

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): **October 2, 2012**

HOVNANIAN ENTERPRISES, INC.

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other
Jurisdiction
of Incorporation)

1-8551
(Commission File Number)

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

**110 West Front Street
P.O. Box 500
Red Bank, New Jersey 07701**
(Address of Principal Executive Offices) (Zip Code)

(732) 747-7800
(Registrant's telephone number, including area code)

Not Applicable
(Former Name or Former Address, if Changed Since
Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry Into a Material Definitive Agreement.

Notes Offerings

On October 2, 2012, K. Hovnanian Enterprises, Inc. ("K. Hovnanian"), a wholly owned subsidiary of Hovnanian Enterprises, Inc. (the "Company"), completed a private placement pursuant to Rule 144A and Regulation S under the Securities Act of 1933, as amended, of \$577,000,000 aggregate principal amount of 7.25% Senior Secured First Lien Notes due 2020 (the "First Lien Notes") and \$220,000,000 aggregate principal amount of 9.125% Senior Secured Second Lien Notes due 2020 (the "Second Lien Notes" and, together with the First Lien Notes, the "Notes"). The Notes are guaranteed by the Company and certain of its subsidiaries (the "Notes Subsidiary Guarantors").

The First Lien Notes and the guarantees thereof are secured by a first-priority lien on substantially all of K. Hovnanian's, the Company's and the Notes Subsidiary Guarantors' assets and the Second Lien Notes and the guarantees thereof are secured by a second-priority lien on substantially all of K. Hovnanian's, the Company's and the Notes Subsidiary Guarantors' assets, in both cases subject to permitted liens and certain exceptions.

In connection with the issuance of the First Lien Notes, K. Hovnanian, the Company and the Notes Subsidiary Guarantors entered into an Indenture, dated as of October 2, 2012, with Wilmington Trust, National Association, as trustee and collateral agent (the "First Lien Indenture"), and in connection with the issuance of the Second Lien Notes, K. Hovnanian, the Company and the Notes Subsidiary Guarantors entered into an Indenture, dated as of October 2, 2012, with Wilmington Trust, National Association, as trustee and collateral agent (the "Second Lien Indenture" and, together with the First Lien Indenture, the "Indentures"). As of the date of the Indentures, the Notes were guaranteed by the Company and the Notes Subsidiary Guarantors, which included each of the Company's subsidiaries except its home mortgage subsidiaries, certain of its titled insurance subsidiaries, joint ventures, subsidiaries holding interests in joint ventures and its foreign subsidiary.

The First Lien Notes bear interest at 7.25% per annum and mature on October 15, 2020. Interest is payable semi-annually on April 15 and October 15 of each year, beginning on April 15, 2013, to holders of record at the close of business on April 1 or October 1, as the case may be, immediately preceding each such interest payment date. The Second Lien Notes bear interest at 9.125% per annum and mature on November 15, 2020. Interest is payable semi-annually on May 15 and November 15 of each year, beginning on May 15, 2013, to holders of record at the close of business on May 1 or November 1, as the case may be, immediately preceding each such interest payment date.

The Indentures contain restrictive covenants that limit among other things, the ability of the Company and certain of its subsidiaries, including K. Hovnanian, to incur additional indebtedness, pay dividends and make distributions on common and preferred stock, repurchase subordinated indebtedness and common and preferred stock, make other restricted payments, including investments, sell certain assets, incur liens, consolidate, merge, sell or otherwise dispose of all or substantially all of its assets and enter into certain transactions with affiliates. The Indentures also contain customary events of default which would permit the holders of the applicable series of Notes to declare those Notes to be immediately due and payable if not cured within applicable grace periods, including the failure to make timely payments on the applicable series of Notes or other material indebtedness, the failure to satisfy covenants, the failure of the documents granting security for the applicable series of Notes to be in full force and effect, the failure of the liens on any material portion of the collateral securing the applicable series of Notes to be valid and perfected and specified events of bankruptcy and insolvency.

In connection with the issuance of the Notes and execution of the Indentures, K. Hovnanian, the Company and the Notes Subsidiary Guarantors entered into security agreements, dated as of October 2, 2012, by and among K. Hovnanian, the Company, the Notes Subsidiary Guarantors, as applicable, and the collateral agents, pursuant to which

K. Hovnanian, the Company and the Notes Subsidiary Guarantors pledged substantially all of their assets to secure their obligations under the Notes and the Indentures, subject to certain exceptions as set forth in such agreements. K. Hovnanian, the Company and the Notes Subsidiary Guarantors, the trustees and the collateral agents also entered into an Intercreditor Agreement, dated October 2, 2012, which sets forth agreements with respect to the First Lien Notes and the Second Lien Notes.

Units Offering

Also on October 2, 2012, the Company and K. Hovnanian completed an underwritten public offering of \$100,000,000 aggregate stated amount of 6.00% Exchangeable Note Units (the "Units") (equivalent to 100,000 Units) issued by K. Hovnanian and the Company (which amount includes the full exercise of the overallotment option granted to the underwriters).

Each \$1,000 stated amount of Units initially consists of (i) a zero coupon senior exchangeable note due December 1, 2017 (the "Exchangeable Note") issued by K. Hovnanian, which bears no cash interest and has an initial principal amount of \$768.51 per Exchangeable Note, and that will accrete to \$1,000 at maturity and (ii) a senior amortizing note due December 1, 2017 (the "Amortizing Note") issued by K. Hovnanian, which has an initial principal amount of \$231.49 per Amortizing Note, bears interest at a rate of 11.00% per annum, and has a final installment payment date of December 1, 2017. The Exchangeable Notes and Amortizing Notes are each guaranteed by the Company and certain subsidiaries of the Company (the "Units Subsidiary Guarantors").

In connection with the issuance of the Units, K. Hovnanian and the Company entered into the Units Agreement, dated as of October 2, 2012, with Wilmington Trust Company, as units agent.

In connection with the issuance of the Exchangeable Notes, K. Hovnanian, the Company, as guarantor, and the Units Subsidiary Guarantors entered into the Fourth Supplemental Indenture, dated as of October 2, 2012, with Wilmington Trust Company, as trustee (the "Fourth Supplemental Indenture"), which supplements the Indenture, dated as of February 14, 2011, by and among K. Hovnanian, the Company, as guarantor, and Wilmington Trust Company, as trustee (the "Base Indenture" and together with the Fourth Supplemental Indenture, the "Exchangeable Notes Indenture"). The Base Indenture has previously been filed as Exhibit 4(a) to the Company's quarterly report on Form 10-Q for the quarter ended January 31, 2011.

Each Exchangeable Note will have an initial principal amount of \$768.51 (which will accrete to \$1,000 over the term of the Exchangeable Note at an annual rate of 5.17% from the date of issuance, calculated on a semi-annual bond equivalent yield basis). Holders may exchange their Exchangeable Notes at their option at any time prior to 5:00 p.m., New York City time, on the business day immediately preceding December 1, 2017. Each Exchangeable Note will be exchangeable for shares of Class A common stock, \$0.01 par value per share, of the Company (the "Class A Common Stock") at an initial exchange rate of 185.5288 shares of Class A Common Stock per Exchangeable Note (equivalent to an initial exchange price, based on \$1,000 principal amount at maturity, of approximately \$5.39 per share of Class A Common Stock). The exchange rate will be subject to adjustment in certain events. Following certain corporate events that occur prior to the maturity date, the Company will increase the applicable exchange rate for any holder who elects to exchange its Exchangeable Notes in connection with such corporate event. In addition, holders of Exchangeable Notes will also have the right to require K. Hovnanian to repurchase such holders' Exchangeable Notes upon the occurrence of certain of these corporate events.

In connection with the issuance of the Amortizing Notes, K. Hovnanian, the Company, as guarantor, and the Units Subsidiary Guarantors entered into the Fifth Supplemental Indenture, dated as of October 2, 2012, with Wilmington Trust Company, as trustee (the "Fifth Supplemental Indenture"), which supplements the Base Indenture (the Base Indenture, together with the Fifth Supplemental Indenture, the "Amortizing Notes Indenture").

