIBLE GUARANTOR INSTITUTION" meeting the requirements of the Trustee, which requirements include membership or participation in the Note Transfer Agent Medallion Program ("STAMP") or such other "SIGNATURE GUARANTEE PROGRAM" as may be determined by the Trustee in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

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SCHEDULE OF EXCHANGES OF NOTES(1)

The following exchanges of a part of this Global Note for Physical Notes or a part of another Global Note have been made:

PRINCIPAL
AMOUNT OF
THIS
GLOBAL
NOTE
AMOUNT OF
DECREASE
AMOUNT OF
INCREASE
FOLLOWING
SUCH
SIGNATURE
OF IN
PRINCIPAL
AMOUNT IN
PRINCIPAL
AMOUNT
DECREASE
(OR
AUTHORIZED
OFFICER
DATE OF

SECTION 4. This Supplemental Indenture may be signed in various counterparts which together will constitute one and the same instrument.

SECTION 5. This Supplemental Indenture is an amendment supplemental to the Indenture and the Indenture and this Supplemental Indenture will henceforth be read together.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed as of the date first above written.

K. HOVNANIAN ENTERPRISES, INC.,
as Issuer

By: _____
Name:
Title:

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HOVNANIAN ENTERPRISES, INC.,

By: _____
Name:
Title:

[GUARANTOR]

By: _____
Name:
Title:

FIRST UNION NATIONAL BANK,
as Trustee

By: _____
Name:
Title:

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EXHIBIT C

RESTRICTED LEGEND

THIS NOTE (OR ITS PREDECESSOR) HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT AS SET FORTH IN THE NEXT SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER

(1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) (A "QIB"), (B) IT HAS ACQUIRED THIS NOTE IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATIONS UNDER THE SECURITIES ACT OR (C) IT IS AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(a) (1), (2), (3) OR (7) UNDER THE SECURITIES ACT) (AN "IAI"),

(2) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN, EXCEPT (A) TO THE COMPANY OR ANY OF ITS SUBSIDIARIES, (B) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (C) IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR 904 OF REGULATIONS OF THE SECURITIES ACT, (D) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT, (E) TO AN IAI THAT, PRIOR TO SUCH TRANSFER, FURNISHES THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE TRANSFER OF THIS NOTE (THE FORM OF WHICH CAN BE OBTAINED FROM THE TRUSTEE) AND, IF SUCH TRANSFER IS IN RESPECT OF AN AGGREGATE PRINCIPAL AMOUNT OF LESS THAN \$250,000, AN OPINION OF COUNSEL ACCEPTABLE TO THE ISSUER THAT SUCH TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT, (F) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL ACCEPTABLE TO THE ISSUER) OR (G) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH CASE, IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION AND

(3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTIONS" AND "UNITED STATES" HAVE THE MEANINGS GIVEN TO THEM BY RULE 902 OF REGULATION S UNDER THE SECURITIES ACT. THE INDENTURE CONTAINS A PROVISION REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE IN VIOLATION OF THE FOREGOING.

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EXHIBIT D

DTC LEGEND

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ANY OF ITS SUBSIDIARIES OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS A BENEFICIAL INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL NOTE ARE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF CEDE & CO. OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL NOTE ARE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE TRANSFER PROVISIONS OF THE INDENTURE.

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EXHIBIT E

Regulation S Certificate

First Union National Bank
21 South Street
Morristown, NJ 07960
Attention: Corporate Trust Administration

Re: K. Hovnanian Enterprises, Inc.
8.000% Senior Notes due 2012 (the "NOTES")
Issued under the Indenture (the "INDENTURE")
DATED AS OF MARCH 26, 2002 RELATING TO THE NOTES

Dear Sirs:

Terms are used in this Certificate as used in Regulation S ("Regulation S") under the Securities Act of 1933, as amended (the "Securities Act"), except as otherwise stated herein.

[CHECK A OR B AS APPLICABLE.]

// A. This Certificate relates to our proposed transfer of \$_____ principal amount of Notes issued under the Indenture. We hereby certify as follows:

1. The offer and sale of the Notes was not and will not be made to a person in the United States (unless such person is excluded from the definition of "U.S. person" pursuant to Rule 902(k)(2)(vi) or the account held by it for which it is acting is excluded from the definition of "U.S. person" pursuant to Rule 902(k)(2)(i) under the circumstances described in Rule 902(g)(3)) and such offer and sale was not and will not be specifically targeted at an identifiable group of U.S. citizens abroad.
2. Unless the circumstances described in the parenthetical in paragraph 1 above are applicable, either (a) at the time the buy order was originated, the buyer was outside the United States or we and any person acting on our behalf reasonably believed that the buyer was outside the United States or (b) the transaction was executed in, on or through the facilities of a designated offshore securities market, and neither we nor any person acting on our behalf knows that the transaction was pre-arranged with a buyer in the United States.
3. Neither we, any of our affiliates, nor any person acting on our or their behalf has made any directed selling efforts in the United States with respect to the Notes.

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4. The proposed transfer of Notes is not part of a plan or scheme to evade the registration requirements of the Securities Act.
5. If we are a dealer or a person receiving a selling concession, fee or other remuneration in respect of the Notes, and the proposed transfer takes place during the Restricted Period (as defined in the Indenture), or we are an officer or director of the Company or an Initial Purchaser (as defined in the Indenture), we certify that the proposed transfer is being made in accordance with the provisions of Rule 904(b) of Regulation S.

// B This Certificate relates to our proposed exchange of \$_____ principal amount of Notes issued under the Indenture for an equal principal amount of Notes to be held by us. We hereby certify as follows:

1. At the time the offer and sale of the Notes was made to us, either (i) we were not in the United States or (ii) we were excluded from the definition of "U.S. person" pursuant to Rule 902(k)(2)(vi) or the account held by us for which we were acting was excluded from the definition of "U.S. person" pursuant to Rule 902(k)(2)(i) under the circumstances described in Rule 902(g)(3); and we were not a member of an identifiable group of U.S. citizens abroad.
2. Unless the circumstances described in paragraph 1(ii) above are applicable, either (a) at the time our buy order was originated, we were outside the United States or (b) the transaction was executed in, on or through the facilities of a designated offshore securities market and we did not pre-arrange the transaction in the United States.
3. The proposed exchange of Notes is not part of a plan or scheme to evade the registration requirements of the Securities Act.

You and the Company are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

[NAME OF SELLER (FOR TRANSFERS) OR OWNER
(FOR EXCHANGES)]

By: _____

Name:
Title:
Address:

Date: _____

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EXHIBIT F

Rule 144A Certificate

_____, ____

First Union National Bank
21 South Street
Morristown, NJ 07960
Attention: Corporate Trust Administration

Re: K. Hovnanian Enterprises, Inc.
8.000% Senior Notes due 2012 (the "NOTES") Issued under
the Indenture (the "INDENTURE") DATED AS OF MARCH 26,
2002 RELATING TO THE NOTES

Ladies and Gentlemen:

TO BE COMPLETED BY PURCHASER IF (1) ABOVE IS CHECKED.

This Certificate relates to:

[CHECK A OR B AS APPLICABLE.]

// A. Our proposed purchase of \$_____ principal amount of Notes issued under the Indenture.

// B. Our proposed exchange of \$____ principal amount of Notes issued under the Indenture for an equal principal amount of Notes to be held by us.

We and, if applicable, each account for which we are acting, are a qualified institutional buyer within the meaning of Rule 144A ("Rule 144A") under the Securities Act of 1933, as amended (the "Securities Act"). If we are acting on behalf of an account, we exercise sole investment discretion with respect to such account. We are aware that the transfer of Notes to us, or such exchange, as applicable, is being made in reliance upon the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. Prior to the date of this Certificate we have received such information regarding the Company as we have requested pursuant to Rule 144A(d)(4) or have determined not to request such information.

You and the Company are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

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Very truly yours,

[NAME OF SELLER (FOR TRANSFERS) OR OWNER
(FOR EXCHANGES)]

By:

Name:
Title:
Address:

Date:_____

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EXHIBIT G

Institutional Accredited Investor Certificate

First Union National Bank
21 South Street
Morristown, NJ 07960
Attention: Corporate Trust Administration

Re: K. Hovnanian Enterprises, Inc.
8.000% Senior Notes due 2012 (the "NOTES")
Issued under the Indenture (the "INDENTURE")
DATED AS OF MARCH 26, 2002 RELATING TO THE NOTES

Ladies and Gentlemen:

This Certificate relates to:

[CHECK A, B OR C AS APPLICABLE.]

// A. Our proposed purchase of \$____ principal amount of Notes issued under the Indenture.

// B. Our proposed purchase of \$____ principal amount of a beneficial interest in a Global Note.

// C. Our proposed exchange of \$____ principal amount of Notes issued under the Indenture for an equal principal amount of Notes to be held by us.

We hereby confirm that:

1. We are an institutional "accredited investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act of 1933, as amended (the "Securities Act") (an "Institutional Accredited Investor").
2. Any acquisition of Notes by us will be for our own account or for the account of one or more other Institutional Accredited Investors as to which we exercise sole investment discretion.
3. We have such knowledge and experience in financial and business matters that we are capable of evaluating the merits and risks of an investment in the Notes and we and any accounts for which we are acting are able to bear the economic risks of and an entire loss of our or their

investment in the Notes.

- 4. We are not acquiring the Notes or beneficial interest therein with a view to any distribution thereof in a transaction that would violate the Securities Act or the securities laws of any State of the United States or any other

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applicable jurisdiction; PROVIDED that the disposition of our property and the property of any accounts for which we are acting as fiduciary will remain at all times within our and their control.

- 5. We acknowledge that the Notes have not been registered under the Securities Act and that the Notes may not be offered or sold within the United States or to or for the benefit of U.S. persons except as set forth below.
- 6. The principal amount of Notes to which this Certificate relates is at least equal to \$250,000.

We agree for the benefit of the Company, on our own behalf and on behalf of each account for which we are acting, that we will not resell or otherwise transfer this note or any beneficial interest herein, except (A) to the company or any of its subsidiaries, (B) to a person whom the we reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (C) in an offshore transaction meeting the requirements of Rule 903 or 904 of Regulation S of the Securities Act, (D) in a transaction meeting the requirements of Rule 144 under the Securities Act, (E) to an IAI that, prior to such transfer, furnishes the Trustee a signed letter containing certain representations and agreements relating to the transfer of this Note (the form of which can be obtained from the Trustee) and, if such transfer is in respect of an aggregate principal amount of less than \$250,000, an opinion of counsel acceptable to the company that such transfer is in compliance with the Securities Act, (F) in accordance with another exemption form the registration requirements of the Securities Act (and based upon an opinion of counsel acceptable to the Company) or (G) pursuant to an effective Registration Statement, and in each case, in accordance with the applicable securities laws of any state of the United States or any other applicable jurisdiction.

Prior to the registration of any transfer in accordance with (f) or (g) above, we acknowledge that the Company reserves the right to require the delivery of such legal opinions, certifications or other evidence as may reasonably be required in order to determine that the proposed transfer is being made in compliance with the Securities Act and applicable state securities laws. We acknowledge that no representation is made as to the availability of any Rule 144 exemption from the registration requirements of the Securities Act.

We understand that the Trustee will not be required to accept for registration of transfer any Notes acquired by us, except upon presentation of evidence satisfactory to the Company and the Trustee that the foregoing restrictions on transfer have been complied with. We further agree to provide to any person acquiring any of the Notes or any beneficial interest therein from us a notice advising such person that resales of the Notes are restricted as stated herein.

We agree to notify you promptly in writing if any of our acknowledgments, representations or agreements herein ceases to be accurate and complete.

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We represent to you that we have full power to make the foregoing acknowledgments, representations and agreements on our own behalf and on behalf of any account for which we are acting.

You and the Company are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

[NAME OF PURCHASER (FOR TRANSFERS) OR OWNER
(FOR EXCHANGES)]

By:

Name:
Title:
Address:

Date: _____

Upon transfer of certificated Notes, the Notes would be registered in the name of the new beneficial owner as follows:

By: _____

Date: _____

Taxpayer ID number: _____

EXHIBIT H

[COMPLETE FORM I OR FORM II AS APPLICABLE.]

[FORM I]

CERTIFICATE OF BENEFICIAL OWNERSHIP

To: First Union National Bank
21 South Street
Morristown, NJ 07960
Attention: Corporate Trust Administration OR

[Euroclear Bank S.A./N.V., as operator of the Euroclear System] OR

[Clearstream Banking, SOCIETE ANONYME]

Re: K. Hovnanian Enterprises, Inc.
8.000% Senior Notes due 2012 (the "NOTES") Issued
under the Indenture (the "INDENTURE") DATED AS OF MARCH
26, 2002 RELATING TO THE NOTES

Ladies and Gentlemen:

We are the beneficial owner of \$____ principal amount of Notes issued under the Indenture and represented by a Regulation S Temporary Global Note (as defined in the Indenture).

We hereby certify as follows:

[CHECK A OR B AS APPLICABLE.]

// A. We are a non-U.S. person (within the meaning of Regulation S under the Securities Act of 1933, as amended).

// B. We are a U.S. person (within the meaning of Regulation S under the Securities Act of 1933, as amended) that purchased the Notes in a transaction that did not require registration under the Securities Act of 1933, as amended.

You and the Company are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

[NAME OF BENEFICIAL OWNER]

By: _____

Name:
Title:
Address:

Date: _____

[FORM II]

Certificate of Beneficial Ownership

Attention: Corporate Trust Administration

Re: K. Hovnanian Enterprises, Inc.
8.000% Senior Notes due 2012 (the "NOTES") Issued under the
Indenture (the "INDENTURE") DATED AS OF MARCH 26, 2002 RELATING
TO THE NOTES

Ladies and Gentlemen:

This is to certify that based solely on certifications we have received in writing, by tested telex or by electronic transmission from member organizations ("Member Organizations") appearing in our records as persons being entitled to a portion of the principal amount of Notes represented by a Regulation S Temporary Global Note issued under the above-referenced Indenture, that as of the date hereof, \$_____ principal amount of Notes represented by the Regulation S Temporary Global Note being submitted herewith for exchange is beneficially owned by persons that are either (i) non-U.S. persons (within the meaning of Regulation S under the Securities Act of 1933, as amended) or (ii) U.S. persons that purchased the Notes in a transaction that did not require registration under the Securities Act of 1933, as amended.

We further certify that (i) we are not submitting herewith for exchange any portion of such Regulation S Temporary Global Note excepted in such Member Organization certifications and (ii) as of the date hereof we have not received any notification from any Member Organization to the effect that the statements made by such Member Organization with respect to

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any portion of such Regulation S Temporary Global Note submitted herewith for exchange are no longer true and cannot be relied upon as of the date hereof.

You and the Company are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Yours faithfully,

[EUROCLEAR BANK S.A./N.V., as operator of
the Euroclear System]

OR

[CLEARSTREAM BANKING, SOCIETE
ANONYME]

By:

Name:
Title:
Address:

Date: _____

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EXHIBIT I

THIS NOTE IS A TEMPORARY GLOBAL NOTE. PRIOR TO THE EXPIRATION OF THE RESTRICTED PERIOD APPLICABLE HERETO, BENEFICIAL INTERESTS HEREIN MAY NOT BE HELD BY ANY PERSON OTHER THAN (1) A NON-U.S. PERSON OR (2) A U.S. PERSON THAT PURCHASED SUCH INTEREST IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). BENEFICIAL INTERESTS HEREIN ARE NOT EXCHANGEABLE FOR PHYSICAL NOTES OTHER THAN A PERMANENT GLOBAL NOTE IN ACCORDANCE WITH THE TERMS OF THE INDENTURE. TERMS IN THIS LEGEND ARE USED AS USED IN REGULATION S UNDER THE SECURITIES ACT.

=====
 K. HOVNIANIAN ENTERPRISES, INC.,
 AS ISSUER

 KOVNIANIAN ENTERPRISES, INC.

 THE GUARANTORS PARTY HERETO

 AND

 FIRST UNION NATIONAL BANK,

 AS TRUSTEE

 INDENTURE

 DATED AS OF MARCH 26, 2002

 8.875% SENIOR SUBORDINATED NOTES DUE 2012

 =====

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(b)		7.08
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315(a)		7.01,
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INDENTURE, dated as of March 26, 2002, between K. HOVNIANIAN ENTERPRISES, INC., a New Jersey corporation (the "Issuer"), HOVNIANIAN ENTERPRISES, INC., a Delaware corporation (the "Company"), each of the Guarantors (as defined hereto) and FIRST UNION NATIONAL BANK, as Trustee.

RECITALS

The Issuer has duly authorized the execution and delivery of the Indenture to provide for the issuance of up to \$300,000,000 aggregate principal amount of the Issuer's 8.875% Senior Subordinated Notes Due 2012, and, if and when issued, any Additional Notes, together with any Exchange Notes issued therefor as provided herein (the "NOTES"). All things necessary to make the Indenture a valid agreement of the Issuer, in accordance with its terms, have been done, and the Issuer has done all things necessary to make the Notes (in the case of the Additional Notes, when duly authorized), when executed by the Issuer and authenticated and delivered by the Trustee and duly issued by the Issuer, the valid obligations of the Issuer as hereinafter provided.

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

This Indenture is subject to, and will be governed by, the provisions of the Trust Indenture Act that are required to be a part of and govern indentures qualified under the Trust Indenture Act.

THIS INDENTURE WITNESSETH

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

ARTICLE 1

DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.01. DEFINITIONS.

"ACQUIRED INDEBTEDNESS" means (a) with respect to any Person that becomes a Restricted Subsidiary (or is merged into the Company, the Issuer or any Restricted Subsidiary) after the Issue Date, Indebtedness of such Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary (or is merged into the Company, the Issuer or any Restricted Subsidiary) that was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary (or being merged into the Company, the Issuer or any Restricted Subsidiary) and (b) with respect to the Company, the Issuer or any Restricted Subsidiary, any Indebtedness expressly assumed by the Company, the Issuer or any Restricted Subsidiary in connection with the acquisition of any assets from another Person (other than the

Company, the Issuer or any Restricted Subsidiary), which Indebtedness was not incurred by such other Person in connection with or in contemplation of such acquisition. Indebtedness incurred in connection with or in contemplation of any transaction described in clause (a) or (b) of the preceding sentence shall be deemed to have been incurred by the Company or a Restricted Subsidiary, as the case may be, at the time such Person becomes a Restricted Subsidiary (or is merged into the Company, the Issuer or any Restricted Subsidiary) in the case of clause (a) or at the time of the acquisition of such assets in the case of clause (b), but shall not be deemed Acquired Indebtedness.

"ADDITIONAL NOTES" means any notes issued under the Indenture in addition to the Original Notes, including any Exchange Notes issued in exchange for such Additional Notes, having the same terms in all respects as the Original Notes except that interest will accrue on the Additional Notes from their date of issuance.

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

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

"AGENT MEMBER" means a member of, or a participant in, the Depositary.

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

"ASSET DISPOSITION" means any sale, transfer, conveyance, lease or other disposition (including, without limitation, by way of merger, consolidation or sale and leaseback or sale of shares of Capital Stock in any Subsidiary) (each, a "TRANSACTION") by the Company, the Issuer or any Restricted Subsidiary to any Person of any Property having a Fair Market Value in any transaction or series of related transactions of at least \$5 million. The term "Asset Disposition" shall not include:

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

(b) a transaction in the ordinary course of business, including, without limitation, sales (directly or indirectly), dedications and other donations to governmental authorities, leases and sales and leasebacks of (A) homes, improved land and unimproved land and (B) real estate (including related amenities and improvements),

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

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(d) any exchange or swap of assets of the Company, the Issuer or any Restricted Subsidiary for assets that (x) are to be used by the Company, the Issuer or any Restricted Subsidiary in the ordinary course of its Real Estate Business and (y) have a Fair Market Value not less than the Fair Market Value of the assets exchanged or swapped,

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

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

"ATTRIBUTABLE DEBT" means, with respect to any Capitalized Lease Obligations, the capitalized amount thereof determined in accordance with GAAP.

"AUTHENTICATING AGENT" refers to a Person engaged to authenticate the Notes in the stead of the Trustee.

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

"BOARD OF DIRECTORS" means the board of directors of the Issuer, or any committee thereof duly authorized to act on its behalf.

"BOARD RESOLUTION" means a resolution duly adopted by the Board of Directors which, as of the date of any certification thereof, remains in full force and effect.

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

"CAPITAL STOCK" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated) of or in such Person's capital stock or other equity interests, and options, rights or warrants to purchase such capital stock or other equity interests, whether now outstanding or issued after the Issue Date, including, without limitation, all Disqualified Stock and Preferred Stock.

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

"CASH EQUIVALENTS" means

(a) U.S. dollars;

(b) securities issued or directly and fully guaranteed or insured by the U.S. government or any agency or instrumentality thereof having maturities of one year or less from the date of acquisition;

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(c) certificates of deposit and eurodollar time deposits with maturities of one year or less from the date of acquisition, bankers' acceptances with maturities not exceeding six months and overnight bank deposits, in each case with any domestic commercial bank having capital and surplus in excess of \$500 million;

(d) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (b) and (c) entered into with any financial institution meeting the qualifications specified in clause (c) above;

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

(f) investments in money market funds substantially all of the assets of which consist of securities described in the foregoing clauses (a) through (e).

"CERTIFICATE OF BENEFICIAL OWNERSHIP" means a certificate substantially in the form of Exhibit H.

"CERTIFICATED NOTE" means a Note in registered individual form without interest coupons.

"CHANGE OF CONTROL" means

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

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

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

(d) the stockholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company; PROVIDED, HOWEVER, that a liquidation or dissolution of the Company which is part of a transaction that does not constitute a Change of Control under the proviso contained in clause (a) above shall not constitute a Change of Control; or

(e) a change of control shall occur as defined in the instrument governing any publicly traded debt securities of the Company or the Issuer which requires the Company or the Issuer to repay or repurchase such debt securities.

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"CLEARSTREAM" means Clearstream Banking, societe anonyme, Luxembourg, formerly Cedelbank.

"COMMISSION" means the Securities and Exchange Commission.

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

"COMPANY" means Hovnanian Enterprises, Inc., or any successor obligor under the Indenture and the Note Guarantees pursuant to Section 4.14.

"CONSOLIDATED ADJUSTED TANGIBLE ASSETS" of the Company as of any date means the Consolidated Tangible Assets of the Company, the Issuer and the Restricted Subsidiaries at the end of the fiscal quarter immediately preceding the date less any assets securing any Non-Recourse Indebtedness, as determined in accordance with GAAP.

"CONSOLIDATED CASH FLOW AVAILABLE FOR FIXED CHARGES" means, for any period, Consolidated Net Income for such period plus (each to the extent deducted in calculating such Consolidated Net Income and determined in accordance with GAAP) the sum for such period, without duplication, of:

- (a) income taxes,
- (b) Consolidated Interest Expense,
- (c) depreciation and amortization expenses and other non-cash charges to earnings, and
- (d) interest and financing fees and expenses which were previously capitalized and which are amortized to cost of sales, MINUS

all other non-cash items (other than the receipt of notes receivable) increasing such Consolidated Net Income.

"CONSOLIDATED FIXED CHARGE COVERAGE RATIO" means, with respect to any determination date, the ratio of (x) Consolidated Cash Flow Available for Fixed Charges for the prior four full fiscal quarters (the "FOUR QUARTER PERIOD") for which financial results have been reported immediately preceding the determination date (the "TRANSACTION DATE"), to (y) the aggregate Consolidated Interest Incurred for the Four Quarter Period. For purposes of this definition, "CONSOLIDATED CASH FLOW AVAILABLE FOR FIXED CHARGES" and "CONSOLIDATED INTEREST INCURRED" shall be calculated after giving effect on a PRO FORMA basis for the period of such calculation to:

- (a) the incurrence or the repayment, repurchase, defeasance or other discharge or the assumption by another Person that is not an Affiliate (collectively, "REPAYMENT") of any Indebtedness of the Company, the Issuer or any Restricted Subsidiary (and the application of the proceeds thereof) giving rise to the need to make such calculation, and any incurrence or repayment of other Indebtedness (and the application of the proceeds

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thereof), at any time on or after the first day of the Four Quarter Period and on or prior to the Transaction Date, as if such incurrence or repayment, as the case may be (and the application of the proceeds thereof), occurred on the first day of the Four Quarter Period, except that Indebtedness under revolving credit facilities shall be deemed to be the average daily balance of such Indebtedness during the Four Quarter Period (as reduced on such pro forma basis by the application of any proceeds of the incurrence of Indebtedness giving rise to the need to make such calculation);

- (b) any Asset Disposition or Asset Acquisition (including, without limitation, any Asset Acquisition giving rise to the need to make such calculation as a result of the Company, the Issuer or any Restricted Subsidiary (including any Person that becomes a Restricted Subsidiary as a

result of any such Asset Acquisition) incurring Acquired Indebtedness at any time on or after the first day of the Four Quarter Period and on or prior to the Transaction Date), as if such Asset Disposition or Asset Acquisition (including the incurrence or repayment of any such Indebtedness) and the inclusion, notwithstanding clause (b) of the definition of "Consolidated Net Income," of any Consolidated Cash Flow Available for Fixed Charges associated with such Asset Acquisition as if it occurred on the first day of the Four Quarter Period; PROVIDED, HOWEVER, that the Consolidated Cash Flow Available for Fixed Charges associated with any Asset Acquisition shall not be included to the extent the net income so associated would be excluded pursuant to the definition of "Consolidated Net Income," other than clause (b) thereof, as if it applied to the Person or assets involved before they were acquired; and

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

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

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

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

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

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

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

(a) the net income (or loss) of (x) any Unrestricted Subsidiary (other than a Mortgage Subsidiary) or (y) any Person (other than a Restricted Subsidiary or a Mortgage Subsidiary) in which any Person other than the Company, the Issuer or any Restricted Subsidiary has an ownership interest, except, in each case, to the extent that any such income has actually been received by the Company, the Issuer or any Restricted Subsidiary in the form of cash dividends or similar cash distributions during such period, which dividends or distributions are not in excess of the Company's, the Issuer's or such Restricted Subsidiary's (as applicable) pro rata share of such Unrestricted Subsidiary's or such other Person's net income earned during such period,

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

(c) the net income of any Restricted Subsidiary to the extent that (but only so long as) the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of that income is not permitted by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary during such period,

(d) the gains or losses, together with any related provision for taxes, realized during such period by the Company, the Issuer or any Restricted Subsidiary resulting from (i) the acquisition of securities, or extinguishment of Indebtedness, of the Company or any Restricted Subsidiary

or (ii) any Asset Disposition by the Company or any Restricted Subsidiary,

(e) any extraordinary gain or loss together with any related provision for taxes, realized by the Company, the Issuer or any Restricted Subsidiary, and

(f) any non-recurring expense recorded by the Company, the Issuer or any Restricted Subsidiary in connection with a merger accounted for as a "pooling-of-interests" transaction;

PROVIDED FURTHER, that for purposes of calculating Consolidated Net Income solely as it relates to clause (iii) of Section 4.07 hereof, clause (d)(ii) above shall not be applicable.

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"CONSOLIDATED NET WORTH" of any Person as of any date means the stockholders' equity (including any Preferred Stock that is classified as equity under GAAP, other than Disqualified Stock) of such Person and its Restricted Subsidiaries on a consolidated basis at the end of the fiscal quarter immediately preceding such date, as determined in accordance with GAAP, less any amount attributable to Unrestricted Subsidiaries.

"CONSOLIDATED TANGIBLE ASSETS" of the Company as of any date means the total amount of assets of the Company, the Issuer and the Restricted Subsidiaries (less applicable reserves) on a consolidated basis at the end of the fiscal quarter immediately preceding such date, as determined in accordance with GAAP, less (a) Intangible Assets and (b) appropriate adjustments on account of minority interests of other Persons holding equity investments in Restricted Subsidiaries.

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

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

"CORPORATE TRUST OFFICE" means the office of the Trustee at which the corporate trust business of the Trustee is principally administered, which at the date of the Indenture is located at 21 South Street, Morristown, NJ 07960.

"CREDIT FACILITIES" means, collectively, each of the credit facilities and lines of credit of the Company or one or more Restricted Subsidiaries in existence on the Issue Date and one or more other facilities and lines of credit among or between the Company or one or more Restricted Subsidiaries and one or more lenders pursuant to which the Company or one or more Restricted Subsidiaries may incur indebtedness for working capital and general corporate purposes (including acquisitions), as any such facility or line of credit may be amended, restated, supplemented or otherwise modified from time to time, and includes any agreement extending the maturity of, increasing the amount of, or restructuring, all or any portion of the Indebtedness under such facility or line of credit or any successor facilities or lines of credit and includes any facility or line of credit with one or more lenders refinancing or replacing all or any portion of the Indebtedness under such facility or line of credit or any successor facility or line of credit.

"CURRENCY AGREEMENT" of any Person means any foreign exchange contract, currency swap agreement or other similar agreement or arrangement designed to protect such Person or any of its Subsidiaries against fluctuations in currency values.

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

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

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

"DESIGNATION AMOUNT" has the meaning provided in the definition of Unrestricted Subsidiary.

"DISQUALIFIED STOCK" means any Capital Stock that, by its terms (or by the

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

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

"DTC LEGEND" means the legend set forth in Exhibit D.

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

"EVENT OF DEFAULT" has the meaning assigned to such term in Section 5.01.

"EXCHANGE ACT" means the Securities Exchange Act of 1934.

"EXCHANGE NOTES" means the Notes of the Issuer issued pursuant to the Indenture in exchange for, and in an aggregate principal amount equal to, the Initial Notes or any Initial Additional Notes in compliance with the terms of a Registration Rights Agreement and containing terms substantially identical to the Initial Notes or any Initial Additional Notes (except that (i) such Exchange Notes will be registered under the Securities Act and will not be subject to transfer restrictions or bear the Restricted Legend, and (ii) the provisions relating to Liquidated Damages will be eliminated).

"EXCHANGE OFFER" means an offer by the Issuer to the Holders of the Initial Notes or any Initial Additional Notes to exchange outstanding Notes for Exchange Notes, as provided for in a Registration Rights Agreement.

"EXCHANGE OFFER REGISTRATION STATEMENT" means the Exchange Offer Registration Statement as defined in a Registration Rights Agreement.

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

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession of the United States, as in effect on May 4, 1999.

"GLOBAL NOTE" means a Note in registered global form without interest coupons.

"GLOBAL NOTE LEGEND" means the legend set forth in Exhibit I.

"GUARANTEE" means the guarantee of the Notes by each Guarantor under the Indenture.

"GUARANTEE INITIAL PERIOD" has the meaning set forth in Section 11.02.

"GUARANTEE PAYMENT BLOCKAGE PERIOD" has the meaning set forth in Section 11.02.

"GUARANTORS" means (a) initially, the Company and each of the Company's Restricted Subsidiaries in existence on the Issue Date, except the Issuer, KHL, Inc. and K. Hovnanian Poland, sp. z.o.o. and (b) each of the Company's Subsidiaries that executes a supplemental indenture in the form of Exhibit B to the Indenture providing for the guaranty of the payment of the Notes, or any successor obligor under its Note Guaranty pursuant to Section 4.14., in each case unless an until such Guarantor is released from its Note Guaranty pursuant to the Indenture.

"HOLDER" means the Person in whose name a Note is registered in the books of the Registrar for the Notes.

"INDEBTEDNESS" of any Person means, without duplication,

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

(b) any Indebtedness of others that such Person has guaranteed to the extent of the guarantee, PROVIDED HOWEVER, that Indebtedness of the Company and its Restricted

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Subsidiaries will not include the obligations of the Company or a Restricted Subsidiary under warehouse lines of credit of Mortgage Subsidiaries to repurchase mortgages at prices no greater than 98% of the principal amount thereof, and upon any such purchase the excess, if any, of the purchase price thereof over the Fair Market Value of the mortgages acquired, will constitute Restricted Payments subject to Section 4.07 hereof,

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

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

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

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

"INITIAL ADDITIONAL NOTES" means Additional Notes issued in an offering not registered under the Securities Act and any Notes issued in replacement thereof, but not including any Exchange Notes issued in exchange therefor.

"INITIAL NOTES" means the Notes issued on the Issue Date and any Notes issued in replacement thereof, but not including any Exchange Notes issued in exchange therefor.

"INITIAL PERIOD" has the meaning set forth in Section 10.02.

"INITIAL PURCHASERS" means the initial purchasers party to a purchase agreement with the Issuer relating to the sale of the Initial Notes by the Issuer.

"INSTITUTIONAL ACCREDITED INVESTOR CERTIFICATE" means a certificate substantially in the form of Exhibit G hereto.

"INTANGIBLE ASSETS" of the Company means all unamortized debt discount and expense, unamortized deferred charges, goodwill, patents, trademarks, service marks, trade names, copyrights, write-ups of assets over their prior carrying value (other than write-ups which occurred prior to the Issue Date and other than, in connection with the acquisition of an asset, the write-up of the value of such asset (within one year of its acquisition) to its fair market value in accordance with GAAP) and all other items which would be treated as intangible on the

consolidated balance sheet of the Company, the Issuer and the Restricted Subsidiaries prepared in accordance with GAAP.

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

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

"INTEREST PAYMENT DATE" means each April 1 and October 1 of each year, commencing October 1, 2002.

"INTEREST PROTECTION AGREEMENT" of any Person means any interest rate swap agreement, interest rate collar agreement, option or futures contract or other similar agreement or arrangement designed to protect such Person or any of its Subsidiaries against fluctuations in interest rates with respect to Debt permitted to be incurred under the Indenture.

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

"ISSUE DATE" means the date on which the Initial Notes are originally issued under the Indenture.

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

"LIQUIDATED DAMAGES" means liquidated damages owed to the Holders pursuant to a Registration Rights Agreement.

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

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

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

"NET CASH PROCEEDS" means with respect to an Asset Disposition, cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise (including any cash received upon sale or disposition of such note or receivable), but only as and when received), excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to the Property disposed of in such Asset Disposition or received in any other noncash form unless and until such non-cash consideration is converted into cash therefrom, in each case, net of all legal,

title and recording tax expenses, commissions and other fees and expenses incurred, and all federal, state and local taxes required to be accrued as a liability under GAAP as a consequence of such Asset Disposition, and in each case net of a reasonable reserve for the after-tax cost of any indemnification or other payments (fixed and contingent) attributable to the seller's indemnities or other obligations to the purchaser undertaken by the Company, the Issuer or any of its Restricted Subsidiaries in connection with such Asset Disposition, and net of all payments made on any Indebtedness which is secured by or relates to such Property, in accordance with the terms of any Lien or agreement upon or with respect to such Property or which must by its terms or by applicable law be repaid out of the proceeds from such Asset Disposition, and net of all contractually required distributions and payments made to minority interest holders in Restricted Subsidiaries or joint ventures as a result of such Asset Disposition.

"NON-PAYMENT DEFAULT" means any event (other than a Payment Default), the occurrence of which entitles one or more Persons to accelerate the maturity of any Senior Debt of the Issuer or any Senior Debt of a Guarantor.

"NON-RECOURSE INDEBTEDNESS" with respect to any Person means Indebtedness of such Person for which (a) the sole legal recourse for collection of principal and interest on such Indebtedness is against the specific property identified in the instruments evidencing or securing such Indebtedness and such property was acquired with the proceeds of such Indebtedness or such Indebtedness was incurred within 90 days after the acquisition of such property and (b) no other assets of such Person may be realized upon in collection of principal or interest on such Indebtedness. Indebtedness which is otherwise Non-Recourse Indebtedness will not lose its character as Non-Recourse Indebtedness because there is recourse to the borrower, any guarantor or any other Person for (i) environmental warranties and indemnities, or (ii) indemnities for and liabilities arising from fraud, misrepresentation, misapplication or non-payment of rents, profits,

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insurance and condemnation proceeds and other sums actually received by the borrower from secured assets to be paid to the lender, including waste and mechanics' liens.

"NON-U.S. PERSON" means a Person that is not a U.S. person, as defined in Regulation S.

"NOTES" has the meaning assigned to such term in the Recitals.

"OFFER TO PURCHASE" has the meaning assigned to such term in Section 3.03.

"OFFICER" means the chairman of the Board of Directors, the president or chief executive officer, any vice president, the chief financial officer, the treasurer or any assistant treasurer, or the secretary or any assistant secretary, of the Company.

"OFFICERS' CERTIFICATE" means a certificate signed in the name of the Company (i) by the chairman of the Board of Directors, the president or chief executive officer or a vice president and (ii) by the chief financial officer, the treasurer or any assistant treasurer or the secretary or any assistant secretary.

"OPINION OF COUNSEL" means a written opinion signed by legal counsel, who may be an employee of or counsel to the Issuer, satisfactory to the Trustee.

"ORIGINAL NOTES" means the Initial Notes and any Exchange Notes issued in exchange therefor.

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

"PAYMENT BLOCKAGE PERIOD" has the meaning set forth in Section 10.02.

"PAYMENT DEFAULT" means any default in the payment of principal or interest on any Senior Debt of the Issuer or any Senior Debt of a Guarantor beyond any applicable grace period with respect thereto.

"PERMANENT REGULATION S GLOBAL NOTE" means a Regulation S Global Note that does not bear the Regulation S Temporary Global Note Legend.

"PERMITTED HOVNANIAN HOLDERS" means, collectively, Kevork S. Hovnanian, Ara K. Hovnanian, the members of their immediate families, the respective estates, spouses, heirs, ancestors, lineal descendants, legatees and legal representatives of any of the foregoing and the trustee of any BONA FIDE trust of which one or more of the foregoing are the sole beneficiaries or the grantors thereof, or any entity of which any of the foregoing, individually or collectively, beneficially own more than 50% of the Common Equity.

"PERMITTED INDEBTEDNESS" means

(a) Indebtedness under Credit Facilities which does not exceed \$440 million principal amount outstanding at any one time;

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

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(c) intercompany debt obligations of (i) the Company to the Issuer, (ii) the Issuer to the Company, (iii) the Company or the Issuer to any Restricted Subsidiary and (iv) any Restricted Subsidiary to the Company or the Issuer or any other Restricted Subsidiary; PROVIDED HOWEVER, that any Indebtedness of any Restricted Subsidiary or the Issuer or the Company owed to any Restricted Subsidiary or the Issuer that ceases to be a Restricted Subsidiary shall be deemed to be incurred and shall be treated as an incurrence for purposes of Section 4.06(a) hereof at the time the Restricted Subsidiary in question ceases to be a Restricted Subsidiary;

(d) Indebtedness of the Company or the Issuer or any Restricted Subsidiary under any Currency Agreements or Interest Protection Agreements in a notional amount no greater than the payments due (at the time the related Currency Agreement or Interest Protection Agreement is entered into) with respect to the Indebtedness or currency being hedged;

(e) Purchase Money Indebtedness;

(f) Capitalized Lease Obligations;

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

(h) Indebtedness secured only by office buildings owned or occupied by the Company or any Restricted Subsidiary, which Indebtedness does not exceed \$10 million aggregate principal amount outstanding at any one time;

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

(j) Indebtedness of the Company or any Restricted Subsidiary which, together with all other Indebtedness under this clause (j), does not exceed \$30 million aggregate principal amount outstanding at any one time.

"PERMITTED INVESTMENT" means

(a) Cash Equivalents;

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

(c) any receivables, loans or other consideration taken by the Company, the Issuer or any Restricted Subsidiary in connection with any asset sale otherwise permitted by the Indenture;

(d) Investments received in connection with any bankruptcy or reorganization proceeding, or as a result of foreclosure, perfection or enforcement of any Lien or any

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judgment or settlement of any Person in exchange for or satisfaction of Indebtedness or other obligations or other property received from such Person, or for other liabilities or obligations of such Person created, in accordance with the terms of the Indenture;

(e) Investments in Currency Agreements or Interest Protection Agreements described in the definition of Permitted Indebtedness;

(f) any loan or advance to an executive officer, director or employee of the Company or any Restricted Subsidiary made in the ordinary course of business or in accordance with past practice; PROVIDED, HOWEVER, that any such loan or advance exceeding \$1 million shall have been approved by the Board of Directors of the Company or a committee thereof consisting of disinterested members;

(g) Investments in joint ventures in a Real Estate Business with unaffiliated third parties in an aggregate amount at any time outstanding not to exceed 10% of Consolidated Tangible Assets at such time;

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

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

(j) Investments in an aggregate amount outstanding not to exceed \$10 million.

"PERMITTED LIENS" means

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

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

(c) Liens (other than any Lien imposed by the Employer Retirement Income Security Act of 1974, as amended) incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security,

(d) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory obligations, surety and appeal bonds, development obligations, progress payments, government contracts, utility services, developer's or other obligations to make on-site or off-site improvements and other obligations of like nature (exclusive

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of obligations for the payment of borrowed money but including the items referred to in the parenthetical in clause (a)(i) of the definition of "Indebtedness"), in each case incurred in the ordinary course of business of the Company, the Issuer and the Restricted Subsidiaries,

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

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

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

(h) Liens securing Indebtedness incurred pursuant to clause (h) or (i) of the definition of Permitted Indebtedness,

(i) Liens securing Indebtedness of the Company, the Issuer or any Restricted Subsidiary permitted to be incurred under the Indenture; PROVIDED that the aggregate amount of all consolidated Indebtedness of the Company, the Issuer and the Restricted Subsidiaries (including, with respect to Capitalized Lease Obligations, the Attributable Debt in respect thereof) secured by Liens (other than Non-Recourse Indebtedness and Indebtedness incurred pursuant to clause (i) of the definition of Permitted Indebtedness) shall not exceed 40% of Consolidated Adjusted Tangible Assets at any one time outstanding (after giving effect to the incurrence of such Indebtedness and the use of the proceeds thereof),

(j) Liens securing Non-Recourse Indebtedness of the Company, the Issuer or any Restricted Subsidiary; PROVIDED, that such Liens apply only to the property financed out of the net proceeds of such Non-Recourse Indebtedness within 90 days after the incurrence of such Non-Recourse Indebtedness,

(k) Liens securing Purchase Money Indebtedness; PROVIDED that such Liens apply only to the property acquired, constructed or improved with the proceeds of such Purchase Money Indebtedness within 90 days after the

incurrence of such Purchase Money Indebtedness,

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

(m) leases or subleases granted to others not materially interfering with the ordinary course of business of the Company and the Restricted Subsidiaries,

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(n) purchase money security interests (including, without limitation, Capitalized Lease Obligations); PROVIDED that such Liens apply only to the Property acquired and the related Indebtedness is incurred within 90 days after the acquisition of such Property,

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

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

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

(r) Liens for homeowner and property owner association developments and assessments,

(s) Liens securing Refinancing Indebtedness; PROVIDED, that such Liens extend only to the assets securing the Indebtedness being refinanced,

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

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

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

(w) Liens existing on the Issue Date and any extensions, renewals or replacements thereof, and

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

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

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

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

"PURCHASE MONEY INDEBTEDNESS" means Indebtedness of the Company, the Issuer or any Restricted Subsidiary incurred for the purpose of financing all or any

part of the purchase price, or the cost of construction or improvement, of any property to be used in the ordinary course of business by the Company, the Issuer and the Restricted Subsidiaries; PROVIDED, HOWEVER, that (a) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost and (b) such Indebtedness shall be incurred no later than 90 days after the acquisition of such property or completion of such construction or improvement.

"QUALIFIED STOCK" means Capital Stock of the Company other than Disqualified Stock.

"REAL ESTATE BUSINESS" means homebuilding, housing construction, real estate development or construction and related real estate activities, including the provision of mortgage financing or title insurance.

"REFINANCING INDEBTEDNESS" means Indebtedness (to the extent not Permitted Indebtedness) that refunds, refinances or extends any Indebtedness of the Company, the Issuer or any Restricted Subsidiary (to the extent not Permitted Indebtedness) outstanding on the Issue Date or other Indebtedness (to the extent not Permitted Indebtedness) permitted to be incurred by the Company, the Issuer or any Restricted Subsidiary pursuant to the terms of the Indenture, but only to the extent that

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

(b) the Refinancing Indebtedness is scheduled to mature either (i) no earlier than the Indebtedness being refunded, refinanced or extended or (ii) after the maturity date of the Notes,

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

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(d) such Refinancing Indebtedness is in an aggregate principal amount that is equal to or less than the aggregate principal amount then outstanding under the Indebtedness being refunded, refinanced or extended.

"REGISTER" has the meaning assigned to such term in Section 2.09.

"REGISTRAR" means a Person engaged to maintain the Register.

"REGISTRATION RIGHTS AGREEMENT" means (i) the Registration Rights Agreement dated the Issue Date between the Company and the Initial Purchasers party thereto with respect to the Initial Notes, and (ii) with respect to any Additional Notes, any registration rights agreements between the Company and the Initial Purchasers party thereto relating to rights given by the Company to the purchasers of Additional Notes to register such Additional Notes or exchange them for Notes registered under the Securities Act.

"REGULAR RECORD DATE" for the interest payable on any Interest Payment Date means the March 15 or September 15 (whether or not a Business Day) next preceding such Interest Payment Date.

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

"REGULATION S CERTIFICATE" means a certificate substantially in the form of Exhibit E hereto.

"REGULATION S GLOBAL NOTE" means a Global Note representing Notes issued and sold pursuant to Regulation S.

"REGULATION S TEMPORARY GLOBAL NOTE" means a Regulation S Global Note that bears the Regulation S Temporary Global Note Legend.

"REGULATION S TEMPORARY GLOBAL NOTE LEGEND" means the legend set forth in Exhibit I.

"RESTRICTED LEGEND" means the legend set forth in Exhibit C.

"RESTRICTED PAYMENT" means any of the following:

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

Subsidiaries, dividends or distributions payable to the Company, the Issuer or a Restricted Subsidiary);

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

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(c) any Investment (other than any Permitted Investment), including any Investment in an Unrestricted Subsidiary (including by the designation of a Subsidiary of the Company as an Unrestricted Subsidiary) and any amounts paid in accordance with clause (b) of the definition of Indebtedness.

"RESTRICTED PERIOD" means the relevant 40-day distribution compliance period as defined in Regulation S, which, for each relevant Note, commences on the date such Note is Issued.

"RESTRICTED SUBSIDIARY" means any Subsidiary of the Company which is not an Unrestricted Subsidiary.

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

"RULE 144A CERTIFICATE" means (i) a certificate substantially in the form of Exhibit F hereto or (ii) a written certification addressed to the Issuer and the Trustee to the effect that the Person making such certification (x) is acquiring such Note (or beneficial interest) for its own account or one or more accounts with respect to which it exercises sole investment discretion and that it and each such account is a qualified institutional buyer within the meaning of Rule 144A, (y) is aware that the transfer to it or exchange, as applicable, is being made in reliance upon the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A, and (z) acknowledges that it has received such information regarding the Issuer as it has requested pursuant to Rule 144A(d)(4) or has determined not to request such information.

"RULE 144A GLOBAL NOTE" means a Global Note that bears the Restricted Legend representing Notes issued and sold pursuant to Rule 144A.

"S&P" means Standard & Poor's Ratings Group, a division of McGraw Hill, Inc. and its successors.

"SECURITIES ACT" means the Securities Act of 1933.

"SENIOR DEBT OF A GUARANTOR" has the meaning set forth in Section 10.01.

"SENIOR DEBT OF THE ISSUER" has the meaning set forth in Section 10.01.

"SHELF REGISTRATION STATEMENT" means the Shelf Registration Statement as defined in a Registration Rights Agreement.

"SIGNIFICANT SUBSIDIARY" means any Subsidiary of the Company that would constitute a "significant subsidiary" as defined in Article 1, Rule 1-02 (w)(1) or (2) of Regulation S-X promulgated under the Securities Act, as such regulation is in effect on the date of the Indenture.

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

"TRUSTEE" means the party named as such in the first paragraph of the Indenture or any successor trustee under the Indenture pursuant to Article 7.

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"TRUST INDENTURE ACT" means the Trust Indenture Act of 1939.

"U.S. GOVERNMENT OBLIGATIONS" means obligations issued or directly and fully guaranteed or insured by the United States of America or by any agent or instrumentality thereof, provided that the full faith and credit of the United States of America is pledged in support thereof.