On each June 1 and December 1 commencing on June 1, 2013 (each, an "installment payment date") K. Hovnanian will pay holders of Amortizing Notes equal semi-annual cash installments of \$30.00 per Amortizing Note (except for the June 1, 2013 installment payment, which will be \$39.83 per Amortizing Note), which cash payment in the aggregate will be equivalent to 6.00% per year with respect to each \$1,000 stated amount of Units. Each installment will constitute a payment of interest (at a rate of 11.00% per annum) and a partial repayment of

principal on the Amortizing Note, allocated as set forth in the amortization schedule provided in the Amortizing Notes Supplemental Indenture. Following certain corporate events that occur prior to the maturity date, holders of the Amortizing Notes will have the right to require K. Hovnanian to repurchase such holders' Amortizing Notes.

The Amortizing Notes Indenture also contains customary events of default which would permit the holders of the Amortizing Notes to declare those Amortizing Notes to be immediately due and payable if not cured within applicable grace periods described in the Amortizing Notes Indenture, including the failure to make timely payments on the Amortizing Notes or other material indebtedness, the failure to satisfy covenants and specified events of bankruptcy and insolvency.

Each Unit may be separated into its constituent Exchangeable Note and Amortizing Note after the initial issuance date of the Units, and the separate components may be combined to create a Unit.

The sale of the Units was made pursuant to the Company's, K. Hovnanian's and the Unit Subsidiary Guarantors' Registration Statement on Form S-3 (File No. 333-173365) (the "Registration Statement") and the prospectus supplement, dated September 19, 2012, to the prospectus contained therein dated April 18, 2011.

Item 1.02 Termination of a Material Definitive Agreement.

The information set forth under Item 8.01 below, as to the satisfaction and discharge of the indenture governing the Existing Secured Notes, is incorporated by reference into this Item 1.02.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The information set forth above under Item 1.01 with respect to the Notes and the Units is hereby incorporated by reference into this Item 2.03.

Item 3.03 Material Modification to Rights of Security Holders.

The information set forth under Item 8.01 below, as to the satisfaction and discharge of the indenture governing the Existing Secured Notes, is incorporated by reference into this Item 3.03.

Item 8.01 Other Events.

On October 2, 2012, K. Hovnanian (i) used a portion of the proceeds from the issuances of the Notes and the Units described in Item 1.01 above to purchase \$637,185,000 aggregate principal amount of its 10⁵/₈% Senior Secured Notes due 2016 (the "Existing Secured Notes") tendered pursuant to its previously announced tender offer (the "Tender Offer"), (ii) issued a notice of redemption to holders of the remaining \$159,815,000 aggregate principal amount of Existing Secured Notes that were not tendered and remained outstanding following K. Hovnanian's initial acceptance of, and payment for, the Existing Secured Notes tendered in the Tender Offer prior to the early tender deadline of 5:00 p.m., New York City time, on October 1, 2012 and (iii) deposited with the trustee for the Existing Secured Notes sufficient funds to satisfy and discharge the indenture governing the Existing Secured Notes and to fund the redemption of the remaining outstanding Existing Secured Notes and to pay accrued and unpaid interest on the redeemed notes to, but not including, the November 1, 2012 redemption date. Upon the satisfaction and discharge of the indenture governing the Existing Secured Notes, all of the collateral securing the Existing Secured Notes was released and any remaining restrictive covenants and certain events of default contained in the indenture governing the Existing Secured Notes

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ceased to have effect.

In connection with the offering of the Units, as described in response to Item 1.01 above, the following exhibits are filed with this Current Report on Form 8-K and are incorporated by reference herein and into the Registration Statement: (i) Units Agreement, (ii) Form of Unit, (iii) Amortizing Notes Supplemental Indenture, (iv) Form of Amortizing Note, (v) Exchangeable Note Supplemental Indenture, (vi) Form of Exchangeable Note, (vii) legal opinion of Simpson Thacher & Bartlett LLP, and related consent, (viii) legal opinion of Michael Discafani, Vice President and Corporate Counsel of the Company and K. Hovnanian, and related consent and (ix) information relating to Part II, Item 14 "Other Expenses of Issuance and Distribution" of the Registration Statement.

Item 9.01. Financial Statements and Exhibits.

(d) *Exhibits.*

Exhibit 4.1 Indenture dated as of October 2, 2012, relating to the 7.25% Senior Secured First Lien Notes due 2020, among K. Hovnanian, the Company, the Notes Subsidiary Guarantors and Wilmington Trust, National Association, as Trustee and Collateral Agent, including the form of 7.25% Senior Secured First Lien Note due 2020.

Exhibit 4.2 Indenture dated as of October 2, 2012, relating to the 9.125% Senior Secured Second Lien Notes due 2020, among K. Hovnanian, the Company, the Notes Subsidiary Guarantors and Wilmington Trust, National Association, as Trustee and Collateral Agent, including the form of 9.125% Senior Secured Second Lien Note due 2020.

Exhibit 4.23 Units Agreement, among K. Hovnanian, the Company and Wilmington Trust Company, as Units Agent, including form of Unit, component amortizing notes and component exchangeable notes.

Exhibit 4.26 Amortizing Notes Indenture, dated as of October 2, 2012, among K. Hovnanian, the Company and the Units Subsidiary Guarantors and Wilmington Trust Company, as Trustee, including the form of Amortizing Note.

Exhibit 4.27 Exchangeable Notes Indenture, dated as of October 2, 2012, among K. Hovnanian, the Company and Units Subsidiary

Guarantors and Wilmington Trust Company, as Trustee, including the form of Exchangeable Note.

Exhibit 5.3	Opinion of Simpson Thacher & Bartlett LLP.
Exhibit 5.4	Opinion of Michael Discafani, Vice President and Corporate Counsel of the Company and K. Hovnanian.
Exhibit 10.1	First Lien Pledge Agreement, dated as of October 2, 2012, relating to the 7.25% Senior Secured First Lien Notes due 2020.
Exhibit 10.2	Second Lien Pledge Agreement, dated as of October 2, 2012, relating to the 9.125% Senior Secured Second Lien Notes due 2020.
Exhibit 10.3	First Lien Security Agreement, dated as of October 2, 2012, relating to the 7.25% Senior Secured First Lien Notes due 2020.
Exhibit 10.4	Second Lien Security Agreement, dated as of October 2, 2012, relating to the 9.125% Senior Secured Second Lien Notes due 2020.
Exhibit 10.5	Form of First Lien Intellectual Property Security Agreement, dated as of October 2, 2012,

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relating to the 7.25% Senior Secured First Lien Notes due 2020.

Exhibit 10.6	Form of Second Lien Intellectual Property Security Agreement, dated as of October 2, 2012, relating to the 9.125% Senior Secured Second Lien Notes due 2020.
Exhibit 10.7	Intercreditor Agreement, dated October 2, 2012, among the Company, K. Hovnanian, the Notes Subsidiary Guarantors, Wilmington Trust, National Association, as trustee and collateral agent under the Senior Noteholder Documents as defined therein, Wilmington Trust, National Association, as collateral agent for the Mortgage Tax Collateral as defined therein, and Wilmington Trust, National Association, as trustee and collateral agent under the Junior Noteholder Documents as defined therein.
Exhibit 23.5	Consent of Simpson Thacher & Bartlett LLP (included in Exhibit 5.3).
Exhibit 23.6	Consent of Michael Discafani, Vice President and Corporate Counsel of the Company and K. Hovnanian (included in Exhibit 5.4).
Exhibit 99.1	Information relating to Part II, Item 14 "Other Expenses of Issuance and Distribution" of the Registration Statement (File No. 333-173365).