"UNRESTRICTED SUBSIDIARY" means any Subsidiary of the Company so designated by a resolution adopted by the Board of Directors of the Company or a duly authorized committee thereof as provided below; PROVIDED that (a) the holders of Indebtedness thereof do not have direct or indirect recourse against the Company, the Issuer or any Restricted Subsidiary, and neither the Company, the Issuer nor any Restricted Subsidiary otherwise has liability for, any payment obligations in respect of such Indebtedness (including any undertaking, agreement or instrument evidencing such Indebtedness), except, in each case, to the extent that the amount thereof constitutes a Restricted Payment permitted by the Indenture, in the case of Non-Recourse Indebtedness, to the extent such

recourse or liability is for the matters discussed in the last sentence of the definition of "Non-Recourse Indebtedness," or to the extent such Indebtedness is a guarantee by such Subsidiary of Indebtedness of the Company, the Issuer or a Restricted Subsidiary and (b) no holder of any Indebtedness of such Subsidiary shall have a right to declare a default on such Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity as a result of a default on any Indebtedness of the Company, the Issuer or any Restricted Subsidiary. As of the Issue Date, the Unrestricted Subsidiaries will be the following:

Eastern National Title Insurance Agency, Inc., Eastern Title Agency, Inc., Founders Title Agency, Inc., Governor's Abstract Co., Inc. Hexter Fair Land Title Company I, Inc., Homebuyer's Mortgage, Inc., Hovnanian Financial Services I, Inc., Hovnanian Financial Services II, Inc., Hovnanian Financial Services III, Inc., Hovnanian Financial Services IV, Inc., K. Hovnanian Investment Properties, Inc., K. Hovnanian Mortgage, Inc., Preston Grande Homes, Inc., Heritage Pines, L.L.C., Kings Crossing at Montgomery, L.L.C., Knox Creek, L.L.C., McKinley Court, 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 13 of the Hills, L.L.C., Title Group II, L.L.C., Town Homes at Montgomery, 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 Mortgage Investors, L.P., Parkway Development, Sovereign Group, L.P., and K. Hovnanian Venture I, L.L.C.

Subject to the foregoing, the Board of Directors of the Company or a duly authorized committee thereof may designate any Subsidiary in addition to those named above to be an Unrestricted Subsidiary; PROVIDED HOWEVER, that (a) the net amount (the "DESIGNATION AMOUNT") then outstanding of all previous Investments by the Company and the Restricted Subsidiaries in such Subsidiary will be deemed to be a Restricted Payment at the time of such designation and will reduce the amount available for Restricted Payments under Section 4.07 hereof to the extent provided therein, (b) the Company must be permitted under Section 4.07 hereof to make the Restricted Payment deemed to have been made pursuant to clause (a), and (c) after giving effect to such designation, no Default or Event of Default shall have occurred or be continuing. In accordance with the foregoing, and not in limitation thereof, Investments made by any Person in any Subsidiary of such Person prior to such Person's merger with the Company or any Restricted Subsidiary (but not in contemplation or anticipation of such merger) shall not be counted as an

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Investment by the Company or such Restricted Subsidiary if such Subsidiary of such Person is designated as an Unrestricted Subsidiary.

The Board of Directors of the Company or a duly authorized committee thereof may also redesignate an Unrestricted Subsidiary to be a Restricted Subsidiary PROVIDED, HOWEVER, that (a) the Indebtedness of such Unrestricted Subsidiary as of the date of such redesignation could then be incurred under Section 4.06 hereof and (b) immediately after giving effect to such redesignation and the incurrence of any such additional Indebtedness, the Company and the Restricted Subsidiaries could incur \$1.00 of additional Indebtedness under Section 4.06(a) hereof. Any such designation or redesignation by the Board of Directors of the Company or a committee thereof will be evidenced to the Trustee by the filing with the Trustee of a certified copy of the resolution of the Board of Directors of the Company or a committee thereof giving effect to such designation or redesignation and an Officers' Certificate certifying that such designation or redesignation complied with the foregoing conditions and setting forth the underlying calculations of such Officers' Certificate. The designation of any Person as an Unrestricted Subsidiary shall be deemed to include a designation of all Subsidiaries of such Person as Unrestricted Subsidiaries; PROVIDED, HOWEVER, that the ownership of the general partnership interest (or a similar member's interest in a limited liability company) by an Unrestricted Subsidiary shall not cause a Subsidiary of the Company of which more than 95% of the equity interest is held by the Company or one or more Restricted Subsidiaries to be deemed an Unrestricted Subsidiary.

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

SECTION 1.02. RULES OF CONSTRUCTION. Unless the context otherwise requires or except as otherwise expressly provided,

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

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

subdivision;

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

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

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

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ARTICLE 2

THE NOTES

SECTION 2.01. FORM, DATING AND DENOMINATIONS; LEGENDS. The Notes and the Trustee's certificate of authentication will be substantially in the form attached as Exhibit A. The terms and provisions contained in the form of the Notes annexed as Exhibit A constitute, and are hereby expressly made, a part of the Indenture. The Notes may have notations, legends or endorsements required by law, rules of or agreements with national securities exchanges to which the Issuer is subject, or usage. Each Note will be dated the date of its authentication. The Notes will be issuable in denominations of \$1,000 in principal amount and any multiple of \$1,000 in excess thereof.

(a) (i) Except as otherwise provided in paragraph (c), Section 2.10(b)(iii), (b)(v), or (c) or Section 2.09(b)(iv), each Initial Note or Initial Additional Note (other than a Permanent Regulation S Note) will bear the Restricted Legend.

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

(iii) Each Regulation S Temporary Global Note will bear the Regulation S Temporary Global Note Legend.

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

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

(vi) Exchange Notes will be issued, subject to Section 2.09(b), in the form of one or more Global Notes.

(b)(i) If the Issuer determines (upon the advice of counsel and such other certifications and evidence as the Issuer may reasonably require) that a Note is eligible for resale pursuant to Rule 144(k) under the Securities Act (or a successor provision) and that the Restricted Legend is no longer necessary or appropriate in order to ensure that subsequent transfers of the Note (or a beneficial interest therein) are effected in compliance with the Securities Act, or

(ii) after an Initial Note or any Initial Additional Note is

(A) sold pursuant to an effective registration statement under the Securities Act, pursuant to the Registration Rights Agreement or otherwise, or

(B) is validly tendered for exchange into an Exchange Note pursuant to an Exchange Offer

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the Issuer may instruct the Trustee to cancel the Note and issue to the Holder thereof (or to its transferee) a new Note of like tenor and amount, registered in the name of the Holder thereof (or its transferee), that does not bear the Restricted Legend, and the Trustee will comply with such instruction.

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

SECTION 2.02. EXECUTION AND AUTHENTICATION; EXCHANGE NOTES; ADDITIONAL NOTES. (a) An Officer shall execute the Notes for the Issuer by facsimile or manual signature in the name and on behalf of the Issuer. If an Officer whose signature is on a Note no longer holds that office at the time the Note is authenticated, the Note will still be valid.

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

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

(i) Initial Notes for original issue in the aggregate principal amount not to exceed \$150,000,000,

(ii) Initial Additional Notes from time to time for original issue in aggregate principal amounts up to \$150,000,000 specified by the Issuer, and

(iii) Exchange Notes from time to time for issue in exchange for a like principal amount of Initial Notes or Initial Additional Notes

after the following conditions have been met:

(A) Receipt by the Trustee of an Officers' Certificate specifying

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

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

(3) in the case of Initial Additional Notes, that the issuance of such Notes does not contravene any provision of Article 4,

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

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

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

(C) In the case of Exchange Notes, effectiveness of an Exchange Offer Registration Statement and Consummation (as defined in the Registration Rights Agreement) of the exchange offer thereunder (and receipt by the Trustee of an Officers' Certificate to that effect). Initial Notes or Initial Additional Notes exchanged for Exchange Notes will be cancelled by the Trustee.

SECTION 2.03. REGISTRAR, PAYING AGENT AND AUTHENTICATING AGENT; PAYING AGENT TO HOLD MONEY IN TRUST. (a) The Issuer may appoint one or more Registrars and one or more Paying Agents, and the Trustee may appoint an Authenticating Agent, in which case each reference in the Indenture to the Trustee in respect of the obligations of the Trustee to be performed by that Agent will be deemed to be references to the Agent. The Issuer may act as Registrar or (except for purposes of Article 8) Paying Agent. In each case the Issuer and the Trustee will enter into an appropriate agreement with the Agent implementing the provisions of the Indenture relating to the obligations of the Trustee to be performed by the Agent and the related rights.

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

SECTION 2.04. REPLACEMENT NOTES. If a mutilated Note is surrendered to the Trustee or if a Holder claims that its Note has been lost, destroyed or wrongfully taken, the Issuer will issue and the Trustee will authenticate a

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

SECTION 2.05. OUTSTANDING NOTES. (a) Notes outstanding at any time are all Notes that have been authenticated by the Trustee except for

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

(ii) any Note which has been replaced pursuant to Section 2.04 unless and until the Trustee and the Issuer receive proof satisfactory to them that the replaced Note is held by a BONA FIDE purchaser; and

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

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

SECTION 2.06. TEMPORARY NOTES. Until definitive Notes are ready for delivery, the Issuer may prepare and the Trustee will authenticate temporary Notes. Temporary Notes will be substantially in the form of definitive Notes but may have insertions, substitutions, omissions and other variations determined to be appropriate by the Officer executing the temporary Notes, as evidenced by the execution of the temporary Notes. If temporary Notes are issued, the Issuer will cause definitive Notes to be prepared without unreasonable delay. After the preparation of definitive Notes, the temporary Notes will be exchangeable for definitive Notes upon surrender of the temporary Notes at the office or agency of the Issuer designated for the purpose pursuant to Section 4.02, without charge to the Holder. Upon surrender for cancellation of any temporary Notes the Issuer will execute and the Trustee will authenticate and deliver in exchange therefor a like principal amount of definitive Notes of authorized denominations. Until so exchanged, the temporary Notes will be entitled to the same benefits under the Indenture as definitive Notes.

SECTION 2.07. CANCELLATION. The Issuer at any time may deliver to the Trustee for cancellation any Notes previously authenticated and delivered hereunder which the Issuer may have acquired in any manner whatsoever, and may deliver to the Trustee for cancellation any Notes previously authenticated hereunder which the Issuer has not issued and sold. Any Registrar or the Paying Agent will forward to the Trustee any Notes surrendered to it for transfer, exchange or payment. The Trustee will cancel all Notes surrendered for transfer, exchange, payment or cancellation and dispose of them in accordance with its normal procedures or the written instructions of the Issuer. The Issuer may not issue new Notes to replace Notes it has paid in full or delivered to the Trustee for cancellation.

SECTION 2.08. CUSIP AND ISIN NUMBERS. The Issuer in issuing the Notes may use "CUSIP" and "ISIN" numbers, and the Trustee will use CUSIP numbers or ISIN numbers in notices of redemption or exchange or in Offers to Purchase as a convenience to Holders, the

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notice to state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice of redemption or exchange or Offer to Purchase. The Issuer will promptly notify the Trustee of any change in the CUSIP or ISIN numbers.

SECTION 2.09. REGISTRATION, TRANSFER AND EXCHANGE. (a) The Notes will be

issued in registered form only, without coupons, and the Issuer shall cause the Trustee to maintain a register (the "REGISTER") of the Notes, for registering the record ownership of the Notes by the Holders and transfers and exchanges of the Notes.

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

(ii) Each Global Note will be delivered to the Trustee as custodian for the Depository. Transfers of a Global Note (but not a beneficial interest therein) will be limited to transfers thereof in whole, but not in part, to the Depository, its successors or their respective nominees, except (A) as set forth in Section 2.09(b)(iv) and (B) transfers of portions thereof in the form of Certificated Notes may be made upon request of an Agent Member (for itself or on behalf of a beneficial owner) by written notice given to the Trustee by or on behalf of the Depository in accordance with customary procedures of the Depository and in compliance with this Section and Section 2.10.

(iii) Agent Members will have no rights under the Indenture with respect to any Global Note held on their behalf by the Depository, and the Depository may be treated by the Issuer, the Trustee and any agent of the Issuer or the Trustee as the absolute owner and Holder of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, the Depository or its nominee may grant proxies and otherwise authorize any Person (including any Agent Member and any Person that holds a beneficial interest in a Global Note through an Agent Member) to take any action which a Holder is entitled to take under the Indenture or the Notes, and nothing herein will impair, as between the Depository and its Agent Members, the operation of customary practices governing the exercise of the rights of a holder of any security.

(iv) If (x) the Depository notifies the Issuer that it is unwilling or unable to continue as Depository for a Global Note and a successor depository is not appointed by the Issuer within 90 days of the notice or (y) an Event of Default has occurred and is continuing and the Trustee has received a request from the Depository, the Trustee will promptly exchange each beneficial interest in the Global Note for one or more Certificated Notes in authorized denominations having an equal aggregate principal amount registered in the name of the owner of such beneficial interest, as identified to the Trustee by the Depository, and thereupon the Global Note will be deemed canceled. If such Note does not bear the Restricted Legend, then the Certificated Notes issued in exchange therefor will not bear the Restricted Legend. If such Note bears the Restricted Legend, then the Certificated Notes issued in exchange therefor will bear the Restricted Legend, PROVIDED that any Holder of any such Certificated Note issued in exchange for a beneficial interest in a Regulation S Temporary Global Note will have the right upon presentation to the Trustee of a duly completed Certificate of Beneficial Ownership after the Restricted Period to exchange such Certificated Note for a Certificated Note of like

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tenor and amount that does not bear the Restricted Legend, registered in the name of such Holder.

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

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

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

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

(whether or not the Note is overdue), and will not be affected by notice to the contrary.

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

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

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

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applicable to beneficial interests in such other Global Note for as long as it remains such an interest.

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

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

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

SECTION 2.10. RESTRICTIONS ON TRANSFER AND EXCHANGE. (a) The transfer or exchange of any Note (or a beneficial interest therein) may only be made in accordance with this Section and Section 2.09 and, in the case of a Global Note (or a beneficial interest therein), the applicable rules and procedures of the Depository. The Trustee shall refuse to register any requested transfer or exchange that does not comply with the preceding sentence.

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

A	B	C	Rule
144A	Global		Note Rule
144A	Global		Note (i)
			Rule 144A

Global Note
Regulation
S Global
Note (ii)
Rule 144A
Global Note
Certificated
Note (iii)

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

(i) No certification is required.

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

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

(iv) The Person requesting the transfer or exchange must deliver or cause to be delivered to the Trustee a duly completed Rule 144A Certificate.

(v) Notwithstanding anything to the contrary contained herein, no such exchange is permitted if the requested exchange involves a beneficial interest in a Regulation S Temporary Global Note. If the requested transfer or exchange involves a beneficial interest in a Permanent Regulation S Global Note, no certification is required and the Trustee will deliver a Certificated Note that does not bear the Restricted Legend.

(c) No certification is required in connection with any transfer or exchange of any Note (or a beneficial interest therein)

(i) after such Note is eligible for resale pursuant to Rule 144(k) under the Securities Act (or a successor provision); PROVIDED that the Issuer has provided the Trustee with a certificate to that effect, and the Issuer may require from any Person requesting a transfer or exchange in reliance upon this clause (i) an opinion of counsel and any other reasonable certifications and evidence in order to support such certificate; or

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(ii) (A) sold pursuant to an effective registration statement, pursuant to the Registration Rights Agreement or otherwise or (B) which is validly tendered for exchange into an Exchange Note pursuant to an Exchange Offer.

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

(d) The Trustee will retain copies of all certificates, opinions and other documents received in connection with the transfer or exchange of a Note (or a beneficial interest therein), and the Issuer will have the right to inspect and make copies thereof at any reasonable time upon written notice to the Trustee.

SECTION 2.11. REGULATION S TEMPORARY GLOBAL NOTES. (a) Each Note originally sold by the Initial Purchasers in reliance upon Regulation S will be evidenced by one or more Regulation S Global Notes that bear the Regulation S Temporary Global Note Legend.

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

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

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

ARTICLE 3

REDEMPTION; OFFER TO PURCHASE

SECTION 3.01. OPTIONAL REDEMPTION. At any time and from time to time on or after April 1, 2007, the Issuer may redeem the Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, and Liquidated Damages, if any, thereon to the redemption date.

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12-MONTH PERIOD COMMENCING APRIL 1 IN YEAR	PERCENTAGE
2007	104.438%
2008	102.958%
2009	101.479%
2010 and thereafter	100.000%

SECTION 3.02. METHOD AND EFFECT OF REDEMPTION. (a) If the Issuer elects to redeem Notes, it must notify the Trustee of the redemption date and the principal amount of Notes to be redeemed by delivering an Officers' Certificate at least 60 days before the redemption date (unless a shorter period is satisfactory to the Trustee). If fewer than all of the Notes are being redeemed, the Officers' Certificate must also specify a record date not less than 15 days after the date of the notice of redemption is given to the Trustee, and the Trustee will select the Notes to be redeemed pro rata, or as nearly a pro rata basis as is practicable (subject to the procedures of DTC), unless such method is otherwise prohibited, in which case, by lot or by any other method the Trustee in its sole discretion deems fair and appropriate, in denominations of \$1,000 principal amount and multiples thereof. The Trustee will notify the Issuer promptly of the Notes or portions of Notes to be called for redemption. Notice of redemption must be sent by the Issuer or at the Issuer's request, by the Trustee in the name and at the expense of the Issuer, to Holders whose Notes are to be redeemed at least 30 days but not more than 60 days before the redemption date.

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

- (i) the redemption date;
- (ii) the redemption price, including the portion thereof representing any accrued interest or Liquidated Damages;
- (iii) the place or places where Notes are to be surrendered for redemption;
- (iv) Notes called for redemption must be so surrendered in order to collect the redemption price;
- (v) on the redemption date the redemption price will become due and payable on Notes called for redemption, and interest on Notes called for redemption will cease to accrue on and after the redemption date;
- (vi) if any Note is redeemed in part, on and after the redemption date, upon surrender of such Note, new Notes equal in principal amount to the unredeemed portion will be issued; and
- (vii) if any Note contains a CUSIP or ISIN number, no representation is being made as to the correctness of the CUSIP or ISIN number either as printed on the Notes or as contained in the notice of redemption and that the Holder should rely only on the other identification numbers printed on the Notes.

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

SECTION 3.03. OFFER TO PURCHASE. (a) An "OFFER TO PURCHASE" means an offer by the Issuer to purchase Notes as required by the Indenture. An Offer to Purchase must be made by written offer (the "OFFER") sent to the Holders. The Issuer will notify the Trustee at least 15 days (or such shorter period as is acceptable to the Trustee) prior to sending the offer to Holders of its obligation to make an Offer to Purchase, and the offer will be sent by the Issuer or, at the Issuer's request, by the Trustee in the name and at the expense of the Issuer.

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

- (i) the provision of the Indenture pursuant to which the Offer to Purchase is being made;
- (ii) the aggregate principal amount of the outstanding Notes offered to be purchased by the Issuer pursuant to the Offer to Purchase (including, if less than 100%, the manner by which such amount has been determined pursuant to the Indenture) (the "PURCHASE AMOUNT");
- (iii) the purchase price, including the portion thereof representing accrued interest and Liquidated Damages, if any;
- (iv) an expiration date (the "EXPIRATION DATE") not less than 30 days or more than 60 days after the date of the offer, and a settlement date for purchase (the "PURCHASE DATE") not more than five Business Days after the expiration date;
- (v) information concerning the business of the Issuer and its Subsidiaries which the Issuer in good faith believes will enable the Holders to make an informed decision with respect to the Offer to Purchase, at a minimum to include

(A) the most recent annual and quarterly financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" for the Company,

(B) a description of material developments in the Company's business subsequent to the date of the latest of the financial statements (including a description of the events requiring the Issuer to make the Offer to Purchase), and

(C) if applicable, appropriate pro forma financial information concerning the Offer to Purchase and the events requiring the Issuer to make the Offer to Purchase;

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

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

(viii) each Holder electing to tender a Note pursuant to the offer will be required to surrender such Note at the place or places specified in the offer prior to the close of business on the expiration date (such Note being, if the Issuer or the Trustee so requires, duly endorsed or accompanied by a duly executed written instrument of transfer);

(ix) interest on any Note not tendered, or tendered but not purchased by the Issuer pursuant to the Offer to Purchase, will continue to accrue;

(x) on the purchase date the purchase price will become due and payable on each Note accepted for purchase, and interest on Notes purchased will cease to accrue on and after the purchase date;

(xi) Holders are entitled to withdraw Notes tendered by giving notice, which must be received by the Issuer or the Trustee not later than the close of business on the expiration date, setting forth the name of the Holder, the principal amount of the tendered Notes, the certificate number of the tendered Notes and a statement that the Holder is withdrawing all or a portion of the tender;

(xii) (A) if Notes in an aggregate principal amount less than or equal to the purchase amount are duly tendered and not withdrawn pursuant to the Offer to Purchase, the Issuer will purchase all such Notes, and (B) if the Offer to Purchase is for less than all of the outstanding Notes and Notes in an aggregate principal amount in excess of the purchase amount are tendered and not withdrawn pursuant to the offer, the Issuer will purchase Notes having an aggregate principal amount equal to the purchase amount on a pro rata basis, with adjustments so that only Notes in multiples of \$1,000 principal amount will be purchased;

(xiii) if any Note is purchased in part, new Notes equal in principal amount to the unpurchased portion of the Note will be issued; and

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

(c) Prior to the purchase date, the Issuer will accept tendered Notes for purchase as required by the Offer to Purchase and deliver to the Trustee all Notes so accepted together with an Officers' Certificate specifying which Notes have been accepted for purchase. On the purchase date the purchase price will become due and payable on each Note accepted for purchase, and interest on Notes purchased will cease to accrue on and after the purchase date. The Trustee will promptly return to Holders any Notes not accepted for purchase and send to Holders new Notes equal in principal amount to any unpurchased portion of any Notes accepted for purchase in part.

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(d) The Issuer will comply with Rule 14e-1 under the Exchange Act and all other applicable laws in making any Offer to Purchase, and the above procedures will be deemed modified as necessary to permit such compliance.

ARTICLE 4

COVENANTS

SECTION 4.01. PAYMENT OF NOTES. (a) The Issuer agrees to pay the principal of and interest and Liquidated Damages, if any, on the Notes on the dates and in the manner provided in the Notes and the Indenture. The Issuer shall pay Liquidated Damages in the amounts set forth in the Registration Rights Agreement. Not later than 9:00 A.M. (New York City time) on the due date of any principal of or interest on any Notes, or any redemption or purchase price of the Notes, the Issuer will deposit with the Trustee (or Paying Agent) money in immediately available funds sufficient to pay such amounts, provided that if the Issuer or any Affiliate of the Issuer is acting as Paying Agent, it will, on or before each due date, segregate and hold in a separate trust fund for the benefit of the Holders a sum of money sufficient to pay such amounts until paid to such Holders or otherwise disposed of as provided in the Indenture. In each case the Issuer will promptly notify the Trustee of its compliance with this paragraph.

(b) An installment of principal or interest will be considered paid on the

date due if the Trustee (or Paying Agent, other than the Issuer or any Affiliate of the Issuer) holds on that date money designated for and sufficient to pay the installment. If the Issuer or any Affiliate of the Issuer acts as Paying Agent, an installment of principal or interest will be considered paid on the due date only if paid to the Holders.

(c) The Issuer agrees to pay interest on overdue principal, and, to the extent lawful, overdue installments of interest and Liquidated Damages at the rate per annum specified in the Notes.

(d) Payments in respect of the Notes represented by the Global Notes are to be made by wire transfer of immediately available funds to the accounts specified by the Holders of the Global Notes. With respect to Certificated Notes, the Issuer will make all payments by wire transfer of immediately available funds to the accounts specified by the Holders thereof or, if no such account is specified, by mailing a check to each Holder's registered address.

SECTION 4.02. MAINTENANCE OF OFFICE OR AGENCY. The Issuer will maintain an office or agency where Notes may be surrendered for registration of transfer or exchange or for presentation for payment and where notices and demands to or upon the Issuer in respect of the Notes and the Indenture may be served. The Issuer hereby initially designates the Corporate Trust Office of the Trustee as such office of the Issuer. The Issuer will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Issuer fails to maintain any such required office or agency or fails to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served to the Trustee.

The Issuer may also from time to time designate one or more other offices or agencies where the Notes may be surrendered or presented for any of such purposes and may from time to

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time rescind such designations. The Issuer will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

SECTION 4.03. EXISTENCE. The Company and the Issuer will each do or cause to be done all things necessary to preserve and keep in full force and effect its existence and the existence of each of its Restricted Subsidiaries in accordance with their respective organizational documents, and the material rights, licenses and franchises of the Company, the Issuer and each Restricted Subsidiary, provided that the Company and the Issuer are not required to preserve any such right, license or franchise, or the existence of any Restricted Subsidiary, if the maintenance or preservation thereof is no longer desirable in the conduct of the business of the Company and its Restricted Subsidiaries taken as a whole; and provided further that this Section does not prohibit any transaction otherwise permitted by Section 4.10 or Section 4.14.

SECTION 4.04. PAYMENT OF TAXES AND OTHER CLAIMS. The Company will pay or discharge, and cause each of its Subsidiaries to pay or discharge before the same become delinquent (a) all material taxes, assessments and governmental charges levied or imposed upon the Company or any Subsidiary or its income or profits or property, and (b) all material lawful claims for labor, materials and supplies that, if unpaid, might by law become a Lien upon the property of the Company or any Subsidiary, other than any such tax, assessment, charge or claim the amount, applicability or validity of which is being contested in good faith by appropriate proceedings and for which adequate reserves have been established.

SECTION 4.05. MAINTENANCE OF PROPERTIES AND INSURANCE. (a) The Company will cause all properties used or useful in the conduct of its business or the business of any of its Restricted Subsidiaries to be maintained and kept in good condition, repair and working order as in the judgment of the Company may be necessary so that the business of the Company and its Restricted Subsidiaries may be properly and advantageously conducted at all times; provided that nothing in this Section prevents the Company or any Restricted Subsidiary from discontinuing the use, operation or maintenance of any of such properties or disposing of any of them, if such discontinuance or disposal is, in the judgment of the Company, desirable in the conduct of the business of the Company and its Restricted Subsidiaries taken as a whole.

(b) The Company will provide or cause to be provided, for itself and its Restricted Subsidiaries, insurance (including appropriate self-insurance) against loss or damage of the kinds customarily insured against by corporations similarly situated and owning like properties, including, but not limited to, products liability insurance and public liability insurance, with reputable insurers, in such amounts, with such deductibles and by such methods as are customary for corporations similarly situated in the industry in which the Company and its Restricted Subsidiaries are then conducting business.

SECTION 4.06. LIMITATIONS ON INDEBTEDNESS. (a) The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary, directly or

indirectly, to create, incur, assume, become liable for or guarantee the payment of (collectively, an "INCURRENCE") any Indebtedness (including Acquired Indebtedness) unless, after giving effect thereto and the application of the proceeds therefrom, the Consolidated Fixed Charge Coverage Ratio on the date thereof would be at least 2.0 to 1.0.

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(b) Notwithstanding the foregoing, the provisions of the Indenture will not prevent the incurrence of:

- (i) Permitted Indebtedness,
- (ii) Refinancing Indebtedness,
- (iii) Non-Recourse Indebtedness,
- (iv) any Guarantee of Indebtedness represented by the Notes, and
- (v) any guarantee of Indebtedness incurred under Credit Facilities in compliance with the Indenture.

(c) For purposes of determining compliance with this covenant, in the event that an item of Indebtedness may be incurred through the first paragraph of this covenant or by meeting the criteria of one or more of the types of Indebtedness described in the second paragraph of this covenant (or the definitions of the terms used therein), the Company, in its sole discretion,

- (i) may classify such item of Indebtedness under and comply with either of such paragraphs (or any of such definitions), as applicable,
- (ii) may classify and divide such item of Indebtedness into more than one of such paragraphs (or definitions), as applicable, and
- (iii) may elect to comply with such paragraphs (or definitions), as applicable, in any order.

(d) The Company and the Issuer will not, and will not cause or permit any Guarantor to, directly or indirectly, in any event incur any Indebtedness that purports to be by its terms (or by the terms of any agreement governing such Indebtedness) subordinated to any other Indebtedness of the Company or of such Guarantor, as the case may be, unless such Indebtedness is also by its terms (or by the terms of any agreement governing such Indebtedness) made expressly subordinated to the Notes or the Guarantee of such Guarantor, as the case may be, to the same extent and in the same manner as such Indebtedness is subordinated to such other Indebtedness of the Company or such Guarantor, as the case may be.

SECTION 4.07. LIMITATION ON RESTRICTED PAYMENTS. (a) The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, make any Restricted Payment unless:

- (i) no Default or Event of Default shall have occurred and be continuing at the time of or immediately after giving effect to such Restricted Payment;
- (ii) immediately after giving effect to such Restricted Payment, the Company could incur at least \$1.00 of Indebtedness pursuant to Section 4.06(a) hereof; and
- (iii) immediately after giving effect to such Restricted Payment, the aggregate amount of all Restricted Payments (including the Fair Market Value of any non-cash Restricted Payment) declared or made after May 4, 1999 does not exceed the sum of:

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(A) 50% of the Consolidated Net Income of the Company on a cumulative basis during the period (taken as one accounting period) from and including February 1, 1999 and ending on the last day of the Company's fiscal quarter immediately preceding the date of such Restricted Payment (or in the event such Consolidated Net Income shall be a deficit, minus 100% of such deficit), PLUS

(B) 100% of the aggregate net cash proceeds of and the Fair Market Value of Property received by the Company from (1) any capital contribution to the Company after February 1, 1999 or any issue or sale after February 1, 1999 of Qualified Stock (other than to any Subsidiary of the Company) and (2) the issue or sale after February 1, 1999 of any Indebtedness or other securities of the Company convertible into or exercisable for Qualified Stock of the Company that have been so converted or exercised, as the case may be, PLUS

(C) in the case of the disposition or repayment of any

Investment constituting a Restricted Payment made after May 4, 1999, an amount (to the extent not included in the calculation of Consolidated Net Income referred to in (A)) equal to the lesser of (x) the return of capital with respect to such Investment (including by dividend, distribution or sale of Capital Stock) and (y) the amount of such Investment that was treated as a Restricted Payment, in either case, less the cost of the disposition or repayment of such Investment (to the extent not included in the calculation of Consolidated Net Income referred to in (A)), PLUS

(D) with respect to any Unrestricted Subsidiary that is redesignated as a Restricted Subsidiary after May 4, 1999, in accordance with the definition of Unrestricted Subsidiary (so long as the designation of such Subsidiary as an Unrestricted Subsidiary was treated as a Restricted Payment made after May 4, 1999, and only to the extent not included in the calculation of Consolidated Net Income referred to in (A)), an amount equal to the lesser of (x) the proportionate interest of the Company or a Restricted Subsidiary in an amount equal to the excess of (I) the total assets of such Subsidiary, valued on an aggregate basis at the lesser of book value and Fair Market Value thereof, over (II) the total liabilities of such Subsidiary, determined in accordance with GAAP, and (y) the Designation Amount at the time of such Subsidiary's designation as an Unrestricted Subsidiary, PLUS

(E) \$17 million, MINUS

(F) the aggregate amount of all Restricted Payments (other than Restricted Payments referred to in clause (iii) of paragraph (b) below) made after February 1, 1999 through May 4, 1999.

(b) Clauses (ii) and (iii) of paragraph (a) will not prohibit:

(i) the payment of any dividend within 60 days of its declaration if such dividend could have been made on the date of its declaration without violation of the provisions of the Indenture;

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(ii) the repurchase, redemption or retirement of any shares of Capital Stock of the Company in exchange for, or out of the net proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company) of, other shares of Qualified Stock; and

(iii) the purchase, redemption or other acquisition, cancellation or retirement for value of Capital Stock, or options, warrants, equity appreciation rights or other rights to purchase or acquire Capital Stock, of the Company or any Subsidiary held by officers or employees or former officers or employees of the Company or any Subsidiary (or their estates or beneficiaries under their estates) not to exceed \$10 million in the aggregate since May 4, 1999; PROVIDED, HOWEVER that each Restricted Payment described in clauses (i) and (ii) of this sentence shall be taken into account for purposes of computing the aggregate amount of all Restricted Payments pursuant to clause (iii) of the immediately preceding paragraph.

(c) For purposes of determining the aggregate and permitted amounts of Restricted Payments made, the amount of any guarantee of any Investment in any Person that was initially treated as a Restricted Payment and which was subsequently terminated or expired, net of any amounts paid by the Company or any Restricted Subsidiary in respect of such guarantee, shall be deducted.

(d) In determining the "Fair Market Value of Property" for purposes of clause (iii) of paragraph (a), Property other than cash, Cash Equivalents and Marketable Securities shall be deemed to be equal in value to the "equity value" of the Capital Stock or other securities issued in exchange therefor. The equity value of such Capital Stock or other securities shall be equal to (i) the number of shares of Common Equity issued in the transaction (or issuable upon conversion or exercise of the Capital Stock or other securities issued in the transaction) multiplied by the closing sale price of the Common Equity on its principal market on the date of the transaction (less, in the case of Capital Stock or other securities which require the payment of consideration at the time of conversion or exercise, the aggregate consideration payable thereupon) or (ii) if the Common Equity is not then traded on the New York Stock Exchange, American Stock Exchange or Nasdaq National Market, or if the Capital Stock or other securities issued in the transaction do not consist of Common Equity (or Capital Stock or other securities convertible into or exercisable for Common Equity), the value (if more than \$10 million) of such Capital Stock or other securities as determined by a nationally recognized investment banking firm retained by the Board of Directors of the Company.

SECTION 4.08. LIMITATION ON LIENS. The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, create, incur, assume or suffer to exist any Liens which secure Indebtedness other than Senior Debt of the Issuer or Senior Debt of a Guarantor, as the case may be, other than Permitted Liens, on any of its Property, or on any shares of Capital Stock or

Indebtedness of any Restricted Subsidiary, unless contemporaneously therewith or prior thereto all payments due under the Indenture and the Notes are secured on an equal and ratable basis with the obligation or liability so secured until such time as such obligation or liability is no longer secured by a Lien.

SECTION 4.09. LIMITATIONS ON RESTRICTIONS AFFECTING RESTRICTED SUBSIDIARIES. The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, create, assume or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction (other than encumbrances or restrictions imposed by law or by

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judicial or regulatory action or by provisions of agreements that restrict the assignability thereof) on the ability of any Restricted Subsidiary to:

(a) pay dividends or make any other distributions on its Capital Stock or any other interest or participation in, or measured by, its profits, owned by the Company or any other Restricted Subsidiary, or pay interest on or principal of any Indebtedness owed to the Company or any other Restricted Subsidiary,

(b) make loans or advances to the Company or any other Restricted Subsidiary, or

(c) transfer any of its property or assets to the Company or any other Restricted Subsidiary,

except for

(i) encumbrances or restrictions existing under or by reason of applicable law,

(ii) contractual encumbrances or restrictions in effect on the Issue Date and any amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings thereof, PROVIDED that such amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings are no more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in such contractual encumbrances or restrictions, as in effect on May 4, 1999,

(iii) any restrictions or encumbrances arising under Acquired Indebtedness; PROVIDED that such encumbrance or restriction applies only to either the assets that were subject to the restriction or encumbrance at the time of the acquisition or the obligor on such Indebtedness and its Subsidiaries prior to such acquisition,

(iv) any restrictions or encumbrances arising in connection with Refinancing Indebtedness; PROVIDED, HOWEVER, that any restrictions and encumbrances of the type described in this clause (iv) that arise under such Refinancing Indebtedness shall not be materially more restrictive or apply to additional assets than those under the agreement creating or evidencing the Indebtedness being refunded, refinanced, replaced or extended,

(v) any Permitted Lien, or any other agreement restricting the sale or other disposition of property, securing Indebtedness permitted by the Indenture if such Permitted Lien or agreement does not expressly restrict the ability of a Subsidiary of the Company to pay dividends or make or repay loans or advances prior to default thereunder,

(vi) reasonable and customary borrowing base covenants set forth in agreements evidencing Indebtedness otherwise permitted by the Indenture,

(vii) customary non-assignment provisions in leases, licenses, encumbrances, contracts or similar assets entered into or acquired in the ordinary course of business,

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(viii) any restriction with respect to a Restricted Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Restricted Subsidiary pending the closing of such sale or disposition,

(ix) encumbrances or restrictions existing under or by reason of the Indenture or the Notes,

(x) purchase money obligations that impose restrictions on the property so acquired of the nature described in clause (c) of the preceding paragraph,

(xi) Liens permitted under the Indenture securing Indebtedness that limit the right of the debtor to dispose of the assets subject to such

Lien,

(xii) provisions with respect to the disposition or distribution of assets or property in joint venture agreements, assets sale agreements, stock sale agreements and other similar agreements,

(xiii) customary provisions of any franchise, distribution or similar agreements,

(xiv) restrictions on cash or other deposits or net worth imposed by contracts entered into in the ordinary course of business, and

(xv) any encumbrance or restrictions of the type referred to in clauses (a), (b) or (c) of the first paragraph of this section imposed by any amendments, modifications, restatements, renewals, supplements, refinancings, replacements or refinancings of the contracts, instruments or obligations referred to in clauses (i) through (xiv) of this paragraph, PROVIDED that such amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings are, in the good faith judgment of the Company's Board of Directors, no more restrictive with respect to such dividend and other payment restrictions than those contained in the dividend or other payment restrictions prior to such amendment, modification, restatement, renewal, supplement, refunding, replacement or refinancing.

SECTION 4.10. LIMITATIONS ON DISPOSITIONS OF ASSETS. The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, make any Asset Disposition unless (x) the Company (or such Restricted Subsidiary, as the case may be) receives consideration at the time of such Asset Disposition at least equal to the Fair Market Value thereof, and (y) not less than 70% of the consideration received by the Company (or such Restricted Subsidiary, as the case may be) is in the form of cash, Cash Equivalents and Marketable Securities. The amount of (i) any Indebtedness (other than any Indebtedness subordinated to the Notes) of the Company or any Restricted Subsidiary that is actually assumed by the transferee in such Asset Disposition and (ii) the fair market value (as determined in good faith by the Board of Directors of the Company) of any property or assets received that are used or useful in a Real Estate Business, shall be deemed to be consideration required by clause (y) above for purposes of determining the percentage of such consideration received by the Company or the Restricted Subsidiaries. The Net Cash Proceeds of an Asset Disposition shall, within one year, at the Company's election, (a) be used by the Company or a Restricted Subsidiary in the business of the construction and sale of homes conducted by the Company and the Restricted Subsidiaries or any other business of the

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Company or a Restricted Subsidiary existing at the time of such Asset Disposition, (b) be used to repay Senior Debt of the Issuer or Senior Debt of a Guarantor or (c) to the extent not so used, be applied to make an Offer to Purchase Notes and, if the Company or a Restricted Subsidiary elects or is required to do so repay, purchase or redeem any other unsubordinated Indebtedness (on a PRO RATA basis if the amount available for such repayment, purchase or redemption is less than the aggregate amount of (i) the principal amount of the Notes tendered in such Offer to Purchase and (ii) the lesser of the principal amount, or accreted value, of such other unsubordinated Indebtedness, plus, in each case accrued interest to the date of repayment, purchase or redemption) at 100% of the principal amount or accreted value thereof, as the case may be, plus accrued interest and Liquidated Damages, if any, to the date of repurchase or repayment. Notwithstanding the foregoing, (A) the Company will not be required to apply such Net Cash Proceeds to the repurchase of Notes in accordance with clause (c) of the preceding sentence except to the extent that such Net Cash Proceeds, together with the aggregate Net Cash Proceeds of prior Asset Dispositions (other than those so used) which have not been applied in accordance with this provision and as to which no prior Offer to Purchase shall have been made, exceed 5% of Consolidated Tangible Assets and (B) in connection with an Asset Disposition, the Company and the Restricted Subsidiaries will not be required to comply with the requirements of clause (y) of the first sentence of the first paragraph of this covenant to the extent that the non-cash consideration received in connection with such Asset Disposition together with the sum of all non-cash consideration received in connection with all prior Asset Disposition that has not yet been converted into cash, does not exceed 5% of Consolidated Tangible Assets; PROVIDED HOWEVER, that when any non-cash consideration is converted into cash, such cash shall constitute Net Cash Proceeds and be subject to the preceding sentence.

SECTION 4.11. GUARANTEES BY RESTRICTED SUBSIDIARIES. Each existing Restricted Subsidiary (other than KHL, Inc. and K. Hovnanian Poland, sp. z.o.o.) will provide a Note Guaranty. The Company will be permitted to cause any Unrestricted Subsidiary to provide a Note Guaranty. If the Issuer, the Company or any of its Restricted Subsidiaries acquires or creates a Restricted Subsidiary after the date of the Indenture, the new Restricted Subsidiary must provide a Note Guaranty.

A Restricted Subsidiary required to provide a Note Guaranty shall execute a

supplemental indenture in the form of Exhibit B, and deliver an Opinion of Counsel to the Trustee to the effect that the supplemental indenture has been duly authorized, executed and delivered by the Restricted Subsidiary and constitutes a valid and binding obligation of the Restricted Subsidiary, enforceable against the Restricted Subsidiary in accordance with its terms (subject to customary exceptions).

SECTION 4.12. REPURCHASE OF NOTES UPON A CHANGE OF CONTROL. (a) In the event that there shall occur a Change of Control, each Holder of Notes shall have the right, at such Holder's option, to require the Issuer to purchase all or any part of such Holder's Notes on a date (the "REPURCHASE DATE") that is no later than 90 days after notice of the Change of Control, at 101% of the principal amount thereof plus accrued and unpaid interest and Liquidated Damages, if any, to the Repurchase Date.

(b) On or before the thirtieth day after any Change of Control, the Issuer is obligated to mail or cause to be mailed, to all Holders of record of Notes a notice regarding the Change of Control and the repurchase right. The notice shall state the Repurchase Date, the date by which the repurchase right must be exercised, the price for the Notes and the procedure which the

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Holder must follow to exercise such right. Substantially simultaneously with mailing of the notice, the Issuer shall cause a copy of such notice to be published in a newspaper of general circulation in the Borough of Manhattan, The City of New York. To exercise such right, the Holder of such Note must deliver at least ten days prior to the Repurchase Date written notice to the Issuer (or an agent designated by the Issuer for such purpose) of the Holder's exercise of such right, together with the Note with respect to which the right is being exercised, duly endorsed for transfer; PROVIDED, HOWEVER, that if mandated by applicable law, a Holder may be permitted to deliver such written notice nearer to the Repurchase Date than may be specified by the Issuer.

(c) The Issuer will comply with applicable law, including Section 14(e) of Exchange Act and Rule 14e-1 thereunder, if applicable, if the Issuer is required to give a notice of a right of repurchase as a result of a Change of Control.

SECTION 4.13. LIMITATION ON TRANSACTIONS WITH AFFILIATES. (a) The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, make any loan, advance, guarantee or capital contribution to, or for the benefit of, or sell, lease, transfer or otherwise dispose of any property or assets to or for the benefit of, or purchase or lease any property or assets from, or enter into or amend any contract, agreement or understanding with, or for the benefit of, any Affiliate of the Company or any Affiliate of any of the Company's Subsidiaries or any holder of 10% or more of the Common Equity of the Company (including any Affiliates of such holders), in a single transaction or series of related transactions (each, an "AFFILIATE TRANSACTION"), except for any Affiliate Transaction the terms of which are at least as favorable as the terms which could be obtained by the Company, the Issuer or such Restricted Subsidiary, as the case may be, in a comparable transaction made on an arm's length basis with Persons who are not such a holder, an Affiliate of such a holder or an Affiliate of the Company or any of the Company's Subsidiaries.

(b) In addition, the Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, enter into an Affiliate Transaction unless:

(i) with respect to any such Affiliate Transaction involving or having a value of more than \$1 million, the Company shall have (x) obtained the approval of a majority of the Board of Directors of the Company and (y) either obtained the approval of a majority of the Company's disinterested directors or obtained an opinion of a qualified independent financial advisor to the effect that such Affiliate Transaction is fair to the Company, the Issuer or such Restricted Subsidiary, as the case may be, from a financial point of view, and

(ii) with respect to any such Affiliate Transaction involving or having a value of more than \$10 million, the Company shall have (x) obtained the approval of a majority of the Board of Directors of the Company and (y) delivered to the Trustee an opinion of a qualified independent financial advisor to the effect that such Affiliate Transaction is fair to the Company, the Issuer or such Restricted Subsidiary, as the case may be, from a financial point of view.

(c) Notwithstanding the foregoing, an Affiliate Transaction will not include:

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(i) any contract, agreement or understanding with, or for the benefit of, or plan for the benefit of, employees of the Company or its Subsidiaries generally (in their capacities as such) that has been approved by the Board of Directors of the Company,

(ii) Capital Stock issuances to directors, officers and employees of the Company or its Subsidiaries pursuant to plans approved by the stockholders of the Company,

(iii) any Restricted Payment otherwise permitted under Section 4.07 hereof,

(iv) any transaction between or among the Company and one or more Restricted Subsidiaries or between or among Restricted Subsidiaries (PROVIDED, HOWEVER, no such transaction shall involve any other Affiliate of the Company (other than an Unrestricted Subsidiary to the extent the applicable amount constitutes a Restricted Payment permitted by the Indenture)),

(v) any transaction between one or more Restricted Subsidiaries and one or more Unrestricted Subsidiaries where all of the payments to, or other benefits conferred upon, such Unrestricted Subsidiaries are substantially contemporaneously dividended, or otherwise distributed or transferred without charge, to the Company or a Restricted Subsidiary,

(vi) issuances, sales or other transfers or dispositions of mortgages and collateralized mortgage obligations in the ordinary course of business between Restricted Subsidiaries and Unrestricted Subsidiaries of the Company, and

(vii) the payment of reasonable and customary fees to, and indemnity provided on behalf of, officers, directors, employees or consultants of the Company, the Issuer or any Restricted Subsidiary.

SECTION 4.14. LIMITATIONS ON MERGERS, CONSOLIDATIONS AND SALES OF ASSETS.

Neither the Company nor the Issuer nor any Guarantor will consolidate or merge with or into, or sell, lease, convey or otherwise dispose of all or substantially all of its assets (including, without limitation, by way of liquidation or dissolution), or assign any of its obligations under the Notes, the Guarantee or the Indenture (as an entirety or substantially as an entirety in one transaction or in a series of related transactions), to any Person (in each case other than in a transaction in which the Company, the Issuer or a Restricted Subsidiary is the survivor of a consolidation or merger, or the transferee in a sale, lease, conveyance or other disposition) unless:

(i) the Person formed by or surviving such consolidation or merger (if other than the Company, the Issuer or the Guarantor, as the case may be), or to which such sale, lease, conveyance or other disposition or assignment will be made (collectively, the "SUCCESSOR"), is a corporation or other legal entity organized and existing under the laws of the United States or any state thereof or the District of Columbia, and the Successor assumes by supplemental indenture in a form reasonably satisfactory to the Trustee all of the obligations of the Company, the Issuer or the Guarantor, as the case may be, under the Notes or a Guarantee, as the case may be, and the Indenture,

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(ii) immediately after giving effect to such transaction, no Default or Event of Default has occurred and is continuing, and

(iii) immediately after giving effect to such transaction, the Company (or its Successor) could incur at least \$1.00 of Indebtedness pursuant to Section 4.06(a) hereof.

The foregoing provisions shall not apply to (i) a transaction involving the sale or disposition of Capital Stock of a Guarantor, or the consolidation or merger of a Guarantor, or the sale, lease, conveyance or other disposition of all or substantially all of the assets of a Guarantor, that in any such case results in such Guarantor being released from its Guarantee pursuant to the Indenture, or (ii) a transaction the purpose of which is to change the state of incorporation of the Company, the Issuer or any Guarantor.

SECTION 4.15. REPORTS TO HOLDERS OF NOTES. (a) The Company shall file with the Commission the annual reports and the information, documents and other reports required to be filed pursuant to Section 13 or 15(d) of the Exchange Act. The Company shall file with the Trustee and mail to each Holder of record of Notes such reports, information and documents within 15 days after it files them with the Commission. In the event that the Company is no longer subject to these periodic requirements of the Exchange Act, it will nonetheless continue to file reports with the Commission and the Trustee and mail such reports to each Holder of Notes as if it were subject to such reporting requirements. Regardless of whether the Company is required to furnish such reports to its stockholders pursuant to the Exchange Act, the Company will cause its consolidated financial statements and a "Management's Discussion and Analysis of Results of Operations and Financial Condition" written report, similar to those that would have been required to appear in annual or quarterly reports, to be delivered to Holders of Notes.

(b) For so long as any of the Notes remain outstanding and constitute "restricted securities" under Rule 144, the Company will furnish to the Holders of the Notes and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

(c) All obligors on the Notes will comply with Section 314(a) of the Trust Indenture Act.

(d) Delivery of these reports and information to the Trustee is for informational purposes only and the Trustee's receipt of them will not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

SECTION 4.16. REPORTS TO TRUSTEE (a) The Company will deliver to the Trustee within 120 days after the end of each fiscal year a written statement by the Company's independent public accountants stating (i) that their audit examination has included a review of the terms of this Indenture and the Notes as they relate to accounting matters, and (ii) whether, in connection with their audit examination, any Default has come to their attention and, if a Default has come to their attention, specifying the nature and period of the existence thereof.

(b) The Company shall deliver to the Trustee, on or prior to each Interest Payment Date, an Officer's Certificate setting forth the amount of Liquidated Damages, if any, the Issuer is required to pay on that Interest Payment Date. If no Liquidated Damages are required to be paid

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on a given Interest Payment Date, no such Officer's Certificate is required to be delivered to the Trustee for that Interest Payment Date.

(c) The Company will notify the Trustee when any Notes are listed on any national securities exchange and of any delisting.