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SIGNATURES

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

HOVNANIAN ENTERPRISES, INC.
(Registrant)

By: /s/ J. Larry Sorsby
Name: J. Larry Sorsby
Title: Executive Vice President and Chief Financial Officer

Date: October 2, 2012

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- Exhibit 99.1 Information relating to Part II, Item 14 "Other Expenses of Issuance and Distribution" of the Registration Statement (File No. 333-173365).

K. HOVNIANIAN ENTERPRISES, INC.,
as Issuer

HOVNIANIAN ENTERPRISES, INC.
and
the other Guarantors party hereto

and

WILMINGTON TRUST, NATIONAL ASSOCIATION,
as Trustee and Collateral Agent

Indenture

Dated as of October 2, 2012

7.25% Senior Secured First Lien Notes Due 2020

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INDENTURE, dated as of October 2, 2012, among K. HOVNANIAN ENTERPRISES, INC., a California corporation (the “**Issuer**”), HOVNANIAN ENTERPRISES, INC., a Delaware corporation (the “**Company**”), each of the other Guarantors (as defined hereafter) and WILMINGTON TRUST, NATIONAL ASSOCIATION, a national banking association, as Trustee (the “**Trustee**”) and as Collateral Agent (the “**Collateral Agent**”).

RECITALS

The Issuer has duly authorized the execution and delivery of this Indenture to provide for the issuance on the Issue Date of \$577,000,000 aggregate principal amount of the Issuer’s 7.25% Senior Secured First Lien Notes Due 2020 and, if and when issued, any Additional Notes (together, the “**Notes**”). All things necessary to make this Indenture a valid agreement of the Issuer, in accordance with its terms, have been done, and the Issuer has done all things necessary to make the Notes (in the case of any Additional Notes, when duly authorized), when duly issued and executed by the Issuer and authenticated and delivered by the Trustee, the valid obligations of the Issuer as hereinafter provided.

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

THIS INDENTURE WITNESSETH

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

ARTICLE 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)

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

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

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

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

“**Agent**” means any Registrar, Paying Agent or Authenticating Agent.

“**Agent Member**” means a member of, or a participant in, the Depository.

“**Applicable Debt**” means all Indebtedness of the Company or any of its Restricted Subsidiaries (a) under Credit Facilities or (b) that is publicly traded (including in the Rule 144A market), including, without limitation, the Issuer’s senior notes and senior subordinated notes outstanding on the Issue Date.

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

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“**Asset Disposition**” means any sale, transfer, conveyance, lease or other disposition (including, without limitation, by way of merger, consolidation or sale and leaseback or sale of shares of Capital Stock in any Subsidiary) (each, a “**transaction**”) by the Company, the Issuer or any Restricted Subsidiary to any Person of any Property having a Fair Market Value in any transaction or series of related transactions of at least \$10.0 million. The term “**Asset Disposition**” shall not include:

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

(b) a transaction in the ordinary course of business, including, without limitation, sales (directly or indirectly), sales subject to repurchase options, dedications and other donations to governmental authorities, leases and sales and leasebacks of (i) homes, improved land and unimproved land and (ii) real estate (including related amenities and improvements),

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

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

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

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

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

(h) any Restricted Payment or Permitted Investment.

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

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

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

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

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

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

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

“**Cash Equivalents**” means

(a) U.S. dollars;

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

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

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

(e) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (b), (c) and (d) of this definition entered into with any financial institution meeting the qualifications specified in clause (c) of this definition;

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

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

“**cash transaction**” has the meaning ascribed to it in Section 7.03 hereof.

“**Certificate of Beneficial Ownership**” means a certificate substantially in the form of Exhibit 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;

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

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

“**Clearstream**” means Clearstream Banking, société anonyme, Luxembourg.

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

“**Collateral Agent**” means the party named as such in the preamble of this Indenture and any successor acting in such capacity.

“**Collateral Ratio**” has the meaning ascribed to it in Section 4.07(b)(iii)(C).

“**Collateralized Debt**” means (i)(a) the aggregate principal amount of all outstanding Indebtedness and all letters of credit secured by Liens on the Collateral and (b) all outstanding Indebtedness incurred pursuant to clause (l)(ii) of the definition of “Permitted Indebtedness” (for purposes of such clause (l) only, notwithstanding the exclusion at the end of this definition), plus (ii) the aggregate amount of all unfunded commitments under all revolving credit facilities or revolving lines of credit secured by Liens on the Collateral, plus (iii) without duplication, the aggregate principal amount of Indebtedness that at the time of determination would be permitted to be incurred under this Indenture and secured by Liens on the Collateral pursuant to clause (i) of the definition of “Permitted Liens,” but excluding any such principal amount of potential Indebtedness to the extent any outstanding debt instrument of the Company or the Issuer would prohibit the incurrence of a Lien in respect thereof at such time, but in each case, excluding Indebtedness, letters of credit and unfunded commitments secured by Liens on the Collateral that rank junior to the Liens on the Collateral securing the Notes.

“**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.

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

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

- (a) income taxes,
- (b) Consolidated Interest Expense,
- (c) depreciation and amortization expenses and other non-cash charges to earnings, 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 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);

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

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

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

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

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

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

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

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

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

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

(c) the net income of any Restricted Subsidiary to the extent that (but only so long as) the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of that income is not permitted by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary during such period,

(d) the gains or losses, together with any related provision for taxes, realized during such period by the Company, the Issuer or any Restricted Subsidiary resulting from (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, and

(e) any extraordinary gain or loss together with any related provision for taxes, realized by the Company, the Issuer or any Restricted Subsidiary;

provided, further, that for purposes of calculating Consolidated Net Income solely as it relates to clause (iii) of Section 4.07(a) hereof, clause (d)(ii) of this definition shall not be applicable.

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

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

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

“**Covenant Defeasance**” has the meaning ascribed to it in Section 8.02 hereof.

“**Credit Facilities**” means, with respect to the Company, the Issuer or any of its Restricted Subsidiaries, one or more debt facilities or other financing arrangements (including, without limitation, commercial paper facilities or indentures) providing for revolving credit loans, term loans, letters of credit or other long-term indebtedness, including any notes, mortgages, guarantees, collateral documents, instruments and agreements executed in connection therewith, and any amendments, supplements, modifications, extensions, renewals, restatements or refundings thereof and any indentures or credit facilities or commercial paper facilities that exchange, replace, refund, refinance, extend, renew, restate, amend, supplement or modify any part of the loans, notes, other credit facilities or commitments thereunder, including any such exchanged, replacement, refunding, refinancing, extended, renewed, restated, amended, supplemented or modified facility or indenture that increases the amount permitted to be borrowed thereunder or alters the maturity thereof (*provided* that such increase in borrowings is permitted under Section 4.06(a) hereof) or adds Restricted Subsidiaries as additional borrowers or guarantors thereunder and whether by the same or any other agent, lender or group of lenders.

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

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

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

“**Depository**” means the depository of each Global Note, which will initially be DTC.

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

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

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

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

“**Equity Offering**” means any public or private sale, after the Issue Date, of Qualified Stock of the Company, other than (i) an Excluded Contribution, (ii)

public offerings registered on Form S-4 or S-8 or any successor form thereto or (iii) any issuance pursuant to employee benefit plans or otherwise in compensation to officers, directors or employees.

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

“**Event of Default**” has the meaning ascribed to it in Section 5.01 hereof.

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

“**Excluded Contribution**” means cash or Cash Equivalents received by the Company as capital contributions to its equity (other than through the issuance of Disqualified Stock) or from the issuance or sale (other than to a Subsidiary) of Qualified Stock of the Company, in each case, after January 31, 2008 and to the extent designated as an Excluded Contribution pursuant to an Officers’ Certificate of the Company.

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

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obligations permitted to be secured pursuant to clause (d) of the definition of “Permitted Liens” if, after the use of commercially reasonable efforts by the Company to obtain a Lien on such cash or cash equivalents for the benefit of the Holders of the Notes, the holders of the obligations secured by such cash and cash equivalents do not consent to the granting of such Liens.