SECTION 4.17. NOTICE OF OTHER DEFAULTS. In the event that any Indebtedness of the Issuer or any Guarantor is declared due and payable before its maturity because of the occurrence of any default under such Indebtedness, the Issuer or the relevant Guarantor, as the case may be, shall promptly deliver to the Trustee and Officers' Certificate stating such declaration; PROVIDED that the term "Indebtedness" as used in this Section 4.17 shall not include Non-Recourse Indebtedness.

SECTION 4.18. LIMITATION ON SENIOR SUBORDINATED INDEBTEDNESS. The Company and the Issuer will not, and will not cause or permit any Guarantor to, incur any Indebtedness that is subordinate in right of payment to any Senior Debt of the Issuer or Senior Debt of a Guarantor, as the case may be, unless such Indebtedness is pari passu with, or subordinated in right of payment to, the Notes or any Note Guarantee; PROVIDED that the foregoing limitation shall not apply to distinctions between categories of Senior Debt of the Issuer or Senior Debt of a Guarantor that exist by reason of any Liens or guarantees arising or created in respect of some but not all such Senior Debt of the Issuer or Senior Debt of a Guarantor or priorities of paydown, from proceeds of collateral or otherwise, among classes or tranches of any issue of Senior Debt of the Issuer or Senior Debt of a Guarantor.

ARTICLE 5

REMEDIES

SECTION 5.01. EVENTS OF DEFAULT. (a) "EVENT OF DEFAULT" means any one or more of the following events:

(i) the failure by the Company, the Issuer and the Guarantors to pay interest on, or Liquidated Damages with respect to, any Note when the same becomes due and payable and the continuance of any such failure for a period of 30 days;

(ii) the failure by the Company, the Issuer and the Guarantors to pay the principal or premium of any Note when the same becomes due and payable at maturity, upon acceleration or otherwise;

(iii) the failure by the Company, the Issuer or any Restricted Subsidiary to comply with any of its agreements or covenants in, or provisions of, the Notes, the Guarantee or the Indenture and such failure continues for the period and after the notice specified below (except in the case of a default under Sections 4.12 and 4.14 hereof, which will constitute Events of Default with notice but without passage of time);

(iv) the acceleration of any Indebtedness (other than Non-Recourse Indebtedness) of the Company, the Issuer or any Restricted Subsidiary that has an outstanding principal amount of \$10 million or more, individually or in the aggregate,

and such acceleration does not cease to exist, or such Indebtedness is not satisfied, in either case within 30 days after such acceleration;

(v) the failure by the Company, the Issuer or any Restricted Subsidiary to make any principal or interest payment in an amount of \$10 million or more, individually or in the aggregate, in respect of Indebtedness (other than Non-Recourse Indebtedness) of the Company or any Restricted Subsidiary within 30 days of such principal or interest becoming due and payable (after giving effect to any applicable grace period set forth in the documents governing such Indebtedness);

(vi) a final judgment or judgments that exceed \$10 million or more, individually or in the aggregate, for the payment of money having been entered by a court or courts of competent jurisdiction against the Company, the Issuer or any of its Restricted Subsidiaries and such judgment or judgments is not satisfied, stayed, annulled or rescinded within 60 days of being entered;

(vii) the Company or any Restricted Subsidiary that is a Significant Subsidiary pursuant to or within the meaning of any Bankruptcy Law:

(A) commences a voluntary case,

(B) consents to the entry of an order for relief against it in an involuntary case,

(C) consents to the appointment of a Custodian of it or for all or substantially all of its property, or

(D) makes a general assignment for the benefit of its creditors;

(viii) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief against the Company or any Restricted Subsidiary that is a Significant Subsidiary as debtor in an involuntary case,

(B) appoints a Custodian of the Company or any Restricted Subsidiary that is a Significant Subsidiary or a Custodian for all or substantially all of the property of the Company or any Restricted Subsidiary that is a Significant Subsidiary, or

(C) orders the liquidation of the Company or any Restricted Subsidiary that is a Significant Subsidiary,

and the order or decree remains unstayed and in effect for 60 days, or

(ix) any Guarantee of a Guarantor which is a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Guarantee and the Indenture) or is declared null and void and unenforceable or found to be invalid or any Guarantor denies its liability under its Guarantee (other than by reason of release of a

Guarantor from its Guarantee in accordance with the terms of the Indenture and the Guarantee).

A Default as described in subclause (iii) above will not be deemed an Event of Default until the Trustee notifies the Company, or the Holders of at least 25 percent in principal amount of the then outstanding Notes notify the Company and the Trustee, of the Default and (except in the case of a default with respect to Sections 4.12 and 4.14 hereof) the Company does not cure the Default within 60 days after receipt of the notice. The notice must specify the Default, demand that it be remedied and state that the notice is a "Notice of Default." If such a Default is cured within such time period, it ceases.

If an Event of Default (other than an Event of Default with respect to the Company resulting from subclauses (vii) or (viii) above), shall have occurred and be continuing under the Indenture, the Trustee by notice to the Company, or the Holders of at least 25 percent in principal amount of the Notes then outstanding by notice to the Company and the Trustee, may declare all Notes to be due and payable immediately. Upon such declaration of acceleration, the amounts due and payable on the Notes will be due and payable immediately. If an Event of Default with respect to the Company specified in subclauses (vii) or (viii) above occurs, such an amount will ipso facto become and be immediately due and payable without any declaration, notice or other act on the part of the Trustee and the Company or any Holder.

Except with respect to an Event of Default pursuant to clauses (i) or (ii) of this Section 5.01, the Trustee shall not be charged with knowledge of any Event of Default unless written notice thereof shall have been given to the Trustee by the Issuer or any Holder.

SECTION 5.02. OTHER REMEDIES. If an Event of Default occurs and is continuing, the Trustee may pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest or Liquidated Damages, if any, on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding.

SECTION 5.03. WAIVER OF DEFAULTS BY MAJORITY OF HOLDERS. The Holders of a majority in principal amount of the Notes then outstanding by written notice to the Trustee and the Company may waive any Default or Event of Default (other than any Default or Event of Default in payment of principal or interest or Liquidated Damages) on the Notes under the Indenture. Holders of a majority in principal amount of the then outstanding Notes may rescind an acceleration and its consequence (except an acceleration due to nonpayment of principal or interest or Liquidated Damages, if any, on the Notes) if the rescission would not conflict with any judgment or decree and if all existing Events of Default (other than the non-payment of accelerated principal) have been cured or waived.

SECTION 5.04. DIRECTION OF PROCEEDINGS. The Holders may not enforce the provisions of the Indenture, the Notes or the Guarantees except as provided in the Indenture. Subject to certain limitations, Holders of a majority in principal amount of the Notes then outstanding may direct the Trustee in its exercise of any trust or power, PROVIDED, HOWEVER, that such direction does not conflict with the terms of the Indenture. The Trustee may withhold from the Holders notice of any continuing Default or Event of Default (except any Default or Event of Default in payment of principal or interest or Liquidated Damages, if any, on the Notes or that resulted

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from the failure to comply with Section 4.12 hereof) if the Trustee determines that withholding such notice is in the Holders' interest or would involve the Trustee in personal liability.

SECTION 5.05. APPLICATION OF MONEYS COLLECTED BY TRUSTEE. Any moneys collected by the Trustee pursuant to this Article with respect to Notes shall be applied in the order following, at the date or dates fixed by the Trustee for the distribution of such moneys, upon presentation of the Notes and stamping thereon the payment, if only partially paid, and upon surrender thereof, if fully paid:

FIRST: To the payment of costs and expenses of collection and reasonable compensation to the Trustee, its agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Trustee pursuant to Section 7.07 except as a result of its negligence or bad faith;

SECOND: If the principal of the Notes shall not have become due and be unpaid, to the payment of interest or Liquidated Damages, if any, on the Notes with interest (to the extent that such interest has been collected by the Trustee) upon the overdue installments of interest and Liquidated Damages, if any, at the rate borne by the Notes, such payment to be made ratably to the Persons entitled thereto;

THIRD: If the principal of the Notes shall have become due, by declaration or otherwise, to the payment of the whole amount then owing and unpaid upon the Notes for principal, interest and Liquidated Damages, if any, with interest on the overdue principal and (to the extent that such interest has been collected by the Trustee) upon overdue installments of interest and Liquidated Damages, if any, at the rate borne by the Notes, and in case such moneys shall be insufficient to pay in full the whole amounts so due and unpaid upon the Notes, then to the payment of such principal and interest and Liquidated Damages, if any, without preference or priority of principal over interest or Liquidated Damages or of interest or Liquidated Damages over principal, or of interest over Liquidated Damages, or of any installment of interest or Liquidated Damages over any other installment of interest or Liquidated Damages, ratably to the aggregate of such principal and accrued and unpaid interest and Liquidated Damages, if any; and

FOURTH: To the payment of any surplus then remaining to the Issuer, its successors or assigns, or to whomsoever may be lawfully entitled to receive the same.

No claim for interest which in any manner at or after maturity shall have been transferred or pledged separate or apart from the Notes to which it relates, or which in any manner shall have been kept alive after maturity by an extension (otherwise than pursuant to an extension made pursuant to a plan proposed by the Issuer to the Holders of all Notes), purchase, funding or

otherwise by or on behalf of or with the consent or approval of the Issuer shall be entitled, in case of a default hereunder, to any benefit of this Indenture, except after prior payment in full of the principal of all Notes and of all claims for interest not so transferred, pledged, kept alive, extended, purchased or funded.

SECTION 5.06. PROCEEDINGS BY HOLDERS. No holder of any Notes shall have any right by virtue of or by availing of any provision of this Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to this Indenture for the appointment of a receiver or trustee or similar official, or for any other remedy hereunder, unless such Holder

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previously shall have given to the Trustee written notice of default and of the continuance thereof, as hereinbefore provided, and unless the Holders of not less than 25% in aggregate principal amount of the Notes shall have made written request to the Trustee to institute such action, suit or proceeding in its own name as Trustee hereunder and shall have offered to the Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee for 60 days after its receipt of such notice, request and offer of indemnity, shall have neglected or refused to institute any such action, suit or proceeding, it being understood and intended, and being expressly covenanted by the Holder of every Note with every other Holder and the Trustee, that no one or more Holders of Notes shall have any right in any manner whatever by virtue of or by availing of any provision of this Indenture or of the Notes to affect, disturb or prejudice the rights of any other Holder of Notes, or to obtain or seek to obtain priority over or preference as to any other such Holder, or to enforce any right under this Indenture or the Notes, except in the manner herein provided and for the equal, ratable and common benefit of all Holders of Notes.

Notwithstanding any other provisions in this Indenture, however, the right of any Holder of any Note to receive payment of the principal of, premium, if any, and interest and Liquidated Damages, if any, on such Note, on or after the maturity thereof, or to institute suit for the enforcement of any such payment on or after such respective dates shall not be impaired or affected without the consent of such Holder.

SECTION 5.07. PROCEEDINGS BY TRUSTEE. In case of an Event of Default hereunder, the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any of such rights, either by suit in equity or by action at law or by proceedings in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted in this Indenture, or to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law.

SECTION 5.08. REMEDIES CUMULATIVE AND CONTINUING. All powers and remedies given by this Article Five to the Trustee or to the Holders shall, to the extent permitted by law, be deemed cumulative and not exclusive of any thereof or of any other powers and remedies available to the Trustee or the Holders, by judicial proceedings or otherwise, to enforce the performance or observance of the covenants and agreements contained in this Indenture, and no delay or omission of the Trustee or of any Holder to exercise any right or power accruing upon any default occurring and continuing as aforesaid shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence therein; and, subject to the provisions of Section 5.06, every power and remedy given by this Article 5 or by law to the Trustee or to the Holders may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by the Holders.

SECTION 5.09. UNDERTAKING TO PAY COSTS. All parties to this Indenture agree and each Holder of any Note by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, or in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of any undertaking to pay the cost of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in such suit, having due regard to the merits and good faith of

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the claims or defenses made by such party litigant; but the provisions of this Section 5.09 shall not apply to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in principal amount of the Notes, or to any suit instituted by any Holders for the enforcement of the payment of the principal of or interest or Liquidated Damages, if any, on any Note against the Issuer on or after the due date of such Note.

SECTION 5.10. NOTICE OF DEFAULTS. The Company is required to deliver to

the Trustee an annual statement regarding compliance with the Indenture, and include in such statement, if any officer of the Company is aware of any Default or Event of Default, a statement specifying such Default or Event of Default and what action the Company is taking or proposes to take with respect thereto. In addition, the Company is required to deliver to the Trustee prompt written notice of the occurrence of any Default or Event of Default.

SECTION 5.11. WAIVER OF STAY, EXTENSION OR USURY LAWS. The Company, the Issuer and each Guarantor 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 or any usury law or other law that would prohibit or forgive the Company, the Issuer or the Guarantor from paying all or any portion of the principal of, or interest or Liquidated Damages, if any, on the Notes as contemplated herein, wherever enacted, now or at any time hereafter in force, or that may affect the covenants or the performance of the Indenture. The Company, the Issuer and each Guarantor hereby expressly waives, to the extent that it may lawfully do so, all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE 6

GUARANTEE

SECTION 6.01. GUARANTEE. Each of the Guarantors hereby unconditionally guarantees, jointly and severally, to each Holder and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of this Indenture, the Notes or the obligations of the Issuer hereunder or thereunder, that: (i) the due and punctual payment of the principal of and any premium, interest or Liquidated Damages on the Notes, whether at maturity or on an interest payment date, by acceleration, pursuant to an Offer to Purchase or otherwise, and interest on the overdue principal of and interest and Liquidated Damages, if any, on the Notes, if lawful, and all other obligations of the Issuer to the Holders or the Trustee hereunder or thereunder shall be promptly paid in full when due or performed in accordance with the terms hereof and thereof; including all amounts payable to the Trustee under Section 7.07 hereof, and (ii) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, the same shall be promptly paid in full when due or to be performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise.

If the Issuer fails to make any payment when due of any amount so guaranteed for whatever reason, each Guarantor shall be obligated to pay the same immediately. Each Guarantor hereby agrees that its obligations hereunder shall be continuing, absolute and unconditional, irrespective of, and shall be unaffected by, the validity regularity or enforceability of the Notes, this Indenture, the absence of any action to enforce the same, any waiver or consent

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by any Holder or the Trustee with respect to any provisions hereof or thereof, the recovery of any judgment against the Issuer, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of such Guarantor. If any Holder is required by any court or otherwise to return to the Issuer or any Guarantor, or any custodian, trustee, liquidator or other similar official acting in relation to the Issuer or such Guarantor, any amount paid by the Issuer or any Guarantor to the Trustee or such Holder, this Article 6, to the extent theretofore discharged, shall be reinstated in full force and effect. Each Guarantor agrees that is shall not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby until payment in full of all obligations guaranteed hereby.

The Guarantee set forth in this Section 6.01 shall not be valid or become obligatory for any purpose with respect to a Note until the certificate of authentication on such Note shall have been signed by the Trustee or any duly appointed agent.

SECTION 6.02. OBLIGATIONS OF EACH GUARANTOR UNCONDITIONAL. Nothing contained in this Article 6 or elsewhere in this Indenture or in any Note is intended to or shall impair, as between each Guarantor and the Holders, which are absolute and unconditional, to pay to the Holders the principal of and interest and Liquidated Damages, if any, on the Notes as and when the same shall become due and payable in accordance with the provisions of the Guarantee or is intended to or shall affect the relative rights of the Holders and creditors of the Issuer, nor shall anything herein or therein prevent the Trustee or any Holder from exercising all remedies otherwise permitted by applicable law upon any Default under this Indenture in respect of cash, property or securities of such Guarantor received upon the exercise of any such remedy.

Upon any distribution of assets of a Guarantor referred to in this Article 6, the Trustee, subject to the provisions of Article 7, and the Holders shall be entitled to rely upon any order or decree made by any court of competent

jurisdiction in which such dissolution, winding up, liquidation or reorganization proceedings are pending, or a certificate of the liquidating trustee or agent or other person making any distribution to the Trustee or to the Holders, for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of other indebtedness of such Guarantor, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article 6.

SECTION 6.03. RELEASE OF A GUARANTOR. If all or substantially all of the assets of any Guarantor other than the Company or all of the Capital Stock of any Guarantor other than the Company is sold (including by consolidation, merger, issuance or otherwise) or disposed of (including by liquidation, dissolution or otherwise) by the Company or any of its Subsidiaries, or, unless the Company elects otherwise, if any Guarantor other than the Company is designated an Unrestricted Subsidiary in accordance with the terms of the Indenture, then such Guarantor (in the event of a sale or other disposition of all of the Capital Stock of such Guarantor or a designation as an Unrestricted Subsidiary) or the Person acquiring such assets (in the event of a sale or other disposition of all or substantially all of the assets of such Guarantor) shall be deemed automatically and unconditionally released and discharged from any of its obligations under the Indenture without any further action on the part of the Trustee or any Holder of the Notes.

An Unrestricted Subsidiary that is a Guarantor shall be deemed automatically and unconditionally released and discharged from all obligations under its Guarantee upon notice

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from the Company to the Trustee to such effect, without any further action required on the part of the Trustee or any Holder.

SECTION 6.04. EXECUTION AND DELIVERY OF GUARANTY. The execution by each Guarantor of the Indenture (or a supplemental indenture in the form of Exhibit B) evidences the Note Guaranty of such Guarantor, whether or not the person signing as an officer of the Guarantor still holds that office at the time of authentication of any Note. The delivery of any Note by the Trustee after authentication constitutes due delivery of the Note Guaranty set forth in the Indenture on behalf of each Guarantor.

SECTION 6.05. LIMITATION ON GUARANTOR LIABILITY. Notwithstanding anything to the contrary in this Article, each Guarantor, and by its acceptance of Notes, each Holder, hereby confirms that it is the intention of all such parties that the Note Guaranty of such Guarantor not constitute a fraudulent conveyance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of state law. To effectuate that intention, the Trustee, the Holders and the Guarantors hereby irrevocably agree that the obligations of each Guarantor under its Note Guaranty are limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of state law.

SECTION 6.06. ARTICLE 6 NOT TO PREVENT EVENTS OF DEFAULT. The failure to make a payment on account of principal or interest or Liquidated Damages, if any, on the Notes by reason of any provision in this Article 6 shall not be construed as preventing the occurrence of any Event of Default under Section 5.01.

SECTION 6.07. WAIVER BY THE GUARANTORS. Each Guarantor hereby irrevocably waives diligence, presentment, demand of payment, demand of performance, filing of claims with a court in the event of insolvency of bankruptcy of the Issuer, any right to require a proceeding first against the Issuer, the benefit of discussion, protest, notice and all demand whatsoever and covenants that this Guarantee shall not be discharged except by complete performance of the obligations contained in the Notes, in this Indenture and in this Article 6.

SECTION 6.08. SUBROGATION AND CONTRIBUTION. Upon making any payment with respect to any obligation of the Issuer under this Article, the Guarantor making such payment will be subrogated to the rights of the payee against the Issuer with respect to such obligation, PROVIDED that the Guarantor may not enforce either any right of subrogation, or any right to receive payment in the nature of contribution, or otherwise, from any other Guarantor, with respect to such payment so long as any amount payable by the Issuer hereunder or under the Notes remains unpaid.

SECTION 6.09. STAY OF ACCELERATION. If acceleration of the time for payment of any amount payable by the Issuer under the Indenture or the Notes is stayed upon the insolvency, bankruptcy or reorganization of the Issuer, all such amounts otherwise subject to acceleration under the terms of the Indenture are nonetheless payable by the Guarantors hereunder forthwith on demand by the Trustee or the Holders.

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THE TRUSTEE

SECTION 7.01. GENERAL. (a) The duties and responsibilities of the Trustee are as provided by the Trust Indenture Act and as set forth herein. Whether or not expressly so provided, every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee is subject to this Article.

(b) Except during the continuance of an Event of Default, the Trustee need perform only those duties that are specifically set forth in the Indenture and no others, and no implied covenants or obligations will be read into the Indenture against the Trustee. In case an Event of Default has occurred and is continuing, the Trustee shall exercise those rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

SECTION 7.02. CERTAIN RIGHTS OF TRUSTEE. Subject to Trust Indenture Act Sections 315(a) through (d):

(a) The Trustee may rely, and will be protected in acting or refraining from acting, upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document, but the Trustee, in its discretion, may make further inquiry or investigation into such facts or matters as it sees fit.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel conforming to Section 12.05 and the Trustee will not be liable for any action it takes or omits to take in good faith in reliance on the certificate or opinion.

(c) The Trustee may act through its attorneys and agents and will not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Trustee will be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Holders, unless such Holders have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction.

(e) The Trustee will not be liable for any action it takes or omits to take in good faith that it believes to be authorized or within its rights or powers or for any action it takes or omits to take in accordance with the direction of the Holders in accordance with Section 5.04 relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under the Indenture.

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(f) The Trustee may consult with counsel, and the written advice of such counsel or any Opinion of Counsel will 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.

(g) No provision of the Indenture will require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder, or in the exercise of its rights or powers, unless it receives indemnity satisfactory to it against any loss, liability or expense.

SECTION 7.03. INDIVIDUAL RIGHTS OF TRUSTEE. The Trustee, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not the Trustee. Any Agent may do the same with like rights. However, the Trustee is subject to Trust Indenture Act Sections 310(b) and 311. For purposes of Trust Indenture Act Section 311(b)(4) and (6):

(a) "CASH TRANSACTION" means any transaction in which full payment for goods or securities sold is made within seven days after delivery of the goods or securities in currency or in checks or other orders drawn upon banks or bankers and payable upon demand; and

(b) "SELF-LIQUIDATING PAPER" means any draft, bill of exchange, acceptance or obligation which is made, drawn, negotiated or incurred for the purpose of financing the purchase, processing, manufacturing, shipment, storage or sale of goods, wares or merchandise and which is secured by documents evidencing title to, possession of, or a lien upon, the goods,

wares or merchandise or the receivables or proceeds arising from the sale of the goods, wares or merchandise previously constituting the security, provided the security is received by the Trustee simultaneously with the creation of the creditor relationship arising from the making, drawing, negotiating or incurring of the draft, bill of exchange, acceptance or obligation.

SECTION 7.04. TRUSTEE'S DISCLAIMER. The Trustee (a) makes no representation as to the validity or adequacy of the Indenture or the Notes, (b) is not accountable for the Company's use or application of the proceeds from the Notes and (c) is not responsible for any statement in the Notes other than its certificate of authentication.

SECTION 7.05. NOTICE OF DEFAULT. If any Default occurs and is continuing and is known to the Trustee, the Trustee will send notice of the Default to each Holder within 90 days after it occurs, unless the Default has been cured; PROVIDED that, except in the case of a default in the payment of the principal of or interest or Liquidated Damages, if any, on any Note, the Trustee may withhold the notice if and so long as the board of directors, the executive committee or a trust committee of directors of the Trustee in good faith determines that withholding the notice is in the interest of the Holders. Notice to Holders under this Section will be given in the manner and to the extent provided in Trust Indenture Act Section 313(c).

SECTION 7.06. REPORTS BY TRUSTEE TO HOLDERS. Within 60 days after each May 15, beginning with May 15, 2002, the Trustee will mail to each Holder, as provided in Trust Indenture Act Section 313(c), a brief report dated as of such May 15, if required by Trust Indenture Act Section 313(a).

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SECTION 7.07. COMPENSATION AND INDEMNITY. (a) The Company will pay the Trustee compensation as agreed upon in writing for its services. The compensation of the Trustee is not limited by any law on compensation of a Trustee of an express trust. The Company will reimburse the Trustee upon request for all reasonable out-of-pocket expenses, disbursements and advances incurred or made by the Trustee, including the reasonable compensation and expenses of the Trustee's agents and counsel.

(b) The Company will indemnify the Trustee for, and hold it harmless against, any loss or liability or expense incurred by it without negligence or bad faith on its part arising out of or in connection with the acceptance or administration of the Indenture and its duties under the Indenture and the Notes, including the costs and expenses of defending itself against any claim or liability and of complying with any process served upon it or any of its officers in connection with the exercise or performance of any of its powers or duties under the Indenture and the Notes.

(c) To secure the Company's payment obligations in this Section, the Trustee will have a lien prior to the Notes on all money or property held or collected by the Trustee, in its capacity as Trustee, except money or property held in trust to pay principal of, and interest or Liquidated Damages, if any, on particular Notes.

SECTION 7.08. REPLACEMENT OF TRUSTEE. (a) (i) The Trustee may resign at any time by written notice to the Company.

(ii) The Holders of a majority in principal amount of the outstanding Notes may remove the Trustee by written notice to the Trustee.

(iii) If the Trustee is no longer eligible under Section 7.10 or in the circumstances described in Trust Indenture Act Section 310(b), any Holder that satisfies the requirements of Trust Indenture Act Section 310(b) may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(iv) The Company may remove the Trustee if: (A) the Trustee is no longer eligible under Section 7.10; (B) the Trustee is adjudged a bankrupt or an insolvent; (C) a receiver or other public officer takes charge of the Trustee or its property; or (D) the Trustee becomes incapable of acting.

A resignation or removal of the Trustee and appointment of a successor Trustee will become effective only upon the successor Trustee's acceptance of appointment as provided in this Section.

(b) If the Trustee has been removed by the Holders, Holders of a majority in principal amount of the Notes may appoint a successor Trustee with the consent of the Company. Otherwise, if the Trustee resigns or is removed, or if a vacancy exists in the office of Trustee for any reason, the Company will promptly appoint a successor Trustee. If the successor Trustee does not deliver its written acceptance within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company or the Holders of a majority in principal amount of the outstanding Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) Upon delivery by the successor Trustee of a written acceptance of its appointment to the retiring Trustee and to the Company, (i) the retiring Trustee will transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 7.07, (ii) the resignation or removal of the retiring Trustee will become effective, and (iii) the successor Trustee will have all the rights, powers and duties of the Trustee under the Indenture. Upon request of any successor Trustee, the Company will execute any and all instruments for fully and vesting in and confirming to the successor Trustee all such rights, powers and trusts. The Company will give notice of any resignation and any removal of the Trustee and each appointment of a successor Trustee to all Holders, and include in the notice the name of the successor Trustee and the address of its Corporate Trust Office.

(d) Notwithstanding replacement of the Trustee pursuant to this Section, the Company's obligations under Section 7.07 will continue for the benefit of the retiring Trustee.

(e) The Trustee agrees to give the notices provided for in, and otherwise comply with, Trust Indenture Act Section 310(b).

SECTION 7.09. SUCCESSOR TRUSTEE BY MERGER. If the Trustee consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation or national banking association, the resulting, surviving or transferee corporation or national banking association without any further act will be the successor Trustee with the same effect as if the successor Trustee had been named as the Trustee in the Indenture.

SECTION 7.10. ELIGIBILITY. The Indenture must always have a Trustee that satisfies the requirements of Trust Indenture Act Section 310(a) and has a combined capital and surplus of at least \$25,000,000 as set forth in its most recent published annual report of condition.

SECTION 7.11. MONEY HELD IN TRUST. The Trustee will not be liable for interest on any money received by it except as it may agree with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law and except for money held in trust under Article 8.

ARTICLE 8

DEFEASANCE AND DISCHARGE

SECTION 8.01. DISCHARGE OF ISSUER'S OBLIGATIONS. (a) Subject to paragraph (b), the Issuer's obligations under the Notes and the Indenture, and each Guarantor's obligations under its Note Guaranty, will terminate if:

(1) all Notes previously authenticated and delivered (other than (a) destroyed, lost or stolen Notes that have been replaced or (b) Notes that are paid pursuant to Section 4.01 or (c) Notes for whose payment money or U.S. Government Obligations have been held in trust and then repaid to the Issuer pursuant to Section 8.05) have been delivered to the Trustee for cancellation and the Issuer has paid all sums payable by it hereunder; or

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(2) (A) the Notes mature within one year, or all of them are to be called for redemption within one year under arrangements satisfactory to the Trustee for giving the notice of redemption,

(B) the Issuer irrevocably deposits in trust with the Trustee, as trust funds solely for the benefit of the Holders, money or U.S. Government Obligations or a combination thereof sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certificate delivered to the Trustee, without consideration of any reinvestment, to pay principal of and premium, interest and Liquidated Damages, if any, on the Notes to maturity or redemption, as the case may be, and to pay all other sums payable by it hereunder,

(C) no Default has occurred and is continuing on the date of the deposit,

(D) the deposit will not result in a breach or violation of, or constitute a default under, the Indenture or any other agreement or instrument to which the Issuer is a party or by which it is bound, and

(E) the Issuer delivers to the Trustee an Officers' Certificate and an Opinion of Counsel, in each case stating that all conditions precedent provided for herein relating to the satisfaction and discharge of the Indenture have been complied with.

(b) After satisfying the conditions in clause (a)(1), only the Issuer's obligations under Section 7.07 will survive. After satisfying the conditions in clause (a)(2), only the Issuer's obligations in Article 2 and Sections 4.01, 4.02, 7.07, 7.08, 8.05 and 8.06 will survive. In either case, the Trustee, upon the request and at the cost and expense of the Issuer, will acknowledge in writing the discharge of the Issuer's obligations under the Notes and the Indenture other than the surviving obligations.

SECTION 8.02. LEGAL DEFEASANCE. On the 91st day following the deposit referred to in clause (1), the Issuer will be deemed to have paid and will be discharged from its obligations in respect of the Notes and the Indenture, other than its obligations in Article 2 and Sections 4.01, 4.02, 7.07, 7.08, 8.05 and 8.06, and each Guarantor's obligations under its Note Guaranty will terminate, PROVIDED the following conditions have been satisfied:

(1) The Issuer has irrevocably deposited in trust with the Trustee, as trust funds solely for the benefit of the Holders, money or U.S. Government Obligations or a combination thereof sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certificate thereof delivered to the Trustee, without consideration of any reinvestment, to pay principal of and premium, interest and Liquidated Damages, if any, on the Notes to maturity or redemption, as the case may be, PROVIDED that any redemption before maturity has been irrevocably provided for under arrangements satisfactory to the Trustee.

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(2) The deposit will not result in a breach or violation of, or constitute a default under, the Indenture or any other agreement or instrument to which the Issuer is a party or by which it is bound.

(3) The Issuer has delivered to the Trustee either (x) a ruling received from the Internal Revenue Service to the effect that the Holders will not recognize income, gain or loss for federal income tax purposes as a result of the defeasance and will be subject to federal income tax on the same amount and in the same manner and at the same times as would otherwise have been the case or (y) an Opinion of Counsel, based on a change in law after the date of the Indenture, to the same effect as the ruling described in clause (x).

(4) The Issuer has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, in each case stating that all conditions precedent provided for herein relating to the defeasance have been complied with.

Prior to the end of the 91-day period, none of the Issuer's obligations under the Indenture will be discharged. Thereafter, the Trustee, upon the request and at the cost and expense of the Issuer, will acknowledge in writing the discharge of the Issuer's obligations under the Notes and the Indenture except for the surviving obligations specified above.

SECTION 8.03. COVENANT DEFEASANCE. After the 91st day following the deposit referred to in clause (1), the Issuer's obligations set forth in Sections 4.06 through 4.13, inclusive and clause (iii) of Section 4.14, and each Guarantor's obligations under its Note Guaranty, will terminate, and clauses (iii), (iv), (v), (vi) and (ix) of Section 5.01 will no longer constitute Events of Default, PROVIDED the following conditions have been satisfied:

(1) The Issuer has complied with clauses (1), (2) and (4) of Section 8.02; and

(2) the Issuer has delivered to the Trustee an Opinion of Counsel to the effect that the Holders will not recognize income, gain or loss for federal income tax purposes as a result of the defeasance and will be subject to federal income tax on the same amount and in the same manner and at the same times as would otherwise have been the case.

Except as specifically stated above, none of the Issuer's obligations under the Indenture will be discharged.

SECTION 8.04. APPLICATION OF TRUST MONEY. Subject to Section 8.05, the Trustee will hold in trust the money or U.S. Government Obligations deposited with it pursuant to Section 8.01, 8.02 or 8.03, and apply the deposited money and the proceeds from deposited U.S. Government Obligations to the payment of principal of and premium, interest and Liquidated Damages, if any, on the Notes in accordance with the Notes and the Indenture. Such money and U.S. Government Obligations need not be segregated from other funds except to the extent required by law.

SECTION 8.05. REPAYMENT TO ISSUER. Subject to Sections 7.07, 8.01, 8.02 and 8.03, the Trustee will promptly pay to the Issuer upon request any excess money held by the Trustee at any time and thereupon be relieved from all liability with respect to such money. The Trustee will pay to the Issuer upon written request any money deposited with or paid to the Trustee for the payment

of the principal of, premium, interest or Liquidated Damages, if any, with respect to

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the Notes and not applied but remaining unclaimed for two years after the date upon which such After payment to the Company, Holders entitled to such principal, premium, interest or Liquidated Damages, shall have become due and payable, shall, upon the written request of the Issuer and unless otherwise required by mandatory provisions of applicable escheat or abandoned or unclaimed property law, be repaid to the Issuer by the Trustee. Thereafter, the Holder of the Notes must look solely to the Issuer for any payment such Holder may be entitled to collect, unless otherwise required by mandatory provisions of applicable escheat or abandoned or unclaimed property laws, and all liability of the Trustee with respect to such money shall thereupon cease.

SECTION 8.06. REINSTATEMENT. If and for so long as the Trustee is unable to apply any money or U.S. Government Obligations held in trust pursuant to Section 8.01, 8.02 or 8.03 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Issuer's obligations under the Indenture and the Notes will be reinstated as though no such deposit in trust had been made. If the Issuer makes any payment of principal of or interest or Liquidated Damages, if any, on any Notes because of the reinstatement of its obligations, it will be subrogated to the rights of the Holders of such Notes to receive such payment from the money or U.S. Government Obligations held in trust.

SECTION 8.07. INDEMNITY FOR U.S. GOVERNMENT OBLIGATIONS. The Issuer shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the U.S. Government Obligations deposited pursuant to Sections 8.01, 8.02 or 8.03.

ARTICLE 9

AMENDMENTS, SUPPLEMENTS AND WAIVERS

SECTION 9.01. AMENDMENTS WITHOUT CONSENT OF HOLDERS. The Company, the Issuer, the Guarantors and the Trustee may amend or supplement the Indenture or the Notes without notice to or the consent of any Holder

(a) to cure any ambiguity, defect or inconsistency in the Indenture or the Notes that does not adversely affect the interests of the Holders;

(b) to comply with Section 4.14;

(c) to comply with any requirements of the Commission in connection with the qualification of the Indenture under the Trust Indenture Act;

(d) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee;

(e) to provide for uncertificated Notes in addition to or in place of certificated Notes;

(f) to provide for any Guarantee of the Notes, to secure the Notes or to confirm and evidence the release, termination or discharge of any Guarantee of or Lien securing the Notes when such release, termination or discharge is permitted by the Indenture;

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(g) to provide for or confirm the issuance of Additional Notes; or

(h) to make any other change that does not adversely affect the legal rights of any Holder.

SECTION 9.02. AMENDMENTS WITH CONSENT OF HOLDERS. (a) Except as otherwise provided in Sections 5.01, 5.03 and 5.06 or paragraph (b), the Company, the Issuer, the Guarantors and the Trustee may amend the Indenture and the Notes with the written consent of the Holders of a majority in principal amount of the outstanding Notes, and the Holders of a majority in principal amount of the outstanding Notes by written notice to the Trustee may waive future compliance by the Company, the Issuer and the Guarantors with any provision of the Indenture or the Notes.

(b) Notwithstanding the provisions of paragraph (a), without the consent of each Holder affected, an amendment or waiver may not

(i) reduce the amount of Notes whose Holders must consent to an amendment, supplement or waiver,

(ii) reduce the rate of or change the time for payment of any interest, including default interest, on any Note,

(iii) reduce principal of or change the fixed maturity of any Note or alter the provisions (including related definitions) with respect to redemptions described under Section 3.01 or with respect to mandatory offers to repurchase Notes described under Section 4.10 and 4.12,

(iv) make any Note payable in money other than that stated in the Note,

(v) modify the ranking or priority of the Notes or any Guarantee,

(vi) make any change in Section 5.03 or 5.06,

(vii) release any Guarantor from any of its obligations under its Guarantee or the Indenture otherwise than in accordance with the Indenture, or

(viii) waive a continuing Default or Event of Default in the payment of principal of or interest or Liquidated Damages on the Notes.

(c) It is not necessary for Holders to approve the particular form of any proposed amendment, supplement or waiver, but is sufficient if their consent approves the substance thereof.

(d) An amendment, supplement or waiver under this Section will become effective on receipt by the Trustee of written consents from the Holders of the requisite percentage in principal amount of the outstanding Notes. After an amendment, supplement or waiver under this Section becomes effective, the Issuer will send to the Holders affected thereby a notice briefly describing the amendment, supplement or waiver. The Issuer will send supplemental indentures to Holders upon request. Any failure of the Issuer to send such notice, or any defect

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therein, will not, however, in any way impair or affect the validity of any such supplemental indenture or waiver.

SECTION 9.03. EFFECT OF CONSENT. (a) After an amendment, supplement or waiver becomes effective, it will bind every Holder unless it is of the type requiring the consent of each Holder affected. If the amendment, supplement or waiver is of the type requiring the consent of each Holder affected, the amendment, supplement or waiver will bind each Holder that has consented to it and every subsequent Holder of a Note that evidences the same debt as the Note of the consenting Holder.

(b) If an amendment, supplement or waiver changes the terms of a Note, the Trustee may require the Holder to deliver it to the Trustee so that the Trustee may place an appropriate notation of the changed terms on the Note and return it to the Holder, or exchange it for a new Note that reflects the changed terms. The Trustee may also place an appropriate notation on any Note thereafter authenticated. However, the effectiveness of the amendment, supplement or waiver is not affected by any failure to annotate or exchange Notes in this fashion.

SECTION 9.04. TRUSTEE'S RIGHTS AND OBLIGATIONS. The Trustee is entitled to receive, and will be fully protected in relying upon, an Opinion of Counsel stating that the execution of any amendment, supplement or waiver authorized pursuant to this Article is authorized or permitted by the Indenture. If the Trustee has received such an Opinion of Counsel, it shall sign the amendment, supplement or waiver so long as the same does not adversely affect the rights of the Trustee. The Trustee may, but is not obligated to, execute any amendment, supplement or waiver that affects the Trustee's own rights, duties or immunities under the Indenture.

SECTION 9.05. CONFORMITY WITH TRUST INDENTURE ACT. Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act.

SECTION 9.06. PAYMENTS FOR CONSENTS. Neither the Issuer, the Company nor any of its Subsidiaries or Affiliates may, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or agreed to be paid to all Holders of the Notes that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to the consent, waiver or amendment.

ARTICLE 10

SUBORDINATION OF NOTES

SECTION 10.01. NOTES SUBORDINATED TO SENIOR DEBT OF THE ISSUER. The Issuer covenants and agrees, and each Holder of the Notes by his acceptance thereof likewise covenants and agrees, that the payment of the principal and interest on

the Notes is subordinated, to the extent and in the manner provided in this Article 10, to the prior payment in full of all Senior Debt of the Issuer.

"SENIOR DEBT OF THE ISSUER" means the principal of and interest on:

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- (1) all Indebtedness of the Issuer;
- (2) lease obligations of the Issuer;
- (3) all Indebtedness, secured or unsecured, in connection with the acquisition or improvement of any property or asset or the acquisition of any business by the Issuer;
- (4) all Indebtedness secured by any mortgage, lien, pledge, charge or encumbrance upon property owned by the Issuer and all indebtedness secured in the manner specified in this clause (4) even if the Issuer has not assumed or become liable for the payment thereof;
- (5) all customer deposits held in escrow accounts by the Issuer pending closing of the related sales;
- (6) all indebtedness of the Issuer created or arising under any conditional sale or other title retention agreement with respect to property acquired by the Issuer or otherwise representing the deferred and unpaid balance of the purchase price of any such property, including all indebtedness created or arising in the manner specified in this clause (6) even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property;
- (7) guarantees by the Issuer, direct or indirect, of any indebtedness of another Person of the types referred to in clauses (1), (2), (3), (4), (5) or (6); and
- (8) contingent obligations of the Issuer in respect of, or to purchase or otherwise acquire or be responsible or liable for through the purchase of products or services irrespective of whether such products are delivered or such services are rendered, any such indebtedness referred to in clauses (1), (2), (3), (4), (5) or (6),

which indebtedness, lease obligation, deposit, guarantee or contingent obligation the Issuer has directly or indirectly created, incurred, assumed, guaranteed, or otherwise become liable or responsible for, whether currently outstanding or hereafter created. Any reference in this definition to any indebtedness shall be deemed to include any renewals, extensions, refundings, amendments and modifications of any such indebtedness issued in exchange for such indebtedness; PROVIDED, HOWEVER, that Senior Debt of the Issuer shall not include, without limitation, (i) the Notes issued under this Indenture, (ii) the Issuer's 9 3/4% Subordinated Notes due 2005, (iii) accounts payable or any other indebtedness to trade creditors created or assumed by the Issuer in the ordinary course of business in connection with the obtaining of materials or services, (iv) any liability for federal, state or local taxes owed or owing by the Issuer and (v) any Indebtedness as to which, in the instrument creating or evidencing the same or pursuant to which the same is outstanding, it is provided that such indebtedness is on a parity with or otherwise not superior in right of payment to the Notes.

This Article 10 shall constitute a continuing offer to all persons who, in reliance upon such provisions, become holders of, or continue to hold, Senior Debt of the Issuer, and such provisions are made for the benefit of the holders of Senior Debt of the Issuer, and such holders are made obligees hereunder and any one or more of them may enforce such provisions.

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SECTION 10.02. ISSUER NOT TO MAKE PAYMENTS WITH RESPECT TO NOTES IN CERTAIN CIRCUMSTANCES.

(a) Upon the maturity of the principal of any Senior Debt of the Issuer (other than payment of sinking fund installments) by lapse of time, acceleration or otherwise, all principal thereof and interest thereon shall first be paid in full, or such payment duly provided for in cash or in a manner satisfactory to the holders of such Senior Debt of the Issuer, before any deposit is made pursuant to Article 8 hereof or any payment is made on account of the principal of or interest on the Notes or to acquire any of the Notes or on account of the mandatory redemption provisions in the Notes (except mandatory redemption payments made in respect of Notes acquired by the Issuer before the maturity of such Senior Debt of the Issuer), including any payment pursuant to Section 4.10 or 4.12.

(b) Unless Section 10.03 shall be applicable, upon (1) the occurrence of a Payment Default with respect to any Senior Debt of the Issuer and receipt by the

Trustee and the Issuer of written notice of such occurrence or (2) upon acceleration of such Senior Debt of the Issuer, then no deposit pursuant to Article 8 hereof and no payment or distribution of any assets of the Issuer of any kind or character shall be made by the Issuer or the Trustee on account of principal of or interest on the Notes or on account of the purchase or redemption or other acquisition of Notes, including any payment pursuant to Section 4.10 or 4.12, unless and until such Payment Default shall have been cured or waived in writing or shall have ceased to exist or such Senior Debt of the Issuer shall have been discharged, after which the Issuer shall resume making any and all required payments in respect of the Notes, including any missed payments.

(c) Unless Section 10.03 shall be applicable, upon (1) the occurrence of a Non-Payment Default and (2) receipt by the Trustee of written notice of such occurrence, then no deposit pursuant to Article 8 hereof and no payment or distribution of any assets of the Issuer of any kind or character shall be made by the Issuer or the Trustee on account of any principal of or interest on the Notes or on account of the purchase or redemption or other acquisition of Notes, including any payment pursuant to Section 4.10 or 4.12, for a period ("PAYMENT BLOCKAGE PERIOD") commencing on the earlier of the date of receipt by the Trustee of such written notice from the holders of Senior Debt of the Issuer or of a Guarantor or any representative of a holder of Senior Debt of the Issuer or of a Guarantor unless and until (subject to any blockage of payment that may then be in effect under subsection (a) or (b) of this Section 10.02) the earlier of (x) more than 120 days shall have elapsed since receipt of such written notice by the Trustee, (y) such Non-Payment Default shall have been cured or waived in writing or shall have ceased to exist or such Senior Debt of the Issuer or of a Guarantor shall have been discharged or (z) such Payment Blockage Period shall have been terminated by written notice to the Issuer or the relevant Guarantor, as the case may be, or to the Trustee from the holders of the Senior Debt of the Issuer or any representative of the holders of the Senior Debt of the Issuer or of a Guarantor initiating such Payment Blockage Period, after which, in the case of clause (x), (y) or (z), the Issuer shall promptly resume making any and all required payments in respect of the Notes, including any missed payments. In no event shall a Payment Blockage Period extend beyond 120 days from the date of the receipt by the Trustee of the notice referred to in clause (2) hereof (the "INITIAL PERIOD"). Any number of additional Payment Blockage Periods may be commenced during the Initial Period; PROVIDED, HOWEVER, that no such additional period shall extend beyond the Initial Period. After the expiration of the Initial Period, no Payment Blockage Period may be commenced on the basis of a Non-Payment Default on the Senior Debt of the Issuer or Senior

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Debt of a Guarantor which was the basis of a Payment Blockage Period commenced during the Initial Period until at least 270 consecutive days have elapsed from the last day of the Initial Period. No Non-Payment Default with respect to Senior Debt of the Issuer or Senior Debt of a Guarantor which existed or was continuing on the date of the commencement of any Payment Blockage Period and of which the applicable holder(s) of Senior Debt of the Issuer or Senior Debt of a Guarantor are aware shall be, or be made, the basis for the commencement of a second Payment Blockage Period whether or not within a period of 270 consecutive days unless such event of default shall have been cured or waived for a period of not less than 90 consecutive days.

(d) In the event that notwithstanding the provisions of this Section 10.02 the Issuer shall make any deposit pursuant to Article 8 hereof or any payment or distribution of any character to the Trustee on account of the principal of or interest on the Notes, or on account of the mandatory redemption provisions contained in this Indenture, including any payment pursuant to Section 4.10 or 4.12, after the happening of an event of default with respect to any Senior Debt of the Issuer based on a default in the payment of the principal of or interest on Senior Debt of the Issuer, or after receipt by the Trustee of written notice as provided in this Section 10.02 of an event of default with respect to any Senior Debt of the Issuer, or after the acceleration of the Notes pursuant to Section 5.01, then, but only if the Trustee is in receipt of the notice specified in Section 10.06, unless and until such default or event of default shall have been cured or waived or shall have ceased to exist, or such acceleration shall have been rescinded, such payment or deposit (subject to the provisions of Sections 10.05 and 10.06) shall be held by the Trustee in trust for the benefit of, and, if the Senior Debt of the Issuer shall have been declared immediately due and payable, shall be paid forthwith over and delivered to, the holders of Senior Debt of the Issuer (pro rata as to each of such holders on the basis of the respective amounts of Senior Debt of the Issuer held by them) or their representative or the trustee under the indenture or other agreement (if any) pursuant to which Senior Debt of the Issuer may have been issued, as their respective interests may appear, such payments to be made in accordance with an Officers' Certificate as provided in Section 10.13 (on which the Trustee may conclusively rely) identifying all holders of Senior Debt of the Issuer and the principal amount of Senior Debt of the Issuer then outstanding held by each and stating the reasons why such Officers' Certificate is being delivered to the Trustee, for application to the payment of all Senior Debt of the Issuer remaining unpaid to the extent necessary to pay all Senior Debt of the Issuer in full in accordance with its terms, after giving effect to any concurrent payment or distribution to or for the holders of Senior Debt of the

Issuer. In the event of the failure of any Holder of a Note to endorse or assign any such payment or distribution, each holder of Senior Debt of the Issuer is hereby irrevocably authorized to endorse or assign the same. The Issuer shall give prompt written notice to the Trustee of any default under any Senior Debt of the Issuer or under any agreement pursuant to which Senior Debt of the Issuer may have been issued, as required by Section 4.17.

SECTION 10.03. NOTES SUBORDINATED TO PRIOR PAYMENT OF ALL SENIOR DEBT OF THE ISSUER ON DISSOLUTION, WINDING UP, LIQUIDATION OR REORGANIZATION OF ISSUER.