“**Existing Debt**” has the meaning ascribed to it in the definition of “Refinancing Indebtedness”.

“**Existing Secured Notes Indenture**” means the Indenture dated as of October 20, 2009 as supplemented by the First Supplemental Indenture dated as of May 4, 2011 under which the Issuer’s 10⁵/₈% Senior Secured Notes due 2016 were issued.

“**expiration date**” has the meaning ascribed to it in Section 3.05(b) hereof.

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

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

“**First-Priority Liens**” means all Liens that secure the First-Priority Lien Obligations.

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

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

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

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

“**Guarantors**” means (a) initially, the Company and each of the other Guarantors signatory hereto as set forth on Schedule A hereto, which includes each of the Company’s Restricted Subsidiaries in existence on the Issue Date, other than the Issuer, and (b) each of the Company’s Subsidiaries that becomes a Guarantor of the Notes pursuant to the provisions of this Indenture, and their successors, in each case until released from its respective Guarantee pursuant to this Indenture.

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

“**incurrence**” has the meaning ascribed to it in Section 4.06(a) hereof.

“**Indebtedness**” of any Person means, without duplication,

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

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(b) any Indebtedness of others that such Person has guaranteed to the extent of the guarantee; *provided, however*, that Indebtedness of the Company and its Restricted Subsidiaries will not include the obligations of the Company or a Restricted Subsidiary under warehouse lines of credit of Mortgage Subsidiaries to repurchase mortgages at prices no greater than 98% of the principal amount thereof, and upon any such purchase the excess, if any, of the purchase price thereof over the Fair Market Value of the mortgages acquired, will constitute Restricted Payments subject to Section 4.07 hereof,

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

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

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

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

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

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

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

“**Intercreditor Agreement**” means the Intercreditor Agreement dated as of the Issue Date among the Collateral Agent, the Mortgage Tax Collateral Agent, the Second Lien Collateral Agent, the Trustee, the Second Lien Trustee, the Issuer, the Company and each other Guarantor named therein, as applicable, as

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such agreement may be amended, restated, supplemented or otherwise modified from time to time.

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

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

“**Interest Payment Date**” means each April 15 and October 15 of each year, commencing April 15, 2013.

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

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

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

“Issue Date” means October 2, 2012.

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

“Junior-Priority Lien Obligations” means all Indebtedness secured by junior Liens on the Collateral as permitted by clause (i) of the definition of “Permitted Liens” and all Obligations in respect thereof.

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

“Legal Defeasance” has the meaning ascribed to it in Section 8.01 hereof.

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

“Make-Whole Amount” has the meaning ascribed to it in Section 3.01 hereof.

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

“Moody’s” means Moody’s Investors Service, Inc. or any successor to its debt rating business.

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

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

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

“Non-Recourse Indebtedness” with respect to any Person means Indebtedness of such Person for which (a) the sole legal recourse for collection of principal and interest on such Indebtedness is against the specific property 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 180 days after the acquisition of such property or completion of such construction or improvement and (b) no other assets of such Person may be realized upon in collection of principal or interest on such Indebtedness. Indebtedness which is otherwise Non-Recourse Indebtedness will not lose its character as Non-Recourse Indebtedness because there is recourse to the borrower, any guarantor or any other Person for (i) environmental warranties and indemnities, or (ii) indemnities for and liabilities arising from fraud, misrepresentation, misapplication or non-payment of rents, profits, insurance and condemnation proceeds and other sums actually received by the borrower from secured assets to be paid to the lender, waste and mechanics’ liens.

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

“Notes” has the meaning ascribed to it in the Recitals hereof.

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

“**offer**” has the meaning ascribed to it in Section 3.05(a) hereof.

“**Offer to Purchase**” has the meaning ascribed to it in Section 3.05 hereof.

“**Offering Circular**” means the Issuer’s Confidential Offering Circular dated September 19, 2012.

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

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

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

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

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

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

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

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

“**Permitted Hovnanian Holders**” means, collectively, Ara K. Hovnanian, the members of his immediate family and the members of the immediate family of the late Kevork S. Hovnanian, the respective estates, spouses, heirs, ancestors, lineal descendants, legatees and legal representatives of any of the foregoing and the trustee of any *bona fide* trust of which one or more of the foregoing are the sole beneficiaries or the grantors thereof, or any entity of which any of the foregoing, individually or collectively, beneficially own more than 50% of the Common Equity.

“**Permitted Indebtedness**” means:

(a) Indebtedness under the Notes (and Guarantees thereof), other than Additional Notes, and under the Second Lien Notes (and the Second Lien Guarantees), other than Additional Notes (as defined in the Second Lien Indenture);

(b) Indebtedness of the Company, the Issuer or any Guarantor that is (A) secured by Liens permitted by clause (i) of the definition of “Permitted Liens”, in

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an aggregate principal amount at any one time outstanding that, after giving effect to the incurrence of such Indebtedness, does not result in outstanding secured Indebtedness in excess of the amount permitted by the proviso in clause (i)(b)(ii) of the definition of “Permitted Liens” in the Second Lien Indenture (as set forth in Exhibit K) as in effect on the Issue Date (without regard to the priorities of Liens set forth in such clause (i)(b)(ii) of such definition of “Permitted Liens”) and (B) scheduled to mature on or after the maturity date of the Notes (except with respect to Indebtedness incurred pursuant to this clause (b) under Credit Facilities, which may be scheduled to mature on or prior to the maturity date of the Notes; *provided* that such earlier maturity Indebtedness, together with any Refinancing Indebtedness permitted by the proviso of paragraph (b) of the definition thereof then outstanding, does not exceed \$150.0 million in aggregate principal amount);

(c) Indebtedness outstanding on the Issue Date, excluding Indebtedness constituting Permitted Indebtedness pursuant to clauses (d), (e), (f), (h) or (j) of this definition, which shall instead be incurred under such clauses;

- (d) Indebtedness in respect of obligations of the Company and its Subsidiaries to the trustees under indentures for debt securities;
- (e) intercompany debt obligations of (i) the Company to the Issuer, (ii) the Issuer to the Company, (iii) the Company or the Issuer to any Restricted Subsidiary and (iv) any Restricted Subsidiary to the Company or the Issuer or any other Restricted Subsidiary; *provided, however*, that any Indebtedness of any Restricted Subsidiary or the Issuer or the Company owed to any Restricted Subsidiary or the Issuer that ceases to be a Restricted Subsidiary shall be deemed to be incurred and shall be treated as an incurrence for purposes of Section 4.06(a) hereof at the time the Restricted Subsidiary in question ceases to be a Restricted Subsidiary;
- (f) Indebtedness of the Company or the Issuer or any Restricted Subsidiary under any Currency Agreements or Interest Protection Agreements in a notional amount no greater than the payments due (at the time the related Currency Agreement or Interest Protection Agreement is entered into) with respect to the Indebtedness or currency being hedged;
- (g) Purchase Money Indebtedness and Capitalized Lease Obligations in an aggregate principal amount outstanding at any one time not to exceed \$25.0 million;
- (h) obligations for, pledge of assets in respect of, and guaranties of, bond financings of political subdivisions or enterprises thereof in the ordinary course of business;

- (i) Indebtedness secured only by office buildings owned or occupied by the Company or any Restricted Subsidiary, which Indebtedness does not exceed \$10.0 million aggregate principal amount outstanding at any one time;
- (j) Indebtedness under warehouse lines of credit, repurchase agreements and Indebtedness secured by mortgage loans and related assets of mortgage lending Subsidiaries in the ordinary course of a mortgage lending business;
- (k) Indebtedness of the Company or any Restricted Subsidiary which, together with all other Indebtedness under this clause (k), does not exceed \$150.0 million aggregate principal amount outstanding at any one time;
- (l) Indebtedness of the Issuer or any Guarantor incurred under Credit Facilities that constitute revolving credit loans, term loans, letters of credit or similar lines of credit in an amount not exceeding at any time outstanding (i) \$75.0 million *plus* (ii) an aggregate principal amount such that, on a *pro forma* basis after giving effect to the incurrence of such Indebtedness, the Collateral Ratio is at least 175%; and
- (m) Indebtedness under the Units.