In the event of (i) any insolvency, bankruptcy, receivership, liquidation, reorganization, readjustment, composition or other similar proceeding relating to the Issuer, its creditors or its property, (ii) any case or proceeding for the liquidation, dissolution or other winding-up of the Issuer, voluntary or involuntary, whether or not involving insolvency or bankruptcy proceedings,

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(iii) any assignment by the Issuer for the benefit of creditors, or (iv) any other marshalling of the assets of the Issuer:

(a) the holders of all Senior Debt of the Issuer shall first be entitled to receive payment in full (or to have such payment duly provided for) of the principal and interest due thereon (including any interest thereon accruing after commencement of any such proceeding) before the Holders of the Notes are entitled to receive any payment or any distribution, whether in cash, securities or other property, on account of the principal of or interest on the Notes;

(b) any payment or distribution of assets of the Issuer of any kind or character, whether in cash, property or securities (other than securities of the Issuer as reorganized or readjusted or securities of the Issuer or any other Issuer, trust or corporation provided for by a plan of reorganization or readjustment, junior, or the payment of which is otherwise subordinate, at least to the extent provided in this Article 10, to the payment of all Senior Debt of the Issuer at the time outstanding and to the payment of all securities issued in exchange therefor to the holders of the Senior Debt of the Issuer at the time outstanding), to which the Holders of the Notes or the Trustee on behalf of the Holders of the Notes would be entitled except for the provisions of this Article 10, including any such payment or distribution which may be payable or deliverable by reason of the payment of any other indebtedness of the Issuer being subordinated to the payment of the Notes, shall be paid by the liquidating trustee or agent or other person making such payment or distribution directly to the holders of Senior Debt of the Issuer or their representative(s), or to the trustee under any indenture under which Senior Debt of the Issuer may have been issued (pro rata as to each such holder, representative or trustee on the basis of the respective amounts of unpaid Senior Debt of the Issuer held or represented by each), to the extent necessary to make payment in full of all Senior Debt of the Issuer remaining unpaid after giving effect to any concurrent payment or distribution or provision therefor to the holders of such Senior Debt of the Issuer; and

(c) in the event that notwithstanding the foregoing provisions of this Section 10.03, any payment or distribution of assets of the Issuer of any kind or character, whether in cash, property or securities shall be received by the Trustee or the Holders of the Notes on account of principal or interest on the Notes before all Senior Debt of the Issuer is paid in full, or effective provisions made for its payment, such payment or distribution (subject to the provisions of Sections 10.05 and 10.06) shall be received and held in trust for and shall be paid over or delivered forthwith to the liquidating trustee, agent or other person making such payment or distribution or to the holders of the Senior Debt of the Issuer or their representative, or to the trustee under any indenture under which Senior Debt of the Issuer may have been issued (pro rata as provided in subsection (b) above), for application to the payment of such Senior Debt of the Issuer until all such Senior Debt of the Issuer shall have been paid in full, after giving effect to any concurrent payment or distribution or provision therefor to the holders of such Senior Debt of the Issuer.

If the Issuer effects a transaction permitted by Section 4.14, such transaction shall not be deemed to be a dissolution, winding up, liquidation or reorganization of the Issuer for purposes of this Section 10.03.

The Issuer shall give prompt written notice to the Trustee of any dissolution, winding up, liquidation or reorganization of the Issuer, assignment for the benefit of creditors by the Issuer or any other marshalling of assets of the Issuer.

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SECTION 10.04. HOLDERS TO BE SUBROGATED TO RIGHTS OF HOLDERS OF SENIOR DEBT OF THE ISSUER.

Subject to the payment in full of all Senior Debt of the Issuer, the Holders of the Notes shall be subrogated to the rights of the holders of Senior Debt of the Issuer to receive payments or distributions of assets of the Issuer

applicable to the Senior Debt of the Issuer until all amounts owing on the Notes shall be paid in full, and for the purpose of such subrogation no payments or distributions to the holders of Senior Debt of the Issuer by virtue of this Article 10 which otherwise would have been made to the Holders of the Notes shall, as among the Issuer, its creditors other than the holders of Senior Debt of the Issuer and the Holders of the Notes, be deemed to be payment by the Issuer to or on account of the Senior Debt of the Issuer, it being understood that the provisions of this Article 10 are intended solely for the purpose of defining the relative rights of the Holders of the Notes, on the one hand, and the holders of the Senior Debt of the Issuer, on the other hand.

If any payment or distribution to which the Holders would otherwise have been entitled but for the provisions of this Article 10 shall have been applied, pursuant to the provisions of this Article 10, to the payment of all amounts payable under the Senior Debt of the Issuer, then and in such case, the Holders shall be entitled to receive from the holders of such Senior Debt of the Issuer at the time outstanding any payments or distributions received by such holders of Senior Debt of the Issuer in excess of the amount sufficient to pay all amounts payable under or in respect of the Senior Debt of the Issuer in full.

SECTION 10.05. OBLIGATIONS OF THE ISSUER UNCONDITIONAL.

Nothing contained in this Article 10 or elsewhere in this Indenture or in any Note is intended to or shall impair, as among the Issuer, its creditors other than holders of Senior Debt of the Issuer and the Holders of the Notes, the obligation of the Issuer, which is absolute and unconditional, to pay to the Holders of the Notes the principal of and interest on the Notes as and when the same shall become due and payable in accordance with their terms, or is intended to or shall affect the relative rights of the Holders of the Notes and creditors of the Issuer other than the holders of the Senior Debt of the Issuer, nor shall anything herein or therein prevent the Trustee or the Holder of any Note from exercising all remedies otherwise permitted by applicable law upon the occurrence of a Default under this Indenture, subject to the rights, if any, under this Article 10 of the holders of Senior Debt of the Issuer in respect of cash, property or securities of the Issuer received upon the exercise of any such remedy.

Upon any distribution of assets of the Issuer referred to in this Article 10, the Trustee, subject to the provisions of Article 7, and the Holders of the Notes shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which such dissolution, winding up, liquidation or reorganization proceedings are pending, or a certificate of the liquidating trustee or agent or other person making any distribution to the Trustee or to the Holders of the Notes, for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of the Senior Debt and other indebtedness of the Issuer, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article 10.

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SECTION 10.06. TRUSTEE ENTITLED TO ASSUME PAYMENTS NOT PROHIBITED IN ABSENCE OF NOTICE.

The Trustee shall not at any time be charged with knowledge of the existence of any facts which would prohibit the making of any payment to or by the Trustee, and the Trustee shall not be required to withhold payment to the Holders of Notes as provided in Section 10.02(d), unless and until the Trustee shall have received written notice thereof at its Corporate Trust Office from the Issuer or from one or more holders of Senior Debt of the Issuer or from any representative thereof or trustee therefor identifying the specific sections of this Indenture involved and describing in detail the facts that would obligate the Trustee to withhold payments to Holders of Notes, as well as any other facts required by the next succeeding paragraph of this Section 10.06; and, prior to the receipt of any such written notice, the Trustee, subject to the provisions of Article 7, shall be entitled to assume conclusively that no such facts exist.

The Trustee shall be entitled to rely on the delivery to it of a written notice by a Person representing himself to be a holder of Senior Debt of the Issuer (or a trustee on behalf of such holder) to establish that such notice has been given by a holder of Senior Debt of the Issuer or a trustee on behalf of any such holder. In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any Person as a holder of Senior Debt of the Issuer to participate in any payment or distribution pursuant to this Article 10, the Trustee may request such person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Debt held by such Person, the extent to which such person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such person under this Article 10, and if such evidence is not furnished the Trustee may defer any payment to such person pending judicial determination as to the right of such person to receive such payment.

SECTION 10.07. APPLICATION BY TRUSTEE OF MONIES DEPOSITED WITH IT.

Except as provided in Section 8.04, any deposit of monies by the Issuer

with the Trustee or any Paying Agent (whether or not in trust) for the payment of the principal of or interest on any Notes shall be subject to the provisions of Sections 10.01, 10.02, 10.03 and 10.04, except that, if prior to the opening of business on the date on which by the terms of this Indenture any such monies may become payable for any purpose (including, without limitation, the payment of either the principal or the interest on any Note), the Trustee shall not have received with respect to such monies the notice provided for in Section 10.06, then the Trustee shall have full power and authority to receive such monies and to apply the same to the purpose for which they were received and shall not be affected by any notice to the contrary which may be received by it on or after such date, without, however, limiting any rights that holders of Senior Debt of the Issuer may have to recover any such payments from the Holders in accordance with the provisions of this Article 10.

SECTION 10.08. SUBORDINATION RIGHTS NOT IMPAIRED BY ACTS OR OMISSIONS OF ISSUER OR HOLDERS OF SENIOR DEBT OF THE ISSUER.

No right of any present or future holders of any Senior Debt of the Issuer to enforce subordination as provided herein shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Issuer or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by the Issuer with the terms of this Indenture, regardless

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of any knowledge thereof which any such holder may have or be otherwise charged with. The holders of Senior Debt of the Issuer may extend, renew, modify or amend the terms of the Senior Debt of the Issuer or any security therefor and release, sell or exchange such security and otherwise deal freely with the Issuer, all without affecting the liabilities and obligations of the parties to this Indenture or the Holders.

SECTION 10.09. HOLDERS AUTHORIZE TRUSTEE TO EFFECTUATE SUBORDINATION OF NOTES.

Each Holder of the Notes by his acceptance thereof authorizes and expressly directs the Trustee on his behalf to take such action as may be necessary or appropriate to effectuate the subordination provided in this Article 10 and appoints the Trustee his attorney-in-fact for such purpose, including, in the event of any dissolution, winding up, liquidation or reorganization of the Issuer (whether in bankruptcy, insolvency or receivership proceedings, voluntary liquidation or upon assignment for the benefit of creditors or otherwise) tending towards liquidation of the business and assets of the Issuer, the timely filing of a claim for the unpaid balance of its or his Notes in the form required in said proceedings and cause said claim to be approved. If the Trustee does not file a proper claim or proof of debt in the form required in such proceeding on or prior to 30 days before the expiration of the time to file such claim or claims, then the holders of Senior Debt of the Issuer have the right to file and are hereby authorized to file an appropriate claim for and on behalf of the Holders of said Notes.

SECTION 10.10. RIGHT OF TRUSTEE TO HOLD SENIOR DEBT OF THE ISSUER.

The Trustee, in its individual capacity, shall be entitled to all of the rights set forth in this Article 10 in respect of any Senior Debt of the Issuer at any time held by it to the same extent as any other holder of Senior Debt of the Issuer, and nothing in this Indenture shall be construed to deprive the Trustee of any of its rights as such holder.

SECTION 10.11. TRUSTEE NOT FIDUCIARY FOR HOLDERS OF SENIOR DEBT OF THE ISSUER.

With respect to the holders of Senior Debt of the Issuer, the Trustee undertakes to perform or to observe only such of its covenants and obligations as are specifically set forth in this Article 10, and no implied covenants or obligations with respect to the holders of Senior Debt of the Issuer shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Debt of the Issuer and the Trustee shall not be liable to any holder of Senior Debt of the Issuer if it shall pay over or deliver to Holders of Notes, the Issuer or any other person monies or assets to which any holder of Senior Debt of the Issuer shall be entitled by virtue of this Article 10 or otherwise.

SECTION 10.12. ARTICLE 10 NOT TO PREVENT EVENTS OF DEFAULT.

The failure to make a payment on account of principal or interest on the Notes by reason of any provision in this Article 10 shall not be construed as preventing the occurrence of an Event of Default under Section 5.01.

SECTION 10.13. OFFICERS' CERTIFICATE.

If there occurs an event referred to in the first sentence of Section 10.02(d) or the first sentence of Section 10.03, the Issuer shall promptly give to the Trustee an Officers' Certificate

(on which the Trustee may conclusively rely) identifying all holders of Senior Debt of the Issuer and the principal amount of Senior Debt of the Issuer then outstanding held by each such holder and stating the reasons why such Officers' Certificate is being delivered to the Trustee.

ARTICLE 11

SUBORDINATION OF GUARANTEES

SECTION 11.01. GUARANTEES SUBORDINATION TO SENIOR DEBT OF A GUARANTOR.

Each Guarantor covenants and agrees, and each Holder of the Notes by his acceptance thereof likewise covenants and agrees, that the payments pursuant to the Guarantee by such Guarantor shall be subordinated in accordance with the following provisions of this Article 11 to the prior payment in full of all Senior Debt of a Guarantor for such Guarantor.

"SENIOR DEBT OF A GUARANTOR" means the Principal of and interest on:

- (1) all Indebtedness of a Guarantor;
- (2) lease obligations of a Guarantor;
- (3) all Indebtedness, secured or unsecured, in connection with the acquisition or improvement of any property or asset or the acquisition of any business by a Guarantor;
- (4) all Indebtedness secured by any mortgage, lien, pledge, charge or encumbrance upon property owned by a Guarantor and all indebtedness secured in the manner specified in this clause (4) even if such Guarantor has not assumed or become liable for the payment thereof;
- (5) all customer deposits held by a Guarantor in escrow accounts pending closing of the related sales;
- (6) all indebtedness of a Guarantor created or arising under any conditional sale or other title retention agreement with respect to property acquired by a Guarantor or otherwise representing the deferred and unpaid balance of the purchase price of any such property, including all Indebtedness created or arising in the manner specified in this clause (6) even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property;
- (7) guarantees by a Guarantor, direct or indirect, of any indebtedness of another Person of the types referred to in clauses (1), (2), (3), (4), (5) or (6); and
- (8) contingent obligations of a Guarantor in respect of, or to purchase or otherwise acquire or be responsible or liable for through the purchase of products or services, irrespective of whether such products are delivered or such services are rendered, any such indebtedness referred to in clauses (1), (2), (3), (4), (5) or (6),

which indebtedness, lease obligation, deposit, guarantee or contingent obligation a Guarantor has directly or indirectly created, incurred, assumed, guaranteed or otherwise become liable or

responsible for, whether currently outstanding or hereafter created. All references to indebtedness include any renewals, extensions, refundings, amendments and modifications of any such Indebtedness issued in exchange for such indebtedness; PROVIDED, HOWEVER, that Senior Debt of a Guarantor shall not include, without limitation (i) a Guarantee, (ii) the guarantee by a Guarantor of the Issuers 9 3/4% Subordinated Notes due 2005, (iii) accounts payable or any other indebtedness to trade creditors created or assumed by a Guarantor in the ordinary course of business in connection with the obtaining of materials or services, (iv) any liability for federal, state or local taxes owed or owing by a Guarantor and (v) any Indebtedness as to which, in the instrument creating or evidencing the same or pursuant to which the same is outstanding, it is provided that such indebtedness is on a parity with or otherwise not superior in right of payment to a Guarantee.

This Article 11 shall constitute a continuing offer to all persons who, in reliance upon such provisions, become holders of, or continue to hold, Senior Debt of a Guarantor, and such provisions are made for the benefit of the holders of Senior Debt of a Guarantor, and such holders are made obligees hereunder and any one or more of them may enforce such provisions.

SECTION 11.02. GUARANTOR NOT TO MAKE PAYMENTS WITH RESPECT TO NOTES IN CERTAIN CIRCUMSTANCES.

(a) Upon the maturity of the principal of any Senior Debt of a Guarantor (other than payment of sinking fund installments) by lapse of time, acceleration or otherwise, all principal thereof and interest thereon shall first be paid in full, or such payment duly provided for in cash or in a manner satisfactory to the holders of such Senior Debt of a Guarantor, before any payment, pursuant to the Guarantee, is made on account of the principal of or interest on the Notes or to acquire any of the Notes or on account of the mandatory redemption provisions in the Notes (except mandatory redemption payments made in respect of Notes acquired by such Guarantor before the maturity of such Senior Debt of a Guarantor), including any payment pursuant to Section 4.10 or 4.12.

(b) Unless Section 11.03 shall be applicable, upon (1) the occurrence of a Payment Default with respect to any Senior Debt of a Guarantor and receipt by the relevant Guarantor and the Trustee of written notice of such occurrence or (2) upon the acceleration of such Senior Debt of a Guarantor, then no payment or distribution of any assets of such Guarantor of any kind or character shall be made by such Guarantor or the Trustee on account of principal of or interest on the Notes or on account of the purchase or redemption or other acquisition of Notes, including any payment pursuant to Section 4.10 or 4.12, unless and until such Payment Default shall have been cured or waived in writing or shall have ceased to exist or such Senior Debt of a Guarantor shall have been discharged, after which the relevant Guarantor shall resume making any and all required payments in respect of the Notes, including any missed payments.

(c) Unless Section 11.03 shall be applicable, upon (1) the occurrence of a Non-Payment Default and (2) receipt by the Trustee of written notice of such occurrence, then no payment or distribution of any assets of the relevant Guarantor of any kind or character shall be made by such Guarantor or the Trustee on account of any principal of or interest on the Notes or on account of the purchase or redemption or other acquisition of Notes, including, any payment pursuant to Section 4.10 or 4.12, for a period ("GUARANTEE PAYMENT BLOCKAGE PERIOD") commencing on the earlier of the date of receipt by the Trustee of such written notice from the holders of Senior Debt of a Guarantor or of the Issuer, or any representative of a holder of Senior

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Debt of a Guarantor or of the Issuer unless and until (subject to any blockage of payment that may then be in effect under subsection (a) or (b) of this Section 11.02) the earlier of (x) more than 120 days shall have elapsed since receipt of such written notice by the Trustee, (y) such Non-Payment Default shall have been cured or waived in writing or shall have ceased to exist or such Senior Debt of a Guarantor or of the Issuer shall have been discharged or (z) such Guarantee Payment Blockage Period shall have been terminated by written notice to the relevant Guarantor or to the Issuer, as the case may be, or to the Trustee from the holders of the Senior Debt of a Guarantor or of the Issuer or any representative of the holders of the Senior Debt of a Guarantor or of the Issuer initiating such Guarantee Payment Blockage Period, after which, in the case of clause (x), (y) or (z), the relevant Guarantor shall promptly resume making any and all required payments in respect of the Notes, including any missed payments. In no event shall a Guarantee Payment Blockage Period extend beyond 120 days from the date of the receipt by the Trustee of the notice referred to in clause (2) hereof (the "GUARANTEE INITIAL Period"). Any number of additional Guarantee Payment Blockage Periods may be commenced during the Guarantee Initial Period; PROVIDED, HOWEVER, that no such additional period shall extend beyond the Initial Period. After the expiration of the Guarantee Initial Period, no Guarantee Payment Blockage Period may be commenced on the basis of a Non-Payment Default on the Senior Debt of the Issuer or Senior Debt of a Guarantor which was the basis of a Guarantee Payment Blockage Period commenced during the Guarantee Initial Period until at least 270 consecutive days have elapsed from the last day of the Guarantee Initial Period. No Non-Payment Default with respect to Senior Debt of the Issuer or Senior Debt of a Guarantor which existed or was continuing on the date of the commencement of any Guarantee Payment Blockage Period and of which the applicable holder(s) of Senior Debt of the Issuer or Senior Debt of a Guarantor are aware shall be, or be made, the basis for the commencement of a second Guarantee Payment Blockage Period whether or not within a period of 270 consecutive days unless such event of default shall have been cured or waived for a period of not less than 90 consecutive days.

(d) In the event that notwithstanding the provisions of this Section 11.02 a Guarantor shall make, pursuant to its Guarantee, any payment or distribution of any character to the Trustee on account of the principal of or interest on the Notes, or on account of the mandatory redemption provisions contained in this Indenture, including any payment pursuant to Section 4.10 or 4.12, after the happening of an event of default with respect to any Senior Debt of a Guarantor based on a default in the payment of the principal of or interest on Senior Debt of a Guarantor, or after receipt by the Trustee of written notice as provided in this Section 11.02 of an event of default with respect to any Senior Debt of a Guarantor, or after the acceleration of the Notes pursuant to Section 5.01, then, but only if the Trustee is in receipt of the notice specified in Section 11.06, unless and until such default or event of default shall have been cured or waived or shall have ceased to exist, or such acceleration shall have been rescinded, such payment (subject to the provisions of Sections 11.05 and

11.06) shall be held by the Trustee in trust for the benefit of, and, if the Senior Debt of a Guarantor shall have been declared immediately due and payable, shall be paid forthwith over and delivered to, the holders of Senior Debt of a Guarantor (pro rata as to each of such holders on the basis of the respective amounts of Senior Debt of a Guarantor held by them) or their representative or the trustee under the indenture or other agreement (if any) pursuant to which Senior Debt of a Guarantor may have been issued, as their respective interests may appear, such payments to be made in accordance with an Officers' Certificate as provided in Section 11.13 (on which the Trustee may conclusively rely) identifying all holders of Senior Debt of a Guarantor and the principal amount of Senior Debt of a Guarantor then outstanding held by each and stating the reasons why such Officers' Certificate is being

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delivered to the Trustee, for application to the payment of all Senior Debt of a Guarantor remaining unpaid to the extent necessary to pay all Senior Debt of a Guarantor in full in accordance with its terms, after giving effect to any concurrent payment or distribution to or for the holders of Senior Debt of a Guarantor. In the event of the failure of any Holder of a Note to endorse or assign any such payment or distribution, each holder of Senior Debt of a Guarantor is hereby irrevocably authorized to endorse or assign the same. The relevant Guarantor shall give prompt written notice to the Trustee of any default under any Senior Debt of a Guarantor or under any agreement pursuant to which Senior Debt of a Guarantor may have been issued, as required by Section 4.17.

SECTION 11.03. GUARANTEE SUBORDINATED TO PRIOR PAYMENT OF ALL SENIOR DEBT OF A GUARANTOR ON DISSOLUTION, WINDING UP, LIQUIDATION OR REORGANIZATION OF A GUARANTOR.

In the event of (i) any insolvency, bankruptcy, receivership, liquidation, reorganization, readjustment, composition or other similar proceeding relating to a Guarantor, its creditors or its property, (ii) any case or proceeding for the liquidation, dissolution or other winding-up of a Guarantor, voluntary or involuntary, whether or not involving insolvency or bankruptcy proceedings, (iii) any assignment by a Guarantor for the benefit of creditors, or (iv) any other marshalling of the assets of a Guarantor:

(a) the holders of all Senior Debt of a Guarantor shall first be entitled to receive payment in full (or to have such payment duly provided for) of the principal and interest due thereon (including any interest thereon accruing after commencement of any such proceeding) before the Holders of the Notes are entitled to receive, pursuant to this Guarantee any payment or any distribution, whether in cash, securities or other property, on account of the principal of or interest on the Notes;

(b) any payment or distribution of assets of the Issuer of any kind or character, whether in cash, property or securities (other than securities of a Guarantor as reorganized or readjusted or securities of a Guarantor or any other Issuer, trust or corporation provided for by a plan of reorganization or readjustment, junior, or the payment of which is otherwise subordinate, at least to the extent provided in this Article 11, to the payment of all Senior Debt of a Guarantor at the time outstanding and to the payment of all securities issued in exchange therefor to the holders of the Senior Debt of a Guarantor at the time outstanding), to which the Holders of the Notes or the Trustee on behalf of the Holders of the Notes would be entitled, pursuant to this Guarantee except for the provisions of this Article 11, including any such payment or distribution which may be payable or deliverable by reason of the payment of any other indebtedness of a Guarantor being subordinated to the payment of the Notes, shall be paid by the liquidating trustee or agent or other person making such payment or distribution directly to the holders of Senior Debt of a Guarantor or their representative(s), or to the trustee under any indenture under which Senior Debt of a Guarantor may have been issued (pro rata as to each such holder, representative or trustee on the basis of the respective amounts of unpaid Senior Debt of a Guarantor held or represented by each), to the extent necessary to make payment in full of all Senior Debt of a Guarantor remaining unpaid after giving effect to any concurrent payment or distribution or provision therefor to the holders of such Senior Debt of a Guarantor; and

(c) in the event that notwithstanding the foregoing provisions of this Section 11.03, any payment or distribution of assets of a Guarantor of any kind or character, whether in cash, property or securities shall be received, pursuant to the Guarantee, by the Trustee or the Holders

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of the Notes on account of principal or interest on the Notes before all Senior Debt of a Guarantor is paid in full, or effective provisions made for its payment, such payment or distribution (subject to the provisions of Sections 11.05 and 11.06) shall be received and held in trust for and shall be paid over or delivered to the liquidating trustee, agent or other person making such payment or distribution or to the holders of the Senior Debt of a Guarantor remaining unpaid or unprovided for or their representative, or to the trustee

under any indenture under which Senior Debt of a Guarantor may have been issued (pro rata as provided in subsection (b) above), for application to the payment of such Senior Debt of a Guarantor until all such Senior Debt of a Guarantor shall have been paid in full, after giving effect to any concurrent payment or distribution or provision therefor to the holders of such Senior Debt of a Guarantor.

If a Guarantor effects a transaction permitted by Section 4.14, such transaction shall not be deemed to be a dissolution, winding up, liquidation or reorganization of a Guarantor for purposes of this Section 11.03.

A Guarantor shall give prompt written notice to the Trustee of any dissolution, winding up, liquidation or reorganization of such Guarantor, assignment for the benefit of creditors by such Guarantor or any other marshalling of assets of such Guarantor.

SECTION 11.04. HOLDERS TO BE SUBROGATED TO RIGHTS OF HOLDERS OF SENIOR DEBT OF A GUARANTOR.

Subject to the payment in full of all Senior Debt of a Guarantor, the Holders of the Notes shall be subrogated to the rights of the holders of Senior Debt of a Guarantor to receive payments or distributions of assets of a Guarantor applicable to the Senior Debt of a Guarantor until all amounts owing under the Guarantee shall be paid in full and for the purpose of such subrogation no payments or distributions to the holders of Senior Debt of a Guarantor by virtue of this Article 11 which otherwise would have been made to the Holders of the Notes, shall, as between a Guarantor, its creditors other than holders of its Senior Debt of a Guarantor and the Holders, be deemed to be a payment by such Guarantor to or on account of the Senior Debt of a Guarantor, it being understood that the provisions of this Article 11 are intended solely for the purpose of defining the relative rights of the holders of Senior Debt of a Guarantor on the one hand and the Holders on the other hand.

If any payment or distribution to which the Holders would otherwise have been entitled but for the provisions of this Article 11 shall have been applied, pursuant to the provisions of this Article 11, to the payment of all amounts payable under the Senior Debt of a Guarantor, then and in such case, the Holders shall be entitled to receive from the holders of such Senior Debt of a Guarantor at the time outstanding any payments or distributions received by such holders of such Senior Debt of a Guarantor in excess of the amount sufficient to pay all amounts payable under or in respect of such Senior Debt of a Guarantor in full.

SECTION 11.05. OBLIGATIONS OF THE GUARANTORS UNCONDITIONAL.

Nothing contained in this Article 11 or elsewhere in this Indenture or in any Note is intended to or shall impair, as between the Guarantors and the Holders, the obligations of each Guarantor, which are absolute and unconditional, to pay to the Holders the principal of and interest on the Notes as and when the same shall become due and payable in accordance with the provisions of the Guarantees or is intended to or shall affect the relative rights of the Holders and

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creditors of a Guarantor other than the holders of the Senior Debt of a Guarantor, nor shall anything herein or therein prevent the Trustee or any Holder from exercising all remedies otherwise permitted by applicable law upon the occurrence of a Default under this Indenture, subject to the rights, if any, under this Article 11 of the holders of Senior Debt of a Guarantor in respect of cash, property or securities of a Guarantor received upon the exercise of any such remedy.

Upon any distribution of assets of a Guarantor referred to in this Article 11, the Trustee, subject to the provisions of Article 7, and the Holders of the Notes shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which such dissolution, winding up, liquidation or reorganization proceedings are pending, or a certificate of the liquidating trustee or agent or other person making any distribution to the Trustee or to the Holders of the Notes, for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of the Senior Debt and other indebtedness of such Guarantor, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article 11.

SECTION 11.06. TRUSTEE ENTITLED TO ASSUME PAYMENTS NOT PROHIBITED IN ABSENCE OF NOTICE.

The Trustee shall not at any time be charged with knowledge of the existence of any facts which would prohibit the making of any payment to or by the Trustee, and the Trustee shall not be required to withhold payment to the Holders of Notes as provided in Section 11.02(d), unless and until the Trustee shall have received written notice thereof at its Corporate Trust Office from a Guarantor or from one or more holders of Senior Debt of a Guarantor or from any representative thereof or trustee therefor identifying the specific sections of this Indenture involved and describing in detail the facts that would obligate

the Trustee to withhold payments to Holders of Notes, as well as any other facts required by the next succeeding paragraph of this Section 11.06; and, prior to the receipt of any such written notice, the Trustee, subject to the provisions of Article 7, shall be entitled to assume conclusively that no such facts exist.

The Trustee shall be entitled to rely on the delivery to it of a written notice by a Person representing himself to be a holder of Senior Debt of a Guarantor (or a trustee on behalf of such holder) to establish that such notice has been given by a holder of Senior Debt of a Guarantor or a trustee on behalf of any such holder. In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any Person as a holder of Senior Debt of a Guarantor to participate in any payment or distribution pursuant to this Article 11, the Trustee may request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Debt of a Guarantor held by such person, the extent to which such person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such person under this Article 11, and if such evidence is not furnished the Trustee may defer any payment to such person pending judicial determination as to the right of such person to receive such payment.

SECTION 11.07. APPLICATION BY TRUSTEE OF MONIES DEPOSITED WITH IT.

Except as provided in Sections 8.04, any deposit of monies by a Guarantor with the Trustee or any Paying Agent (whether or not in trust) for the payment of the principal of or interest on any Notes shall be subject to the provisions of Sections 11.01, 11.02, 11.03 and 11.04,

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except that, if prior to the opening of business on the date on which by the terms of this Indenture any such monies may become payable for any purpose (including, without limitation, the payment, pursuant to this Guarantee, of either the principal or the interest on any Note), the Trustee shall not have received with respect to such monies the notice provided for in Section 11.06, then the Trustee shall have full power and authority to receive such monies and to apply the same to the purpose for which they were received and shall not be affected by any notice to the contrary which may be received by it on or after such date, without, however, limiting any rights that holders of Senior Debt of a Guarantor may have to recover any such payments from the Holders in accordance with the provisions of this Article 11.

SECTION 11.08. SUBORDINATION RIGHTS NOT IMPAIRED BY ACTS OR OMISSIONS OF ANY GUARANTOR OR HOLDERS OF SENIOR DEBT OF A GUARANTOR.

No right of any present or future holders of any Senior Debt of a Guarantor to enforce subordination as provided herein shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of any Guarantor or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by any Guarantor with the terms of this Indenture, regardless of any knowledge thereof which any such holder may have or be otherwise charged with. The holders of Senior Debt of a Guarantor may extend, renew, modify or amend the terms of the Senior Debt of a Guarantor or any security therefor and release, sell or exchange such security and otherwise deal freely with any Guarantor, all without affecting the liabilities and obligations of the parties to this Indenture or the Holders.

SECTION 11.09. HOLDERS AUTHORIZE TRUSTEE TO EFFECTUATE SUBORDINATION OF NOTES.

Each Holder of the Notes by his acceptance thereof authorizes and expressly directs the Trustee on his behalf to take such action as may be necessary or appropriate to effectuate the subordination provided in this Article 11 and appoints the Trustee his attorney-in-fact for such purpose, including, in the event of any dissolution, winding up, liquidation or reorganization of a Guarantor (whether in bankruptcy, insolvency or receivership proceedings, voluntary liquidation or upon assignment for the benefit of creditors or otherwise) tending towards liquidation of the business and assets of such Guarantor, the timely filing of a claim for the unpaid balance, pursuant to the relevant Guarantee, of its Notes in the form required in said proceedings and cause said claim to be approved. If the Trustee does not file a proper claim or proof of debt in the form required in such proceeding on or prior to 30 days before the expiration of the time to file such claim or claims, then the holders of Senior Debt of a Guarantor have the right to file and are hereby authorized to file an appropriate claim for and on behalf of the Holders of said Notes.

SECTION 11.10. RIGHT OF TRUSTEE TO HOLD SENIOR DEBT OF A GUARANTOR.

The Trustee in its individual capacity, shall be entitled to all of the rights set forth in this Article 11 in respect of any Senior Debt of a Guarantor at any time held by it to the same extent as any other holder of such Senior Debt of a Guarantor, and nothing in this Indenture shall be construed to deprive the Trustee of any of its rights as such holder.

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SECTION 11.11. TRUSTEE NOT FIDUCIARY FOR HOLDERS OF SENIOR DEBT OF A GUARANTOR.

With respect to the holders of Senior Debt of a Guarantor, the Trustee undertakes to perform or to observe only such of its covenants and obligations as are specifically set forth in this Article 11, and no implied covenants or obligations with respect to the holders of Senior Debt of a Guarantor shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Debt of a Guarantor and the Trustee shall not be liable to any holder of Senior Debt of a Guarantor if it shall pay over or deliver to Holders of Notes, the relevant Guarantor or any other person monies or assets to which any holder of Senior Debt of a Guarantor shall be entitled by virtue of this Article 11 or otherwise.

SECTION 11.12. ARTICLE 11 NOT TO PREVENT EVENTS OF DEFAULT.

The failure to make a payment on account of principal or interest on the Notes by reason of any provision in this Article 11 shall not be construed as preventing the occurrence of an Event of Default under Section 5.01.

SECTION 11.13. SUBORDINATION OF INDEBTEDNESS OWED BY THE ISSUER TO A GUARANTOR.

Any indebtedness owed by the Issuer to a Guarantor shall be subordinate to all obligations of the Issuer with respect to the Notes and this Indenture to the same extent as the Notes are subordinated to Senior Debt of the Issuer.

SECTION 11.14. OFFICERS' CERTIFICATE.

If there occurs an event referred to in the first sentence of Section 11.02(c) or the first sentence of Section 11.03, the relevant Guarantor shall promptly give to the Trustee an Officers' Certificate (on which the Trustee may conclusively rely) identifying all holders of Senior Debt of a Guarantor and the principal amount of Senior Debt of a Guarantor then outstanding held by each such holder and stating the reasons why such Officers' Certificate is being delivered to the Trustee.

ARTICLE 12

MISCELLANEOUS

SECTION 12.01. TRUST INDENTURE ACT OF 1939. The Indenture shall incorporate and be governed by the provisions of the Trust Indenture Act that are required to be part of and to govern indentures qualified under the Trust Indenture Act.

SECTION 12.02. HOLDER COMMUNICATIONS; HOLDER ACTIONS. (a) The rights of Holders to communicate with other Holders with respect to the Indenture or the Notes are as provided by the Trust Indenture Act, and the Company and the Trustee shall comply with the requirements of Trust Indenture Act Section 312(a). Neither the Company, the Issuer nor the Trustee will be held accountable by reason of any disclosure of information as to names and addresses of Holders made pursuant to the Trust Indenture Act.

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(b) (i) Any request, demand, authorization, direction, notice, consent to amendment, supplement or waiver or other action provided by this Indenture to be given or taken by a Holder (an "ACT") may be evidenced by an instrument signed by the Holder delivered to the Trustee. The fact and date of the execution of the instrument, or the authority of the person executing it, may be proved in any manner that the Trustee deems sufficient.

(ii) The Trustee may make reasonable rules for action by or at a meeting of Holders, which will be binding on all the Holders.

(c) Any act by the Holder of any Note binds that Holder and every subsequent Holder of a Note that evidences the same debt as the Note of the acting Holder, even if no notation thereof appears on the Note. Subject to paragraph (d), a Holder may revoke an act as to its Notes, but only if the Trustee receives the notice of revocation before the date the amendment or waiver or other consequence of the act becomes effective.

(d) The Issuer may, but is not obligated to, fix a record date (which need not be within the time limits otherwise prescribed by Trust Indenture Act Section 316(c)) for the purpose of determining the Holders entitled to act with respect to any amendment or waiver or in any other regard, except that during the continuance of an Event of Default, only the Trustee may set a record date as to notices of default, any declaration or acceleration or any other remedies or other consequences of the Event of Default. If a record date is fixed, those Persons that were Holders at such record date and only those Persons will be entitled to act, or to revoke any previous act, whether or not those Persons continue to be Holders after the record date. No act will be valid or effective for more than 90 days after the record date.

SECTION 12.03. NOTICES. (a) Any notice or communication to the Issuer or the Company will be deemed given if in writing (i) when delivered in person or (ii) five days after mailing when mailed by first class mail, or (iii) when sent by facsimile transmission, with transmission confirmed. Notices or communications to a Guarantor will be deemed given if given to the Issuer. Any notice to the Trustee will be effective only upon receipt. In each case the notice or communication should be addressed as follows:

if to the Issuer:

K. Hovnanian Enterprises, Inc.
10 Highway 35
P.O. Box 500
Red Bank, NJ 007701
732-747-7159

if to the Trustee:

First Union National Bank
21 South Street
Morristown, NJ 07960
ATTN: Corporate Trust Administration
(K. Hovnanian Enterprises, Inc. Senior Subordinated Notes due 2012)
973-682-4531

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The Issuer or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

(b) Except as otherwise expressly provided with respect to published notices, any notice or communication to a Holder will be deemed given when mailed to the Holder at its address as it appears on the Register by first class mail or, as to any Global Note registered in the name of DTC or its nominee, as agreed by the Issuer, the Trustee and DTC. Copies of any notice or communication to a Holder, if given by the Issuer or the Company, will be mailed to the Trustee at the same time. Defect in mailing a notice or communication to any particular Holder will not affect its sufficiency with respect to other Holders.

(c) Where the Indenture provides for notice, the notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and the waiver will be the equivalent of the notice. Waivers of notice by Holders must be filed with the Trustee, but such filing is not a condition precedent to the validity of any action taken in reliance upon such waivers.

SECTION 12.04. CERTIFICATE AND OPINION AS TO CONDITIONS PRECEDENT. Upon any request or application by the Issuer or the Company to the Trustee to take any action under the Indenture, the Issuer or the Company will furnish to the Trustee:

(a) an Officers' Certificate stating that, in the opinion of the signers, all conditions precedent, if any, provided for in the Indenture relating to the proposed action have been complied with; and

(b) an Opinion of Counsel stating that all such conditions precedent relating to the proposed action have been complied with.

SECTION 12.05. STATEMENTS REQUIRED IN CERTIFICATE OR OPINION. Each certificate or opinion with respect to compliance with a condition or covenant provided for in the Indenture must include:

(a) a statement that each person signing the certificate or opinion has read the covenant or condition and the related definitions;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statement or opinion contained in the certificate or opinion is based;

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

(d) a statement as to whether or not, in the opinion of each such person, such condition or covenant has been complied with, PROVIDED that an Opinion of Counsel may rely on an Officers' Certificate or certificates of public officials with respect to matters of fact.

SECTION 12.06. PAYMENT DATE OTHER THAN A BUSINESS DAY. If any payment with respect to a payment of any principal of, premium, if any, or interest or Liquidated Damages, if any, on any Note (including any payment to be made on any date fixed for redemption or

purchase of any Note) is due on a day which is not a Business Day, then the payment need not be made on such date, but may be made on the next Business Day with the same force and effect as if made on such date, and no interest will accrue for the intervening period.

SECTION 12.07. GOVERNING LAW. The Indenture, including any Note Guaranties, and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 12.08. NO ADVERSE INTERPRETATION OF OTHER AGREEMENTS. The Indenture may not be used to interpret another indenture or loan or debt agreement of the Issuer, the Company or any Subsidiary of the Company, and no such indenture or loan or debt agreement may be used to interpret the Indenture.

SECTION 12.09. SUCCESSORS. All agreements of the Issuer, the Company or any Guarantor in the Indenture and the Notes will bind its successors. All agreements of the Trustee in the Indenture will bind its successor.

SECTION 12.10. DUPLICATE ORIGINALS. The parties may sign any number of copies of the Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

SECTION 12.11. SEPARABILITY. In case any provision in the Indenture or in the Notes is invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions will not in any way be affected or impaired thereby.

SECTION 12.12. TABLE OF CONTENTS AND HEADINGS. The Table of Contents, Cross-Reference Table and headings of the Articles and Sections of the Indenture have been inserted for convenience of reference only, are not to be considered a part of the Indenture and in no way modify or restrict any of the terms and provisions of the Indenture.

SECTION 12.13. NO LIABILITY OF DIRECTORS, OFFICERS, EMPLOYEES, INCORPORATORS AND STOCKHOLDERS. No director, officer, employee, incorporator, member or stockholder of the Issuer, the Company or any Guarantor, as such, will have any liability for any obligations of the Issuer, the Company or such Guarantor under the Notes, any Note Guaranty or the Indenture or for any claim based on, in respect of, or by reason of, such obligations. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

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SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused the Indenture to be duly executed as of the date first written above.

K. HOVNIAN ENTERPRISES, INC.
as Issuer

/s/ J. Larry Sorsby

By: J. Larry Sorsby
Title: Executive Vice President
Chief Financial Officer

HOVNIAN ENTERPRISES, INC.
as the Company

/s/ J. Larry Sorsby

By: J. Larry Sorsby
Title: Executive Vice President
Chief Financial Officer

GUARANTORS:

ALL SEASONS, INC.
ARROW PROPERTIES, INC.
BALLANTRAE DEVELOPMENT CORP.
BALLANTRAE HOME SALES, 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.
EXC, INC.

HOUSING-HOME SALES, INC.
HOVNANIAN AT TARPON LAKES I, INC.
HOVNANIAN DEVELOPMENTS OF FLORIDA, INC.
HOVNANIAN PENNSYLVANIA, INC.
K. HOV INTERNATIONAL, INC.
K. HOVNANIAN ACQUISITIONS, INC.
K. HOVNANIAN AT ASHBURN VILLAGE, INC.
K. HOVNANIAN AT ATLANTIC CITY, INC.
K. HOVNANIAN AT BALLANTRAE 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 IV, INC.
K. HOVNANIAN AT BRANCHBURG III, INC.
K. HOVNANIAN AT BRIDGEPORT, 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.
K. HOVNANIAN AT DOMINION RIDGE, 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.
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 HOWELL TOWNSHIP, INC.
K. HOVNANIAN AT HUNTER ESTATES, INC.
K. HOVNANIAN AT JACKSONVILLE II, INC.
K. HOVNANIAN AT JEFFERSON, 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.
K. HOVNANIAN AT LAKEWOOD, INC.
K. HOVNANIAN AT LAWRENCE V, 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. HOVNIANIAN AT MAHWAH IX, INC.
K. HOVNIANIAN AT MAHWAH V, INC.
K. HOVNIANIAN AT MAHWAH VI, INC. (Norfolk)
K. HOVNIANIAN AT MAHWAH VII, INC.

K. HOVNIANIAN AT MAHWAH VIII, INC.
K. HOVNIANIAN AT MANALAPAN, INC.
K. HOVNIANIAN AT MARLBORO II, INC.
K. HOVNIANIAN AT MARLBORO TOWNSHIP IV, INC.
K. HOVNIANIAN AT MARLBORO TOWNSHIP VI, INC.
K. HOVNIANIAN AT MARLBORO TOWNSHIP VII,
INC.
K. HOVNIANIAN AT MARLBORO TOWNSHIP III,
INC.
K. HOVNIANIAN AT MEDFORD I, INC.
K. HOVNIANIAN AT MERRIMACK, INC.
K. HOVNIANIAN AT METRO DC SOUTH, INC.
K. HOVNIANIAN AT MONTCLAIR NJ, INC.
K. HOVNIANIAN AT MONTCLAIR, INC.
K. HOVNIANIAN AT MONTGOMERY I, INC.
K. HOVNIANIAN AT NEWARK URBAN RENEWAL
CORPORATION I, INC.
K. HOVNIANIAN AT NEWARK URBAN RENEWAL
CORPORATION IV, INC.
K. HOVNIANIAN AT NEWARK URBAN RENEWAL
CORPORATION V, INC.
K. HOVNIANIAN AT NORTH BERGEN, INC.
K. HOVNIANIAN AT NORTH BRUNSWICK IV, INC.
K. HOVNIANIAN AT NORTHERN WESTCHESTER, INC.
K. HOVNIANIAN AT NORTHLAKE, INC.
K. HOVNIANIAN AT OCEAN WALK, INC.
K. HOVNIANIAN AT P.C. PROPERTIES, INC.
K. HOVNIANIAN AT PARK RIDGE, INC.
K. HOVNIANIAN AT PASCO I, INC.
K. HOVNIANIAN AT PASCO II, INC.
K. HOVNIANIAN AT PEEKSKILL, INC.
K. HOVNIANIAN AT PEMBROKE SHORES, INC.
K. HOVNIANIAN AT PERKIOMEN I, INC.
K. HOVNIANIAN AT PERKIOMEN II, INC.
K. HOVNIANIAN AT PLAINSBORO III, INC.
K. HOVNIANIAN AT POLO TRACE, INC.
K. HOVNIANIAN AT PORT IMPERIAL NORTH, INC.
K. HOVNIANIAN AT PRINCETON, INC.
K. HOVNIANIAN AT RANCHO CHRISTIANITOS, INC.

K. HOVNIANIAN AT RARITAN I, INC.
K. HOVNIANIAN AT READINGTON II, INC.
K. HOVNIANIAN AT RESERVOIR RIDGE, INC.
K. HOVNIANIAN AT RIVER OAKS, INC.
K. HOVNIANIAN AT SAN SEVAINE, INC.
K. HOVNIANIAN AT SARATOGA, INC.
K. HOVNIANIAN AT SCOTCH PLAINS II, INC.
K. HOVNIANIAN AT SCOTCH PLAINS, INC.
K. HOVNIANIAN AT SENECA CROSSING, INC.
K. HOVNIANIAN AT SMITHVILLE, INC.
K. HOVNIANIAN AT SMITHVILLE III, INC.
K. HOVNIANIAN AT SOMERS POINT, INC.
K. HOVNIANIAN AT SOUTH BRUNSWICK II, INC.
K. HOVNIANIAN AT SOUTH BRUNSWICK III, INC.
K. HOVNIANIAN AT SOUTH BRUNSWICK IV, INC.
K. HOVNIANIAN AT SOUTH BRUNSWICK V, INC.
K. HOVNIANIAN AT SPRING RIDGE, INC.
K. HOVNIANIAN AT STONE CANYON, INC.
K. HOVNIANIAN AT STONEGATE, INC. (a CA
Corporation)
K. HOVNIANIAN AT STONEGATE, INC. (a VA
Corporation)
K. HOVNIANIAN AT STONY POINT, INC.
K. HOVNIANIAN AT STUART ROAD, INC.
K. HOVNIANIAN AT SULLY STATION, INC.
K. HOVNIANIAN AT SUMMERWOOD, INC.
K. HOVNIANIAN AT SYCAMORE, INC.
K. HOVNIANIAN AT TANNERY HILL, INC.
K. HOVNIANIAN AT THE BLUFF, INC.
K. HOVNIANIAN AT THE CEDARS, INC.
K. HOVNIANIAN AT THE GLEN, INC.
K. HOVNIANIAN AT THE RESERVE AT MEDFORD,
INC.
K. HOVNIANIAN AT THORNBURY, INC.
K. HOVNIANIAN AT TIERRASANTA, INC.
K. HOVNIANIAN AT TUXEDO, INC.
K. HOVNIANIAN AT UNION TOWNSHIP I, INC.

K. HOVNIANIAN AT UPPER FREEHOLD TOWNSHIP I,
INC.
K. HOVNIANIAN AT UPPER MAKEFIELD I, INC.
K. HOVNIANIAN AT UPPER MERION, INC.

K. HOVNIANIAN AT VAIL RANCH, INC.
K. HOVNIANIAN AT VALLEYBROOK II, INC.
K. HOVNIANIAN AT VALLEYBROOK, INC.
K. HOVNIANIAN AT WALL TOWNSHIP VI, INC.
K. HOVNIANIAN AT WALL TOWNSHIP VIII, INC.
K. HOVNIANIAN AT WASHINGTONVILLE, INC.
K. HOVNIANIAN AT WAYNE III, INC.
K. HOVNIANIAN AT WAYNE V, INC.
K. HOVNIANIAN AT WAYNE VI, INC.
K. HOVNIANIAN AT WAYNE VII, INC.
K. HOVNIANIAN AT WILDROSE, INC.
K. HOVNIANIAN AT WINSTON TRAILS, INC.
K. HOVNIANIAN AT WOODMONT, INC.
K. HOVNIANIAN AVIATION, INC.
K. HOVNIANIAN COMPANIES NORTHEAST, INC.
K. HOVNIANIAN COMPANIES OF CALIFORNIA, INC.
K. HOVNIANIAN COMPANIES OF FLORIDA, INC.
K. HOVNIANIAN COMPANIES OF MARYLAND, INC.
K. HOVNIANIAN COMPANIES OF METRO
WASHINGTON, INC.
K. HOVNIANIAN COMPANIES OF NEW YORK, INC.
K. HOVNIANIAN COMPANIES OF NORTH CAROLINA,
INC.
K. HOVNIANIAN COMPANIES OF PENNSYLVANIA,
INC.
K. HOVNIANIAN COMPANIES OF SOUTHERN
CALIFORNIA, INC.
K. HOVNIANIAN CONSTRUCTION MANAGEMENT, INC.
K. HOVNIANIAN'S DESIGN GALLERY, INC.
K. HOVNIANIAN DEVELOPMENTS OF CALIFORNIA,
INC.
K. HOVNIANIAN DEVELOPMENTS OF MARYLAND,
INC.
K. HOVNIANIAN DEVELOPMENTS OF METRO
WASHINGTON, INC.
K. HOVNIANIAN DEVELOPMENTS OF NEW JERSEY,
INC.