“Permitted Investment” means

- (a) Cash Equivalents;
- (b) any Investment in the Company, the Issuer or any Restricted Subsidiary or any Person that becomes a Restricted Subsidiary as a result of such Investment or that is consolidated or merged with or into, or transfers all or substantially all of the assets of it or an operating unit or line of business to, the Company or a Restricted Subsidiary;
- (c) any receivables, loans or other consideration taken by the Company, the Issuer or any Restricted Subsidiary in connection with any asset sale otherwise permitted by this Indenture; *provided* that non-cash consideration received in an Asset Disposition or an exchange or swap of assets shall be pledged as Collateral under the Security Documents to the extent the assets subject to such Asset Disposition or exchange or swap of assets constituted Collateral, with the Lien on such Collateral securing the Notes being of the same priority with respect to the Notes as the Lien on the assets disposed of; *provided, further*, that notwithstanding the foregoing clause, up to an aggregate of \$50.0 million of (x) non-cash consideration and consideration received as referred to in Section 4.10(b)(ii), (y) assets invested in pursuant to Section 4.10(c) and (z) assets received pursuant to clause (d) under the definition of “Asset Disposition” may be designated by the Company or the Issuer as Excluded Property not required to be pledged as Collateral;

- (d) Investments received in connection with any bankruptcy or reorganization proceeding, or as a result of foreclosure, perfection or enforcement of any Lien or any judgment or settlement of any Person in exchange for or satisfaction of Indebtedness or other obligations or other property received from such Person, or for other liabilities or obligations of such Person created, in accordance with the terms of this Indenture;
- (e) Investments in Currency Agreements or Interest Protection Agreements described in the definition of “Permitted Indebtedness”;
- (f) any loan or advance to an executive officer, director or employee of the Company or any Restricted Subsidiary made in the ordinary course of business or in accordance with past practice; *provided, however*, that any such loan or advance exceeding \$1.0 million shall have been approved by the Board of Directors of the Company or a committee thereof consisting of disinterested members;
- (g) Investments in interests in issuances of collateralized mortgage obligations, mortgages, mortgage loan servicing, or other mortgage related assets;
- (h) obligations of the Company or a Restricted Subsidiary under warehouse lines of credit of Mortgage Subsidiaries to repurchase mortgages;
- (i) Investments in an aggregate amount outstanding not to exceed \$10.0 million;
- (j) Guarantees issued in accordance with Section 4.06 hereof;

- (k) Investments in existence on the Issue Date not otherwise constituting Permitted Investments pursuant to clause (b) above; and
- (l) Permitted Bond Hedges which constitute Investments.

“Permitted Liens” means

- (a) Liens for taxes, assessments or governmental or quasi-governmental charges or claims that (i) are not yet delinquent, (ii) are being contested in good faith by appropriate proceedings and as to which appropriate reserves have been established or other provisions have been made in accordance with GAAP, if required, or (iii) encumber solely property abandoned or in the process of being abandoned;
- (b) statutory Liens of landlords and carriers’, warehousemen’s, mechanics’, suppliers’, materialmen’s, repairmen’s or other Liens imposed by law and arising in the ordinary course of business and with respect to amounts that, to the extent applicable, either (i) are not yet delinquent or (ii) are being contested in

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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 (i) or (j) of the definition of “Permitted Indebtedness”;
- (i) Liens on the Collateral and other assets not constituting Collateral pursuant to clause (a) of the definition of “Excluded Property” securing:

(a) (i) the Notes (other than Additional Notes), the Guarantees thereof and other Obligations under this Indenture and the Security Documents in respect thereof and any obligations owing to the Trustee or the Collateral Agent under this Indenture or the Security Documents in respect thereof, (ii) other Indebtedness otherwise permitted to be incurred under this Indenture (and all Obligations in respect thereof), *provided* that the Indebtedness so secured pursuant to this clause (a)(ii), when taken together with any Indebtedness secured pursuant to this clause (a) (other than pursuant to clause (a)(iii) below) outstanding at the time such other

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Indebtedness is incurred and so secured, does not exceed \$577.0 million, (iii) Indebtedness permitted to be incurred under this Indenture so long as on a *pro forma* basis after giving effect to the incurrence of such Indebtedness, the Collateral Ratio is at least 175% and (iv) any Refinancing Indebtedness (including pursuant to Credit Facilities) in respect of Indebtedness incurred and secured pursuant to clauses (a)(i), (a)(ii) and (a)(iii); *provided* that the Liens securing any Indebtedness (or Obligations in respect thereof) incurred pursuant to this clause (a) may rank equal or junior to the Liens securing the Notes;

(b) Indebtedness incurred pursuant to clause (l) of the definition of “Permitted Indebtedness” (and Obligations in respect thereof), which Liens may rank senior to, on a parity with or junior to, the Liens securing the Notes and the Guarantees thereof; and

(c) the Second Lien Notes and any other Indebtedness permitted to be incurred under this Indenture (and all Obligations in respect thereof); *provided* that the Liens securing Indebtedness referred to in this clause (c) rank junior to the Liens on the Collateral securing the Notes pursuant to the Intercreditor Agreement;

(j) Liens securing Non-Recourse Indebtedness of the Company, the Issuer or any Restricted Subsidiary; *provided*, that such Liens apply only to (i) the property financed, constructed or improved out of the net proceeds of such Non-Recourse Indebtedness within 180 days after the incurrence of such Non-Recourse Indebtedness, or (ii) licenses, permits, authorizations, consent forms or contracts related to the acquisition, development, use or improvement of such property;

(k) Liens securing Purchase Money Indebtedness; *provided*, that such Liens apply only to (i) the property financed, constructed or improved with the proceeds of such Purchase Money Indebtedness within 180 days after the incurrence of such Purchase Money Indebtedness, or (ii) licenses, permits, authorizations, consent forms or contracts related to the acquisition, development, use or improvement of such property;

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

(m) leases or subleases granted to others not materially interfering with the ordinary course of business of the Company and the Restricted Subsidiaries;

(n) purchase money security interests (including, without limitation, Capitalized Lease Obligations); *provided*, that such Liens apply only to the Property acquired and the related Indebtedness is incurred within 180 days after the acquisition of such Property;

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

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

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

(r) Liens for homeowner and property owner association developments and assessments;

(s) Liens securing Refinancing Indebtedness; *provided*, that such Liens extend only to the assets securing the Indebtedness being refinanced and except as permitted by clause (i) of this definition, have the same or junior priority as the initial Liens; *provided further* that where Refinancing Indebtedness is expressly provided for in such clause (i), that no Liens may be incurred under this clause (s) in respect of Refinancing Indebtedness incurred to refinance Indebtedness that is secured by Liens incurred under clause (i) of this definition;

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

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

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

(w) Liens existing on the Issue Date (other than Liens securing Obligations under the Notes and the Second Lien Notes) and any extensions, renewals or replacements thereof;

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(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; and

(y) other Liens securing obligations not to exceed \$25.0 million at any one time outstanding.

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

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

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

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

"purchase amount" has the meaning ascribed to it in Section 3.05(b) hereof.

"purchase date" has the meaning ascribed to it in Section 3.05(b) hereof.

"Purchase Money Indebtedness" means Indebtedness of the Company, the Issuer or any Restricted Subsidiary incurred for the purpose of financing all or any part of the purchase price, or the cost of construction or improvement, of any property to be used in the ordinary course of business by the Company, the Issuer and the Restricted Subsidiaries; *provided, however*, that (a) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost and (b) such Indebtedness shall be incurred no later than 180 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.

(as certified by a resolution of the Board of Directors of the Company) which shall be substituted for S&P or Moody’s, or both, as the case may be.

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

“**Record Date**” for the interest payable on any Interest Payment Date means the April 1 or October 1 (whether or not a Business Day) immediately preceding such Interest Payment Date.

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

(a) the Refinancing Indebtedness is subordinated, if at all, to the Notes or the Guarantees, as the case may be, to the same extent as the Indebtedness being refunded, refinanced or extended (*provided* that Refinancing Indebtedness issued to refund, refinance or extend Subordinated Indebtedness outstanding as of the Issue Date (such Indebtedness, “**Existing Debt**”) need not be subordinated to the Notes or the Guarantees, as the case may, so long as any Liens securing such Indebtedness are junior to the Liens securing the Notes or the Guarantees, as the case may be),

(b) the Refinancing Indebtedness is scheduled to mature either (x) no earlier than the Indebtedness being refunded, refinanced or extended or (y) after the maturity date of the Notes (unless the Refinancing Indebtedness is in respect of Existing Debt and is secured by Liens on the Collateral, in which case the Refinancing Indebtedness must be scheduled to mature after the maturity date of the Notes), *provided* that up to a total of \$150.0 million at any one time outstanding of Indebtedness under Credit Facilities incurred pursuant to clause (b) or clause (l) under the definition of “Permitted Indebtedness,” *plus* any Refinancing Indebtedness that refinances the First-Priority Lien Obligations (which Refinancing Indebtedness will be secured on a first-lien priority basis by Liens on the Collateral) pursuant to Credit Facilities, may be scheduled to mature on or prior to 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 (plus all accrued interest thereon and the amount of any premiums (including tender premiums) and fees and expenses incurred in connection with the refinancing thereof);

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

“**Register**” has the meaning ascribed to it in Section 2.09 hereof.

“**Registrar**” means a Person engaged to maintain the Register.

“**Regulation S**” means Regulation S under the Securities Act.

“**Regulation S Certificate**” means a certificate substantially in the form of Exhibit 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.

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

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

“**Restricted Investment**” means any Investment other than a Permitted Investment.

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

“**Restricted Payment**” means any of the following:

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

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

(c) any Investment (other than any Permitted Investment), including any Investment in an Unrestricted Subsidiary (including by the designation of a Subsidiary of the Company as an Unrestricted Subsidiary) and any amounts paid in accordance with clause (b) of the definition of “Indebtedness”; and

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

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

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

“**Rule 144A**” means Rule 144A under the Securities Act.

“**Rule 144A Certificate**” means a certificate substantially in the form of Exhibit F hereto.

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

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

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

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

“**Second Lien Guarantors**” means (a) initially, the Company and each of the other guarantors signatory to the Second Lien Indenture and (b) each of the Company’s subsidiaries that becomes a guarantor of the Second Lien Notes pursuant to the provisions of the Second Lien Indenture, and their successors, in each case until released from its respective guarantee pursuant to the Second Lien Indenture.

“**Second Lien Guarantees**” means the guarantee of the Second Lien Notes by each Second Lien Guarantor under the Second Lien Indenture.

“**Second Lien Indenture**” means the indenture, dated as of October 2, 2012, by and among the Issuer, the Company, each of the other Second Lien Guarantors, the Second Lien Trustee and the Second Lien Collateral Agent under which the Second Lien Notes were issued.

“**Second Lien Notes**” means the 9.125% Senior Secured Second Lien Notes due 2020 of the Issuer and issued under the Second Lien Indenture.

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

“**Securities Act**” means the Securities Act of 1933, as amended.

“**Security Agreement**” means the First Lien Security Agreement, dated as of October 2, 2012, among the Issuer, the Company and each of the signatories listed on Schedule A thereto, in favor of the Collateral Agent for the benefit of itself, the Trustee and the Holders, as amended, restated or supplemented from time to time.

“**Security Documents**” means (i) the Intercreditor Agreement and (ii) the security documents granting or perfecting a security interest in any assets of any

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Person to secure the Indebtedness and related Obligations under the Notes and the Guarantees, as each may be amended, restated, supplemented or otherwise modified from time to time.

“**self-liquidating paper**” has the meaning ascribed to it in Section 7.03 hereof.

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

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

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

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

“**Treasury Rate**” has the meaning ascribed to it in Section 3.01 hereof.

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

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

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

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

“**Units**” means the 6.00% Exchangeable Note Units of the Issuer and the Company issued on the Issue Date composed of a senior unsecured exchangeable note of the Issuer and guaranteed by the applicable Guarantors and a senior

unsecured amortizing note of the Issuer and guaranteed by the applicable Guarantors.

“**Unrestricted Subsidiary**” means any Subsidiary of the Company so designated by a resolution adopted by the Board of Directors of the Company or a duly authorized committee thereof as provided below; *provided*, that (a) the holders of Indebtedness thereof do not have direct or indirect recourse against the Company, the Issuer or any Restricted Subsidiary, and neither the Company, the Issuer nor any Restricted Subsidiary otherwise has liability for, any payment obligations in respect of such Indebtedness (including any undertaking, agreement or instrument evidencing such Indebtedness), except, in each case, to the extent that the amount thereof constitutes a Restricted Payment permitted by this Indenture, in the case of Non-Recourse Indebtedness, to the extent such recourse or liability is for the matters discussed in the last sentence of the definition of “Non-Recourse Indebtedness,” or to the extent such Indebtedness is a guarantee by such Subsidiary of Indebtedness of the Company, the Issuer or a Restricted Subsidiary and (b) no holder of any Indebtedness of such Subsidiary shall have a right to declare a default on such Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity as a result of a default on any Indebtedness of the Company, the Issuer or any Restricted Subsidiary. As of the Issue Date, the Unrestricted Subsidiaries will be the Subsidiaries of the Company named in Exhibit J hereto.

Subject to the foregoing, the Board of Directors of the Company or a duly authorized committee thereof may designate any Subsidiary in addition to those named above to be an Unrestricted Subsidiary; *provided, however*, that (a) the net amount (the “**Designation Amount**”) then outstanding of all previous Investments by the Company and the Restricted Subsidiaries in such Subsidiary will be deemed to be a Restricted Payment at the time of such designation and will reduce the amount available for Restricted Payments under Section 4.07 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) of this paragraph, and (c) after giving effect to such designation, no Default or Event of Default shall have occurred or be continuing. In accordance with the foregoing, and not in limitation thereof, Investments made by any Person in any Subsidiary of such Person prior to such Person’s merger with the Company or any Restricted Subsidiary (but not in contemplation or anticipation of such merger) shall not be counted as an Investment by the Company or such Restricted Subsidiary if such Subsidiary of such Person is designated as an Unrestricted Subsidiary.

The Board of Directors of the Company or a duly authorized committee thereof may also redesignate an Unrestricted Subsidiary to be a Restricted Subsidiary; *provided, however*, that (a) the Indebtedness of such Unrestricted Subsidiary as of the date of such redesignation could then be incurred under

Section 4.06 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) of this definition.

“\$” means U.S. dollars.