K. HOVNIANIAN DEVELOPMENTS OF NEW YORK,
INC.
K. HOVNIANIAN DEVELOPMENTS OF SOUTH
CAROLINA, INC.
K. HOVNIANIAN DEVELOPMENTS OF TEXAS, INC.
K. HOVNIANIAN EQUITIES, INC.
K. HOVNIANIAN FLORIDA DIVISION, INC.
K. HOVNIANIAN FORECAST ACQUISITION, INC.
K. HOVNIANIAN FORECAST HOMES, INC.
K. HOVNIANIAN INVESTMENT PROPERTIES OF NEW
JERSEY, INC.
K. HOVNIANIAN MARINE, INC.
K. HOVNIANIAN PORT IMPERIAL URBAN RENEWAL,
INC.
K. HOVNIANIAN PROPERTIES OF EAST BRUNSWICK
II, INC.
K. HOVNIANIAN PROPERTIES OF NB THEATRE,
INC.
K. HOVNIANIAN PROPERTIES OF NEWARK URBAN
RENEWAL CORPORATION, INC.
K. HOVNIANIAN PROPERTIES OF NORTH BRUNSWICK
II, INC.
K. HOVNIANIAN PROPERTIES OF NORTH BRUNSWICK
V, INC.
K. HOVNIANIAN PROPERTIES OF PISCATAWAY,
INC.
K. HOVNIANIAN PROPERTIES OF RED BANK, INC.
K. HOVNIANIAN PROPERTIES OF WALL, INC.
K. HOVNIANIAN REAL ESTATE INVESTMENT, INC.
K. HOVNIANIAN REAL ESTATE OF FLORIDA, INC.
K. HOVNIANIAN SOUTHEAST FLORIDA, INC.
K. HOVNIANIAN SOUTHEAST REGION, INC.
K. HOVNIANIAN'S FOUR SEASONS OF THE PALM
BEACHES, INC.
KHC ACQUISITION, INC.
KINGS GRANT EVESHAM CORP.
LANDARAMA, INC.
MATZEL & MUMFORD OF DELAWARE, INC.
M & M AT LONG BRANCH, INC.

NEW K. HOVNIANIAN DEVELOPMENTS OF FLORIDA,
INC.

PARK VILLAGE REALTY, INC.
PARTHENON GROUP, INC.
PINE BROOK CO., 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
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.
K. HOVNIANIAN AT ST. MARGARETS, L.L.C.
K. HOVNIANIAN AT ARBOR HEIGHTS, L.L.C.
K. HOVNIANIAN AT ASHBURN VILLAGE, L.L.C.
K. HOVNIANIAN AT BARNEGAT I, L.L.C.
K. HOVNIANIAN AT BERKELEY, L.L.C.
K. HOVNIANIAN AT BERNARDS V, L.L.C.
K. HOVNIANIAN AT BLOOMS CROSSING, L.L.C.
K. HOVNIANIAN AT BLUE HERON PINES, L.L.C.
K. HOVNIANIAN AT BRENBROOKE, L.L.C.
K. HOVNIANIAN AT CAMDEN I, L.L.C.
K. HOVNIANIAN AT CARMEL VILLAGE, L.L.C.
K. HOVNIANIAN AT CEDAR GROVE III, L.L.C.
K. HOVNIANIAN AT CHESTER I, L.L.C.
K. HOVNIANIAN AT CLIFTON, L.L.C.
K. HOVNIANIAN AT COLUMBIA TOWN CENTER,
L.L.C.
K. HOVNIANIAN AT CRANBURY, L.L.C.
K. HOVNIANIAN AT CURRIES WOODS, L.L.C.
K. HOVNIANIAN AT ENCINITAS RANCH,

L.L.C.
K. HOVNIANIAN AT FORECAST, L.L.C.
K. HOVNIANIAN AT GUTTENBERG, L.L.C.
K. HOVNIANIAN AT HAMBURG, L.L.C.
K. HOVNIANIAN AT HAMBURG CONTRACTORS,
L.L.C.
K. HOVNIANIAN AT JACKSON, L.L.C.
K. HOVNIANIAN AT JERSEY CITY IV, L.L.C.
K. HOVNIANIAN AT KENT ISLAND, L.L.C.
K. HOVNIANIAN AT KINCAID, L.L.C.
K. HOVNIANIAN AT KING FARM, L.L.C.
K. HOVNIANIAN AT LAFAYETTE ESTATES, L.L.C.
K. HOVNIANIAN AT LAKE RIDGE CROSSING,
L.L.C.
K. HOVNIANIAN AT LAKE TERRAPIN, L.L.C.
K. HOVNIANIAN AT LAWRENCE V, L.L.C.
K. HOVNIANIAN AT LINWOOD, L.L.C.
K. HOVNIANIAN AT LITTLE EGG HARBOR, L.L.C.
K. HOVNIANIAN AT LITTLE EGG HARBOR
CONTRACTORS, L.L.C.
K. HOVNIANIAN AT LOWER MORELAND I, L.L.C.
K. HOVNIANIAN AT LOWER MORELAND II, L.L.C.
K. HOVNIANIAN AT LOWER SAUCON II, L.L.C.
K. HOVNIANIAN AT MANSFIELD I, LLC
K. HOVNIANIAN AT MANSFIELD II, LLC
K. HOVNIANIAN AT MANSFIELD III, L.L.C.
K. HOVNIANIAN AT MARLBORO TOWNSHIP VIII,
L.L.C.
K. HOVNIANIAN AT MARLBORO VI, L.L.C.
K. HOVNIANIAN AT MARLBORO VII, L.L.C.
K. HOVNIANIAN AT MENIFEE, L.L.C.
K. HOVNIANIAN AT MIDDLETOWN, L.L.C.
K. HOVNIANIAN AT MT. OLIVE TOWNSHIP, L.L.C.
K. HOVNIANIAN AT NORTH BRUNSWICK VI, L.L.C.
K. HOVNIANIAN AT NORTH HALEDON, L.L.C.
K. HOVNIANIAN AT NORTHAMPTON, L.L.C.
K. HOVNIANIAN AT NORTHFIELD, L.L.C.
K. HOVNIANIAN AT PACIFIC BLUFFS, L.L.C.

K. HOVNIANIAN AT PARAMUS, L.L.C.

K. HOVNIANIAN AT PARK LANE, L.L.C.
K. HOVNIANIAN AT PRINCE WILLIAM, L.L.C.
K. HOVNIANIAN AT RANCHO SANTA MARGARITA,
L.L.C.
K. HOVNIANIAN AT RIVERBEND, L.L.C.
K. HOVNIANIAN AT RODERUCK, L.L.C.
K. HOVNIANIAN AT ROWLAND HEIGHTS, L.L.C.
K. HOVNIANIAN AT SAYREVILLE, L.L.C.
K. HOVNIANIAN AT SOUTH AMBOY, L.L.C.
K. HOVNIANIAN AT SOUTH BANK, L.L.C.
K. HOVNIANIAN AT SOUTH BRUNSWICK, L.L.C.
K. HOVNIANIAN AT SPRING HILL ROAD, L.L.C.
K. HOVNIANIAN AT ST. MARGARETS, L.L.C.
K. HOVNIANIAN AT SUNSETS, L.L.C.
K. HOVNIANIAN AT THE GABLES, L.L.C.
K. HOVNIANIAN AT UPPER FREEHOLD TOWNSHIP
II, L.L.C.
K. HOVNIANIAN AT UPPER FREEHOLD TOWNSHIP
III, L.L.C.
K. HOVNIANIAN AT WANAQUE, L.L.C.
K. HOVNIANIAN AT WASHINGTON, L.L.C.
K. HOVNIANIAN AT WAYNE VIII, L.L.C.
K. HOVNIANIAN AT WAYNE IX, L.L.C.
K. HOVNIANIAN AT WEST MILFORD, L.L.C.
K. HOVNIANIAN AT WEST WINDSOR, L.L.C.
K. HOVNIANIAN AT WILLOW BROOK, L.L.C.
K. HOVNIANIAN AT WINCHESTER, L.L.C.
K. HOVNIANIAN AT WOODHILL ESTATES, L.L.C.
K. HOVNIANIAN AT WOOLWICH, L.L.C.
K. HOVNIANIAN CENTRAL ACQUISITIONS, L.L.C.
K. HOVNIANIAN COMPANIES OF METRO D.C.
NORTH, L.L.C.
K. HOVNIANIAN EASTERN PENNSYLVANIA, L.L.C.
K. HOVNIANIAN FORECAST, L.L.C.
K. HOVNIANIAN NORTH CENTRAL ACQUISITIONS,
L.L.C.
K. HOVNIANIAN NORTH JERSEY ACQUISITIONS,
L.L.C.
K. HOVNIANIAN SHORE ACQUISITIONS, L.L.C.

K. HOVNIANIAN SOUTH JERSEY ACQUISITION,
L.L.C.
K. HOVNIANIAN SOUTHERN NEW JERSEY, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS, L.L.C.
K. HOVNIANIAN'S PRIVATE HOME PORTFOLIO,
L.L.C.
KINGS COURT AT MONTGOMERY, 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.
M&M AT EAST MILL, 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 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 SOUTH BRUNSWICK,
L.L.C.
MATZEL & MUMFORD AT WOODLAND CREST, L.L.C.
SECTION 14 OF THE HILLS, L.L.C.
THE LANDINGS AT SPINNAKER POINTE, L.L.C.
WESTMINSTER HOMES OF ALABAMA, L.L.C.
WESTMINSTER HOMES OF MISSISSIPPI, L.L.C.
WESTMINSTER HOMES OF SOUTH CAROLINA,
L.L.C.
GOODMAN FAMILY BUILDERS, L.P.
M & M INVESTMENTS, L.P.
WASHABAMA, L.P.

/s/ J. Larry Sorsby

By: J. Larry Sorsby
Title: Executive Vice President
Chief Financial Officer

FIRST UNION NATIONAL BANK,
as Trustee

By: /s/ S. Roche

Name: Stephanie Roche
Title: Vice President

EXHIBIT A

[FACE OF NOTE]

K. HOVNIANIAN ENTERPRISES, INC.

8.875% Senior Subordinated Note Due 2012

[CUSIP] [ISIN] _____

No. \$ _____

K. Hovnianian Enterprises, Inc., a New Jersey corporation (the "ISSUER", which term includes any successor under the Indenture hereinafter referred to), for value received, promises to pay to _____, or its registered assigns, the principal sum of _____ DOLLARS (\$ _____) on April 1, 2012

Initial Interest Rate: 8.875% per annum.

Interest Payment Dates: April 1 and October 1, commencing October 1, 2002.

Regular Record Dates: March 15 and September 15.

Reference is hereby make to the further provisions of this Note set forth on the reverse hereof, which will for all purposes have the same effect as if set forth at this place.

IN WITNESS WHEREOF, the Issuer has caused this Note to be signed manually or by facsimile by its duly authorized officers.

Date: K. HOVNIANIAN ENTERPRISES, INC.

By: _____
Name:
Title:

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(Form of Trustee's Certificate of Authentication)

This is one of the 8.875% Senior Subordinated Notes Due 2012 described in the Indenture referred to in this Note.

FIRST UNION NATIONAL BANK,
as Trustee

By: _____
Authorized Signatory

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[REVERSE SIDE OF NOTE]

K. HOVNIANIAN ENTERPRISES, INC.

8.875% Senior Subordinated Note Due 2012

1. PRINCIPAL AND INTEREST.

The Issuer promises to pay the principal of this Note on April 1, 2012.

The Issuer promises to pay interest on the principal amount of this Note on each interest payment date, as set forth on the face of this Note, at the rate of 8.875% per annum.

Interest will be payable semiannually (to the holders of record of the Notes at the close of business on the March 15 or September 15 immediately preceding the interest payment date) on each interest payment date, commencing October 1, 2002.

The Holder of this Note is entitled to the benefits of the Registration Rights Agreement, dated March 26, 2002, between the Issuer, the Guarantors party thereto and the Initial Purchasers named therein (the "REGISTRATION RIGHTS AGREEMENT"). In the event that neither the Exchange Offer Registration Statement (as defined in the Registration Rights Agreement) nor the Shelf Registration Statement (as defined in the Registration Rights Agreement) is declared effective on or prior to the date that is 150 days after the Issue Date (the "EFFECTIVENESS DEADLINE"), the Holder shall be entitled to Liquidated Damages as specified in the Registration Rights Agreement until the Exchange Offer Registration Statement or the Shelf Registration Statement is declared effective by the Commission. If the Exchange Offer Registration Statement is declared effective but the Exchange Offer is not consummated on or prior to the earlier to occur of 40 Business Days after the date of effectiveness of the Exchange Offer Registration Statement, the Issuer shall be required to pay Liquidated Damages as specified in the Registration Rights Agreement.

Interest on this Note will accrue from the most recent date to which interest has been paid on this Note or the Note surrendered in exchange for this Note (or, if there is no existing default in the payment of interest and if this Note is authenticated between a regular record date and the next interest payment date, from such interest payment date) or, if no interest has been paid, from the Issue Date. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Issuer will pay interest on overdue principal, premium, if any, and, to the extent lawful, interest and Liquidated Damages, if any, at a rate per annum that is 1% in excess of 8.875%. Interest and Liquidated Damages not paid when due and any interest on principal, premium or interest not paid when due will be paid to the Persons that are Holders on a special record date, which will be the 15th day preceding the date fixed by the Issuer for the payment of such interest, whether or not such day is a Business Day. At least 15 days before a special record date, the Issuer will send to each Holder and to the Trustee a notice that sets forth the special record date, the payment date and the amount of interest to be paid.

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2. INDENTURES; SUBORDINATION; NOTE GUARANTY.

This is one of the Notes issued under an Indenture dated as of March 26, 2002 (as amended from time to time, the "INDENTURE"), among the Issuer, the Guarantors party thereto and First Union National Bank, as Trustee. Capitalized terms used herein are used as defined in the Indenture unless otherwise indicated. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act. The Notes are subject to all such terms, and Holders are referred to the Indenture and the Trust Indenture Act for a statement of all such terms. To the extent permitted by applicable law, in the event of any inconsistency between the terms of this Note and the terms of the Indenture, the terms of the Indenture will control.

The Notes are general unsecured obligations of the Issuer. The Indenture limits the original aggregate principal amount of the Notes to \$150,000,000, but Additional Notes in an aggregate principal amount of up to \$150,000,000 may be issued pursuant to the Indenture, and the originally issued Notes and all such Additional Notes vote together for all purposes as a single class. This Note is subordinated as set forth in the Indenture. This Note is guaranteed, on a subordinated basis, as set forth in the Indenture.

3. REDEMPTION AND REPURCHASE; DISCHARGE PRIOR TO REDEMPTION OR MATURITY.

This Note is subject to optional redemption, and may be the subject of an Offer to Purchase, as further described in the Indenture. There is no sinking fund or mandatory redemption applicable to this Note.

If the Issuer deposits with the Trustee money or U.S. Government Obligations sufficient to pay the then outstanding principal of, premium and Liquidated Damages, if any, and accrued interest on the Notes to redemption or maturity, the Company may in certain circumstances be discharged from the Indenture and the Notes or may be discharged from certain of its obligations under certain provisions of the Indenture.

4. REGISTERED FORM; DENOMINATIONS; TRANSFER; EXCHANGE.

The Notes are in registered form without coupons in denominations of \$1,000 principal amount and any multiple of \$1,000 in excess thereof. A Holder may register the transfer or exchange of Notes in accordance with the Indenture. The Trustee may require a Holder to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. Pursuant to the Indenture, there are certain periods during which the

Trustee will not be required to issue, register the transfer of or exchange any Note or certain portions of a Note.

5. DEFAULTS AND REMEDIES.

If an Event of Default, as defined in the Indenture, occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the Notes may declare all the Notes to be due and payable. If a bankruptcy or insolvency default with respect to the Issuer occurs and is continuing, the Notes automatically become due and payable. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. The Trustee may require indemnity

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satisfactory to it before it enforces the Indenture or the Notes. Subject to certain limitations, Holders of a majority in principal amount of the Notes then outstanding may direct the Trustee in its exercise of remedies.

6. AMENDMENT AND WAIVER.

Subject to certain exceptions, the Indenture and the Notes may be amended, or default may be waived, with the consent of the Holders of a majority in principal amount of the outstanding Notes. Without notice to or the consent of any Holder, the Issuer and the Trustee may amend or supplement the Indenture or the Notes to, among other things, cure any ambiguity, defect or inconsistency.

7. AUTHENTICATION.

This Note is not valid until the Trustee (or Authenticating Agent) signs the certificate of authentication on the other side of this Note.

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8. ABBREVIATIONS.

Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian) and U/G/M/A/ (= Uniform Gifts to Minors Act).

The Company will furnish a copy of the Indenture to any Holder upon written request and without charge.

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[FORM OF NOTATION ON NOTE RELATING TO GUARANTEE]

GUARANTEE

The undersigned (the "GUARANTORS") have unconditionally guaranteed, jointly and severally (such guarantee by each Guarantor being referred to herein as the "GUARANTEE") (i) the due and punctual payment of the principal of and interest on the Notes, whether at maturity, by acceleration or otherwise, the due and punctual payment of interest on the overdue principal and interest, if any, on the Notes, to the extent lawful, and the due and punctual performance of all other obligations of the Issuer to the Holders or the Trustee all in accordance with the terms set forth in Article 6 of the Indenture and (ii) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise.

The obligations of the Guarantors under this Guarantee are subordinated to all Senior Debt of a Guarantor, as set forth in Article 11 of the Indenture.

No past, present or future stockholder, officer, director, employee or incorporator, as such, of any of the Guarantors shall have any liability under the Guarantee by reason of such person's status as stockholder, officer, director, employee or incorporator. Each Holder of a Note by accepting a Note waives and releases all such liability. This waiver and release are part of the consideration for the issuance of the Guarantee.

Each Holder of a Note by accepting a Note agrees that any Guarantor named below shall have no further liability with respect to its Guarantee if such Guarantor otherwise ceases to be liable in respect of its Guarantee in accordance with the terms of the Indenture.

The Guarantee shall not be valid or obligatory for any purpose until the certificate of authentication on the Notes upon which the Guarantee is noted shall have been executed by the Trustee under the Indenture by the manual signature of one of its authorized officers.

[Guarantors]

By: _____
Title:

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[FORM OF TRANSFER NOTICE]

FOR VALUE RECEIVED the undersigned registered holder hereby sell(s), assign(s) and transfer(s) unto

Insert Taxpayer Identification No.

Please print or typewrite name and address including zip code of assignee

the within Note and all rights thereunder, hereby irrevocably constituting and appointing

attorney to transfer said Note on the books of the Issuer with full power of substitution in the premises.

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[THE FOLLOWING PROVISION TO BE INCLUDED ON ALL CERTIFICATES BEARING A RESTRICTED LEGEND]

In connection with any transfer of this Note occurring prior to _____, the undersigned confirms that such transfer is made without utilizing any general solicitation or general advertising and further as follows:

CHECK ONE

// (1) This Note is being transferred to a "qualified institutional buyer" in compliance with Rule 144A under the Securities Act of 1933, as amended and certification in the form of Exhibit F to the Indenture is being furnished herewith.

// (2) This Note is being transferred to a Non-U.S. Person in compliance with the exemption from registration under the Securities Act of 1933, as amended, provided by Regulation S thereunder, and certification in the form of Exhibit E to the Indenture is being furnished herewith.

OR

// (3) This Note is being transferred other than in accordance with (1) or (2) above and documents are being furnished which comply with the conditions of transfer set forth in this Note and the Indenture.

If none of the foregoing boxes is checked, the Trustee is not obligated to register this Note in the name of any Person other than the Holder hereof unless and until the conditions to any such transfer of registration set forth herein and in the Indenture have been satisfied.

Date: _____

Seller

By

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within-mentioned instrument in every particular, without alteration or any change whatsoever.

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Signature Guarantee:(1)

By

To be executed by an executive officer

(1) Signatures must be guaranteed by an "ELIGIBLE GUARANTOR INSTITUTION" meeting the requirements of the Registrar, which requirements include membership or participation in the Note Transfer Agent Medallion Program ("STAMP") or such other "SIGNATURE GUARANTEE PROGRAM" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

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OPTION OF HOLDER TO ELECT PURCHASE

If you wish to have all of this Note purchased by the Company pursuant to Section 4.10 or Section 4.12 of the Indenture, check the box: / /

If you wish to have a portion of this Note purchased by the Company pursuant to Section 4.10 or Section 4.12 of the Indenture, state the amount (in original principal amount) below:

\$ _____

Date: _____

Your Signature: _____

(Sign exactly as your name appears on the other side of this Note)

Signature Guarantee:(1) _____

(1) Signatures must be guaranteed by an "ELIGIBLE GUARANTOR INSTITUTION" meeting the requirements of the Registrar, which requirements include membership or participation in the Note Transfer Agent Medallion Program ("STAMP") or such other "SIGNATURE GUARANTEE PROGRAM" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

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SCHEDULE OF EXCHANGES OF NOTES(1)

The following exchanges of a part of this Global Note for Physical Notes or a part of another Global Note have been made:

PRINCIPAL
AMOUNT OF
THIS
GLOBAL
NOTE
AMOUNT OF
DECREASE
AMOUNT OF
INCREASE
IN
FOLLOWING
SUCH
SIGNATURE
OF IN
PRINCIPAL
AMOUNT
PRINCIPAL
AMOUNT OF
DECREASE
(OR
AUTHORIZED
OFFICER
DATE OF
EXCHANGE
OF THIS
GLOBAL
NOTE THIS
GLOBAL
NOTE
INCREASE)
OF TRUSTEE

(1) For Global Notes

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EXHIBIT B

SUPPLEMENTAL INDENTURE

dated as of _____, ____

among

K. HOVNIANIAN ENTERPRISES, INC.

HOVNIANIAN ENTERPRISES, INC.

The Guarantors Party Hereto

and

FIRST UNION NATIONAL BANK
as Trustee

8.875% Senior Subordinated Notes due 2012

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THIS SUPPLEMENTAL INDENTURE (this "SUPPLEMENTAL INDENTURE"), entered into as of _____, _____, among K. Hovnianian Enterprises, Inc., a New Jersey corporation (the "ISSUER"), Hovnianian Enterprises, Inc. (the "COMPANY"), [list each new guarantor and its jurisdiction of incorporation] (each an "UNDERSIGNED") and First Union National Bank, as trustee (the "TRUSTEE").

RECITALS

WHEREAS, the Issuer, Company, the Guarantors party thereto and the Trustee entered into the Indenture, dated as of March 26, 2002 (the "INDENTURE"), relating to the Company's 8.875% Senior Subordinated Notes due 2012 (the "NOTES");

WHEREAS, as a condition to the Trustee entering into the Indenture and the purchase of the Notes by the Holders, the Company agreed pursuant to the Indenture to cause any newly acquired or created Restricted Subsidiaries to provide Guaranties.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained and intending to be legally bound, the parties the Indenture hereby agree as follows:

Section 1. Capitalized terms used herein and not otherwise defined herein are used as defined in the Indenture.

Section 2. Each Undersigned, by its execution of this Supplemental Indenture, agrees to be a Guarantor under the Indenture and to be bound by the terms of the Indenture applicable to Guarantors, including, but not limited to, Article 6 and Article 11 thereof.

Section 3. This Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of New York.

Section 4. This Supplemental Indenture may be signed in various counterparts which together will constitute one and the same instrument.

Section 5. This Supplemental Indenture is an amendment supplemental to the Indenture and the Indenture and this Supplemental Indenture will henceforth be read together.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed as of the date first above written.

K. HOVNIANIAN ENTERPRISES, INC.,
as Issuer

By:

Name:
Title:

HOVNIANIAN ENTERPRISES, INC.,

By:

Name:
Title:

[GUARANTOR]

By:

Name:
Title:

FIRST UNION NATIONAL BANK,
as Trustee

By:

Name:
Title:

EXHIBIT C

RESTRICTED LEGEND

THIS NOTE (OR ITS PREDECESSOR) HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT AS SET FORTH IN THE NEXT SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER

(1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) (A "QIB"), (B) IT HAS ACQUIRED THIS NOTE IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATIONS UNDER THE SECURITIES ACT OR (C) IT IS AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(a) (1), (2), (3) OR (7) UNDER THE SECURITIES ACT) (AN "IAI"),

(2) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN, EXCEPT (A) TO THE COMPANY OR ANY OF ITS SUBSIDIARIES, (B) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (C) IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR 904 OF REGULATIONS OF THE SECURITIES ACT, (D) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT, (E) TO AN IAI THAT, PRIOR TO SUCH TRANSFER, FURNISHES THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE TRANSFER OF THIS NOTE (THE FORM OF WHICH CAN BE OBTAINED FROM THE TRUSTEE) AND, IF SUCH TRANSFER IS IN RESPECT OF AN AGGREGATE PRINCIPAL AMOUNT OF LESS THAN \$250,000, AN OPINION OF COUNSEL ACCEPTABLE TO THE ISSUER THAT SUCH TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT, (F) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL ACCEPTABLE TO THE ISSUER) OR (G) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH CASE, IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION AND

(3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTIONS" AND "UNITED STATES" HAVE THE MEANINGS GIVEN TO THEM BY RULE 902 OF REGULATIONS UNDER THE SECURITIES ACT. THE INDENTURE CONTAINS A PROVISION

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REQUIRING THE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE IN VIOLATION OF THE FOREGOING.

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EXHIBIT D

DTC LEGEND

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ANY OF ITS SUBSIDIARIES OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS A BENEFICIAL INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL NOTE ARE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF CEDE & CO. OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL NOTE ARE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE TRANSFER PROVISIONS OF THE INDENTURE.

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EXHIBIT E

Regulation S Certificate

First Union National Bank
21 South Street
Morristown, NJ 07960
Attention: Corporate Trust Administration

Re: K. Hovnanian Enterprises, Inc.
8.875% Senior Subordinated Notes due 2012 (the "NOTES")
Issued under the Indenture (the "INDENTURE") dated
AS OF MARCH 26, 2002 RELATING TO THE NOTES

Dear Sirs:

Terms are used in this Certificate as used in Regulation S ("Regulation S") under the Securities Act of 1933, as amended (the "Securities Act"), except as otherwise stated herein.

[CHECK A OR B AS APPLICABLE.]

// A. This Certificate relates to our proposed transfer of \$_____ principal amount of Notes issued under the Indenture. We hereby certify as follows:

1. The offer and sale of the Notes was not and will not be made to a person in the United States (unless such person is excluded from the definition of "U.S. person" pursuant to Rule 902(k)(2)(vi) or the account held by it for which it is acting is excluded from the definition of "U.S. person" pursuant to Rule 902(k)(2)(i) under the circumstances described in Rule 902(g)(3)) and such offer and sale was not and will not be specifically targeted at an identifiable group of U.S. citizens abroad.
2. Unless the circumstances described in the parenthetical in paragraph 1 above are applicable, either (a) at the time the buy order was originated, the buyer was outside the United States or we and any person acting on our behalf reasonably believed that the buyer was outside the United States or (b) the transaction was executed in, on or through the facilities of a designated offshore securities market, and neither we nor any person acting on our behalf knows that the transaction was pre-arranged with a buyer in the United States.
3. Neither we, any of our affiliates, nor any person acting on our or their behalf has made any directed selling efforts in the United States with respect to the Notes.

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4. The proposed transfer of Notes is not part of a plan or scheme to evade the registration requirements of the Securities Act.
5. If we are a dealer or a person receiving a selling concession, fee or other remuneration in respect of the Notes, and the proposed transfer takes place during the Restricted Period (as defined in the Indenture), or we are an officer or director of the Company or an Initial Purchaser (as defined in the Indenture), we certify that the proposed transfer is being made in accordance with the provisions of Rule 904(b) of

// B. This Certificate relates to our proposed exchange of \$____ principal amount of Notes issued under the Indenture for an equal principal amount of Notes to be held by us. We hereby certify as follows:

1. At the time the offer and sale of the Notes was made to us, either (i) we were not in the United States or (ii) we were excluded from the definition of "U.S. person" pursuant to Rule 902(k)(2)(vi) or the account held by us for which we were acting was excluded from the definition of "U.S. person" pursuant to Rule 902(k)(2)(i) under the circumstances described in Rule 902(g)(3); and we were not a member of an identifiable group of U.S. citizens abroad.
2. Unless the circumstances described in paragraph 1(ii) above are applicable, either (a) at the time our buy order was originated, we were outside the United States or (b) the transaction was executed in, on or through the facilities of a designated offshore securities market and we did not pre-arrange the transaction in the United States.
3. The proposed exchange of Notes is not part of a plan or scheme to evade the registration requirements of the Securities Act.

You and the Company are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

[NAME OF SELLER (FOR TRANSFERS) OR]
OWNER (FOR EXCHANGES)]

By:

Name:
Title:
Address:

Date:_____

Rule 144A Certificate

_____, _____

First Union National Bank
21 South Street
Morristown, NJ 07960
Attention: Corporate Trust Administration

Re: K. Hovnanian Enterprises, Inc.
8.875% Senior Subordinated Notes due 2012 (the "NOTES")
Issued under the Indenture (the "INDENTURE") dated
AS OF MARCH 26, 2002 RELATING TO THE NOTES

Ladies and Gentlemen:

TO BE COMPLETED BY PURCHASER IF (1) ABOVE IS CHECKED.

This Certificate relates to:

[CHECK A OR B AS APPLICABLE.]

// A. Our proposed purchase of \$____ principal amount of Notes issued under the Indenture.

// B. Our proposed exchange of \$____ principal amount of Notes issued under the Indenture for an equal principal amount of Notes to be held by us.

We and, if applicable, each account for which we are acting, are a qualified institutional buyer within the meaning of Rule 144A ("Rule 144A") under the Securities Act of 1933, as amended (the "Securities Act"). If we are acting on behalf of an account, we exercise sole investment discretion with respect to such account. We are aware that the transfer of Notes to us, or such exchange, as applicable, is being made in reliance upon the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. Prior to the date of this Certificate we have received such information regarding the

Company as we have requested pursuant to Rule 144A(d)(4) or have determined not to request such information.

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You and the Company are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

[NAME OF PURCHASER (FOR TRANSFERS
OR OWNER (FOR EXCHANGES))]

By:

Name:
Title:
Address:

Date:_____

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EXHIBIT G

Institutional Accredited Investor Certificate

First Union National Bank
21 South Street
Morristown, NJ 07960
Attention: Corporate Trust Administration

Re: K. Hovnanian Enterprises, Inc.
8.875% Senior Subordinated Notes due 2012 (the "NOTES")
Issued under the Indenture (the "INDENTURE") dated
AS OF MARCH 26, 2002 RELATING TO THE NOTES

Ladies and Gentlemen:

This Certificate relates to:

[CHECK A, B OR C AS APPLICABLE.]

- // A. Our proposed purchase of \$____ principal amount of Notes issued under the Indenture.
- // B. Our proposed purchase of \$____ principal amount of a beneficial interest in a Global Note
- // C. Our proposed exchange of \$____ principal amount of Notes issued under the Indenture for an equal principal amount of Notes to be held by us.

We hereby confirm that:

1. We are an institutional "accredited investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act of 1933, as amended (the "Securities Act") (an "Institutional Accredited Investor").
2. Any acquisition of Notes by us will be for our own account or for the account of one or more other Institutional Accredited Investors as to which we exercise sole investment discretion.
3. We have such knowledge and experience in financial and business matters that we are capable of evaluating the merits and risks of an investment in the Notes and we and any accounts for which we are acting are able to bear the economic risks of and an entire loss of our or their investment in the Notes.

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4. We are not acquiring the Notes or beneficial interest therein with a view to any distribution thereof in a transaction that would violate the Securities Act or the securities laws of any State of the United States or any other applicable jurisdiction; PROVIDED that the disposition of our property and the property of any accounts for which we are acting as fiduciary will remain at all times within our and their control.

5. We acknowledge that the Notes have not been registered under the Securities Act and that the Notes may not be offered or sold within the United States or to or for the benefit of U.S. persons except as set forth below.
6. The principal amount of Notes to which this Certificate relates is at least equal to \$250,000.

We agree for the benefit of the Company, on our own behalf and on behalf of each account for which we are acting, that we will not resell or otherwise transfer this note or any beneficial interest herein, except (A) to the company or any of its subsidiaries, (B) to a person whom we reasonably believe is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (C) in an offshore transaction meeting the requirements of Rule 903 or 904 of Regulation S of the Securities Act, (D) in a transaction meeting the requirements of Rule 144 under the Securities Act, (E) to an IAI that, prior to such transfer, furnishes the Trustee a signed letter containing certain representations and agreements relating to the transfer of this Note (the form of which can be obtained from the Trustee) and, if such transfer is in respect of an aggregate principal amount of less than \$250,000, an opinion of counsel acceptable to the company that such transfer is in compliance with the Securities Act, (F) in accordance with another exemption from the registration requirements of the Securities Act (and based upon an opinion of counsel acceptable to the Company) or (G) pursuant to an effective Registration Statement, and in each case, in accordance with the applicable securities laws of any state of the United States or any other applicable jurisdiction.

Prior to the registration of any transfer in accordance with (f) or (g) above, we acknowledge that the Company reserves the right to require the delivery of such legal opinions, certifications or other evidence as may reasonably be required in order to determine that the proposed transfer is being made in compliance with the Securities Act and applicable state securities laws. We acknowledge that no representation is made as to the availability of any Rule 144 exemption from the registration requirements of the Securities Act.

We understand that the Trustee will not be required to accept for registration of transfer any Notes acquired by us, except upon presentation of evidence satisfactory to the Company and the Trustee that the foregoing restrictions on transfer have been complied with. We further agree to provide to any person acquiring any of the Notes or any beneficial interest therein from us a notice advising such person that resales of the Notes are restricted as stated herein.

We agree to notify you promptly in writing if any of our acknowledgments, representations or agreements herein ceases to be accurate and complete.

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We represent to you that we have full power to make the foregoing acknowledgments, representations and agreements on our own behalf and on behalf of any account for which we are acting.

You and the Company are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

[NAME OF PURCHASER (FOR TRANSFERS)
OR OWNER (FOR EXCHANGES)]

By:

Name:
Title:
Address:

Date: _____

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Upon transfer of certificated Notes, the Notes would be registered in the name of the new beneficial owner as follows:

By: _____

Date: _____

Taxpayer ID number:

[COMPLETE FORM I OR FORM II AS APPLICABLE.]

[FORM I]

CERTIFICATE OF BENEFICIAL OWNERSHIP

To: First Union National Bank
21 South Street
Morristown, NJ 07960
Attention: Corporate Trust Administration OR

[Euroclear Bank S.A./N.V., as operator of the Euroclear System] OR

[Clearstream Banking, SOCIETE ANONYME]

Re: K. Hovnanian Enterprises, Inc.
8.875% Senior Subordinated Notes due 2012 (the "NOTES")
Issued under the Indenture (the "INDENTURE") dated
AS OF MARCH 26, 2002 RELATING TO THE NOTES

Ladies and Gentlemen:

We are the beneficial owner of \$____ principal amount of Notes issued under the Indenture and represented by a Regulation S Temporary Global Note (as defined in the Indenture).

We hereby certify as follows:

[CHECK A OR B AS APPLICABLE.]

/ / A. We are a non-U.S. person (within the meaning of Regulation S under the Securities Act of 1933, as amended).

/ / B. We are a U.S. person (within the meaning of Regulation S under the Securities Act of 1933, as amended) that purchased the Notes in a transaction that did not require registration under the Securities Act of 1933, as amended.

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You and the Company are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

[NAME OF BENEFICIAL OWNER]

By:

Name:
Title:
Address:

Date:_____

[FORM II]

CERTIFICATE OF BENEFICIAL OWNERSHIP

To: First Union National Bank
21 South Street
Morristown, NJ 07960
Attention: Corporate Trust Administration

Re: K. Hovnanian Enterprises, Inc.
8.875% Senior Subordinated Notes due 2012 (the "NOTES")
Issued under the Indenture (the "INDENTURE") dated
AS OF MARCH 26, 2002 RELATING TO THE NOTES

Ladies and Gentlemen:

This is to certify that based solely on certifications we have received in writing, by tested telex or by electronic transmission from member organizations ("Member Organizations") appearing in our records as persons being entitled to a portion of the principal amount of Notes represented by a Regulation S Temporary Global Note issued under the above-referenced Indenture, that as of the date

hereof, \$____ principal amount of Notes represented by the Regulation S Temporary Global Note being submitted herewith for exchange is beneficially owned by persons that are either (i) non-U.S. persons (within the meaning of Regulation S under the Securities Act of 1933, as amended) or (ii) U.S. persons that purchased the Notes in a transaction that did not require registration under the Securities Act of 1933, as amended.

We further certify that (i) we are not submitting herewith for exchange any portion of such Regulation S Temporary Global Note excepted in such Member Organization certifications and (ii) as of the date hereof we have not received any notification from any Member Organization to the effect that the statements made by such Member Organization with respect to

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any portion of such Regulation S Temporary Global Note submitted herewith for exchange are no longer true and cannot be relied upon as of the date hereof.

You and the Company are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Yours faithfully,

[EUROCLEAR BANK S.A./N.V., as operator of
the Euroclear System]

OR

[CLEARSTREAM BANKING, SOCIETE ANONYME]

By:

Name:
Title:
Address:

Date:_____

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EXHIBIT I

THIS NOTE IS A TEMPORARY GLOBAL NOTE. PRIOR TO THE EXPIRATION OF THE RESTRICTED PERIOD APPLICABLE HERETO, BENEFICIAL INTERESTS HEREIN MAY NOT BE HELD BY ANY PERSON OTHER THAN (1) A NON-U.S. PERSON OR (2) A U.S. PERSON THAT PURCHASED SUCH INTEREST IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). BENEFICIAL INTERESTS HEREIN ARE NOT EXCHANGEABLE FOR PHYSICAL NOTES OTHER THAN A PERMANENT GLOBAL NOTE IN ACCORDANCE WITH THE TERMS OF THE INDENTURE. TERMS IN THIS LEGEND ARE USED AS USED IN REGULATION S UNDER THE SECURITIES ACT.

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SENIOR NOTES
A/B EXCHANGE
REGISTRATION RIGHTS AGREEMENT

Dated as of March 26, 2002
by and among

K. Hovnanian Enterprises, Inc.
Hovnanian Enterprises, Inc.
And certain of its Subsidiaries

and

Salomon Smith Barney Inc.
Banc of America Securities LLC
Credit Suisse First Boston Corporation
PNC Capital Markets, Inc.

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This Registration Rights Agreement (this "AGREEMENT") is made and entered into as of March 26, 2002, by and among K. Hovnanian Enterprises, Inc., a New Jersey corporation (the "COMPANY"), Hovnanian Enterprises, Inc., a Delaware corporation (the "HOVNANIAN"), and certain subsidiary guarantors of Hovnanian party hereto (together with Hovnanian, the "GUARANTORS") and Salomon Smith Barney Inc., Banc of America Securities LLC, Credit Suisse First Boston Corporation, PNC Capital Markets, Inc. (each an "INITIAL PURCHASER" and, collectively, the "INITIAL PURCHASERS"), each of whom has agreed to purchase the Company's 8.000% Series A Senior Notes due 2012 (the "SERIES A SENIOR NOTES") pursuant to the Purchase Agreement (as defined below).

This Agreement is made pursuant to the Purchase Agreement, dated March 19, 2002 (the "PURCHASE AGREEMENT"), by and among the Company, the Guarantors and the Initial Purchasers. In order to induce the Initial Purchasers to purchase the Series A Senior Notes, the Company has agreed to provide the registration rights set forth in this Agreement. The execution and delivery of this Agreement is a condition to the obligations of the Initial Purchasers set forth in Section 9 of the Purchase Agreement. Capitalized terms used herein and not otherwise defined shall have the meaning assigned to them by the Indenture, dated March 26, 2002 by and among the Company, the Guarantors and First Union National Bank, as Trustee, relating to the Series A Senior Notes (the "INDENTURE").

The parties hereby agree as follows:

SECTION 1. DEFINITIONS

As used in this Agreement, the following capitalized terms shall have the following meanings:

ACT: The Securities Act of 1933, as amended.

AFFILIATE: As defined in Rule 144 of the Act.

BROKER-DEALER: Any broker or dealer registered under the Exchange Act.

CERTIFICATED SECURITIES: Definitive Notes, as defined in the Indenture.

CLOSING DATE: The date hereof.

COMMISSION: The Securities and Exchange Commission.

CONSUMMATE: An Exchange Offer shall be deemed "Consummated" for purposes of this Agreement upon the occurrence of (a) the filing and effectiveness under the Act of the Exchange Offer Registration Statement relating to the Series B Senior Notes to be issued in the Exchange Offer, (b) the maintenance of such Exchange Offer Registration Statement continuously effective and the keeping of the Exchange Offer open for a period not less than the period required pursuant to Section 3(b) hereof and (c) the delivery by the Company to the Registrar under the Indenture of Series B Senior Notes in the same aggregate principal amount as the aggregate principal amount of Series A Senior Notes tendered by Holders thereof pursuant to the Exchange Offer.

CONSUMMATION DEADLINE: As defined in Section 3(b) hereof.

EFFECTIVENESS DEADLINE: As defined in Sections 3(a) and 4(a) hereof.

EXCHANGE ACT: The Securities Exchange Act of 1934, as amended.

EXCHANGE OFFER: The exchange and issuance by the Company of a principal amount of Series B Senior Notes (which shall be registered pursuant to the Exchange Offer Registration Statement) equal to the outstanding principal amount of Series A Senior Notes that are tendered by such Holders in connection with such exchange and issuance.

EXCHANGE OFFER REGISTRATION STATEMENT: The Registration Statement relating to the Exchange Offer, including the related Prospectus.

EXEMPT REALES: The transactions in which the Initial Purchasers propose to sell the Series A Senior Notes to certain "qualified institutional buyers," as such term is defined in Rule 144A under the Act and pursuant to Regulation S under the Act.

FILING DEADLINE: As defined in Sections 3(a) and 4(a) hereof.

HOLDERS: As defined in Section 2 hereof.

PROSPECTUS: The prospectus included in a Registration Statement at the time such Registration Statement is declared effective, as amended or supplemented by any prospectus supplement and by all other amendments thereto, including post-effective amendments, and all material incorporated by reference into such Prospectus.

RECOMMENCEMENT DATE: As defined in Section 6(d) hereof.

REGISTRATION DEFAULT: As defined in Section 5 hereof.

REGISTRATION STATEMENT: Any registration statement of the Company and the Guarantors relating to (a) an offering of Series B Senior Notes pursuant to an Exchange Offer or (b) the registration for resale of Transfer Restricted Securities pursuant to the Shelf Registration Statement, in each case, (i) that is filed pursuant to the provisions of this Agreement and (ii) including the Prospectus included therein, all amendments and supplements thereto (including post-effective amendments) and all exhibits and material incorporated by reference therein.

REGULATION S: Regulation S promulgated under the Act.

RULE 144: Rule 144 promulgated under the Act.

SERIES B SENIOR NOTES: The Company's 8.000% Series B Senior Notes due 2012 to be issued pursuant to the Indenture: (i) in the Exchange Offer or (ii) as contemplated by Section 4 hereof.

SERIES B SENIOR SUBORDINATED NOTES: The Company's 8.875% Series B Senior Subordinated Notes due 2012 to be issued pursuant to a Subordinated Indenture, dated March 26, 2002 among the Company, the Guarantors and First Union National Bank, as Trustee: (i) in the Exchange Offer or (ii) as contemplated by Section 4 hereof.

SHELF REGISTRATION STATEMENT: As defined in Section 6(b) hereof.

SUSPENSION NOTICE: As defined in Section 6(d) hereof.

TIA: The Trust Indenture Act of 1939 (15 U.S.C. Section 77aaa-77bbbb) as in effect on the date of the Indenture.

TRANSFER RESTRICTED SECURITIES: Each Series A Senior Note, until the earliest to occur of (a) the date on which such Series A Senior Note is exchanged in the Exchange Offer for a Series B Senior Note which is entitled to be resold to the public by the Holder thereof without complying with the prospectus delivery requirements of the

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Act, (b) the date on which such Series A Senior Note has been disposed of in accordance with a Shelf Registration Statement (and the purchasers thereof have been issued Series B Senior Notes), or (c) the date on which such Series A Senior Note is distributed to the public pursuant to Rule 144 or Regulation S under the Act (and purchasers thereof have been issued Series B Senior Notes) and each Series B Senior Note until the date on which such Series B Senior Note is disposed of by a Broker-Dealer pursuant to the "Plan of Distribution" contemplated by the Exchange Offer Registration Statement (including the delivery of the Prospectus contained therein).

SECTION 2. HOLDERS

A Person is deemed to be a holder of Transfer Restricted Securities (each, a "HOLDER") whenever such Person owns Transfer Restricted Securities.

SECTION 3. REGISTERED EXCHANGE OFFER

(a) Unless the Exchange Offer shall not be permitted by applicable federal

law (after the procedures set forth in Section 6(a)(i) below have been complied with), the Company and the Guarantors shall (i) cause the Exchange Offer Registration Statement to be filed with the Commission as soon as practicable after the Closing Date, but in no event later than 90 days after the Closing Date (such 90th day being the "FILING DEADLINE"), (ii) use its reasonable best efforts to cause such Exchange Offer Registration Statement to become effective at the earliest possible time, but in no event later than 150 days after the Closing Date (such 150th day being the "EFFECTIVENESS DEADLINE"), (iii) in connection with the foregoing, (A) file all pre-effective amendments to such Exchange Offer Registration Statement as may be necessary in order to cause it to become effective, (B) file, if applicable, a post-effective amendment to such Exchange Offer Registration Statement pursuant to Rule 430A under the Act and (C) cause all necessary filings, if any, in connection with the registration and qualification of the Series B Senior Notes to be made under the Blue Sky laws of such jurisdictions as are necessary to permit Consummation of the Exchange Offer, and (iv) upon the effectiveness of such Exchange Offer Registration Statement, commence and consummate the Exchange Offer. The Exchange Offer shall be on the appropriate form permitting (i) registration of the Series B Senior Notes to be offered in exchange for the Series A Senior Notes that are Transfer Restricted Securities and (ii) resales of Series B Senior Notes by Broker-Dealers that tendered into the Exchange Offer Series A Senior Notes that such Broker-Dealer acquired for its own account as a result of market making activities or other trading activities (other than Series A Senior Notes acquired directly from the Company or any of its Affiliates) as contemplated by Section 3(c) below.

(b) The Company and the Guarantors shall use their respective reasonable best efforts to cause the Exchange Offer Registration Statement to be effective continuously for the period specified in Section 3(c) below, and shall keep the Exchange Offer open for a period of not less than the minimum period required under applicable federal and state securities laws to consummate the Exchange Offer; PROVIDED, HOWEVER, that in no event shall such period be less than 20 Business Days. The Company and the Guarantors shall cause the Exchange Offer to comply with all applicable federal and state securities laws. No securities other than the Series B Senior Notes and the Series B Senior Subordinated Notes shall be included in the Exchange Offer Registration Statement. The Company and the Guarantors shall use their respective best efforts to cause the Exchange Offer to be consummated on the earliest practicable date after the Exchange Offer Registration Statement has become effective, but in no event later than 40 business days thereafter (such 40th day being the "CONSUMMATION DEADLINE").

(c) The Company shall include a "Plan of Distribution" section in the Prospectus contained in the Exchange Offer Registration Statement and indicate therein that any Broker-Dealer who holds Transfer Restricted Securities that were acquired for the account of such Broker-Dealer as a result of market-making activities or other trading activities (other than Series A Senior Notes acquired directly from the Company or any Affiliate of the Company), may exchange such Transfer Restricted Securities pursuant to the Exchange Offer. Such "Plan of Distribution" section shall also contain all other information with respect to such sales by such Broker-Dealers that

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the Commission may require in order to permit such sales pursuant thereto, but such "Plan of Distribution" shall not name any such Broker-Dealer or disclose the amount of Transfer Restricted Securities held by any such Broker-Dealer, except to the extent required by the Commission as a result of a change in policy, rules or regulations after the date of this Agreement. See the Shearman & Sterling no-action letter (available July 2, 1993).

Because such Broker-Dealer may be deemed to be an "underwriter" within the meaning of the Act and must, therefore, deliver a prospectus meeting the requirements of the Act in connection with its initial sale of any Series B Senior Notes received by such Broker-Dealer in the Exchange Offer, the Company and Guarantors shall permit the use of the Prospectus contained in the Exchange Offer Registration Statement by such Broker-Dealer to satisfy such prospectus delivery requirement. To the extent necessary to ensure that the prospectus contained in the Exchange Offer Registration Statement is available for sales of Series B Senior Notes by Broker-Dealers, the Company and the Guarantors agree to use their respective best efforts to keep the Exchange Offer Registration Statement continuously effective, supplemented, amended and current as required by and subject to the provisions of Sections 6(a) and (c) hereof and in conformity with the requirements of this Agreement, the Act and the policies, rules and regulations of the Commission as announced from time to time, for a period of one year from the Consummation Deadline or such shorter period as will terminate when all Transfer Restricted Securities covered by such Registration Statement have been sold pursuant thereto. The Company and the Guarantors shall provide sufficient copies of the latest version of such Prospectus to such Broker-Dealers, promptly upon request, and in no event later than one day after such request, at any time during such period.