Section 1.02. *Rules of Construction.* Unless the context otherwise requires or except as otherwise expressly provided,

- (a) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;
- (b) “herein,” “hereof” and other words of similar import refer to this Indenture as a whole and not to any particular Section, Article other subdivision;
- (c) all references to Sections or Articles or Exhibits refer to Sections or Articles or Exhibits of or to this Indenture unless otherwise indicated;
- (d) references to agreements or instruments, or to statutes or regulations, are to such agreements or instruments, or statutes or regulations, as amended from time to time (or to successor statutes and regulations); and

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

- (b) (i) Except as otherwise provided in clause (c) of this Section 2.01, Section 2.09(b)(iv), Section 2.10(b)(iii), 2.10(b)(v), or Section 2.10(c), each Initial Note or Additional Note shall bear the Restricted Legend.
 - (ii) Each Global Note, whether or not an Initial Note or Additional Note, shall bear the DTC Legend.
 - (iii) Initial Notes and Additional Notes offered and sold in reliance on any exception under the Securities Act other than Regulation S and Rule 144A shall be issued, and upon the request of the Issuer to the Trustee, Initial Notes and Additional Notes offered and sold in reliance on Rule 144A may be issued, in the form of Certificated Notes.
 - (iv) Each Regulation S Temporary Global Note shall bear the Regulation S Temporary Global Note Legend.
 - (v) Initial Notes and Additional Notes offered and sold in reliance on Regulation S shall be issued as provided in Section 2.11(a).
- (c) If the Issuer determines (upon the advice of counsel and after consideration of other certifications and evidence as the Issuer may reasonably require) that a Note is eligible for resale pursuant to Rule 144 under the Securities Act (or a successor provision) without being subject to any conditions as provided in such Rule and that the Restricted Legend is no longer necessary or appropriate in order to ensure that subsequent transfers of the Note (or a beneficial interest therein) are effected in compliance with the Securities Act, then, the Issuer may

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instruct the Trustee to cancel the Note and issue to the Holder thereof (or to its transferee) a new Note of like tenor and amount, registered in the name of the Holder thereof (or its transferee), that does not bear the Restricted Legend, and the Trustee shall comply with such instruction.

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

Section 2.02. *Execution and Authentication; Additional Notes.* (a) An Officer shall execute the Notes for the Issuer by facsimile or manual signature in the name and on behalf of the Issuer. If an Officer whose signature is on a Note no longer holds that office at the time the Note is authenticated, the Note will still be valid.

- (b) A Note shall not be valid until the Trustee manually signs the certificate of authentication on the Note, with the signature conclusive evidence that the Note has been authenticated under this Indenture.
- (c) At any time and from time to time after the execution and delivery of this Indenture, the Issuer may deliver Notes executed by the Issuer to the Trustee for authentication. The Trustee shall authenticate and deliver:
 - (i) Initial Notes for original issue in the aggregate principal amount not to exceed \$577,000,000, and
 - (ii) Additional Notes from time to time for original issue in the aggregate principal amounts specified by the Issuer

after the following conditions have been met:

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

- (1) the amount of Notes to be authenticated and the date on which the Notes are to be authenticated,
- (2) whether the Notes are to be Initial Notes or Additional Notes,
- (3) in the case of Additional Notes, that the issuance of such Notes does not contravene any provision of Article 4,

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

Section 2.03. *Registrar, Paying Agent and Authenticating Agent; Paying Agent to Hold Money in Trust.* (a) The Issuer may appoint one or more Registrars and one or more Paying Agents, and the Trustee may appoint an Authenticating Agent, in which case each reference in this Indenture to the Trustee in respect of the obligations of the Trustee to be performed by that Agent shall be deemed to be references to the Agent. The Issuer may act as Registrar or (except for purposes of Article 8) Paying Agent. In each case, the Issuer and the Trustee shall enter into an appropriate agreement with the Agent implementing the provisions of this Indenture relating to the obligations of the Trustee to be performed by the Agent and the related rights.

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

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

Section 2.04. *Replacement Notes.* If a mutilated Note is surrendered to the Trustee or if a Holder claims that its Note has been lost, destroyed or wrongfully taken, the Issuer shall issue and the Trustee shall authenticate a replacement Note of like tenor and principal amount and bearing a number not contemporaneously outstanding. Every replacement Note is an additional

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obligation of the Issuer and entitled to the benefits of this Indenture. If required by the Trustee or the Issuer, an indemnity must be furnished that is sufficient in the judgment of both the Trustee and the Issuer to protect the Issuer and the Trustee from any loss they may suffer if a Note is replaced. The Issuer and the Trustee may charge the Holder for the expenses of the Issuer and the Trustee in replacing a Note. In case the mutilated, lost, destroyed or wrongfully taken Note has become or is about to become due and payable, the Issuer in its discretion may pay the Note instead of issuing a replacement Note.

Section 2.05. *Outstanding Notes.* (a) Notes outstanding at any time are all Notes that have been authenticated by the Trustee except for:

- (i) Notes cancelled by the Trustee or delivered to it for cancellation;
- (ii) any Note which has been replaced pursuant to Section 2.04 unless and until the Trustee and the Issuer receive proof satisfactory to them that the replaced Note is held by a protected purchaser; and
- (iii) on or after the maturity date or any redemption date or date for purchase of the Notes pursuant to an Offer to Purchase, those Notes payable or to be redeemed or purchased on that date for which the Trustee (or Paying Agent, other than the Issuer or an Affiliate of the Issuer) holds money sufficient to pay all amounts then due.

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

Section 2.06. *Temporary Notes.* Until definitive Notes are ready for delivery, the Issuer may prepare and the Trustee shall authenticate temporary Notes. Temporary Notes shall be substantially in the form of definitive Notes but may have insertions, substitutions, omissions and other variations determined to be appropriate by the Officer executing the temporary Notes, as evidenced by the execution of the temporary Notes. If temporary Notes are issued, the Issuer shall

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cause definitive Notes to be prepared without unreasonable delay. After the preparation of definitive Notes, the temporary Notes shall be exchangeable for definitive Notes upon surrender of the temporary Notes at the office or agency of the Issuer designated for the purpose pursuant to Section 4.02 without charge to the Holder. Upon surrender for cancellation of any temporary Notes, the Issuer shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Notes of authorized denominations. Until so exchanged, the temporary Notes shall be entitled to the same benefits under this Indenture as definitive Notes.

Section 2.07. *Cancellation.* The Issuer at any time may deliver to the Trustee for cancellation any Notes previously authenticated and delivered hereunder which the Issuer may have acquired in any manner whatsoever, and may deliver to the Trustee for cancellation any Notes previously authenticated hereunder which the Issuer has not issued and sold. Any Registrar or the Paying Agent shall forward to the Trustee any Notes surrendered to it for transfer, exchange or payment. The Trustee shall cancel all Notes surrendered for transfer, exchange, payment or cancellation and dispose of them in accordance with its normal procedures or the written instructions of the Issuer. The Issuer may not issue new Notes to replace Notes that it has paid in full or delivered to the Trustee for cancellation.

Section 2.08. *CUSIP and ISIN Numbers.* The Issuer in issuing the Notes may use “CUSIP” and “ISIN” numbers, and the Trustee shall use CUSIP numbers or ISIN numbers in notices of redemption or exchange or in Offers to Purchase as a convenience to Holders, the notice to state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice of redemption or exchange or Offer to Purchase. The Issuer shall promptly notify the Trustee in writing of any change in the CUSIP or ISIN numbers. Any Additional Notes that are not fungible with the Initial Notes for United States federal income tax purposes shall be issued with CUSIP and ISIN numbers different from the CUSIP and ISIN numbers assigned to the Initial Notes of such series.

Section 2.09. *Registration, Transfer and Exchange.* (a) The Notes shall be issued in registered form only, without coupons, and the Issuer shall cause the Trustee to maintain a register (the “**Register**”) of the Notes, for registering the record ownership of the Notes by the Holders and transfers and exchanges of the Notes.

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

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(ii) Each Global Note shall be delivered to the Trustee as custodian for the Depository. Transfers of a Global Note (but not a beneficial interest therein) shall be limited to transfers thereof in whole, but not in part, to the 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 20 days’ prior 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 shall have no rights under this 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 this Indenture or the Notes, and nothing herein shall 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. None of the Issuer, the Trustee, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a Note in global form or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. The Trustee may rely and shall be fully protected in relying upon information furnished by the Depository with respect to its members, participants and any beneficial owners.