SECTION 4. SHELF REGISTRATION

(a) SHELF REGISTRATION. If (i) the Exchange Offer is not permitted by applicable law (after the Company and the Guarantors have complied with the

procedures set forth in Section 6(a)(i) below) or (ii) if any Holder of Transfer Restricted Securities shall notify the Company within 20 Business Days following the Consummation Deadline that (A) such Holder was prohibited by law or Commission policy from participating in the Exchange Offer or (B) such Holder may not resell the Series B Senior Notes acquired by it in the Exchange Offer to the public without delivering a prospectus and the Prospectus contained in the Exchange Offer Registration Statement is not appropriate or available for such resales by such Holder or (C) such Holder is a Broker-Dealer and holds Series A Senior Notes acquired directly from the Company or any of its Affiliates, then the Company and the Guarantors shall:

(x) cause to be filed, on or prior to 30 days after the earlier of (i) the date on which the Company determines that the Exchange Offer Registration Statement cannot be filed as a result of clause (a)(i) above and (ii) the date on which the Company receives the notice specified in clause (a)(ii) above, (such earlier date, the "FILING DEADLINE"), a shelf registration statement pursuant to Rule 415 under the Act (which may be an amendment to the Exchange Offer Registration Statement (the "SHELF REGISTRATION STATEMENT")), relating to all Transfer Restricted Securities, and

(y) shall use their respective reasonable best efforts to cause such Shelf Registration Statement to become effective on or prior to 90 days after the Filing Deadline for the Shelf Registration Statement (such 90th day the "EFFECTIVENESS DEADLINE").

If, after the Company has filed an Exchange Offer Registration Statement that satisfies the requirements of Section 3(a) above, the Company is required to file and make effective a Shelf Registration Statement solely because the Exchange Offer is not permitted under applicable federal law (i.e., clause (a)(i) above), then the filing of the Exchange Offer Registration Statement shall be deemed to satisfy the requirements of clause (x) above; PROVIDED that, in such event, the Company shall remain obligated to meet the Effectiveness Deadline set forth in clause (y).

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To the extent necessary to ensure that the Shelf Registration Statement is available for sales of Transfer Restricted Securities by the Holders thereof entitled to the benefit of this Section 4(a) and the other securities required to be registered therein pursuant to Section 6(b)(ii) hereof, the Company and the Guarantors shall use their respective reasonable best efforts to keep any Shelf Registration Statement required by this Section 4(a) continuously effective, supplemented, amended and current as required by and subject to the provisions of Sections 6(b) and (c) hereof and in conformity with the requirements of this Agreement, the Act and the policies, rules and regulations of the Commission as announced from time to time, for a period of at least two years (as extended pursuant to Section 6(d)) following the Closing Date, or such shorter period as will terminate when all Transfer Restricted Securities covered by such Shelf Registration Statement have been sold pursuant thereto.

(b) PROVISION BY HOLDERS OF CERTAIN INFORMATION IN CONNECTION WITH THE SHELF REGISTRATION STATEMENT. No Holder of Transfer Restricted Securities may include any of its Transfer Restricted Securities in any Shelf Registration Statement pursuant to this Agreement unless and until such Holder furnishes to the Company in writing, within 20 days after receipt of a request therefor, the information specified in Item 507 or 508 of Regulation S-K, as applicable, of the Act for use in connection with any Shelf Registration Statement or Prospectus or preliminary Prospectus included therein. No Holder of Transfer Restricted Securities shall be entitled to liquidated damages pursuant to Section 5 hereof unless and until such Holder shall have provided all such information. Each selling Holder agrees to promptly furnish additional information required to be disclosed in order to make the information previously furnished to the Company by such Holder not materially misleading.

SECTION 5. LIQUIDATED DAMAGES

If (i) any Registration Statement required by this Agreement is not filed with the Commission on or prior to the applicable Filing Deadline, (ii) any such Registration Statement has not been declared effective by the Commission on or prior to the applicable Effectiveness Deadline, (iii) the Exchange Offer has not been Consummated on or prior to the Consummation Deadline or (iv) any Registration Statement required by this Agreement is filed and declared effective but shall thereafter cease to be effective or fail to be usable for its intended purpose without being succeeded immediately by a post-effective amendment to such Registration Statement that cures such failure and that is itself declared effective within 5 days of filing such post-effective amendment to such Registration Statement (each such event referred to in clauses (i) through (iv), a "REGISTRATION DEFAULT"), then the Company and the Guarantors hereby jointly and severally agree to pay to each Holder of Transfer Restricted Securities affected thereby liquidated damages in an amount equal to \$.05 per week per \$1,000 in principal amount of Transfer Restricted Securities held by such Holder for each week or portion thereof that the Registration Default continues for the first 90-day period immediately following the occurrence of such Registration Default. The amount of the liquidated damages shall increase by an additional \$.05 per week per \$1,000 in principal amount of Transfer

Restricted Securities with respect to each subsequent 90-day period until all Registration Defaults have been cured, up to a maximum amount of liquidated damages of \$.25 per week per \$1,000 in principal amount of Transfer Restricted Securities; PROVIDED that the Company and the Guarantors shall in no event be required to pay liquidated damages for more than one Registration Default at any given time. Notwithstanding anything to the contrary set forth herein, (1) upon filing of the Exchange Offer Registration Statement (and/or, if applicable, the Shelf Registration Statement), in the case of (i) above, (2) upon the effectiveness of the Exchange Offer Registration Statement (and/or, if applicable, the Shelf Registration Statement), in the case of (ii) above, (3) upon Consummation of the Exchange Offer, in the case of (iii) above, or (4) upon the filing of a post-effective amendment to the Registration Statement or an additional Registration Statement that causes the Exchange Offer Registration Statement (and/or, if applicable, the Shelf Registration Statement) to again be declared effective or made usable in the case of (iv) above, the liquidated damages payable with respect to the Transfer Restricted Securities as a result of such clause (i), (ii), (iii) or (iv), as applicable, shall cease.

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All accrued liquidated damages shall be paid to the Holders entitled thereto, in the manner provided for the payment of interest in the Indenture, on each Interest Payment Date, as more fully set forth in the Indenture and the Notes. Notwithstanding the fact that any securities for which liquidated damages are due cease to be Transfer Restricted Securities, all obligations of the Company and the Guarantors to pay liquidated damages with respect to securities shall survive until such time as such obligations with respect to such securities shall have been satisfied in full.

SECTION 6. REGISTRATION PROCEDURES

(a) EXCHANGE OFFER REGISTRATION STATEMENT. In connection with the Exchange Offer, the Company and the Guarantors shall (x) comply with all applicable provisions of Section 6(c) below, (y) use their respective reasonable best efforts to effect such exchange and to permit the resale of Series B Senior Notes by Broker-Dealers that tendered in the Exchange Offer Series A Senior Notes that such Broker-Dealer acquired for its own account as a result of its market making activities or other trading activities (other than Series A Senior Notes acquired directly from the Company or any of its Affiliates) being sold in accordance with the intended method or methods of distribution thereof, and (z) comply with all of the following provisions:

(i) If, following the date hereof there has been announced a change in Commission policy with respect to exchange offers such as the Exchange Offer, that in the reasonable opinion of counsel to the Company raises a substantial question as to whether the Exchange Offer is permitted by applicable federal law, the Company and the Guarantors hereby agree to seek a no-action letter or other favorable decision from the Commission allowing the Company and the Guarantors to consummate an Exchange Offer for such Transfer Restricted Securities. The Company and the Guarantors hereby agree to pursue the issuance of such a decision to the Commission staff level. In connection with the foregoing, the Company and the Guarantors hereby agree to take all such other actions as may be requested by the Commission or otherwise required in connection with the issuance of such decision, including without limitation (A) participating in telephonic conferences with the Commission, (B) delivering to the Commission staff an analysis prepared by counsel to the Company setting forth the legal bases, if any, upon which such counsel has concluded that such an Exchange Offer should be permitted and (C) diligently pursuing a resolution (which need not be favorable) by the Commission staff.

(ii) As a condition to its participation in the Exchange Offer, each Holder of Transfer Restricted Securities (including, without limitation, any Holder who is a Broker Dealer) shall furnish, upon the request of the Company, prior to the consummation of the Exchange Offer, a written representation to the Company and the Guarantors (which may be contained in the letter of transmittal contemplated by the Exchange Offer Registration Statement) to the effect that (A) it is not an Affiliate of the Company, (B) it is not engaged in, and does not intend to engage in, and has no arrangement or understanding with any person to participate in, a distribution of the Series B Senior Notes to be issued in the Exchange Offer and (C) it is acquiring the Series B Senior Notes in its ordinary course of business. As a condition to its participation in the Exchange Offer each Holder using the Exchange Offer to participate in a distribution of the Series B Senior Notes shall acknowledge and agree that, if the resales are of Series B Senior Notes obtained by such Holder in exchange for Series A Senior Notes acquired directly from the Company or an Affiliate thereof, it (1) could not, under Commission policy as in effect on the date of this Agreement, rely on the position of the Commission enunciated in MORGAN STANLEY AND CO., INC. (available June 5, 1991) and EXXON CAPITAL HOLDINGS CORPORATION (available May 13, 1988), as interpreted in the Commission's letter to SHEARMAN & STERLING dated July 2, 1993, and similar no-action letters (including, if applicable, any no-action letter obtained pursuant to clause (i) above), and (2) must comply with the registration and prospectus delivery requirements of the Act in connection with a secondary resale transaction and that such a secondary resale transaction must be covered by

(iii) Prior to effectiveness of the Exchange Offer Registration Statement, the Company and the Guarantors shall provide a supplemental letter to the Commission (A) stating that the Company and the Guarantors are registering the Exchange Offer in reliance on the position of the Commission enunciated in EXXON CAPITAL HOLDINGS CORPORATION (available May 13, 1988), MORGAN STANLEY AND CO., INC. (available June 5, 1991) as interpreted in the Commission's letter to SHEARMAN & STERLING dated July 2, 1993, and, if applicable, any no-action letter obtained pursuant to clause (i) above, (B) including a representation that neither the Company nor any Guarantor has entered into any arrangement or understanding with any Person to distribute the Series B Senior Notes to be received in the Exchange Offer and that, to the best of the Company's and each Guarantor's information and belief, each Holder participating in the Exchange Offer is acquiring the Series B Senior Notes in its ordinary course of business and has no arrangement or understanding with any Person to participate in the distribution of the Series B Senior Notes received in the Exchange Offer and (C) any other undertaking or representation required by the Commission as set forth in any no-action letter obtained pursuant to clause (i) above, if applicable.

(b) SHELF REGISTRATION STATEMENT. In connection with the Shelf Registration Statement, the Company and the Guarantors shall:

(i) comply with all the provisions of Section 6(c) below and use their respective reasonable best efforts to effect such registration to permit the sale of the Transfer Restricted Securities being sold in accordance with the intended method or methods of distribution thereof (as indicated in the information furnished to the Company pursuant to Section 4(b) hereof), and pursuant thereto the Company and the Guarantors will prepare and file with the Commission a Registration Statement relating to the registration on any appropriate form under the Act, which form shall be available for the sale of the Transfer Restricted Securities in accordance with the intended method or methods of distribution thereof within the time periods and otherwise in accordance with the provisions hereof.

(ii) issue, upon the request of any Holder or purchaser of Series A Senior Notes covered by any Shelf Registration Statement contemplated by this Agreement, Series B Senior Notes having an aggregate principal amount equal to the aggregate principal amount of Series A Senior Notes sold pursuant to the Shelf Registration Statement and surrendered to the Company for cancellation; the Company shall register Series B Senior Notes on the Shelf Registration Statement for this purpose and issue the Series B Senior Notes to the purchaser(s) of securities subject to the Shelf Registration Statement in the names as such purchaser(s) shall designate.

(c) GENERAL PROVISIONS. In connection with any Registration Statement and any related Prospectus required by this Agreement, the Company and the Guarantors shall:

(i) use their respective reasonable best efforts to keep such Registration Statement continuously effective and provide all requisite financial statements for the period specified in Section 3 or 4 of this Agreement, as applicable. Upon the occurrence of any event that would cause any such Registration Statement or the Prospectus contained therein (A) to contain an untrue statement of material fact or omit to state any material fact necessary to make the statements therein not misleading or (B) not to be effective and usable for resale of Transfer Restricted Securities during the period required by this Agreement, the Company and the Guarantors shall file promptly an appropriate amendment to such Registration Statement curing such defect, and, if Commission review is required, use their respective best efforts to cause such amendment to be declared effective as soon as practicable.

(ii) prepare and file with the Commission such amendments and post-effective amendments to the applicable Registration Statement as may be necessary to keep such Registration Statement effective for the applicable period set forth in Section 3 or 4 hereof, as the case may be; cause the Prospectus to be supplemented by any required Prospectus supplement, and as so supplemented to be filed pursuant to

Rule 424 under the Act, and to comply fully with Rules 424, 430A and 462, as applicable, under the Act in a timely manner; and comply with the provisions of the Act with respect to the disposition of all securities covered by such Registration Statement during the applicable period in accordance with the intended method or methods of distribution by the sellers thereof set forth in such Registration Statement or supplement to the Prospectus;

(iii) advise each Holder promptly and, if requested by such Holder,

confirm such advice in writing, (A) when the Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to any applicable Registration Statement or any post-effective amendment thereto, when the same has become effective, (B) of any request by the Commission for amendments to the Registration Statement or amendments or supplements to the Prospectus or for additional information relating thereto, (C) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement under the Act or of the suspension by any state securities commission of the qualification of the Transfer Restricted Securities for offering or sale in any jurisdiction, or the initiation of any proceeding for any of the preceding purposes, and (D) of the existence of any fact or the happening of any event that makes any statement of a material fact made in the Registration Statement, the Prospectus, any amendment or supplement thereto or any document incorporated by reference therein untrue, or that requires the making of any additions to or changes in the Registration Statement in order to make the statements therein not misleading, or that requires the making of any additions to or changes in the Prospectus in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. If at any time the Commission shall issue any stop order suspending the effectiveness of the Registration Statement, or any state securities commission or other regulatory authority shall issue an order suspending the qualification or exemption from qualification of the Transfer Restricted Securities under state securities or Blue Sky laws, the Company and the Guarantors shall use their respective reasonable best efforts to obtain the withdrawal or lifting of such order at the earliest possible time;

(iv) subject to Section 6(c)(i), if any fact or event contemplated by Section 6(c)(iii)(D) above shall exist or have occurred, prepare a supplement or post-effective amendment to the Registration Statement or related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of Transfer Restricted Securities, the Prospectus will not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(v) furnish to each Holder in connection with such exchange or sale, if any, before filing with the Commission, copies of any Registration Statement or any Prospectus included therein or any amendments or supplements to any such Registration Statement or Prospectus (including all documents incorporated by reference after the initial filing of such Registration Statement), which documents will be subject to the review and comment of such Holders in connection with such sale, if any, for a period of at least five Business Days, and the Company will not file any such Registration Statement or Prospectus or any amendment or supplement to any such Registration Statement or Prospectus (including all such documents incorporated by reference) to which such Holders shall reasonably object within five Business Days after the receipt thereof. A Holder shall be deemed to have reasonably objected to such filing if such Registration Statement, amendment, Prospectus or supplement, as applicable, as proposed to be filed, contains an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading or fails to comply with the applicable requirements of the Act;

(vi) promptly prior to the filing of any document that is to be incorporated by reference into a Registration Statement or Prospectus, provide copies of such document to each Holder in connection with such exchange or sale, if any, make the Company's and the Guarantors' representatives available for discussion of such document and other customary due diligence matters, and include such information in such document prior to the filing thereof as such Holders may reasonably request;

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(vii) make available, at reasonable times, for inspection by each Holder and any attorney or accountant retained by such Holders, all financial and other records, pertinent corporate documents of the Company and the Guarantors and cause the Company's and the Guarantors' officers, directors and employees to supply all information reasonably requested by any such Holder, attorney or accountant in connection with such Registration Statement or any post-effective amendment thereto subsequent to the filing thereof and prior to its effectiveness;

(viii) if requested by any Holders in connection with such exchange or sale, promptly include in any Registration Statement or Prospectus, pursuant to a supplement or post-effective amendment if necessary, such information as such Holders may reasonably request to have included therein, including, without limitation, information relating to the "Plan of Distribution" of the Transfer Restricted Securities; and make all required filings of such Prospectus supplement or post-effective amendment as soon as practicable after the Company is notified of the matters to be included in such Prospectus supplement or post-effective amendment;

(ix) furnish to each Holder in connection with such exchange or sale,

without charge, at least one copy of the Registration Statement, as first filed with the Commission, and of each amendment thereto, including all documents incorporated by reference therein and all exhibits (including exhibits incorporated therein by reference);

(x) deliver to each Holder without charge, as many copies of the Prospectus (including each preliminary prospectus) and any amendment or supplement thereto as such Persons reasonably may request; the Company and the Guarantors hereby consent to the use (in accordance with law) of the Prospectus and any amendment or supplement thereto by each selling Holder in connection with the offering and the sale of the Transfer Restricted Securities covered by the Prospectus or any amendment or supplement thereto;

(xi) upon the request of any Holder, enter into such agreements (including underwriting agreements) and make such representations and warranties and take all such other actions in connection therewith in order to expedite or facilitate the disposition of the Transfer Restricted Securities pursuant to any applicable Registration Statement contemplated by this Agreement as may be reasonably requested by any Holder in connection with any sale or resale pursuant to any applicable Registration Statement. In such connection, the Company and the Guarantors shall:

(A) upon request of any Holder, furnish (or in the case of paragraphs (2) and (3), use its best efforts to cause to be furnished) to each Holder, upon Consummation of the Exchange Offer or upon the effectiveness of the Shelf Registration Statement, as the case may be:

(1) a certificate, dated such date, signed on behalf of the Company and each Guarantor by (x) the President or any Vice President and (y) a principal financial or accounting officer of the Company and such Guarantor, confirming, as of the date thereof, the matters set forth in Sections 6(x), 9(a) and 9(b) of the Purchase Agreement and such other similar matters as such Holders may reasonably request;

(2) an opinion, dated the date of Consummation of the Exchange Offer or the date of effectiveness of the Shelf Registration Statement, as the case may be, of counsel for the Company and the Guarantors covering matters similar to those set forth in paragraph (e) of Section 9 of the Purchase Agreement and such other matter as such Holder may reasonably request, and in any event including a statement to the effect that such counsel has participated in conferences with officers and other representatives of the Company and the Guarantors, representatives of the independent public accountants for the Company and the Guarantors and have considered the matters required to be stated therein and the statements contained therein, although such counsel has not independently

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verified the accuracy, completeness or fairness of such statements; and that such counsel advises that, on the basis of the foregoing (relying as to materiality to the extent such counsel deems appropriate upon the statements of officers and other representatives of the Company and the Guarantors and without independent check or verification), no facts came to such counsel's attention that caused such counsel to believe that the applicable Registration Statement, at the time such Registration Statement or any post-effective amendment thereto became effective and, in the case of the Exchange Offer Registration Statement, as of the date of Consummation of the Exchange Offer, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that the Prospectus contained in such Registration Statement as of its date and, in the case of the opinion dated the date of Consummation of the Exchange Offer, as of the date of Consummation, contained an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. Without limiting the foregoing, such counsel may state further that such counsel assumes no responsibility for, and has not independently verified, the accuracy, completeness or fairness of the financial statements, notes and schedules and other financial data included in any Registration Statement contemplated by this Agreement or the related Prospectus; and

(3) a customary comfort letter, dated the date of Consummation of the Exchange Offer, or as of the date of effectiveness of the Shelf Registration Statement, as the case may be, from the Company's independent accountants, in the customary form and covering matters of the type customarily covered in comfort letters to underwriters in connection with underwritten offerings, and affirming the matters set forth in the comfort letter delivered pursuant to Section 9(h) of the Purchase Agreement; and

(B) deliver such other documents and certificates as may be

reasonably requested by the selling Holders to evidence compliance with the matters covered in clause (A) above and with any customary conditions contained in any agreement entered into by the Company and the Guarantors pursuant to this clause (xi);

(xii) prior to any public offering of Transfer Restricted Securities, cooperate with the selling Holders and their counsel in connection with the registration and qualification of the Transfer Restricted Securities under the securities or Blue Sky laws of such jurisdictions as the selling Holders may request and do any and all other acts or things necessary or advisable to enable the disposition in such jurisdictions of the Transfer Restricted Securities covered by the applicable Registration Statement; PROVIDED, HOWEVER, that neither the Company nor any Guarantor shall be required to register or qualify as a foreign corporation or other entity, as applicable, where it is not now so qualified or to take any action that would subject it to the service of process in suits or to taxation, other than as to matters and transactions relating to the Registration Statement, in any jurisdiction where it is not now so subject;

(xiii) in connection with any sale of Transfer Restricted Securities that will result in such securities no longer being Transfer Restricted Securities, cooperate with the Holders to facilitate the timely preparation and delivery of certificates representing Transfer Restricted Securities to be sold and not bearing any restrictive legends; and to register such Transfer Restricted Securities in such denominations and such names as the selling Holders may request at least two Business Days prior to such sale of Transfer Restricted Securities;

(xiv) use their respective reasonable best efforts to cause the disposition of the Transfer Restricted Securities covered by the Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the seller or sellers thereof to consummate the disposition of such Transfer Restricted Securities, subject to the proviso contained in clause (xii) above;

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(xv) provide a CUSIP number for all Transfer Restricted Securities not later than the effective date of a Registration Statement covering such Transfer Restricted Securities and provide the Trustee under the Indenture with printed certificates for the Transfer Restricted Securities which are in a form eligible for deposit with the Depository Trust Company;

(xvi) otherwise use their respective reasonable best efforts to comply with all applicable rules and regulations of the Commission, and make generally available to its security holders with regard to any applicable Registration Statement, as soon as practicable, a consolidated earnings statement meeting the requirements of Rule 158 (which need not be audited) covering a twelve-month period beginning after the effective date of the Registration Statement (as such term is defined in paragraph (c) of Rule 158 under the Act);

(xvii) cause the Indenture to be qualified under the TIA not later than the effective date of the first Registration Statement required by this Agreement and, in connection therewith, cooperate with the Trustee and the Holders to effect such changes to the Indenture as may be required for such Indenture to be so qualified in accordance with the terms of the TIA; and execute and use its best efforts to cause the Trustee to execute, all documents that may be required to effect such changes and all other forms and documents required to be filed with the Commission to enable such Indenture to be so qualified in a timely manner; and

(xviii) provide promptly to each Holder, upon request, each document filed with the Commission pursuant to the requirements of Section 13 or Section 15(d) of the Exchange Act.

(d) RESTRICTIONS ON HOLDERS. Each Holder agrees by acquisition of a Transfer Restricted Security that, upon receipt of the notice referred to in Section 6(c)(iii)(C) or any notice from the Company of the existence of any fact of the kind described in Section 6(c)(iii)(D) hereof (in each case, a "SUSPENSION NOTICE"), such Holder will forthwith discontinue disposition of Transfer Restricted Securities pursuant to the applicable Registration Statement until (i) such Holder has received copies of the supplemented or amended Prospectus contemplated by Section 6(c)(iv) hereof, or (ii) such Holder is advised in writing by the Company that the use of the Prospectus may be resumed, and has received copies of any additional or supplemental filings that are incorporated by reference in the Prospectus (in each case, the "RECOMMENCEMENT DATE"). Each Holder receiving a Suspension Notice hereby agrees that it will either (i) destroy any Prospectuses, other than permanent file copies, then in such Holder's possession which have been replaced by the Company with more recently dated Prospectuses or (ii) deliver to the Company (at the Company's expense) all copies, other than permanent file copies, then in such Holder's possession of the Prospectus covering such Transfer Restricted Securities that was current at the time of receipt of the Suspension Notice. The time period regarding the effectiveness of such Registration Statement set forth in Section

3 or 4 hereof, as applicable, shall be extended by a number of days equal to the number of days in the period from and including the date of delivery of the Suspension Notice to the date of delivery of the Recommencement Date.

SECTION 7. REGISTRATION EXPENSES

(a) All expenses incident to the Company's and the Guarantors' performance of or compliance with this Agreement will be borne by the Company, regardless of whether a Registration Statement becomes effective, including without limitation: (i) all registration and filing fees and expenses; (ii) all fees and expenses of compliance with federal securities and state Blue Sky or securities laws; (iii) all expenses of printing (including printing certificates for the Series B Senior Notes to be issued in the Exchange Offer and printing of Prospectuses), messenger and delivery services and telephone; (iv) all fees and disbursements of counsel for the Company, the Guarantors and the Holders of Transfer Restricted Securities; (v) all application and filing fees in connection with listing the Series B Senior Notes on a national securities exchange or automated quotation system pursuant to the requirements hereof; and (vi) all fees and disbursements of independent certified public accountants of the

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Company and the Guarantors (including the expenses of any special audit and comfort letters required by or incident to such performance).

The Company will, in any event, bear its and the Guarantors' internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expenses of any annual audit and the fees and expenses of any Person, including special experts, retained by the Company or the Guarantors.

(b) In connection with any Registration Statement required by this Agreement (including, without limitation, the Exchange Offer Registration Statement and the Shelf Registration Statement), the Company and the Guarantors will reimburse the Initial Purchasers and the Holders of Transfer Restricted Securities who are tendering Series A Senior Notes in the Exchange Offer and/or selling or reselling Series A Senior Notes or Series B Senior Notes pursuant to the "Plan of Distribution" contained in the Exchange Offer Registration Statement or the Shelf Registration Statement, as applicable, for the reasonable fees and disbursements of not more than one counsel, who shall be Davis Polk & Wardwell, unless another firm shall be chosen by the Holders of a majority in principal amount of the Transfer Restricted Securities for whose benefit such Registration Statement is being prepared. Notwithstanding the foregoing, such Holders shall be responsible for any and all underwriting discounts and commissions and prior to employing counsel in connection with an Exchange Offer, the Initial Purchasers will notify the Company and the Company's counsel and provide them reasonable opportunity to discuss the need for separate counsel; PROVIDED, HOWEVER, the Initial Purchasers shall at all times retain the sole right to employ separate counsel.

SECTION 8. INDEMNIFICATION

(a) Each of the Company and the Guarantors agrees, jointly and severally, to indemnify and hold harmless each Holder, its directors, officers and each Person, if any, who controls such Holder (within the meaning of Section 15 of the Act or Section 20 of the Exchange Act), from and against any and all losses, claims, damages, liabilities, judgments, (including without limitation, any legal or other expenses incurred in connection with investigating or defending any matter, including any action that could give rise to any such losses, claims, damages, liabilities or judgments) caused by any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement, preliminary prospectus or Prospectus (or any amendment or supplement thereto) provided by the Company to any Holder or any prospective purchaser of Series B Senior Notes or registered Series A Senior Notes, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages, liabilities or judgments are caused by an untrue statement or omission or alleged untrue statement or omission that is based upon information relating to any of the Holders furnished in writing to the Company by any of the Holders.

(b) Each Holder of Transfer Restricted Securities agrees, severally and not jointly, to indemnify and hold harmless the Company and the Guarantors, and their respective directors and officers, and each person, if any, who controls (within the meaning of Section 15 of the Act or Section 20 of the Exchange Act) the Company, or the Guarantors to the same extent as the foregoing indemnity from the Company and the Guarantors set forth in Section 8(a) above, but only with reference to information relating to such Holder furnished in writing to the Company by such Holder expressly for use in any Registration Statement. In no event shall any Holder, its directors, officers or any Person who controls such Holder be liable or responsible for any amount in excess of the amount by which the total amount received by such Holder with respect to its sale of Transfer Restricted Securities pursuant to a Registration Statement exceeds (i) the amount paid by such Holder for such Transfer Restricted Securities and (ii)

the amount of any damages that such Holder, its directors, officers or any Person who controls such Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission.

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(c) In case any action shall be commenced involving any person in respect of which indemnity may be sought pursuant to Section 8(a) or 8(b) (the "INDEMNIFIED PARTY"), the indemnified party shall promptly notify the person against whom such indemnity may be sought (the "INDEMNIFYING PERSON") in writing and the indemnifying party shall assume the defense of such action, including the employment of counsel reasonably satisfactory to the indemnified party and the payment of all fees and expenses of such counsel, as incurred (except that in the case of any action in respect of which indemnity may be sought pursuant to both Sections 8(a) and 8(b), a Holder shall not be required to assume the defense of such action pursuant to this Section 8(c), but may employ separate counsel and participate in the defense thereof, but the fees and expenses of such counsel, except as provided below, shall be at the expense of the Holder). Any indemnified party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of the indemnified party unless (i) the employment of such counsel shall have been specifically authorized in writing by the indemnifying party, (ii) the indemnifying party shall have failed to assume the defense of such action or employ counsel reasonably satisfactory to the indemnified party or (iii) the named parties to any such action (including any impleaded parties) include both the indemnified party and the indemnifying party, and the indemnified party shall have been advised by such counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the indemnifying party (in which case the indemnifying party shall not have the right to assume the defense of such action on behalf of the indemnified party). In any such case, the indemnifying party shall not, in connection with any one action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) for all indemnified parties and all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by a majority of the Holders, in the case of the parties indemnified pursuant to Section 8(a), and by the Company and Guarantors, in the case of parties indemnified pursuant to Section 8(b). The indemnifying party shall indemnify and hold harmless the indemnified party from and against any and all losses, claims, damages, liabilities and judgments by reason of any settlement of any action (i) effected with its written consent or (ii) effected without its written consent if the settlement is entered into more than twenty business days after the indemnifying party shall have received a request from the indemnified party for reimbursement for the fees and expenses of counsel (in any case where such fees and expenses are at the expense of the indemnifying party) and, prior to the date of such settlement, the indemnifying party shall have failed to comply with such reimbursement request. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement or compromise of, or consent to the entry of judgment with respect to, any pending or threatened action in respect of which the indemnified party is or could have been a party and indemnity or contribution may be or could have been sought hereunder by the indemnified party, unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability on claims that are or could have been the subject matter of such action and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of the indemnified party.

(d) To the extent that the indemnification provided for in this Section 8 is unavailable to an indemnified party in respect of any losses, claims, damages, liabilities or judgments referred to therein, then each indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities or judgments (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Guarantors, on the one hand, and the Holders, on the other hand, from their sale of Transfer Restricted Securities or (ii) if the allocation provided by clause 8(d)(i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 8(d)(i) above but also the relative fault of the Company and the Guarantors, on the one hand, and of the Holder, on the other hand, in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or judgments, as well as any other relevant equitable considerations. The relative fault of the Company and the Guarantors, on the one hand, and of the Holder, on the other hand, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or such

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Guarantor, on the one hand, or by the Holder, on the other hand, and the parties' relative intent, knowledge, access to information and opportunity to

correct or prevent such statement or omission.

The Company, the Guarantors and each Holder agree that it would not be just and equitable if contribution pursuant to this Section 8(d) were determined by pro rata allocation (even if the Holders were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages, liabilities or judgments referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses incurred by such indemnified party in connection with investigating or defending any matter, including any action that could have given rise to such losses, claims, damages, liabilities or judgments. Notwithstanding the provisions of this Section 8, no Holder, its directors, its officers or any Person, if any, who controls such Holder shall be required to contribute, in the aggregate, any amount in excess of the amount by which the total received by such Holder with respect to the sale of Transfer Restricted Securities pursuant to a Registration Statement exceeds (i) the amount paid by such Holder for such Transfer Restricted Securities and (ii) the amount of any damages which such Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Holders' obligations to contribute pursuant to this Section 8(d) are several in proportion to the respective principal amount of Transfer Restricted Securities held by each Holder hereunder and not joint.

SECTION 9. RULE 144A AND RULE 144

The Company and each Guarantor agree with each Holder, for so long as any Transfer Restricted Securities remain outstanding and during any period in which the Company or such Guarantor (i) is not subject to Section 13 or 15(d) of the Exchange Act, to make available, upon request of any Holder, to such Holder or beneficial owner of Transfer Restricted Securities in connection with any sale thereof and any prospective purchaser of such Transfer Restricted Securities designated by such Holder or beneficial owner, the information required by Rule 144A(d)(4) under the Act in order to permit resales of such Transfer Restricted Securities pursuant to Rule 144A, and (ii) is subject to Section 13 or 15 (d) of the Exchange Act, to make all filings required thereby in a timely manner in order to permit resales of such Transfer Restricted Securities pursuant to Rule 144.

SECTION 10. MISCELLANEOUS

(a) REMEDIES. The Company and the Guarantors acknowledge and agree that any failure by the Company and/or the Guarantors to comply with their respective obligations under Sections 3 and 4 hereof may result in material irreparable injury to the Initial Purchasers or the Holders for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of any such failure, the Initial Purchasers or any Holder may obtain such relief as may be required to specifically enforce the Company's and the Guarantor's obligations under Sections 3 and 4 hereof. The Company and the Guarantors further agree to waive the defense in any action for specific performance that a remedy at law would be adequate.

(b) NO INCONSISTENT AGREEMENTS. Neither the Company nor any Guarantor will, on or after the date of this Agreement, enter into any agreement with respect to its securities that is inconsistent with the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions hereof. Neither the Company nor any Guarantor has previously entered into any agreement granting any registration rights with respect to its securities to any Person. The rights granted to the Holders hereunder do not in any way conflict with and are not inconsistent with the rights granted to the holders of the Company's and the Guarantors' securities under any agreement in effect on the date hereof.

(c) AMENDMENTS AND WAIVERS. The provisions of this Agreement may not be amended, modified or supplemented, and waivers or consents to or departures from the provisions hereof may not be given unless (i) in the case of Section 5 hereof and this Section 10(c)(i), the Company has obtained the written consent of Holders of all outstanding Transfer Restricted Securities and (ii) in the case of all other provisions hereof, the Company has obtained the written consent of Holders of a majority of the outstanding principal amount of Transfer Restricted Securities (excluding Transfer Restricted Securities held by the Company or its Affiliates). Notwithstanding the foregoing, a waiver or consent to departure from the provisions hereof that relates exclusively to the rights of Holders whose Transfer Restricted Securities are being tendered pursuant to the Exchange Offer, and that does not affect directly or indirectly the rights of other Holders whose Transfer Restricted Securities are not being tendered pursuant to such Exchange Offer, may be given by the Holders of a majority of the outstanding principal amount of Transfer Restricted Securities subject to such Exchange Offer.

(d) THIRD PARTY BENEFICIARY. The Holders shall be third party beneficiaries to the agreements made hereunder between the Company and the Guarantors, on the one hand, and the Initial Purchasers, on the other hand, and shall have the right to enforce such agreements directly to the extent they may deem such enforcement necessary or advisable to protect its rights or the rights of Holders hereunder.

(e) NOTICES. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, first-class mail (registered or certified, return receipt requested), telex, telecopier, or air courier guaranteeing overnight delivery:

(i) if to a Holder, at the address set forth on the records of the Registrar under the Indenture, with a copy to the Registrar under the Indenture; and

(ii) if to the Company or the Guarantors:
c/o Hovnanian Enterprises, Inc.
10 Highway 35
P.O. Box 500
Red Bank, NJ 07701

Telecopier No.: 732-747-6835
Attention: Corporate Controller

With a copy to:
Simpson Thacher & Bartlett
425 Lexington Ave.
New York, NY 10017

Telecopier No.: 212-455-2502
Attention: Vincent Pagano, Jr., Esq.

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when receipt acknowledged, if telecopied; and on the next business day, if timely delivered to an air courier guaranteeing overnight delivery.

Copies of all such notices, demands or other communications shall be concurrently delivered by the Person giving the same to the Trustee at the address specified in the Indenture.

(f) SUCCESSORS AND ASSIGNS. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties, including without limitation and without the need for an express

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assignment, subsequent Holders; PROVIDED, that nothing herein shall be deemed to permit any assignment, transfer or other disposition of Transfer Restricted Securities in violation of the terms hereof or of the Purchase Agreement or the Indenture. If any transferee of any Holder shall acquire Transfer Restricted Securities in any manner, whether by operation of law or otherwise, such Transfer Restricted Securities shall be held subject to all of the terms of this Agreement, and by taking and holding such Transfer Restricted Securities such Person shall be conclusively deemed to have agreed to be bound by and to perform all of the terms and provisions of this Agreement, including the restrictions on resale set forth in this Agreement and, if applicable, the Purchase Agreement, and such Person shall be entitled to receive the benefits hereof.

(g) COUNTERPARTS. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(h) HEADINGS. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(i) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(j) SEVERABILITY. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

(k) ENTIRE AGREEMENT. This Agreement is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein with respect to the registration rights granted with respect to the Transfer Restricted Securities. This Agreement supersedes all prior agreements and

understandings between the parties with respect to such subject matter.

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IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

K. HOVNANIAN ENTERPRISES, INC.

/s/ J. Larry Sorsby

By: J. Larry Sorsby
Title: Executive Vice President
Chief Financial Officer

HOVNANIAN ENTERPRISES, INC.

/s/ J. Larry Sorsby

By: J. Larry Sorsby
Title: Executive Vice President
Chief Financial Officer

GUARANTORS:

ALL SEASONS, INC.
ARROW PROPERTIES, INC.
BALLANTRAE DEVELOPMENT CORP.
BALLANTRAE HOME SALES, 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.
EXC, INC.
FORTIS HOMES, INC.
HOUSING-HOME SALES, INC.
HOVNANIAN AT TARPON LAKES I, INC.
HOVNANIAN DEVELOPMENTS OF FLORIDA, INC.
HOVNANIAN PENNSYLVANIA, INC.
K. HOV INTERNATIONAL, INC.
K. HOVNANIAN ACQUISITIONS, INC.
K. HOVNANIAN AT ASHBURN VILLAGE, INC.
K. HOVNANIAN AT ATLANTIC CITY, INC.
K. HOVNANIAN AT BALLANTRAE 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 IV, INC.
K. HOVNANIAN AT BRANCHBURG III, INC.

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K. HOVNANIAN AT BRIDGEPORT, 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.
K. HOVNANIAN AT DOMINION RIDGE, INC.
K. HOVNANIAN AT EAST BRUNSWICK VI, INC.

K. HOVNIANIAN AT EAST BRUNSWICK VIII, INC.
K. HOVNIANIAN AT EAST WHITELAND I, INC.
K. HOVNIANIAN AT EXETER HILLS, INC.
K. HOVNIANIAN AT FAIR LAKES GLEN, INC.
K. HOVNIANIAN AT FAIR LAKES, INC.
K. HOVNIANIAN AT FREEHOLD TOWNSHIP, INC.
K. HOVNIANIAN AT FREEHOLD TOWNSHIP I, INC.
K. HOVNIANIAN AT FT. MYERS I, INC.
K. HOVNIANIAN AT FT. MYERS II, INC.
K. HOVNIANIAN AT GREAT NOTCH, INC.
K. HOVNIANIAN AT HACKETTSTOWN, INC.
K. HOVNIANIAN AT HALF MOON BAY, INC.
K. HOVNIANIAN AT HAMPTON OAKS, INC.
K. HOVNIANIAN AT HANOVER, INC.
K. HOVNIANIAN AT HERSHEY'S MILL, INC.

(a PA Corp)

K. HOVNIANIAN AT HIGHLAND VINEYARDS, INC.
K. HOVNIANIAN AT HOLLY CREST, INC.
K. HOVNIANIAN AT HOPEWELL IV, INC.
K. HOVNIANIAN AT HOPEWELL V, INC.
K. HOVNIANIAN AT HOPEWELL VI, INC.
K. HOVNIANIAN AT HOWELL TOWNSHIP, INC.
K. HOVNIANIAN AT HUNTER ESTATES, INC.
K. HOVNIANIAN AT JACKSONVILLE II, INC.
K. HOVNIANIAN AT JEFFERSON, INC.
K. HOVNIANIAN AT JERSEY CITY III, INC.

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K. HOVNIANIAN AT KINGS GRANT I, INC.
K. HOVNIANIAN AT KLOCKNER FARMS, INC.
K. HOVNIANIAN AT LA TERRAZA, INC.
K. HOVNIANIAN AT LA TROVATA, INC.
K. HOVNIANIAN AT LAKEWOOD, INC.
K. HOVNIANIAN AT LAWRENCE V, INC.
K. HOVNIANIAN AT LOWER SAUCON II, INC.
K. HOVNIANIAN AT LOWER SAUCON, INC.
K. HOVNIANIAN AT MAHWAH II, INC.
K. HOVNIANIAN AT MAHWAH IV, INC.

(whalepond)

K. HOVNIANIAN AT MAHWAH IX, INC.
K. HOVNIANIAN AT MAHWAH V, INC.
K. HOVNIANIAN AT MAHWAH VI, INC. (Norfolk)
K. HOVNIANIAN AT MAHWAH VII, INC.
K. HOVNIANIAN AT MAHWAH VIII, INC.
K. HOVNIANIAN AT MANALAPAN, INC.
K. HOVNIANIAN AT MARLBORO II, INC.
K. HOVNIANIAN AT MARLBORO TOWNSHIP IV,
INC.
K. HOVNIANIAN AT MARLBORO TOWNSHIP VI,
INC.
K. HOVNIANIAN AT MARLBORO TOWNSHIP VII,
INC.
K. HOVNIANIAN AT MARLBORO TOWNSHIP III,
INC.
K. HOVNIANIAN AT MEDFORD I, INC.
K. HOVNIANIAN AT MERRIMACK, INC.
K. HOVNIANIAN AT METRO DC SOUTH, INC.
K. HOVNIANIAN AT MONTCLAIR NJ, INC.
K. HOVNIANIAN AT MONTCLAIR, INC.
K. HOVNIANIAN AT MONTGOMERY I, INC.
K. HOVNIANIAN AT NEWARK URBAN RENEWAL
CORPORATION I, INC.
K. HOVNIANIAN AT NEWARK URBAN RENEWAL
CORPORATION IV, INC.
K. HOVNIANIAN AT NEWARK URBAN RENEWAL
CORPORATION V, INC.
K. HOVNIANIAN AT NORTH BERGEN, INC.
K. HOVNIANIAN AT NORTH BRUNSWICK IV, INC.
K. HOVNIANIAN AT NORTHERN WESTCHESTER,
INC.
K. HOVNIANIAN AT NORTHLAKE, INC.
K. HOVNIANIAN AT OCEAN WALK, INC.
K. HOVNIANIAN AT P.C. PROPERTIES, INC.
K. HOVNIANIAN AT PARK RIDGE, INC.
K. HOVNIANIAN AT PASCO I, INC.
K. HOVNIANIAN AT PASCO II, INC.
K. HOVNIANIAN AT PEEKSKILL, INC.
K. HOVNIANIAN AT PEMBROKE SHORES, INC.
K. HOVNIANIAN AT PERKIOMEN I, INC.
K. HOVNIANIAN AT PERKIOMEN II, INC.
K. HOVNIANIAN AT PLAINSBORO III, INC.
K. HOVNIANIAN AT POLO TRACE, INC.
K. HOVNIANIAN AT PORT IMPERIAL NORTH, INC.
K. HOVNIANIAN AT PRINCETON, INC.

K. HOVNIANIAN AT RANCHO CHRISTIANITOS,
INC.

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K. HOVNIANIAN AT RARITAN I, INC.
K. HOVNIANIAN AT READINGTON II, INC.
K. HOVNIANIAN AT RESERVOIR RIDGE, INC.
K. HOVNIANIAN AT RIVER OAKS, INC.
K. HOVNIANIAN AT SAN SEVAINE, INC.
K. HOVNIANIAN AT SARATOGA, INC.
K. HOVNIANIAN AT SCOTCH PLAINS II, INC.
K. HOVNIANIAN AT SCOTCH PLAINS, INC.
K. HOVNIANIAN AT SENECA CROSSING, INC.
K. HOVNIANIAN AT SMITHVILLE, INC.
K. HOVNIANIAN AT SMITHVILLE III, INC.
K. HOVNIANIAN AT SOMERS POINT, INC.
K. HOVNIANIAN AT SOUTH BRUNSWICK II, INC.
K. HOVNIANIAN AT SOUTH BRUNSWICK III, INC.
K. HOVNIANIAN AT SOUTH BRUNSWICK IV, INC.
K. HOVNIANIAN AT SOUTH BRUNSWICK V, INC.
K. HOVNIANIAN AT SPRING RIDGE, INC.
K. HOVNIANIAN AT STONE CANYON, INC.
K. HOVNIANIAN AT STONEGATE, INC. (a CA
Corporation)
K. HOVNIANIAN AT STONEGATE, INC. (a VA
Corporation)
K. HOVNIANIAN AT STONY POINT, INC.
K. HOVNIANIAN AT STUART ROAD, INC.
K. HOVNIANIAN AT SULLY STATION, INC.
K. HOVNIANIAN AT SUMMERWOOD, INC.
K. HOVNIANIAN AT SYCAMORE, INC.
K. HOVNIANIAN AT TANNERY HILL, INC.
K. HOVNIANIAN AT THE BLUFF, INC.
K. HOVNIANIAN AT THE CEDARS, INC.
K. HOVNIANIAN AT THE GLEN, INC.
K. HOVNIANIAN AT THE RESERVE AT MEDFORD,
INC.
K. HOVNIANIAN AT THORNBURY, INC.
K. HOVNIANIAN AT TIERRASANTA, INC.
K. HOVNIANIAN AT TUXEDO, INC.
K. HOVNIANIAN AT UNION TOWNSHIP I, INC.
K. HOVNIANIAN AT UPPER FREEHOLD
TOWNSHIP I, INC.
K. HOVNIANIAN AT UPPER MAKEFIELD I, INC.
K. HOVNIANIAN AT UPPER MERION, INC.
K. HOVNIANIAN AT VAIL RANCH, INC.
K. HOVNIANIAN AT VALLEYBROOK II, INC.
K. HOVNIANIAN AT VALLEYBROOK, INC.
K. HOVNIANIAN AT WALL TOWNSHIP VI, INC.
K. HOVNIANIAN AT WALL TOWNSHIP VIII, INC.
K. HOVNIANIAN AT WASHINGTONVILLE, INC.
K. HOVNIANIAN AT WAYNE III, INC.
K. HOVNIANIAN AT WAYNE V, INC.
K. HOVNIANIAN AT WAYNE VI, INC.
K. HOVNIANIAN AT WAYNE VII, INC.
K. HOVNIANIAN AT WILDROSE, INC.

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K. HOVNIANIAN AT WINSTON TRAILS, INC.
K. HOVNIANIAN AT WOODMONT, INC.
K. HOVNIANIAN AVIATION, INC.
K. HOVNIANIAN COMPANIES NORTHEAST, INC.
K. HOVNIANIAN COMPANIES OF CALIFORNIA,
INC.
K. HOVNIANIAN COMPANIES OF FLORIDA, INC.
K. HOVNIANIAN COMPANIES OF MARYLAND, INC.
K. HOVNIANIAN COMPANIES OF METRO
WASHINGTON, INC.
K. HOVNIANIAN COMPANIES OF NEW YORK, INC.
K. HOVNIANIAN COMPANIES OF NORTH CAROLINA,
INC.
K. HOVNIANIAN COMPANIES OF PENNSYLVANIA,
INC.
K. HOVNIANIAN COMPANIES OF SOUTHERN
CALIFORNIA, INC.
K. HOVNIANIAN CONSTRUCTION MANAGEMENT,
INC.
K. HOVNIANIAN'S DESIGN GALLERY, INC.
K. HOVNIANIAN DEVELOPMENTS OF CALIFORNIA,
INC.
K. HOVNIANIAN DEVELOPMENTS OF MARYLAND,
INC.

K. HOVNIANIAN DEVELOPMENTS OF METRO WASHINGTON, INC.
K. HOVNIANIAN DEVELOPMENTS OF NEW JERSEY, INC.
K. HOVNIANIAN DEVELOPMENTS OF NEW YORK, INC.
K. HOVNIANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.
K. HOVNIANIAN DEVELOPMENTS OF TEXAS, INC.
K. HOVNIANIAN EQUITIES, INC.
K. HOVNIANIAN FLORIDA DIVISION, INC.
K. HOVNIANIAN FORECAST ACQUISITION, INC.
K. HOVNIANIAN FORECAST HOMES, INC.
K. HOVNIANIAN INVESTMENT PROPERTIES OF NEW JERSEY, INC.
K. HOVNIANIAN MARINE, INC.
K. HOVNIANIAN PORT IMPERIAL URBAN RENEWAL, INC.
K. HOVNIANIAN PROPERTIES OF EAST BRUNSWICK II, INC.
K. HOVNIANIAN PROPERTIES OF NB THEATRE, INC.
K. HOVNIANIAN PROPERTIES OF NEWARK URBAN RENEWAL CORPORATION, INC.
K. HOVNIANIAN PROPERTIES OF NORTH BRUNSWICK II, INC.
K. HOVNIANIAN PROPERTIES OF NORTH BRUNSWICK V, INC.
K. HOVNIANIAN PROPERTIES OF PISCATAWAY, INC.
K. HOVNIANIAN PROPERTIES OF RED BANK, INC.
K. HOVNIANIAN PROPERTIES OF WALL, INC.
K. HOVNIANIAN REAL ESTATE INVESTMENT, INC.
K. HOVNIANIAN REAL ESTATE OF FLORIDA, INC.

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K. HOVNIANIAN SOUTHEAST FLORIDA, INC.
K. HOVNIANIAN SOUTHEAST REGION, INC.
K. HOVNIANIAN'S FOUR SEASONS OF THE PALM BEACHES, INC.
KHC ACQUISITION, INC.
KINGS GRANT EVESHAM CORP.
LANDARAMA, INC.
MATZEL & MUMFORD OF DELAWARE, INC.
M & M AT LONG BRANCH, INC.
NEW K. HOVNIANIAN DEVELOPMENTS OF FLORIDA, INC.
PARK VILLAGE REALTY, INC.
PARTHENON GROUP, INC.
PINE BROOK CO., 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
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.
K. HOVNIANIAN AT ST. MARGARETS, L.L.C.
K. HOVNIANIAN AT ARBOR HEIGHTS, L.L.C.
K. HOVNIANIAN AT ASHBURN VILLAGE, L.L.C.
K. HOVNIANIAN AT BARNEGAT I, L.L.C.
K. HOVNIANIAN AT BERKELEY, L.L.C.
K. HOVNIANIAN AT BERNARDS V, L.L.C.
K. HOVNIANIAN AT BLOOMS CROSSING, L.L.C.
K. HOVNIANIAN AT BLUE HERON PINES, L.L.C.
K. HOVNIANIAN AT BRENBROOKE, L.L.C.
K. HOVNIANIAN AT CAMDEN I, L.L.C.
K. HOVNIANIAN AT CARMEL VILLAGE, L.L.C.
K. HOVNIANIAN AT CEDAR GROVE III, L.L.C.
K. HOVNIANIAN AT CHESTER I, L.L.C.
K. HOVNIANIAN AT CLIFTON, L.L.C.
K. HOVNIANIAN AT COLUMBIA TOWN CENTER, L.L.C.

K. HOVNIANIAN AT CRANBURY, L.L.C.
K. HOVNIANIAN AT CURRIES WOODS, L.L.C.
K. HOVNIANIAN AT ENCINITAS RANCH, L.L.C.
K. HOVNIANIAN AT FORECAST, L.L.C.

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K. HOVNIANIAN AT GUTTENBERG, L.L.C.
K. HOVNIANIAN AT HAMBURG, L.L.C.
K. HOVNIANIAN AT HAMBURG CONTRACTORS,
L.L.C.
K. HOVNIANIAN AT JACKSON, L.L.C.
K. HOVNIANIAN AT JERSEY CITY IV, L.L.C.
K. HOVNIANIAN AT KENT ISLAND, L.L.C.
K. HOVNIANIAN AT KINCAID, L.L.C.
K. HOVNIANIAN AT KING FARM, L.L.C.
K. HOVNIANIAN AT LAFAYETTE ESTATES, L.L.C.
K. HOVNIANIAN AT LAKE RIDGE CROSSING,
L.L.C.
K. HOVNIANIAN AT LAKE TERRAPIN, L.L.C.
K. HOVNIANIAN AT LAWRENCE V, L.L.C.
K. HOVNIANIAN AT LINWOOD, L.L.C.
K. HOVNIANIAN AT LITTLE EGG HARBOR, L.L.C.
K. HOVNIANIAN AT LITTLE EGG HARBOR
CONTRACTORS, L.L.C.
K. HOVNIANIAN AT LOWER MORELAND I, L.L.C.
K. HOVNIANIAN AT LOWER MORELAND II, L.L.C.
K. HOVNIANIAN AT LOWER SAUCON II, L.L.C.
K. HOVNIANIAN AT MANSFIELD I, LLC
K. HOVNIANIAN AT MANSFIELD II, LLC
K. HOVNIANIAN AT MANSFIELD III, L.L.C.
K. HOVNIANIAN AT MARLBORO TOWNSHIP VIII,
L.L.C.
K. HOVNIANIAN AT MARLBORO VI, L.L.C.
K. HOVNIANIAN AT MARLBORO VII, L.L.C.
K. HOVNIANIAN AT MENIFEE, L.L.C.
K. HOVNIANIAN AT MIDDLETOWN, L.L.C.
K. HOVNIANIAN AT MT. OLIVE TOWNSHIP,
L.L.C.
K. HOVNIANIAN AT NORTH BRUNSWICK VI,
L.L.C.
K. HOVNIANIAN AT NORTH HALEDON, L.L.C.
K. HOVNIANIAN AT NORTHAMPTON, L.L.C.
K. HOVNIANIAN AT NORTHFIELD, L.L.C.
K. HOVNIANIAN AT PACIFIC BLUFFS, L.L.C.
K. HOVNIANIAN AT PARAMUS, L.L.C.
K. HOVNIANIAN AT PARK LANE, L.L.C.
K. HOVNIANIAN AT PRINCE WILLIAM, L.L.C.
K. HOVNIANIAN AT RANCHO SANTA MARGARITA,
L.L.C.
K. HOVNIANIAN AT RIVERBEND, L.L.C.
K. HOVNIANIAN AT RODERUCK, L.L.C.
K. HOVNIANIAN AT ROWLAND HEIGHTS, L.L.C.
K. HOVNIANIAN AT SAYREVILLE, L.L.C.
K. HOVNIANIAN AT SOUTH AMBOY, L.L.C.
K. HOVNIANIAN AT SOUTH BANK, L.L.C.
K. HOVNIANIAN AT SOUTH BRUNSWICK, L.L.C.
K. HOVNIANIAN AT SPRING HILL ROAD, L.L.C.
K. HOVNIANIAN AT ST. MARGARETS, L.L.C.
K. HOVNIANIAN AT SUNSETS, L.L.C.
K. HOVNIANIAN AT THE GABLES, L.L.C.
K. HOVNIANIAN AT UPPER FREEHOLD
TOWNSHIP II, L.L.C.

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K. HOVNIANIAN AT UPPER FREEHOLD
TOWNSHIP III, L.L.C.
K. HOVNIANIAN AT WANAQUE, L.L.C.
K. HOVNIANIAN AT WASHINGTON, L.L.C.
K. HOVNIANIAN AT WAYNE VIII, L.L.C.
K. HOVNIANIAN AT WAYNE IX, L.L.C.
K. HOVNIANIAN AT WEST MILFORD, L.L.C.
K. HOVNIANIAN AT WEST WINDSOR, L.L.C.
K. HOVNIANIAN AT WILLOW BROOK, L.L.C.
K. HOVNIANIAN AT WINCHESTER, L.L.C.
K. HOVNIANIAN AT WOODHILL ESTATES, L.L.C.
K. HOVNIANIAN AT WOOLWICH, L.L.C.
K. HOVNIANIAN CENTRAL ACQUISITIONS, L.L.C.
K. HOVNIANIAN COMPANIES OF METRO D.C.
NORTH, L.L.C.
K. HOVNIANIAN EASTERN PENNSYLVANIA, L.L.C.
K. HOVNIANIAN FORECAST, L.L.C.
K. HOVNIANIAN NORTH CENTRAL ACQUISITIONS,

L.L.C.
K. HOVNIANIAN NORTHJERSEY ACQUISITIONS,
L.L.C.
K. HOVNIANIAN SHORE ACQUISITIONS, L.L.C.
K. HOVNIANIAN SOUTH JERSEY ACQUISITION,
L.L.C.
K. HOVNIANIAN SOUTHERN NEW JERSEY, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS, L.L.C.
K. HOVNIANIAN'S PRIVATE HOME PORTFOLIO,
L.L.C.
KINGS COURT AT MONTGOMERY, 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.
M&M AT EAST MILL, 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 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 SOUTH BRUNSWICK,
L.L.C.
MATZEL & MUMFORD AT WOODLAND CREST,
L.L.C.
SECTION 14 OF THE HILLS, L.L.C.
THE LANDINGS AT SPINNAKER POINTE, L.L.C.
WESTMINSTER HOMES OF ALABAMA, L.L.C.
WESTMINSTER HOMES OF MISSISSIPPI, L.L.C.
WESTMINSTER HOMES OF SOUTH CAROLINA,
L.L.C.

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GOODMAN FAMILY BUILDERS, L.P.
M & M INVESTMENTS, L.P.
WASHABAMA, L.P.

/s/ J. Larry Sorsby

By: J. Larry Sorsby
Title: Executive Vice President
Chief Financial Officer

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SALOMON SMITH BARNEY INC.

By: /s/ Marc E. Schneider

Name: Marc Schneider
Title: Director

BANC OF AMERICA SECURITIES LLC

By: /s/ S. T. Jaeger

Name: Stephan T. Jaeger
Title: Vice President

CREDIT SUISSE FIRST BOSTON CORPORATION

By: /s/ Eric A. Anderson

Name: Eric A. Anderson
Title: Managing Director

PNC CAPITAL MARKETS, INC.

By: /s/ J. Scott Holmes

Name: J. Scott Holmes
Title: Managing Director

SENIOR SUBORDINATED NOTES
A/B EXCHANGE
REGISTRATION RIGHTS AGREEMENT

Dated as of March 26, 2002
by and among

K. Hovnanian Enterprises, Inc.
Hovnanian Enterprises, Inc.
And certain of its Subsidiaries

and

Salomon Smith Barney Inc.
Banc of America Securities LLC
Credit Suisse First Boston Corporation

=====

This Registration Rights Agreement (this "AGREEMENT") is made and entered into as of March 26, 2002, by and among K. Hovnanian Enterprises, Inc., a New Jersey corporation (the "COMPANY"), Hovnanian Enterprises, Inc., a Delaware corporation (the "HOVNANIAN"), and certain subsidiary guarantors of Hovnanian party hereto (together with Hovnanian, the "GUARANTORS") and Salomon Smith Barney Inc., Banc of America Securities LLC, Credit Suisse First Boston Corporation, (each an "INITIAL PURCHASER" and, collectively, the "INITIAL PURCHASERS"), each of whom has agreed to purchase the Company's 8.875% Series A Senior Subordinated Notes due 2012 (the "SERIES A SENIOR SUBORDINATED NOTES") pursuant to the Purchase Agreement (as defined below).

This Agreement is made pursuant to the Purchase Agreement, dated March 19, 2002 (the "PURCHASE AGREEMENT"), by and among the Company, the Guarantors and the Initial Purchasers. In order to induce the Initial Purchasers to purchase the Series A Senior Subordinated Notes, the Company has agreed to provide the registration rights set forth in this Agreement. The execution and delivery of this Agreement is a condition to the obligations of the Initial Purchasers set forth in Section 9 of the Purchase Agreement. Capitalized terms used herein and not otherwise defined shall have the meaning assigned to them by the Indenture, dated March 26, 2002 by and among the Company, the Guarantors and First Union National Bank, as Trustee, relating to the Series A Senior Subordinated Notes (the "INDENTURE").

The parties hereby agree as follows:

SECTION 1. DEFINITIONS

As used in this Agreement, the following capitalized terms shall have the following meanings:

ACT: The Securities Act of 1933, as amended.

AFFILIATE: As defined in Rule 144 of the Act.

BROKER-DEALER: Any broker or dealer registered under the Exchange Act.

CERTIFICATED SECURITIES: Definitive Notes, as defined in the Indenture.

CLOSING DATE: The date hereof.

COMMISSION: The Securities and Exchange Commission.

CONSUMMATE: An Exchange Offer shall be deemed "Consummated" for purposes of this Agreement upon the occurrence of (a) the filing and effectiveness under the Act of the Exchange Offer Registration Statement relating to the Series B Senior Subordinated Notes to be issued in the Exchange Offer, (b) the maintenance of such Exchange Offer Registration Statement continuously effective and the keeping of the Exchange Offer open for a period not less than the period required pursuant to Section 3(b) hereof and (c) the delivery by the Company to the Registrar under the Indenture of Series B Senior Subordinated Notes in the same aggregate principal amount as the aggregate principal amount of Series A Senior Subordinated Notes tendered by Holders thereof pursuant to the Exchange Offer.

CONSUMMATION DEADLINE: As defined in Section 3(b) hereof.

EFFECTIVENESS DEADLINE: As defined in Sections 3(a) and 4(a) hereof.

EXCHANGE ACT: The Securities Exchange Act of 1934, as amended.

EXCHANGE OFFER: The exchange and issuance by the Company of a principal amount of Series B Senior Subordinated Notes (which shall be registered pursuant to the Exchange Offer Registration Statement) equal to the outstanding principal amount of Series A Senior Subordinated Notes that are tendered by such Holders in connection with such exchange and issuance.

EXCHANGE OFFER REGISTRATION STATEMENT: The Registration Statement relating to the Exchange Offer, including the related Prospectus.

EXEMPT RESALES: The transactions in which the Initial Purchasers propose to sell the Series A Senior Subordinated Notes to certain "qualified institutional buyers," as such term is defined in Rule 144A under the Act and pursuant to Regulation S under the Act.

FILING DEADLINE: As defined in Sections 3(a) and 4(a) hereof.

HOLDERS: As defined in Section 2 hereof.

PROSPECTUS: The prospectus included in a Registration Statement at the time such Registration Statement is declared effective, as amended or supplemented by any prospectus supplement and by all other amendments thereto, including post-effective amendments, and all material incorporated by reference into such Prospectus.

RECOMMENCEMENT DATE: As defined in Section 6(d) hereof.

REGISTRATION DEFAULT: As defined in Section 5 hereof.

REGISTRATION STATEMENT: Any registration statement of the Company and the Guarantors relating to (a) an offering of Series B Senior Subordinated Notes pursuant to an Exchange Offer or (b) the registration for resale of Transfer Restricted Securities pursuant to the Shelf Registration Statement, in each case, (i) that is filed pursuant to the provisions of this Agreement and (ii) including the Prospectus included therein, all amendments and supplements thereto (including post-effective amendments) and all exhibits and material incorporated by reference therein.

REGULATION S: Regulation S promulgated under the Act.

RULE 144: Rule 144 promulgated under the Act.

SERIES B SENIOR NOTES: The Company's 8.000% Series B Senior Notes due 2012 to be issued pursuant to a Senior Indenture, dated March 26, 2002 among the Company, the Guarantors and First Union National Bank, as Trustee: (i) in the Exchange Offer or (ii) as contemplated by Section 4 hereof.

SERIES B SENIOR SUBORDINATED NOTES: The Company's 8.875% Series B Senior Subordinated Notes due 2012 to be issued pursuant to the Indenture: (i) in the Exchange Offer or (ii) as contemplated by Section 4 hereof.

SHELF REGISTRATION STATEMENT: As defined in Section 6(b) hereof.

SUSPENSION NOTICE: As defined in Section 6(d) hereof.

TIA: The Trust Indenture Act of 1939 (15 U.S.C. Section 77aaa-77bbbb) as in effect on the date of the Indenture.

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TRANSFER RESTRICTED SECURITIES: Each Series A Senior Subordinated Note, until the earliest to occur of (a) the date on which such Series A Senior Subordinated Note is exchanged in the Exchange Offer for a Series B Senior Subordinated Note which is entitled to be resold to the public by the Holder thereof without complying with the prospectus delivery requirements of the Act, (b) the date on which such Series A Senior Subordinated Note has been disposed of in accordance with a Shelf Registration Statement (and the purchasers thereof have been issued Series B Senior Subordinated Notes), or (c) the date on which such Series A Senior Subordinated Note is distributed to the public pursuant to Rule 144 or Regulation S under the Act (and purchasers thereof have been issued Series B Senior Subordinated Notes) and each Series B Senior Subordinated Note until the date on which such Series B Senior Subordinated Note is disposed of by a Broker-Dealer pursuant to the "Plan of Distribution" contemplated by the Exchange Offer Registration Statement (including the delivery of the Prospectus contained therein).

SECTION 2. HOLDERS

A Person is deemed to be a holder of Transfer Restricted Securities (each, a "HOLDER") whenever such Person owns Transfer Restricted Securities.

SECTION 3. REGISTERED EXCHANGE OFFER

(a) Unless the Exchange Offer shall not be permitted by applicable federal

law (after the procedures set forth in Section 6(a)(i) below have been complied with), the Company and the Guarantors shall (i) cause the Exchange Offer Registration Statement to be filed with the Commission as soon as practicable after the Closing Date, but in no event later than 90 days after the Closing Date (such 90th day being the "FILING DEADLINE"), (ii) use its reasonable best efforts to cause such Exchange Offer Registration Statement to become effective at the earliest possible time, but in no event later than 150 days after the Closing Date (such 150th day being the "EFFECTIVENESS DEADLINE"), (iii) in connection with the foregoing, (A) file all pre-effective amendments to such Exchange Offer Registration Statement as may be necessary in order to cause it to become effective, (B) file, if applicable, a post-effective amendment to such Exchange Offer Registration Statement pursuant to Rule 430A under the Act and (C) cause all necessary filings, if any, in connection with the registration and qualification of the Series B Senior Subordinated Notes to be made under the Blue Sky laws of such jurisdictions as are necessary to permit Consummation of the Exchange Offer, and (iv) upon the effectiveness of such Exchange Offer Registration Statement, commence and consummate the Exchange Offer. The Exchange Offer shall be on the appropriate form permitting (i) registration of the Series B Senior Subordinated Notes to be offered in exchange for the Series A Senior Subordinated Notes that are Transfer Restricted Securities and (ii) resales of Series B Senior Subordinated Notes by Broker-Dealers that tendered into the Exchange Offer Series A Senior Subordinated Notes that such Broker-Dealer acquired for its own account as a result of market making activities or other trading activities (other than Series A Senior Subordinated Notes acquired directly from the Company or any of its Affiliates) as contemplated by Section 3(c) below.

(b) The Company and the Guarantors shall use their respective reasonable best efforts to cause the Exchange Offer Registration Statement to be effective continuously for the period specified in Section 3(c) below, and shall keep the Exchange Offer open for a period of not less than the minimum period required under applicable federal and state securities laws to consummate the Exchange Offer; PROVIDED, HOWEVER, that in no event shall such period be less than 20 Business Days. The Company and the Guarantors shall cause the Exchange Offer to comply with all applicable federal and state securities laws. No securities other than the Series B Senior Notes and the Series B Senior Subordinated Notes shall be included in the Exchange Offer Registration Statement. The Company and the Guarantors shall use their respective best efforts to cause the Exchange Offer to be consummated on the earliest practicable date after the Exchange Offer Registration Statement has become effective, but in no event later than 40 business days thereafter (such 40th day being the "CONSUMMATION DEADLINE").

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(c) The Company shall include a "Plan of Distribution" section in the Prospectus contained in the Exchange Offer Registration Statement and indicate therein that any Broker-Dealer who holds Transfer Restricted Securities that were acquired for the account of such Broker-Dealer as a result of market-making activities or other trading activities (other than Series A Senior Subordinated Notes acquired directly from the Company or any Affiliate of the Company), may exchange such Transfer Restricted Securities pursuant to the Exchange Offer. Such "Plan of Distribution" section shall also contain all other information with respect to such sales by such Broker-Dealers that the Commission may require in order to permit such sales pursuant thereto, but such "Plan of Distribution" shall not name any such Broker-Dealer or disclose the amount of Transfer Restricted Securities held by any such Broker-Dealer, except to the extent required by the Commission as a result of a change in policy, rules or regulations after the date of this Agreement. See the Shearman & Sterling no-action letter (available July 2, 1993).

Because such Broker-Dealer may be deemed to be an "underwriter" within the meaning of the Act and must, therefore, deliver a prospectus meeting the requirements of the Act in connection with its initial sale of any Series B Senior Subordinated Notes received by such Broker-Dealer in the Exchange Offer, the Company and Guarantors shall permit the use of the Prospectus contained in the Exchange Offer Registration Statement by such Broker-Dealer to satisfy such prospectus delivery requirement. To the extent necessary to ensure that the prospectus contained in the Exchange Offer Registration Statement is available for sales of Series B Senior Subordinated Notes by Broker-Dealers, the Company and the Guarantors agree to use their respective best efforts to keep the Exchange Offer Registration Statement continuously effective, supplemented, amended and current as required by and subject to the provisions of Sections 6(a) and (c) hereof and in conformity with the requirements of this Agreement, the Act and the policies, rules and regulations of the Commission as announced from time to time, for a period of one year from the Consummation Deadline or such shorter period as will terminate when all Transfer Restricted Securities covered by such Registration Statement have been sold pursuant thereto. The Company and the Guarantors shall provide sufficient copies of the latest version of such Prospectus to such Broker-Dealers, promptly upon request, and in no event later than one day after such request, at any time during such period.

SECTION 4. SHELF REGISTRATION

(a) SHELF REGISTRATION. If (i) the Exchange Offer is not permitted by applicable law (after the Company and the Guarantors have complied with the

procedures set forth in Section 6(a)(i) below) or (ii) if any Holder of Transfer Restricted Securities shall notify the Company within 20 Business Days following the Consummation Deadline that (A) such Holder was prohibited by law or Commission policy from participating in the Exchange Offer or (B) such Holder may not resell the Series B Senior Subordinated Notes acquired by it in the Exchange Offer to the public without delivering a prospectus and the Prospectus contained in the Exchange Offer Registration Statement is not appropriate or available for such resales by such Holder or (C) such Holder is a Broker-Dealer and holds Series A Senior Subordinated Notes acquired directly from the Company or any of its Affiliates, then the Company and the Guarantors shall:

(x) cause to be filed, on or prior to 30 days after the earlier of (i) the date on which the Company determines that the Exchange Offer Registration Statement cannot be filed as a result of clause (a)(i) above and (ii) the date on which the Company receives the notice specified in clause (a)(ii) above, (such earlier date, the "FILING DEADLINE"), a shelf registration statement pursuant to Rule 415 under the Act (which may be an amendment to the Exchange Offer Registration Statement (the "SHELF REGISTRATION STATEMENT")), relating to all Transfer Restricted Securities, and

(y) shall use their respective reasonable best efforts to cause such Shelf Registration Statement to become effective on or prior to 90 days after the Filing Deadline for the Shelf Registration Statement (such 90th day the "EFFECTIVENESS DEADLINE").

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If, after the Company has filed an Exchange Offer Registration Statement that satisfies the requirements of Section 3(a) above, the Company is required to file and make effective a Shelf Registration Statement solely because the Exchange Offer is not permitted under applicable federal law (i.e., clause (a)(i) above), then the filing of the Exchange Offer Registration Statement shall be deemed to satisfy the requirements of clause (x) above; PROVIDED that, in such event, the Company shall remain obligated to meet the Effectiveness Deadline set forth in clause (y).

To the extent necessary to ensure that the Shelf Registration Statement is available for sales of Transfer Restricted Securities by the Holders thereof entitled to the benefit of this Section 4(a) and the other securities required to be registered therein pursuant to Section 6(b)(ii) hereof, the Company and the Guarantors shall use their respective reasonable best efforts to keep any Shelf Registration Statement required by this Section 4(a) continuously effective, supplemented, amended and current as required by and subject to the provisions of Sections 6(b) and (c) hereof and in conformity with the requirements of this Agreement, the Act and the policies, rules and regulations of the Commission as announced from time to time, for a period of at least two years (as extended pursuant to Section 6(d)) following the Closing Date, or such shorter period as will terminate when all Transfer Restricted Securities covered by such Shelf Registration Statement have been sold pursuant thereto.

(b) PROVISION BY HOLDERS OF CERTAIN INFORMATION IN CONNECTION WITH THE SHELF REGISTRATION STATEMENT. No Holder of Transfer Restricted Securities may include any of its Transfer Restricted Securities in any Shelf Registration Statement pursuant to this Agreement unless and until such Holder furnishes to the Company in writing, within 20 days after receipt of a request therefor, the information specified in Item 507 or 508 of Regulation S-K, as applicable, of the Act for use in connection with any Shelf Registration Statement or Prospectus or preliminary Prospectus included therein. No Holder of Transfer Restricted Securities shall be entitled to liquidated damages pursuant to Section 5 hereof unless and until such Holder shall have provided all such information. Each selling Holder agrees to promptly furnish additional information required to be disclosed in order to make the information previously furnished to the Company by such Holder not materially misleading.

SECTION 5. LIQUIDATED DAMAGES

If (i) any Registration Statement required by this Agreement is not filed with the Commission on or prior to the applicable Filing Deadline, (ii) any such Registration Statement has not been declared effective by the Commission on or prior to the applicable Effectiveness Deadline, (iii) the Exchange Offer has not been Consummated on or prior to the Consummation Deadline or (iv) any Registration Statement required by this Agreement is filed and declared effective but shall thereafter cease to be effective or fail to be usable for its intended purpose without being succeeded immediately by a post-effective amendment to such Registration Statement that cures such failure and that is itself declared effective within 5 days of filing such post-effective amendment to such Registration Statement (each such event referred to in clauses (i) through (iv), a "REGISTRATION DEFAULT"), then the Company and the Guarantors hereby jointly and severally agree to pay to each Holder of Transfer Restricted Securities affected thereby liquidated damages in an amount equal to \$.05 per week per \$1,000 in principal amount of Transfer Restricted Securities held by such Holder for each week or portion thereof that the Registration Default continues for the first 90-day period immediately following the occurrence of such Registration Default. The amount of the liquidated damages shall increase by an additional \$.05 per week per \$1,000 in principal amount of Transfer

Restricted Securities with respect to each subsequent 90-day period until all Registration Defaults have been cured, up to a maximum amount of liquidated damages of \$.25 per week per \$1,000 in principal amount of Transfer Restricted Securities; PROVIDED that the Company and the Guarantors shall in no event be required to pay liquidated damages for more than one Registration Default at any given time. Notwithstanding anything to the contrary set forth herein, (1) upon filing of the Exchange Offer Registration Statement (and/or, if applicable, the Shelf Registration Statement), in the case of (i) above, (2) upon the effectiveness of the Exchange Offer Registration Statement (and/or, if applicable, the Shelf Registration

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Statement), in the case of (ii) above, (3) upon Consummation of the Exchange Offer, in the case of (iii) above, or (4) upon the filing of a post-effective amendment to the Registration Statement or an additional Registration Statement that causes the Exchange Offer Registration Statement (and/or, if applicable, the Shelf Registration Statement) to again be declared effective or made usable in the case of (iv) above, the liquidated damages payable with respect to the Transfer Restricted Securities as a result of such clause (i), (ii), (iii) or (iv), as applicable, shall cease.

All accrued liquidated damages shall be paid to the Holders entitled thereto, in the manner provided for the payment of interest in the Indenture, on each Interest Payment Date, as more fully set forth in the Indenture and the Notes. Notwithstanding the fact that any securities for which liquidated damages are due cease to be Transfer Restricted Securities, all obligations of the Company and the Guarantors to pay liquidated damages with respect to securities shall survive until such time as such obligations with respect to such securities shall have been satisfied in full.

SECTION 6. REGISTRATION PROCEDURES

(a) EXCHANGE OFFER REGISTRATION STATEMENT. In connection with the Exchange Offer, the Company and the Guarantors shall (x) comply with all applicable provisions of Section 6(c) below, (y) use their respective reasonable best efforts to effect such exchange and to permit the resale of Series B Senior Subordinated Notes by Broker-Dealers that tendered in the Exchange Offer Series A Senior Subordinated Notes that such Broker-Dealer acquired for its own account as a result of its market making activities or other trading activities (other than Series A Senior Subordinated Notes acquired directly from the Company or any of its Affiliates) being sold in accordance with the intended method or methods of distribution thereof, and (z) comply with all of the following provisions:

(i) If, following the date hereof there has been announced a change in Commission policy with respect to exchange offers such as the Exchange Offer, that in the reasonable opinion of counsel to the Company raises a substantial question as to whether the Exchange Offer is permitted by applicable federal law, the Company and the Guarantors hereby agree to seek a no-action letter or other favorable decision from the Commission allowing the Company and the Guarantors to consummate an Exchange Offer for such Transfer Restricted Securities. The Company and the Guarantors hereby agree to pursue the issuance of such a decision to the Commission staff level. In connection with the foregoing, the Company and the Guarantors hereby agree to take all such other actions as may be requested by the Commission or otherwise required in connection with the issuance of such decision, including without limitation (A) participating in telephonic conferences with the Commission, (B) delivering to the Commission staff an analysis prepared by counsel to the Company setting forth the legal bases, if any, upon which such counsel has concluded that such an Exchange Offer should be permitted and (C) diligently pursuing a resolution (which need not be favorable) by the Commission staff.

(ii) As a condition to its participation in the Exchange Offer, each Holder of Transfer Restricted Securities (including, without limitation, any Holder who is a Broker Dealer) shall furnish, upon the request of the Company, prior to the consummation of the Exchange Offer, a written representation to the Company and the Guarantors (which may be contained in the letter of transmittal contemplated by the Exchange Offer Registration Statement) to the effect that (A) it is not an Affiliate of the Company, (B) it is not engaged in, and does not intend to engage in, and has no arrangement or understanding with any person to participate in, a distribution of the Series B Senior Subordinated Notes to be issued in the Exchange Offer and (C) it is acquiring the Series B Senior Subordinated Notes in its ordinary course of business. As a condition to its participation in the Exchange Offer each Holder using the Exchange Offer to participate in a distribution of the Series B Senior Subordinated Notes shall acknowledge and agree that, if the resales are of Series B Senior Subordinated Notes obtained by such Holder in exchange for Series A Senior Subordinated Notes acquired directly from the Company or an Affiliate thereof, it (1) could not, under Commission policy as in effect on

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the date of this Agreement, rely on the position of the Commission enunciated in MORGAN STANLEY AND CO., INC. (available June 5, 1991) and EXXON CAPITAL HOLDINGS CORPORATION (available May 13, 1988), as interpreted in the Commission's letter to SHEARMAN & STERLING dated July 2, 1993, and similar no-action letters (including, if applicable, any no-action letter obtained pursuant to clause (i) above), and (2) must comply with the registration and prospectus delivery requirements of the Act in connection with a secondary resale transaction and that such a secondary resale transaction must be covered by an effective registration statement containing the selling security holder information required by Item 507 or 508, as applicable, of Regulation S-K.

(iii) Prior to effectiveness of the Exchange Offer Registration Statement, the Company and the Guarantors shall provide a supplemental letter to the Commission (A) stating that the Company and the Guarantors are registering the Exchange Offer in reliance on the position of the Commission enunciated in EXXON CAPITAL HOLDINGS CORPORATION (available May 13, 1988), MORGAN STANLEY AND CO., INC. (available June 5, 1991) as interpreted in the Commission's letter to SHEARMAN & STERLING dated July 2, 1993, and, if applicable, any no-action letter obtained pursuant to clause (i) above, (B) including a representation that neither the Company nor any Guarantor has entered into any arrangement or understanding with any Person to distribute the Series B Senior Subordinated Notes to be received in the Exchange Offer and that, to the best of the Company's and each Guarantor's information and belief, each Holder participating in the Exchange Offer is acquiring the Series B Senior Subordinated Notes in its ordinary course of business and has no arrangement or understanding with any Person to participate in the distribution of the Series B Senior Subordinated Notes received in the Exchange Offer and (C) any other undertaking or representation required by the Commission as set forth in any no-action letter obtained pursuant to clause (i) above, if applicable.

(b) SHELF REGISTRATION STATEMENT. In connection with the Shelf Registration Statement, the Company and the Guarantors shall:

(i) comply with all the provisions of Section 6(c) below and use their respective reasonable best efforts to effect such registration to permit the sale of the Transfer Restricted Securities being sold in accordance with the intended method or methods of distribution thereof (as indicated in the information furnished to the Company pursuant to Section 4(b) hereof), and pursuant thereto the Company and the Guarantors will prepare and file with the Commission a Registration Statement relating to the registration on any appropriate form under the Act, which form shall be available for the sale of the Transfer Restricted Securities in accordance with the intended method or methods of distribution thereof within the time periods and otherwise in accordance with the provisions hereof.

(ii) issue, upon the request of any Holder or purchaser of Series A Senior Subordinated Notes covered by any Shelf Registration Statement contemplated by this Agreement, Series B Senior Subordinated Notes having an aggregate principal amount equal to the aggregate principal amount of Series A Senior Subordinated Notes sold pursuant to the Shelf Registration Statement and surrendered to the Company for cancellation; the Company shall register Series B Senior Subordinated Notes on the Shelf Registration Statement for this purpose and issue the Series B Senior Subordinated Notes to the purchaser(s) of securities subject to the Shelf Registration Statement in the names as such purchaser(s) shall designate.

(c) GENERAL PROVISIONS. In connection with any Registration Statement and any related Prospectus required by this Agreement, the Company and the Guarantors shall:

(i) use their respective reasonable best efforts to keep such Registration Statement continuously effective and provide all requisite financial statements for the period specified in Section 3 or 4 of this Agreement, as applicable. Upon the occurrence of any event that would cause any such Registration Statement or the Prospectus contained therein (A) to contain an untrue statement of material fact or omit to state any material fact necessary to make the statements therein not misleading or (B) not to be effective and usable for resale of Transfer Restricted Securities during the period required by this Agreement, the Company

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and the Guarantors shall file promptly an appropriate amendment to such Registration Statement curing such defect, and, if Commission review is required, use their respective best efforts to cause such amendment to be declared effective as soon as practicable.

(ii) prepare and file with the Commission such amendments and post-effective amendments to the applicable Registration Statement as may be necessary to keep such Registration Statement effective for the applicable period set forth in Section 3 or 4 hereof, as the case may be; cause the Prospectus to be supplemented by any required Prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 under the Act, and to comply

fully with Rules 424, 430A and 462, as applicable, under the Act in a timely manner; and comply with the provisions of the Act with respect to the disposition of all securities covered by such Registration Statement during the applicable period in accordance with the intended method or methods of distribution by the sellers thereof set forth in such Registration Statement or supplement to the Prospectus;

(iii) advise each Holder promptly and, if requested by such Holder, confirm such advice in writing, (A) when the Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to any applicable Registration Statement or any post-effective amendment thereto, when the same has become effective, (B) of any request by the Commission for amendments to the Registration Statement or amendments or supplements to the Prospectus or for additional information relating thereto, (C) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement under the Act or of the suspension by any state securities commission of the qualification of the Transfer Restricted Securities for offering or sale in any jurisdiction, or the initiation of any proceeding for any of the preceding purposes, and (D) of the existence of any fact or the happening of any event that makes any statement of a material fact made in the Registration Statement, the Prospectus, any amendment or supplement thereto or any document incorporated by reference therein untrue, or that requires the making of any additions to or changes in the Registration Statement in order to make the statements therein not misleading, or that requires the making of any additions to or changes in the Prospectus in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. If at any time the Commission shall issue any stop order suspending the effectiveness of the Registration Statement, or any state securities commission or other regulatory authority shall issue an order suspending the qualification or exemption from qualification of the Transfer Restricted Securities under state securities or Blue Sky laws, the Company and the Guarantors shall use their respective reasonable best efforts to obtain the withdrawal or lifting of such order at the earliest possible time;

(iv) subject to Section 6(c)(i), if any fact or event contemplated by Section 6(c)(iii)(D) above shall exist or have occurred, prepare a supplement or post-effective amendment to the Registration Statement or related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of Transfer Restricted Securities, the Prospectus will not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(v) furnish to each Holder in connection with such exchange or sale, if any, before filing with the Commission, copies of any Registration Statement or any Prospectus included therein or any amendments or supplements to any such Registration Statement or Prospectus (including all documents incorporated by reference after the initial filing of such Registration Statement), which documents will be subject to the review and comment of such Holders in connection with such sale, if any, for a period of at least five Business Days, and the Company will not file any such Registration Statement or Prospectus or any amendment or supplement to any such Registration Statement or Prospectus (including all such documents incorporated by reference) to which such Holders shall reasonably object within five Business Days after the receipt thereof. A Holder shall be deemed to have reasonably objected to such filing if such Registration Statement, amendment, Prospectus or supplement, as applicable, as proposed to be filed, contains an untrue statement of a material fact or omit to

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state any material fact necessary to make the statements therein not misleading or fails to comply with the applicable requirements of the Act;

(vi) promptly prior to the filing of any document that is to be incorporated by reference into a Registration Statement or Prospectus, provide copies of such document to each Holder in connection with such exchange or sale, if any, make the Company's and the Guarantors' representatives available for discussion of such document and other customary due diligence matters, and include such information in such document prior to the filing thereof as such Holders may reasonably request;

(vii) make available, at reasonable times, for inspection by each Holder and any attorney or accountant retained by such Holders, all financial and other records, pertinent corporate documents of the Company and the Guarantors and cause the Company's and the Guarantors' officers, directors and employees to supply all information reasonably requested by any such Holder, attorney or accountant in connection with such Registration Statement or any post-effective amendment thereto subsequent to the filing thereof and prior to its effectiveness;

(viii) if requested by any Holders in connection with such exchange or sale, promptly include in any Registration Statement or Prospectus, pursuant

to a supplement or post-effective amendment if necessary, such information as such Holders may reasonably request to have included therein, including, without limitation, information relating to the "Plan of Distribution" of the Transfer Restricted Securities; and make all required filings of such Prospectus supplement or post-effective amendment as soon as practicable after the Company is notified of the matters to be included in such Prospectus supplement or post-effective amendment;

(ix) furnish to each Holder in connection with such exchange or sale, without charge, at least one copy of the Registration Statement, as first filed with the Commission, and of each amendment thereto, including all documents incorporated by reference therein and all exhibits (including exhibits incorporated therein by reference);

(x) deliver to each Holder without charge, as many copies of the Prospectus (including each preliminary prospectus) and any amendment or supplement thereto as such Persons reasonably may request; the Company and the Guarantors hereby consent to the use (in accordance with law) of the Prospectus and any amendment or supplement thereto by each selling Holder in connection with the offering and the sale of the Transfer Restricted Securities covered by the Prospectus or any amendment or supplement thereto;

(xi) upon the request of any Holder, enter into such agreements (including underwriting agreements) and make such representations and warranties and take all such other actions in connection therewith in order to expedite or facilitate the disposition of the Transfer Restricted Securities pursuant to any applicable Registration Statement contemplated by this Agreement as may be reasonably requested by any Holder in connection with any sale or resale pursuant to any applicable Registration Statement. In such connection, the Company and the Guarantors shall:

(A) upon request of any Holder, furnish (or in the case of paragraphs (2) and (3), use its best efforts to cause to be furnished) to each Holder, upon Consummation of the Exchange Offer or upon the effectiveness of the Shelf Registration Statement, as the case may be:

(1) a certificate, dated such date, signed on behalf of the Company and each Guarantor by (x) the President or any Vice President and (y) a principal financial or accounting officer of the Company and such Guarantor, confirming, as of the date thereof, the matters set forth in Sections 6(x), 9(a) and 9(b) of the Purchase Agreement and such other similar matters as such Holders may reasonably request;

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(2) an opinion, dated the date of Consummation of the Exchange Offer or the date of effectiveness of the Shelf Registration Statement, as the case may be, of counsel for the Company and the Guarantors covering matters similar to those set forth in paragraph (e) of Section 9 of the Purchase Agreement and such other matter as such Holder may reasonably request, and in any event including a statement to the effect that such counsel has participated in conferences with officers and other representatives of the Company and the Guarantors, representatives of the independent public accountants for the Company and the Guarantors and have considered the matters required to be stated therein and the statements contained therein, although such counsel has not independently verified the accuracy, completeness or fairness of such statements; and that such counsel advises that, on the basis of the foregoing (relying as to materiality to the extent such counsel deems appropriate upon the statements of officers and other representatives of the Company and the Guarantors and without independent check or verification), no facts came to such counsel's attention that caused such counsel to believe that the applicable Registration Statement, at the time such Registration Statement or any post-effective amendment thereto became effective and, in the case of the Exchange Offer Registration Statement, as of the date of Consummation of the Exchange Offer, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that the Prospectus contained in such Registration Statement as of its date and, in the case of the opinion dated the date of Consummation of the Exchange Offer, as of the date of Consummation, contained an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. Without limiting the foregoing, such counsel may state further that such counsel assumes no responsibility for, and has not independently verified, the accuracy, completeness or fairness of the financial statements, notes and schedules and other financial data included in any Registration Statement contemplated by this Agreement or the related Prospectus; and

(3) a customary comfort letter, dated the date of Consummation of the Exchange Offer, or as of the date of effectiveness of the Shelf Registration Statement, as the case may be, from the Company's

independent accountants, in the customary form and covering matters of the type customarily covered in comfort letters to underwriters in connection with underwritten offerings, and affirming the matters set forth in the comfort letter delivered pursuant to Section 9(h) of the Purchase Agreement; and

(B) deliver such other documents and certificates as may be reasonably requested by the selling Holders to evidence compliance with the matters covered in clause (A) above and with any customary conditions contained in any agreement entered into by the Company and the Guarantors pursuant to this clause (xi);

(xii) prior to any public offering of Transfer Restricted Securities, cooperate with the selling Holders and their counsel in connection with the registration and qualification of the Transfer Restricted Securities under the securities or Blue Sky laws of such jurisdictions as the selling Holders may request and do any and all other acts or things necessary or advisable to enable the disposition in such jurisdictions of the Transfer Restricted Securities covered by the applicable Registration Statement; PROVIDED, HOWEVER, that neither the Company nor any Guarantor shall be required to register or qualify as a foreign corporation or other entity, as applicable, where it is not now so qualified or to take any action that would subject it to the service of process in suits or to taxation, other than as to matters and transactions relating to the Registration Statement, in any jurisdiction where it is not now so subject;

(xiii) in connection with any sale of Transfer Restricted Securities that will result in such securities no longer being Transfer Restricted Securities, cooperate with the Holders to facilitate the timely preparation and delivery of certificates representing Transfer Restricted Securities to be sold and not bearing any

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restrictive legends; and to register such Transfer Restricted Securities in such denominations and such names as the selling Holders may request at least two Business Days prior to such sale of Transfer Restricted Securities;

(xiv) use their respective reasonable best efforts to cause the disposition of the Transfer Restricted Securities covered by the Registration Statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the seller or sellers thereof to consummate the disposition of such Transfer Restricted Securities, subject to the proviso contained in clause (xii) above;

(xv) provide a CUSIP number for all Transfer Restricted Securities not later than the effective date of a Registration Statement covering such Transfer Restricted Securities and provide the Trustee under the Indenture with printed certificates for the Transfer Restricted Securities which are in a form eligible for deposit with the Depository Trust Company;

(xvi) otherwise use their respective reasonable best efforts to comply with all applicable rules and regulations of the Commission, and make generally available to its security holders with regard to any applicable Registration Statement, as soon as practicable, a consolidated earnings statement meeting the requirements of Rule 158 (which need not be audited) covering a twelve-month period beginning after the effective date of the Registration Statement (as such term is defined in paragraph (c) of Rule 158 under the Act);

(xvii) cause the Indenture to be qualified under the TIA not later than the effective date of the first Registration Statement required by this Agreement and, in connection therewith, cooperate with the Trustee and the Holders to effect such changes to the Indenture as may be required for such Indenture to be so qualified in accordance with the terms of the TIA; and execute and use its best efforts to cause the Trustee to execute, all documents that may be required to effect such changes and all other forms and documents required to be filed with the Commission to enable such Indenture to be so qualified in a timely manner; and

(xviii) provide promptly to each Holder, upon request, each document filed with the Commission pursuant to the requirements of Section 13 or Section 15(d) of the Exchange Act.

(d) RESTRICTIONS ON HOLDERS. Each Holder agrees by acquisition of a Transfer Restricted Security that, upon receipt of the notice referred to in Section 6(c)(iii)(C) or any notice from the Company of the existence of any fact of the kind described in Section 6(c)(iii)(D) hereof (in each case, a "SUSPENSION NOTICE"), such Holder will forthwith discontinue disposition of Transfer Restricted Securities pursuant to the applicable Registration Statement until (i) such Holder has received copies of the supplemented or amended Prospectus contemplated by Section 6(c)(iv) hereof, or (ii) such Holder is advised in writing by the Company that the use of the Prospectus may be resumed, and has received copies of any additional or supplemental filings that are incorporated by reference in the Prospectus (in each case, the "RECOMMENCEMENT

DATE"). Each Holder receiving a Suspension Notice hereby agrees that it will either (i) destroy any Prospectuses, other than permanent file copies, then in such Holder's possession which have been replaced by the Company with more recently dated Prospectuses or (ii) deliver to the Company (at the Company's expense) all copies, other than permanent file copies, then in such Holder's possession of the Prospectus covering such Transfer Restricted Securities that was current at the time of receipt of the Suspension Notice. The time period regarding the effectiveness of such Registration Statement set forth in Section 3 or 4 hereof, as applicable, shall be extended by a number of days equal to the number of days in the period from and including the date of delivery of the Suspension Notice to the date of delivery of the Recommencement Date.

SECTION 7. REGISTRATION EXPENSES

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(a) All expenses incident to the Company's and the Guarantors' performance of or compliance with this Agreement will be borne by the Company, regardless of whether a Registration Statement becomes effective, including without limitation: (i) all registration and filing fees and expenses; (ii) all fees and expenses of compliance with federal securities and state Blue Sky or securities laws; (iii) all expenses of printing (including printing certificates for the Series B Senior Subordinated Notes to be issued in the Exchange Offer and printing of Prospectuses), messenger and delivery services and telephone; (iv) all fees and disbursements of counsel for the Company, the Guarantors and the Holders of Transfer Restricted Securities; (v) all application and filing fees in connection with listing the Series B Senior Subordinated Notes on a national securities exchange or automated quotation system pursuant to the requirements hereof; and (vi) all fees and disbursements of independent certified public accountants of the Company and the Guarantors (including the expenses of any special audit and comfort letters required by or incident to such performance).

The Company will, in any event, bear its and the Guarantors' internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expenses of any annual audit and the fees and expenses of any Person, including special experts, retained by the Company or the Guarantors.

(b) In connection with any Registration Statement required by this Agreement (including, without limitation, the Exchange Offer Registration Statement and the Shelf Registration Statement), the Company and the Guarantors will reimburse the Initial Purchasers and the Holders of Transfer Restricted Securities who are tendering Series A Senior Subordinated Notes in the Exchange Offer and/or selling or reselling Series A Senior Subordinated Notes or Series B Senior Subordinated Notes pursuant to the "Plan of Distribution" contained in the Exchange Offer Registration Statement or the Shelf Registration Statement, as applicable, for the reasonable fees and disbursements of not more than one counsel, who shall be Davis Polk & Wardwell, unless another firm shall be chosen by the Holders of a majority in principal amount of the Transfer Restricted Securities for whose benefit such Registration Statement is being prepared. Notwithstanding the foregoing, such Holders shall be responsible for any and all underwriting discounts and commissions and prior to employing counsel in connection with an Exchange Offer, the Initial Purchasers will notify the Company and the Company's counsel and provide them reasonable opportunity to discuss the need for separate counsel; PROVIDED, HOWEVER, the Initial Purchasers shall at all times retain the sole right to employ separate counsel.

SECTION 8. INDEMNIFICATION

(a) Each of the Company and the Guarantors agrees, jointly and severally, to indemnify and hold harmless each Holder, its directors, officers and each Person, if any, who controls such Holder (within the meaning of Section 15 of the Act or Section 20 of the Exchange Act), from and against any and all losses, claims, damages, liabilities, judgments, (including without limitation, any legal or other expenses incurred in connection with investigating or defending any matter, including any action that could give rise to any such losses, claims, damages, liabilities or judgments) caused by any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement, preliminary prospectus or Prospectus (or any amendment or supplement thereto) provided by the Company to any Holder or any prospective purchaser of Series B Senior Subordinated Notes or registered Series A Senior Subordinated Notes, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages, liabilities or judgments are caused by an untrue statement or omission or alleged untrue statement or omission that is based upon information relating to any of the Holders furnished in writing to the Company by any of the Holders.

(b) Each Holder of Transfer Restricted Securities agrees, severally and not jointly, to indemnify and hold harmless the Company and the Guarantors, and their respective directors and officers, and each person, if any, who controls (within the meaning of Section 15 of the Act or Section 20 of the Exchange Act) the Company, or the

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Guarantors to the same extent as the foregoing indemnity from the Company and the Guarantors set forth in Section 8(a) above, but only with reference to information relating to such Holder furnished in writing to the Company by such Holder expressly for use in any Registration Statement. In no event shall any Holder, its directors, officers or any Person who controls such Holder be liable or responsible for any amount in excess of the amount by which the total amount received by such Holder with respect to its sale of Transfer Restricted Securities pursuant to a Registration Statement exceeds (i) the amount paid by such Holder for such Transfer Restricted Securities and (ii) the amount of any damages that such Holder, its directors, officers or any Person who controls such Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission.

(c) In case any action shall be commenced involving any person in respect of which indemnity may be sought pursuant to Section 8(a) or 8(b) (the "INDEMNIFIED PARTY"), the indemnified party shall promptly notify the person against whom such indemnity may be sought (the "INDEMNIFYING PERSON") in writing and the indemnifying party shall assume the defense of such action, including the employment of counsel reasonably satisfactory to the indemnified party and the payment of all fees and expenses of such counsel, as incurred (except that in the case of any action in respect of which indemnity may be sought pursuant to both Sections 8(a) and 8(b), a Holder shall not be required to assume the defense of such action pursuant to this Section 8(c), but may employ separate counsel and participate in the defense thereof, but the fees and expenses of such counsel, except as provided below, shall be at the expense of the Holder). Any indemnified party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of the indemnified party unless (i) the employment of such counsel shall have been specifically authorized in writing by the indemnifying party, (ii) the indemnifying party shall have failed to assume the defense of such action or employ counsel reasonably satisfactory to the indemnified party or (iii) the named parties to any such action (including any impleaded parties) include both the indemnified party and the indemnifying party, and the indemnified party shall have been advised by such counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the indemnifying party (in which case the indemnifying party shall not have the right to assume the defense of such action on behalf of the indemnified party). In any such case, the indemnifying party shall not, in connection with any one action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) for all indemnified parties and all such fees and expenses shall be reimbursed as they are incurred. Such firm shall be designated in writing by a majority of the Holders, in the case of the parties indemnified pursuant to Section 8(a), and by the Company and Guarantors, in the case of parties indemnified pursuant to Section 8(b). The indemnifying party shall indemnify and hold harmless the indemnified party from and against any and all losses, claims, damages, liabilities and judgments by reason of any settlement of any action (i) effected with its written consent or (ii) effected without its written consent if the settlement is entered into more than twenty business days after the indemnifying party shall have received a request from the indemnified party for reimbursement for the fees and expenses of counsel (in any case where such fees and expenses are at the expense of the indemnifying party) and, prior to the date of such settlement, the indemnifying party shall have failed to comply with such reimbursement request. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement or compromise of, or consent to the entry of judgment with respect to, any pending or threatened action in respect of which the indemnified party is or could have been a party and indemnity or contribution may be or could have been sought hereunder by the indemnified party, unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability on claims that are or could have been the subject matter of such action and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of the indemnified party.

(d) To the extent that the indemnification provided for in this Section 8 is unavailable to an indemnified party in respect of any losses, claims, damages, liabilities or judgments referred to therein, then each indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities or judgments (i) in such proportion as is

appropriate to reflect the relative benefits received by the Company and the Guarantors, on the one hand, and the Holders, on the other hand, from their sale of Transfer Restricted Securities or (ii) if the allocation provided by clause 8(d)(i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 8(d)(i) above but also the relative fault of the Company and the Guarantors, on the one hand, and of the Holder, on the other hand, in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or

judgments, as well as any other relevant equitable considerations. The relative fault of the Company and the Guarantors, on the one hand, and of the Holder, on the other hand, shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or such Guarantor, on the one hand, or by the Holder, on the other hand, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company, the Guarantors and each Holder agree that it would not be just and equitable if contribution pursuant to this Section 8(d) were determined by pro rata allocation (even if the Holders were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages, liabilities or judgments referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses incurred by such indemnified party in connection with investigating or defending any matter, including any action that could have given rise to such losses, claims, damages, liabilities or judgments. Notwithstanding the provisions of this Section 8, no Holder, its directors, its officers or any Person, if any, who controls such Holder shall be required to contribute, in the aggregate, any amount in excess of the amount by which the total received by such Holder with respect to the sale of Transfer Restricted Securities pursuant to a Registration Statement exceeds (i) the amount paid by such Holder for such Transfer Restricted Securities and (ii) the amount of any damages which such Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Holders' obligations to contribute pursuant to this Section 8(d) are several in proportion to the respective principal amount of Transfer Restricted Securities held by each Holder hereunder and not joint.

SECTION 9. RULE 144A AND RULE 144

The Company and each Guarantor agree with each Holder, for so long as any Transfer Restricted Securities remain outstanding and during any period in which the Company or such Guarantor (i) is not subject to Section 13 or 15(d) of the Exchange Act, to make available, upon request of any Holder, to such Holder or beneficial owner of Transfer Restricted Securities in connection with any sale thereof and any prospective purchaser of such Transfer Restricted Securities designated by such Holder or beneficial owner, the information required by Rule 144A(d)(4) under the Act in order to permit resales of such Transfer Restricted Securities pursuant to Rule 144A, and (ii) is subject to Section 13 or 15 (d) of the Exchange Act, to make all filings required thereby in a timely manner in order to permit resales of such Transfer Restricted Securities pursuant to Rule 144.

SECTION 10. MISCELLANEOUS

(a) REMEDIES. The Company and the Guarantors acknowledge and agree that any failure by the Company and/or the Guarantors to comply with their respective obligations under Sections 3 and 4 hereof may result in material irreparable injury to the Initial Purchasers or the Holders for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of any such failure, the Initial Purchasers or any Holder may obtain such relief as may be required to specifically enforce the Company's and the Guarantor's obligations under Sections 3 and 4 hereof. The Company and the Guarantors further agree to waive the defense in any action for specific performance that a remedy at law would be adequate.

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(b) NO INCONSISTENT AGREEMENTS. Neither the Company nor any Guarantor will, on or after the date of this Agreement, enter into any agreement with respect to its securities that is inconsistent with the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions hereof. Neither the Company nor any Guarantor has previously entered into any agreement granting any registration rights with respect to its securities to any Person. The rights granted to the Holders hereunder do not in any way conflict with and are not inconsistent with the rights granted to the holders of the Company's and the Guarantors' securities under any agreement in effect on the date hereof.

(c) AMENDMENTS AND WAIVERS. The provisions of this Agreement may not be amended, modified or supplemented, and waivers or consents to or departures from the provisions hereof may not be given unless (i) in the case of Section 5 hereof and this Section 10(c)(i), the Company has obtained the written consent of Holders of all outstanding Transfer Restricted Securities and (ii) in the case of all other provisions hereof, the Company has obtained the written consent of Holders of a majority of the outstanding principal amount of Transfer Restricted Securities (excluding Transfer Restricted Securities held by the Company or its Affiliates). Notwithstanding the foregoing, a waiver or consent to departure from the provisions hereof that relates exclusively to the rights

of Holders whose Transfer Restricted Securities are being tendered pursuant to the Exchange Offer, and that does not affect directly or indirectly the rights of other Holders whose Transfer Restricted Securities are not being tendered pursuant to such Exchange Offer, may be given by the Holders of a majority of the outstanding principal amount of Transfer Restricted Securities subject to such Exchange Offer.

(d) THIRD PARTY BENEFICIARY. The Holders shall be third party beneficiaries to the agreements made hereunder between the Company and the Guarantors, on the one hand, and the Initial Purchasers, on the other hand, and shall have the right to enforce such agreements directly to the extent they may deem such enforcement necessary or advisable to protect its rights or the rights of Holders hereunder.

(e) NOTICES. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, first-class mail (registered or certified, return receipt requested), telex, telecopier, or air courier guaranteeing overnight delivery:

(i) if to a Holder, at the address set forth on the records of the Registrar under the Indenture, with a copy to the Registrar under the Indenture; and

(ii) if to the Company or the Guarantors:

c/o Hovnanian Enterprises, Inc.
10 Highway 35
P.O. Box 500
Red Bank, NJ 07701

Telecopier No.: 732-747-6835
Attention: Corporate Controller

With a copy to:
Simpson Thacher & Bartlett
425 Lexington Ave.
New York, NY 10017

Telecopier No.: 212-455-2502
Attention: Vincent Pagano, Jr., Esq.

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All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when receipt acknowledged, if telecopied; and on the next business day, if timely delivered to an air courier guaranteeing overnight delivery.

Copies of all such notices, demands or other communications shall be concurrently delivered by the Person giving the same to the Trustee at the address specified in the Indenture.

(f) SUCCESSORS AND ASSIGNS. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties, including without limitation and without the need for an express assignment, subsequent Holders; PROVIDED, that nothing herein shall be deemed to permit any assignment, transfer or other disposition of Transfer Restricted Securities in violation of the terms hereof or of the Purchase Agreement or the Indenture. If any transferee of any Holder shall acquire Transfer Restricted Securities in any manner, whether by operation of law or otherwise, such Transfer Restricted Securities shall be held subject to all of the terms of this Agreement, and by taking and holding such Transfer Restricted Securities such Person shall be conclusively deemed to have agreed to be bound by and to perform all of the terms and provisions of this Agreement, including the restrictions on resale set forth in this Agreement and, if applicable, the Purchase Agreement, and such Person shall be entitled to receive the benefits hereof.

(g) COUNTERPARTS. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(h) HEADINGS. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(i) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(j) SEVERABILITY. In the event that any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

(k) ENTIRE AGREEMENT. This Agreement is intended by the parties as a final

expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein with respect to the registration rights granted with respect to the Transfer Restricted Securities. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

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IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

K. HOVNIANIAN ENTERPRISES, INC.

/s/ J. Larry Sorsby

By: J. Larry Sorsby
Title: Executive Vice President
Chief Financial Officer

HOVNIANIAN ENTERPRISES, INC.

/s/ J. Larry Sorsby

By: J. Larry Sorsby
Title: Executive Vice President
Chief Financial Officer

GUARANTORS:

ALL SEASONS, INC.
ARROW PROPERTIES, INC.
BALLANTRAE DEVELOPMENT CORP.
BALLANTRAE HOME SALES, 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.
EXC, INC.
FORTIS HOMES, INC.
HOUSING-HOME SALES, INC.
HOVNIANIAN AT TARPON LAKES I, INC.
HOVNIANIAN DEVELOPMENTS OF FLORIDA, INC.
HOVNIANIAN PENNSYLVANIA, INC.
K. HOV INTERNATIONAL, INC.
K. HOVNIANIAN ACQUISITIONS, INC.
K. HOVNIANIAN AT ASHBURN VILLAGE, INC.
K. HOVNIANIAN AT ATLANTIC CITY, INC.
K. HOVNIANIAN AT BALLANTRAE ESTATES, INC.
K. HOVNIANIAN AT BARRINGTON, INC.
K. HOVNIANIAN AT BEDMINSTER II, INC.
K. HOVNIANIAN AT BEDMINSTER, INC.
K. HOVNIANIAN AT BELMONT, INC.
K. HOVNIANIAN AT BERNARDS IV, INC.

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K. HOVNIANIAN AT BRANCHBURG III, INC.
K. HOVNIANIAN AT BRIDGEPORT, INC.
K. HOVNIANIAN AT BRIDGEWATER IV, INC.
K. HOVNIANIAN AT BRIDGEWATER V, INC.
K. HOVNIANIAN AT BRIDGEWATER VI, INC.
K. HOVNIANIAN AT BULL RUN, INC.
K. HOVNIANIAN AT BURLINGTON III, INC.
K. HOVNIANIAN AT BURLINGTON, INC.
K. HOVNIANIAN AT CALABRIA, INC.
K. HOVNIANIAN AT CAMERON CHASE, INC.
K. HOVNIANIAN AT CARMEL DEL MAR, INC.
K. HOVNIANIAN AT CAROLINA COUNTRY CLUB I, INC.
K. HOVNIANIAN AT CAROLINA COUNTRY CLUB II, INC.
K. HOVNIANIAN AT CAROLINA COUNTRY CLUB III, INC.
K. HOVNIANIAN AT CASTILE, INC.
K. HOVNIANIAN AT CEDAR GROVE I, INC.
K. HOVNIANIAN AT CEDAR GROVE II, INC.
K. HOVNIANIAN AT CHAPARRAL, INC.
K. HOVNIANIAN AT CLARKSTOWN, INC.
K. HOVNIANIAN AT COCONUT CREEK, INC.
K. HOVNIANIAN AT CRESTLINE, INC.
K. HOVNIANIAN AT CRYSTAL SPRINGS, INC.
K. HOVNIANIAN AT DOMINGUEZ, INC.

K. HOVNIANIAN AT DOMINION RIDGE, INC.
K. HOVNIANIAN AT EAST BRUNSWICK VI, INC.
K. HOVNIANIAN AT EAST BRUNSWICK VIII, INC.
K. HOVNIANIAN AT EAST WHITELAND I, INC.
K. HOVNIANIAN AT EXETER HILLS, INC.
K. HOVNIANIAN AT FAIR LAKES GLEN, INC.
K. HOVNIANIAN AT FAIR LAKES, INC.
K. HOVNIANIAN AT FREEHOLD TOWNSHIP, INC.
K. HOVNIANIAN AT FREEHOLD TOWNSHIP I, INC.
K. HOVNIANIAN AT FT. MYERS I, INC.
K. HOVNIANIAN AT FT. MYERS II, INC.
K. HOVNIANIAN AT GREAT NOTCH, INC.
K. HOVNIANIAN AT HACKETTSTOWN, INC.
K. HOVNIANIAN AT HALF MOON BAY, INC.
K. HOVNIANIAN AT HAMPTON OAKS, INC.
K. HOVNIANIAN AT HANOVER, INC.
K. HOVNIANIAN AT HERSHEY'S MILL, INC. (a PA Corp)
K. HOVNIANIAN AT HIGHLAND VINEYARDS, INC.
K. HOVNIANIAN AT HOLLY CREST, INC.
K. HOVNIANIAN AT HOPEWELL IV, INC.
K. HOVNIANIAN AT HOPEWELL V, INC.
K. HOVNIANIAN AT HOPEWELL VI, INC.
K. HOVNIANIAN AT HOWELL TOWNSHIP, INC.
K. HOVNIANIAN AT HUNTER ESTATES, INC.
K. HOVNIANIAN AT JACKSONVILLE II, INC.
K. HOVNIANIAN AT JEFFERSON, INC.

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K. HOVNIANIAN AT JERSEY CITY III, INC.
K. HOVNIANIAN AT KINGS GRANT I, INC.
K. HOVNIANIAN AT KLOCKNER FARMS, INC.
K. HOVNIANIAN AT LA TERRAZA, INC.
K. HOVNIANIAN AT LA TROVATA, INC.
K. HOVNIANIAN AT LAKEWOOD, INC.
K. HOVNIANIAN AT LAWRENCE V, INC.
K. HOVNIANIAN AT LOWER SAUCON II, INC.
K. HOVNIANIAN AT LOWER SAUCON, INC.
K. HOVNIANIAN AT MAHWAH II, INC.
K. HOVNIANIAN AT MAHWAH IV, INC. (Whalepond)
K. HOVNIANIAN AT MAHWAH IX, INC.
K. HOVNIANIAN AT MAHWAH V, INC.
K. HOVNIANIAN AT MAHWAH VI, INC. (Norfolk)
K. HOVNIANIAN AT MAHWAH VII, INC.
K. HOVNIANIAN AT MAHWAH VIII, INC.
K. HOVNIANIAN AT MANALAPAN, INC.
K. HOVNIANIAN AT MARLBORO II, INC.
K. HOVNIANIAN AT MARLBORO TOWNSHIP IV, INC.
K. HOVNIANIAN AT MARLBORO TOWNSHIP VI, INC.
K. HOVNIANIAN AT MARLBORO TOWNSHIP VII, INC.
K. HOVNIANIAN AT MARLBORO TOWNSHIP III, INC.
K. HOVNIANIAN AT MEDFORD I, INC.
K. HOVNIANIAN AT MERRIMACK, INC.
K. HOVNIANIAN AT METRO DC SOUTH, INC.
K. HOVNIANIAN AT MONTCLAIR NJ, INC.
K. HOVNIANIAN AT MONTCLAIR, INC.
K. HOVNIANIAN AT MONTGOMERY I, INC.
K. HOVNIANIAN AT NEWARK URBAN RENEWAL
CORPORATION I, INC.
K. HOVNIANIAN AT NEWARK URBAN RENEWAL
CORPORATION IV, INC.
K. HOVNIANIAN AT NEWARK URBAN RENEWAL
CORPORATION V, INC.
K. HOVNIANIAN AT NORTH BERGEN, INC.
K. HOVNIANIAN AT NORTH BRUNSWICK IV, INC.
K. HOVNIANIAN AT NORTHERN WESTCHESTER, INC.
K. HOVNIANIAN AT NORTHLAKE, INC.
K. HOVNIANIAN AT OCEAN WALK, INC.
K. HOVNIANIAN AT P.C. PROPERTIES, INC.
K. HOVNIANIAN AT PARK RIDGE, INC.
K. HOVNIANIAN AT PASCO I, INC.
K. HOVNIANIAN AT PASCO II, INC.
K. HOVNIANIAN AT PEEKSKILL, INC.
K. HOVNIANIAN AT PEMBROKE SHORES, INC.
K. HOVNIANIAN AT PERKIOMEN I, INC.
K. HOVNIANIAN AT PERKIOMEN II, INC.
K. HOVNIANIAN AT PLAINSBORO III, INC.
K. HOVNIANIAN AT POLO TRACE, INC.
K. HOVNIANIAN AT PORT IMPERIAL NORTH, INC.
K. HOVNIANIAN AT PRINCETON, INC.

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K. HOVNIANIAN AT RANCHO CHRISTIANITOS, INC.

K. HOVNIANIAN AT RARITAN I, INC.
K. HOVNIANIAN AT READINGTON II, INC.
K. HOVNIANIAN AT RESERVOIR RIDGE, INC.
K. HOVNIANIAN AT RIVER OAKS, INC.
K. HOVNIANIAN AT SAN SEVAINE, INC.
K. HOVNIANIAN AT SARATOGA, INC.
K. HOVNIANIAN AT SCOTCH PLAINS II, INC.
K. HOVNIANIAN AT SCOTCH PLAINS, INC.
K. HOVNIANIAN AT SENECA CROSSING, INC.
K. HOVNIANIAN AT SMITHVILLE, INC.
K. HOVNIANIAN AT SMITHVILLE III, INC.
K. HOVNIANIAN AT SOMERS POINT, INC.
K. HOVNIANIAN AT SOUTH BRUNSWICK II, INC.
K. HOVNIANIAN AT SOUTH BRUNSWICK III, INC.
K. HOVNIANIAN AT SOUTH BRUNSWICK IV, INC.
K. HOVNIANIAN AT SOUTH BRUNSWICK V, INC.
K. HOVNIANIAN AT SPRING RIDGE, INC.
K. HOVNIANIAN AT STONE CANYON, INC.
K. HOVNIANIAN AT STONEGATE, INC. (a CA Corporation)
K. HOVNIANIAN AT STONEGATE, INC. (a VA Corporation)
K. HOVNIANIAN AT STONY POINT, INC.
K. HOVNIANIAN AT STUART ROAD, INC.
K. HOVNIANIAN AT SULLY STATION, INC.
K. HOVNIANIAN AT SUMMERWOOD, INC.
K. HOVNIANIAN AT SYCAMORE, INC.
K. HOVNIANIAN AT TANNERY HILL, INC.
K. HOVNIANIAN AT THE BLUFF, INC.
K. HOVNIANIAN AT THE CEDARS, INC.
K. HOVNIANIAN AT THE GLEN, INC.
K. HOVNIANIAN AT THE RESERVE AT MEDFORD, INC.
K. HOVNIANIAN AT THORNBURY, INC.
K. HOVNIANIAN AT TIERRASANTA, INC.
K. HOVNIANIAN AT TUXEDO, INC.
K. HOVNIANIAN AT UNION TOWNSHIP I, INC.
K. HOVNIANIAN AT UPPER FREEHOLD TOWNSHIP I, INC.
K. HOVNIANIAN AT UPPER MAKEFIELD I, INC.
K. HOVNIANIAN AT UPPER MERION, INC.
K. HOVNIANIAN AT VAIL RANCH, INC.
K. HOVNIANIAN AT VALLEYBROOK II, INC.
K. HOVNIANIAN AT VALLEYBROOK, INC.
K. HOVNIANIAN AT WALL TOWNSHIP VI, INC.
K. HOVNIANIAN AT WALL TOWNSHIP VIII, INC.
K. HOVNIANIAN AT WASHINGTONVILLE, INC.
K. HOVNIANIAN AT WAYNE III, INC.
K. HOVNIANIAN AT WAYNE V, INC.
K. HOVNIANIAN AT WAYNE VI, INC.
K. HOVNIANIAN AT WAYNE VII, INC.

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K. HOVNIANIAN AT WILDROSE, INC.
K. HOVNIANIAN AT WINSTON TRAILS, INC.
K. HOVNIANIAN AT WOODMONT, INC.
K. HOVNIANIAN AVIATION, INC.
K. HOVNIANIAN COMPANIES NORTHEAST, INC.
K. HOVNIANIAN COMPANIES OF CALIFORNIA, INC.
K. HOVNIANIAN COMPANIES OF FLORIDA, INC.
K. HOVNIANIAN COMPANIES OF MARYLAND, INC.
K. HOVNIANIAN COMPANIES OF METRO WASHINGTON, INC.
K. HOVNIANIAN COMPANIES OF NEW YORK, INC.
K. HOVNIANIAN COMPANIES OF NORTH CAROLINA, INC.
K. HOVNIANIAN COMPANIES OF PENNSYLVANIA, INC.
K. HOVNIANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.
K. HOVNIANIAN CONSTRUCTION MANAGEMENT, INC.
K. HOVNIANIAN'S DESIGN GALLERY, INC.
K. HOVNIANIAN DEVELOPMENTS OF CALIFORNIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF MARYLAND, INC.
K. HOVNIANIAN DEVELOPMENTS OF METRO WASHINGTON, INC.
K. HOVNIANIAN DEVELOPMENTS OF NEW JERSEY, INC.
K. HOVNIANIAN DEVELOPMENTS OF NEW YORK, INC.
K. HOVNIANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.
K. HOVNIANIAN DEVELOPMENTS OF TEXAS, INC.
K. HOVNIANIAN EQUITIES, INC.
K. HOVNIANIAN FLORIDA DIVISION, INC.
K. HOVNIANIAN FORECAST ACQUISITION, INC.
K. HOVNIANIAN FORECAST HOMES, INC.
K. HOVNIANIAN INVESTMENT PROPERTIES OF NEW JERSEY, INC.
K. HOVNIANIAN MARINE, INC.

K. HOVNIANIAN PORT IMPERIAL URBAN RENEWAL, INC.
K. HOVNIANIAN PROPERTIES OF EAST BRUNSWICK II,
INC.
K. HOVNIANIAN PROPERTIES OF NB THEATRE, INC.
K. HOVNIANIAN PROPERTIES OF NEWARK URBAN
RENEWAL CORPORATION, INC.
K. HOVNIANIAN PROPERTIES OF NORTH BRUNSWICK
II, INC.
K. HOVNIANIAN PROPERTIES OF NORTH BRUNSWICK
V, INC.
K. HOVNIANIAN PROPERTIES OF PISCATAWAY, INC.
K. HOVNIANIAN PROPERTIES OF RED BANK, INC.
K. HOVNIANIAN PROPERTIES OF WALL, INC.
K. HOVNIANIAN REAL ESTATE INVESTMENT, INC.

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K. HOVNIANIAN REAL ESTATE OF FLORIDA, INC.
K. HOVNIANIAN SOUTHEAST FLORIDA, INC.
K. HOVNIANIAN SOUTHEAST REGION, INC.
K. HOVNIANIAN'S FOUR SEASONS OF THE PALM
BEACHES, INC.
KHC ACQUISITION, INC.
KINGS GRANT EVESHAM CORP.
LANDARAMA, INC.
MATZEL & MUMFORD OF DELAWARE, INC.
M & M AT LONG BRANCH, INC.
NEW K. HOVNIANIAN DEVELOPMENTS OF FLORIDA, INC.
PARK VILLAGE REALTY, INC.
PARTHENON GROUP, INC.
PINE BROOK CO., 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
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.
K. HOVNIANIAN AT ST. MARGARETS, L.L.C.
K. HOVNIANIAN AT ARBOR HEIGHTS, L.L.C.
K. HOVNIANIAN AT ASHBURN VILLAGE, L.L.C.
K. HOVNIANIAN AT BARNEGAT I, L.L.C.
K. HOVNIANIAN AT BERKELEY, L.L.C.
K. HOVNIANIAN AT BERNARDS V, L.L.C.
K. HOVNIANIAN AT BLOOMS CROSSING, L.L.C.
K. HOVNIANIAN AT BLUE HERON PINES, L.L.C.
K. HOVNIANIAN AT BRENBROOKE, L.L.C.
K. HOVNIANIAN AT CAMDEN I, L.L.C.
K. HOVNIANIAN AT CARMEL VILLAGE, L.L.C.
K. HOVNIANIAN AT CEDAR GROVE III, L.L.C.
K. HOVNIANIAN AT CHESTER I, L.L.C.
K. HOVNIANIAN AT CLIFTON, L.L.C.
K. HOVNIANIAN AT COLUMBIA TOWN CENTER, L.L.C.
K. HOVNIANIAN AT CRANBURY, L.L.C.
K. HOVNIANIAN AT CURRIES WOODS, L.L.C.
K. HOVNIANIAN AT ENCINITAS RANCH, L.L.C.

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K. HOVNIANIAN AT FORECAST, L.L.C.
K. HOVNIANIAN AT GUTTENBERG, L.L.C.
K. HOVNIANIAN AT HAMBURG, L.L.C.
K. HOVNIANIAN AT HAMBURG CONTRACTORS, L.L.C.
K. HOVNIANIAN AT JACKSON, L.L.C.
K. HOVNIANIAN AT JERSEY CITY IV, L.L.C.
K. HOVNIANIAN AT KENT ISLAND, L.L.C.
K. HOVNIANIAN AT KINCAID, L.L.C.
K. HOVNIANIAN AT KING FARM, L.L.C.
K. HOVNIANIAN AT LAFAYETTE ESTATES, L.L.C.
K. HOVNIANIAN AT LAKE RIDGE CROSSING, L.L.C.
K. HOVNIANIAN AT LAKE TERRAPIN, L.L.C.
K. HOVNIANIAN AT LAWRENCE V, L.L.C.
K. HOVNIANIAN AT LINWOOD, L.L.C.

K. HOVNIANIAN AT LITTLE EGG HARBOR, L.L.C.
K. HOVNIANIAN AT LITTLE EGG HARBOR CONTRACTORS, L.L.C.
K. HOVNIANIAN AT LOWER MORELAND I, L.L.C.
K. HOVNIANIAN AT LOWER MORELAND II, L.L.C.
K. HOVNIANIAN AT LOWER SAUCON II, L.L.C.
K. HOVNIANIAN AT MANSFIELD I, LLC
K. HOVNIANIAN AT MANSFIELD II, LLC
K. HOVNIANIAN AT MANSFIELD III, L.L.C.
K. HOVNIANIAN AT MARLBORO TOWNSHIP VIII, L.L.C.
K. HOVNIANIAN AT MARLBORO VI, L.L.C.
K. HOVNIANIAN AT MARLBORO VII, L.L.C.
K. HOVNIANIAN AT MENIFEE, L.L.C.
K. HOVNIANIAN AT MIDDLETOWN, L.L.C.
K. HOVNIANIAN AT MT. OLIVE TOWNSHIP, L.L.C.
K. HOVNIANIAN AT NORTH BRUNSWICK VI, L.L.C.
K. HOVNIANIAN AT NORTH HALEDON, L.L.C.
K. HOVNIANIAN AT NORTHAMPTON, L.L.C.
K. HOVNIANIAN AT NORTHFIELD, L.L.C.
K. HOVNIANIAN AT PACIFIC BLUFFS, L.L.C.
K. HOVNIANIAN AT PARAMUS, L.L.C.
K. HOVNIANIAN AT PARK LANE, L.L.C.
K. HOVNIANIAN AT PRINCE WILLIAM, L.L.C.
K. HOVNIANIAN AT RANCHO SANTA MARGARITA, L.L.C.
K. HOVNIANIAN AT RIVERBEND, L.L.C.
K. HOVNIANIAN AT RODERUCK. L.L.C.
K. HOVNIANIAN AT ROWLAND HEIGHTS, L.L.C.
K. HOVNIANIAN AT SAYREVILLE, L.L.C.
K. HOVNIANIAN AT SOUTH AMBOY, L.L.C.
K. HOVNIANIAN AT SOUTH BANK, L.L.C.
K. HOVNIANIAN AT SOUTH BRUNSWICK, L.L.C.
K. HOVNIANIAN AT SPRING HILL ROAD, L.L.C.
K. HOVNIANIAN AT ST. MARGARETS, L.L.C.
K. HOVNIANIAN AT SUNSETS, L.L.C.
K. HOVNIANIAN AT THE GABLES, L.L.C.
K. HOVNIANIAN AT UPPER FREEHOLD TOWNSHIP II,

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L.L.C.
K. HOVNIANIAN AT UPPER FREEHOLD TOWNSHIP III, L.L.C.
K. HOVNIANIAN AT WANAQUE, L.L.C.
K. HOVNIANIAN AT WASHINGTON, L.L.C.
K. HOVNIANIAN AT WAYNE VIII, L.L.C.
K. HOVNIANIAN AT WAYNE IX, L.L.C.
K. HOVNIANIAN AT WEST MILFORD, L.L.C.
K. HOVNIANIAN AT WEST WINDSOR, L.L.C.
K. HOVNIANIAN AT WILLOW BROOK, L.L.C.
K. HOVNIANIAN AT WINCHESTER, L.L.C.
K. HOVNIANIAN AT WOODHILL ESTATES, L.L.C.
K. HOVNIANIAN AT WOOLWICH, L.L.C.
K. HOVNIANIAN CENTRAL ACQUISITIONS, L.L.C.
K. HOVNIANIAN COMPANIES OF METRO D.C. NORTH, L.L.C.
K. HOVNIANIAN EASTERN PENNSYLVANIA, L.L.C.
K. HOVNIANIAN FORECAST, L.L.C.
K. HOVNIANIAN NORTH CENTRAL ACQUISITIONS, L.L.C.
K. HOVNIANIAN NORTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNIANIAN SHORE ACQUISITIONS, L.L.C.
K. HOVNIANIAN SOUTH JERSEY ACQUISITION, L.L.C.
K. HOVNIANIAN SOUTHERN NEW JERSEY, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS, L.L.C.
K. HOVNIANIAN'S PRIVATE HOME PORTFOLIO, L.L.C.
KINGS COURT AT MONTGOMERY, 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.
M&M AT EAST MILL, 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 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 SOUTH BRUNSWICK, L.L.C.
MATZEL & MUMFORD AT WOODLAND CREST, L.L.C.

SECTION 14 OF THE HILLS, L.L.C.
THE LANDINGS AT SPINNAKER POINTE, L.L.C.
WESTMINSTER HOMES OF ALABAMA, L.L.C.
WESTMINSTER HOMES OF MISSISSIPPI, L.L.C.

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WESTMINSTER HOMES OF SOUTH CAROLINA, L.L.C.
GOODMAN FAMILY BUILDERS, L.P.
M & M INVESTMENTS, L.P.
WASHABAMA, L.P.

/s/ J. Larry Sorsby

By: J. Larry Sorsby
Title: Executive Vice President
Chief Financial Officer

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SALOMON SMITH BARNEY INC.

By: /s/ Marc E. Schneider

Name: Marc Schneider
Title: Director

BANC OF AMERICA SECURITIES LLC

By: /s/ S. T. Jaeger

Name: Stephan T. Jaeger
Title: Vice President

CREDIT SUISSE FIRST BOSTON CORPORATION

By: /s/ Eric A. Anderson

Name: Eric A. Anderson
Title: Managing Director

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[SIMPSON THACHER & BARTLETT LETTERHEAD]

June 6, 2002

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 K. Hovnanian Enterprises, Inc., a New Jersey corporation (the "Company"), and to Hovnanian Enterprises, Inc., a Delaware corporation ("Hovnanian"), and certain subsidiaries of Hovnanian (together with Hovnanian, the "Guarantors"), in connection with the Registration Statement on Form S-4 (the "Registration Statement") filed by the Company and the Guarantors with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended, relating to the issuance by the Company of (1) \$100,000,000 aggregate principal amount of 8.000% Senior Notes due 2012 (the "Senior Exchange Securities") and the issuance by the Guarantors of guarantees (the "Senior Guarantees"), with respect to the Senior Exchange Securities and (2) \$150,000,000 aggregate principal amount of 8.875% Senior Subordinated Notes due 2012 (the "Subordinated Exchange Securities") and the issuance by the Guarantors of guarantees (the "Subordinated Guarantees"), with respect to the Subordinated Exchange Securities. The Senior Exchange Securities and the Senior Guarantees will be issued under an indenture (the "Senior Indenture") dated as of March 26, 2002, among the Company, the Guarantors and Wachovia Bank, National Association, formerly known as First Union National Bank, as Trustee (the "Senior Trustee"). The Subordinated Exchange Securities and the Subordinated Guarantees will be issued under an

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indenture (the "Subordinated Indenture") dated as of March 26, 2002, among the Company, the Guarantors and Wachovia Bank, National Association, formerly known as First Union National Bank, as Trustee (the "Subordinated Trustee"). The Senior Exchange Securities will be offered by the Company in exchange for \$100,000,000 aggregate principal amount of its outstanding 8.000% Senior Notes due 2012 (the "Senior Securities") and the Subordinated Exchange Securities will be offered by the Company in exchange for \$150,000,000 aggregate principal amount of its outstanding 8.875% Senior Subordinated Notes due 2012 (the "Subordinated Securities").

We have examined the Registration Statement and the Senior Indenture and the Subordinated Indenture, both of which have been filed with the Commission as exhibits to the Registration Statement. We also have 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 the Company and the 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 also have assumed that the Senior Indenture is the valid and legally binding obligation of the Senior Trustee and that the Subordinated Indenture is the valid and legally binding obligation of the Subordinated Trustee. We have assumed further that (1) the Company and the Guarantors have duly authorized, executed and delivered each of the Senior Indenture and the Subordinated

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Indenture and (2) execution, delivery and performance by the Company and the Guarantors of (a) the Senior Indenture and the Senior Securities and the Senior Guarantees do not and 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) and (b) the Subordinated Indenture and the Subordinated Securities and the Subordinated Guarantees do not and 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. When the Senior Exchange Securities have been duly executed, authenticated, issued and delivered in accordance with the provisions of the Senior Indenture upon the exchange, the Senior Exchange Securities will constitute valid and legally binding obligations of the Company enforceable against the Company in accordance with their terms.

2. When (1) the Senior Exchange Securities have been duly executed, authenticated, issued and delivered in accordance with the provisions of the Senior Indenture upon the exchange and (2) the Senior Guarantees have been duly issued, the Senior Guarantees will constitute valid and legally binding obligations of the Senior Guarantors enforceable against the Senior Guarantors in accordance with their terms.

3. When the Subordinated Exchange Securities have been duly executed, authenticated, issued and delivered in accordance with the provisions of the Subordinated Indenture upon the exchange, the Subordinated Exchange Securities will constitute valid and legally binding obligations of the Company enforceable against the Company in accordance with their terms.

4. When (1) the Subordinated Exchange Securities have been duly executed, authenticated, issued and delivered in accordance with the provisions of the Subordinated Indenture upon the exchange and (2) the Subordinated Guarantees have been duly issued, the Subordinated Guarantees will constitute valid and legally binding obligations of the Subordinated Guarantors enforceable against the Subordinated Guarantors in accordance with their terms.

Our opinions set forth above are subject to the effects of (1) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting

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creditors' rights generally, (2) general equitable principles (whether considered in a proceeding in equity or at law) and (3) an implied covenant of good faith and fair dealing.

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 and the Delaware General Corporation Law.

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

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" in the Registration Statement (Form S-4) and related prospectus of Hovnanian Enterprises, Inc. (the "Company"), K. Hovnanian Enterprises, Inc. and certain subsidiaries of the Company for the registration of \$100,000,000 aggregate principal amount of 8.000% Senior Notes due 2012 and \$150,000,000 aggregate principal amount of 8.875% Senior Subordinated Notes due 2012 and to the incorporation by reference therein of our report dated December 11, 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, 2001, filed with the Securities and Exchange Commission.

/s/ ERNST & YOUNG LLP

New York, New York
June 3, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY UNDER THE TRUST INDENTURE ACT OF 1939
OF A CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF A TRUSTEE
PURSUANT TO SECTION 305(b)(2)___

WACHOVIA BANK, NATIONAL ASSOCIATION
(FORMERLY FIRST UNION NATIONAL BANK)
(Name of Trustee)

(Jurisdiction of Incorporation or
Organization if not a U.S. National Bank) 22-1147033
(I.R.S. Employer
Identification No.)

301 SOUTH COLLEGE STREET, CHARLOTTE, NORTH CAROLINA 28288-0630
(Address of Principal Executive Offices) (Zip Code)

K. HOVNIANIAN ENTERPRISES, INC.
(Name of Obligor)

NEW JERSEY 22-2423583
(State of Incorporation) (I.R.S. Employer
Identification No.)

10 HIGHWAY 35, PO BOX 500 REDBANK, NJ 07701
(Address of Principal Executive Offices) (Zip Code)

DEBT SECURITIES
(Title of Indenture Securities)

GENERAL

ITEM 1. GENERAL INFORMATION.

Furnish the following information as to the trustee:

(a) NAME AND ADDRESS OF EACH EXAMINING OR SUPERVISORY AUTHORITY TO
WHICH IT IS SUBJECT:

Comptroller of the Currency, Washington, D.C.
Board of Governors of the Federal Reserve System, New York, N.Y.
Federal Deposit Insurance Corporation, Washington, D.C.

(b) WHETHER IT IS AUTHORIZED TO EXERCISE CORPORATE TRUST POWERS.

The Trustee is authorized to exercise corporate trust powers.

ITEM 2. AFFILIATIONS WITH OBLIGOR.

IF THE OBLIGOR IS AN AFFILIATE OF THE TRUSTEE, DESCRIBE EACH SUCH
AFFILIATION.

None.

ITEM 3. VOTING SECURITIES OF THE TRUSTEE.

FURNISH THE FOLLOWING INFORMATION AS TO EACH CLASS OF VOTING SECURITIES
OF THE TRUSTEE:

COL. A
COL. B ---

TITLE OF
CLASS
AMOUNT
OUTSTANDING

Not applicable

AMOUNT OWNED BENEFICIALLY PERCENT OF CLASS NAME OF OR HELD AS COLLATERAL REPRESENTED BY ISSUER AND AMOUNT SECURITY FOR OBLIGATIONS AMOUNT GIVEN IN TITLE OF CLASS OUTSTANDING IN DEFAULT BY TRUSTEE COL. C. Not applicable

ITEM 10. OWNERSHIP OR HOLDINGS BY THE TRUSTEE OF VOTING SECURITIES OF CERTAIN AFFILIATES OR SECURITY HOLDERS OF THE OBLIGOR.

IF THE TRUSTEE OWNS BENEFICIALLY OR HOLDS AS COLLATERAL SECURITY FOR OBLIGATIONS IN DEFAULT VOTING SECURITIES OF A PERSON WHO, TO THE KNOWLEDGE OF THE TRUSTEE (1) OWNS 10 PERCENT OR MORE OF THE VOTING SECURITIES OF THE OBLIGOR OR (2) IS AN AFFILIATE, OTHER THAN A SUBSIDIARY, OF THE OBLIGOR, FURNISH THE FOLLOWING INFORMATION AS TO THE VOTING SECURITIES OF SUCH PERSON.

COL. A. COL. B. COL. C. COL. D. - -

AMOUNT OWNED BENEFICIALLY PERCENT OF VOTING NAME OF OR HELD AS COLLATERAL SECURITIES ISSUER AND AMOUNT SECURITY FOR OBLIGATIONS REPRESENTED BY AMOUNT TITLE OF CLASS OUTSTANDING IN DEFAULT BY TRUSTEE GIVEN IN COL. C. - -

Not Applicable

Not Applicable

ITEM 13. DEFAULTS BY THE OBLIGOR.

(a) STATE WHETHER THERE IS OR HAS BEEN A DEFAULT WITH RESPECT TO THE SECURITIES UNDER THIS INDENTURE. EXPLAIN THE NATURE OF ANY SUCH DEFAULT.

None

(b) IF THE TRUSTEE IS A TRUSTEE UNDER ANOTHER INDENTURE UNDER WHICH ANY OTHER SECURITIES, OR CERTIFICATES OF INTEREST OR PARTICIPATION IN ANY OTHER SECURITIES, OF THE OBLIGOR ARE OUTSTANDING, OR IS TRUSTEE FOR MORE THAN ONE OUTSTANDING SERIES OF SECURITIES UNDER THE INDENTURE, STATE WHETHER THERE HAS BEEN DEFAULT UNDER ANY SUCH INDENTURE OR SERIES, IDENTIFY THE INDENTURE OR SERIES AFFECTED, AND EXPLAIN THE NATURE OF ANY SUCH DEFAULT.

None

ITEM 14. AFFILIATIONS WITH THE UNDERWRITERS.

IF ANY UNDERWRITER IS AN AFFILIATE OF THE TRUSTEE, DESCRIBE EACH SUCH AFFILIATION.

Not Applicable

ITEM 15. FOREIGN TRUSTEE.

IDENTIFY THE ORDER OR RULE PURSUANT TO WHICH THE FOREIGN TRUSTEE IS AUTHORIZED TO ACT AS SOLE TRUSTEE UNDER INDENTURES QUALIFIED OR TO BE QUALIFIED UNDER THE ACT.

Not Applicable

ITEM 16. LISTS OF EXHIBITS.

- 1* -COPY OF ARTICLES OF ASSOCIATION OF THE TRUSTEE AS NOW IN EFFECT.
- 2 -NO CERTIFICATE OF AUTHORITY OF THE TRUSTEE TO COMMENCE BUSINESS IS FURNISHED SINCE THIS AUTHORITY IS CONTAINED IN THE ARTICLES OF ASSOCIATION OF THE TRUSTEE.
- 3* -COPY OF THE AUTHORIZATION OF THE TRUSTEE TO EXERCISE CORPORATE TRUST POWERS.
- 4* -COPY OF THE EXISTING BY-LAWS OF THE TRUSTEE, AS NOW IN EFFECT.
- 5 -NOT APPLICABLE.
- 6 -THE CONSENT OF THE TRUSTEE REQUIRED BY SECTION 321(b) OF THE ACT.
- 7** -A COPY OF THE LATEST REPORT OF CONDITION OF THE TRUSTEE PUBLISHED PURSUANT TO THE LAW OR THE REQUIREMENTS OF ITS SUPERVISING OR EXAMINING AUTHORITY.
- 8 -NOT APPLICABLE
- 9 -NOT APPLICABLE

*EXHIBIT THUS DESIGNATED HAS HERETOFORE BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, HAVE NOT BEEN AMENDED SINCE FILING AND ARE INCORPORATED HEREIN BY REFERENCE (SEE EXHIBIT T-1 REGISTRATION NUMBER 333-86372).

** AS OF 3/31/02, THE TRUSTEE WAS TWO SEPARATE NATIONAL BANKING ASSOCIATIONS HENCE THERE ARE TWO SEPARATE REPORTS ATTACHED

IN ANSWERING ANY ITEM IN THIS STATEMENT OF ELIGIBILITY AND QUALIFICATION WHICH RELATES TO MATTERS PECULIARLY WITHIN THE KNOWLEDGE OF THE OBLIGOR OR OF ITS DIRECTORS OR OFFICERS, OR AN UNDERWRITER FOR THE OBLIGOR, THE UNDERSIGNED, WACHOVIA BANK, NATIONAL ASSOCIATION (FORMERLY FIRST UNION NATIONAL BANK), HAS RELIED UPON INFORMATION FURNISHED TO IT BY THE OBLIGOR OR SUCH UNDERWRITER.

SIGNATURE

PURSUANT TO THE REQUIREMENTS OF THE TRUST INDENTURE ACT OF 1939 THE TRUSTEE, WACHOVIA BANK, NATIONAL ASSOCIATION (FORMERLY FIRST UNION NATIONAL BANK), A NATIONAL BANKING ASSOCIATION ORGANIZED AND EXISTING UNDER THE LAWS OF THE UNITED STATES, HAS DULY CAUSED THIS STATEMENT OF ELIGIBILITY TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, ALL IN THE TOWN OF MORRISTOWN, AND STATE OF NEW JERSEY, ON THE 22 DAY OF MAY, 2002

WACHOVIA BANK, NATIONAL ASSOCIATION
(FORMERLY FIRST UNION NATIONAL BANK)

(TRUSTEE)

(CORPORATE SEAL)

BY: /S/ STEPHANIE ROCHE

VICE PRESIDENT

CONSENT OF TRUSTEE

PURSUANT TO THE REQUIREMENTS OF SECTION 321 (b) OF THE TRUST INDENTURE ACT OF 1939, AND IN CONNECTION WITH THE PROPOSED ISSUE OF K. HOVNIANIAN ENTERPRISES, INC. WE HEREBY CONSENT THAT REPORTS OF EXAMINATIONS BY FEDERAL, STATE, TERRITORIAL OR DISTRICT AUTHORITIES MAY BE FURNISHED BY SUCH AUTHORITIES TO THE SECURITIES AND EXCHANGE COMMISSION UPON REQUEST THEREFOR.

WACHOVIA BANK, NATIONAL ASSOCIATION
(FORMERLY FIRST UNION NATIONAL BANK)

BY: /S/ STEPHANIE ROCHE

VICE PRESIDENT

MORRISTOWN, NJ
MAY 22, 2002

EXHIBIT T-7

REPORT OF CONDITION

Consolidating domestic and foreign subsidiaries of the Wachovia Bank, National Association, at the close of business on March 31, 2002, published in response to call made by Comptroller of the Currency, under title 12, United States Code, Section 161. Charter Number 1559 Comptroller of the Currency.

STATEMENT OF RESOURCES AND LIABILITIES

ASSETS THOUSAND OF DOLLARS ----- Cash and balance due from depository institutions: Noninterest-bearing balances and currency and coin..... 2,471,466 Interest-bearing balances..... 298,663 Securities.....
////////// Hold-to-maturity securities..... 8,824 Available-for-sale securities..... 6,320,594 Federal funds sold and securities purchased under agreements to resell 1,066,041 Loans and lease financing receivables: Loan and leases held for sale 369,481 Loan and leases, net of unearned income.....48,708,954 LESS: Allowance for loan and lease losses.....718,907 LESS: Allocated transfer risk reserve.....0 Loans and leases, net of unearned income, allowance, and reserve..... 47,990,047 Trading Assets 586,517 Premises and fixed assets (including capitalized leases)..... 835,290 Other real estate owned..... 19,794 Investment in unconsolidated subsidiaries and associated companies.....
0 Customer's liability to this bank on acceptances outstanding... 14,270 Intangible assets..... Goodwill..... 7,076,522 Other intangible Assets..... 1,865,824 Other assets..... 3,194,125 TOTAL

ASSETS..... 72,117,458 LIABILITIES Deposits: In domestic offices..... 42,721,166 Noninterest-bearing..... 7,505,623 Interest-bearing..... 35,215,543 In foreign offices, Edge and Agreement subsidiaries, and

IBFs.....	
4,232,893 Noninterest-bearing.....	0
Interest-bearing.....	4,232,893
Federal funds purchased and securities sold under agreements to repurchase 3,191,918 Trading liabilities.....	
519,957 Other borrowed money:.....	3,772,435
Bank's liability on acceptances executed and outstanding.....	
14,270 Subordinated notes and debentures.....	2,325,300
Other liabilities.....	
1,528,389 TOTAL	
LIABILITIES.....	
58,306,328 Minority Interest in consolidated subsidiaries.....	0
EQUITY CAPITAL Perpetual preferred stock and related surplus.....	0
Common Stock.....	
53,182	
Surplus.....	
13,390,540 Retained Earnings.....	338,026
Accumulated other comprehensive income.....	29,382
Other Equity Capital components.....	0
Total equity capital.....	13,811,130
Total liabilities and equity capital....	72,117,458

EXHIBIT T-7

REPORT OF CONDITION

Consolidating domestic and foreign subsidiaries of the First Union National Bank, at the close of business on March 31, 2002, published in response to call made by Comptroller of the Currency, under title 12, United States Code, Section 161. Charter Number 1 Comptroller of the Currency.

STATEMENT OF RESOURCES AND LIABILITIES

ASSETS THOUSAND OF DOLLARS -----	Cash and balance due from depository institutions: Noninterest-bearing balances and currency and coin.....	8,227,000	Interest-bearing balances.....	4,256,000
Securities.....	////////// Hold-to-maturity securities.....	0	Available-for-sale securities.....	47,671,000
Federal funds sold and securities purchased under agreements to resell 7,350,000	Loans and lease financing receivables: Loan and leases held for sale 7,102,000	Loan and leases, net of unearned income.....	115,198,000	LESS:
Allowance for loan and lease losses.....	2,247,000	LESS:	Allocated transfer risk reserve.....	0
Loans and leases, net of unearned income, allowance, and reserve.....	112,951,000	Trading Assets	18,180,000	Premises and fixed assets (including capitalized leases).....
2,566,000	Other real estate owned.....	87,000	Investment in unconsolidated subsidiaries and associated companies.....	
492,000	Customer's liability to this bank on acceptances outstanding... 874,000	Intangible assets.....	Goodwill.....	2,253,000
Other intangible Assets.....	325,000	Other assets.....	14,563,000	TOTAL
ASSETS.....	226,897,000	LIABILITIES	Deposits: In domestic offices.....	130,068,000
Noninterest-bearing.....	20,202,000	Interest-bearing.....	109,866,000	In foreign offices, Edge and Agreement subsidiaries, and IBFs.....
10,718,000	Noninterest-bearing.....	28,000	Interest-bearing.....	10,690,000
Federal funds purchased and securities sold under agreements to repurchase liabilities.....	21,543,000	Trading liabilities.....	13,593,000	Other borrowed

money:.....	18,549,000
Bank's liability on acceptances executed and outstanding.....	
877,000 Subordinated notes and	
debentures.....	5,993,000
Other	
liabilities.....	
8,516,000 TOTAL	
LIABILITIES.....	
209,857,000 Minority Interest in consolidated	
subsidiaries.....	977,000
EQUITY CAPITAL Perpetual	
preferred stock and related surplus.....	0
Common	
Stock.....	
455,000	
Surplus.....	
13,462,000 Retained Earnings.....	
2,052,000 Accumulated other comprehensive	
income.....	94,000
Other Equity Capital	
components.....	0
Total equity	
capital.....	16,063,000
TOTAL LIABILITIES AND EQUITY CAPITAL....	226,897,000