(iv) If (x) the Depository (i) 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 (ii) has ceased to be a clearing agency registered under the Exchange Act, (y) the Issuer, at its option, notifies the Trustee in writing that it elects to cause the issuance of Certificated Notes or (z) a Default or an Event of Default with respect to the Notes has occurred and is continuing, the Trustee shall promptly exchange each beneficial interest in the Global Note for one or more Certificated Notes in authorized denominations having an equal aggregate principal amount registered in the name of the owner of such beneficial interest, as identified to the Trustee by the Depository, and thereupon the Global Note shall be deemed canceled. If such Note does not bear the Restricted Legend, then the Certificated Notes issued in exchange therefor shall not bear the Restricted

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Legend. If such Note bears the Restricted Legend, then the Certificated Notes issued in exchange therefor shall bear the Restricted Legend; *provided*, that any Holder of any such Certificated Note issued in exchange for a beneficial interest in a Regulation S Temporary Global Note will have the right upon presentation to the Trustee of a duly completed Certificate of Beneficial Ownership after the Restricted Period to exchange such Certificated Note for a Certificated Note of like tenor and amount that does not bear the Restricted Legend, registered in the name of such Holder.

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

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

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

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

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

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

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

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

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

(iv) *Certificated Note to Certificated Note.* If a Certificated Note is transferred or exchanged for another Certificated Note, the Trustee shall (x) cancel the Certificated Note being transferred or exchanged, (y)

deliver one or more new Certificated Notes in authorized denominations having an aggregate principal amount equal to the principal amount of such transfer or exchange to the transferee (in the case of a transfer) or the Holder of the canceled Certificated Note (in the case of an exchange), registered in the name of such transferee or Holder, as applicable, and (z) if such transfer or exchange involves less than the entire principal amount of the canceled Certificated Note, deliver to the Holder thereof one or more Certificated Notes in authorized denominations having an aggregate principal amount equal to the untransferred or unexchanged portion of the canceled Certificated Note, registered in the name of the Holder thereof.

Section 2.10. *Restrictions on Transfer and Exchange.* (a) The transfer or exchange of any Note (or a beneficial interest therein) may only be made in accordance with this Section and Section 2.09 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) of this Section, the transfer or exchange of any Note (or a beneficial interest therein) of the type set forth in column A below for a Note (or a beneficial interest therein) of the type set forth opposite in column B below may only be made in compliance with the certification requirements (if any) described in the clause of this paragraph set forth opposite in column C below.

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

(i) No certification is required.

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

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

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

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

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

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

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

Section 2.11. *Regulation S Temporary Global Notes.* (a) Each Initial Note and Additional Note originally sold in reliance upon Regulation S 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 or Clearstream and their respective direct and indirect participants.

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

(x) permanently reduce the principal amount of such Regulation S Temporary Global Note by the amount of such beneficial interest and (y) increase the principal amount of such Permanent Regulation S Global Note by the amount of such beneficial interest.

ARTICLE 3 REDEMPTION; OFFER TO PURCHASE

Section 3.01. *Optional Redemption.* (a) The Issuer may, at its option, redeem the Notes, in whole, at any time, or in part, from time to time, prior to October 15, 2015, at a redemption price equal to the sum of:

(i) 100% of the principal amount thereof, plus accrued and unpaid interest thereon to the redemption date, if any; *plus*

(ii) the Make-Whole Amount.

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

(i) the present value at such redemption date of (i) the redemption price of the Note, at October 15, 2015 (such redemption price being set forth in the table appearing in Section 3.01(b) hereof) plus (ii) all required interest payments due on the Note through October 15, 2015 (excluding accrued but unpaid interest), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over

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

“**Treasury Rate**” means, in connection with the calculation of any Make-Whole Amount with respect to any Note, as calculated by the Company, the yield to maturity at the time of computation of United States Treasury securities with a constant maturity, as compiled by and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source or similar market data), most nearly equal to the period from the redemption date to October 15, 2015; *provided, however*, that if the period from the redemption date to October 15, 2015 is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from the redemption date to October 15, 2015

is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

(b) At any time and from time to time on or after October 15, 2015, 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 thereon, if any, to the applicable redemption date.

<u>Period Commencing</u>	<u>Percentage</u>
October 15, 2015	105.438%
October 15, 2016	103.625%
October 15, 2017	101.813%
October 15, 2018 and thereafter	100.000%

Section 3.02. *Redemption with Proceeds of Equity Offering.* At any time and from time to time prior to October 15, 2015, the Issuer may redeem Notes with the net cash proceeds received by the Issuer from any Equity Offering at a redemption price equal to 107.25% of the principal amount plus accrued and unpaid interest to the redemption date, in an aggregate principal amount for all such redemptions not to exceed 35% of the original aggregate principal amount of the Notes (including Additional Notes), *provided that*:

- (i) in each case the redemption takes place not later than 60 days after the closing of the related Equity Offering, and
- (ii) not less than 65% of the original aggregate principal amount of the Notes (including Additional Notes) remains outstanding immediately thereafter.

Section 3.03. *Sinking Fund; Mandatory Redemption.* There is no sinking fund for, or mandatory redemption of, the Notes.

Section 3.04. *Method and Effect of Redemption.* (a) If the Issuer elects to redeem Notes, it must notify the Trustee of the redemption date and the principal amount of Notes to be redeemed by delivering an Officers’ Certificate at least 45 days before the redemption date (unless a shorter period is satisfactory to the Trustee). If fewer than all of the Notes are being redeemed, the Notes to be redeemed shall be selected in accordance with applicable DTC procedures (subject to compliance with the rules of any securities exchange on which the Notes of such series may be listed). Notes shall be redeemed in denominations of \$2,000 principal amount or any multiple of \$1,000 in excess thereof. The Trustee will notify the Issuer promptly of the Notes or portions of Notes to be called for redemption. Notice of redemption must be 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. Notices of any redemption may be given prior to the completion thereof, and may, at the Issuer’s discretion, be subject to one or more conditions precedent, including, but not limited to, completion of a related Equity Offering.

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

- (i) the redemption date;
- (ii) the redemption price, including the portion thereof representing any accrued interest, if any;
- (iii) the place or places where Notes are to be surrendered for redemption (Notes called for redemption must be so surrendered in order to collect the redemption price);
- (iv) that on the redemption date, the redemption price shall become due and payable on Notes called for redemption, and interest on Notes called for redemption shall cease to accrue on and after the redemption date;
- (v) that if any Note is redeemed in part, the portion of the principal amount thereof to be redeemed, and that on and after the redemption date, upon surrender of such Note, new Notes equal in principal amount to the unredeemed portion shall be issued; and

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

(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 shall cease to accrue interest. Upon surrender of any Note redeemed in part, the Holder shall receive a new Note equal in principal amount to the unredeemed portion of the surrendered Note.

Section 3.05. *Offer to Purchase.* (a) An “**Offer to Purchase**” means an offer by the Issuer to purchase Notes as required by this Indenture. An Offer to Purchase must be made by written offer (the “**offer**”) sent to the Holders. The Issuer shall notify the Trustee at least 15 days (or such shorter period as is acceptable to the Trustee) prior to sending the offer to Holders of its obligation to

make an Offer to Purchase, and the offer shall be sent by the Issuer or, at the Issuer’s request, by the Trustee in the name and at the expense of the Issuer.

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

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

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

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

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

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

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

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

(viii) each Holder electing to tender a Note pursuant to the offer shall be required to surrender such Note at the place or places specified in the offer prior to the close of business on the expiration date (such Note being, if the Issuer or the Trustee so requires, duly endorsed or accompanied by a duly executed written instrument of transfer);

(ix) interest on any Note not tendered, or tendered but not purchased by the Issuer pursuant to the Offer to Purchase, shall continue to accrue;

(x) on the purchase date the purchase price shall become due and payable on each Note accepted for purchase, and interest on Notes purchased shall cease to accrue on and after the purchase date;

(xi) Holders are entitled to withdraw Notes tendered by giving notice, which must be received by the Issuer or the Trustee not later than the close of business on the expiration date, setting forth the name of the Holder, the principal amount of the tendered Notes, the certificate number of the tendered Notes and a statement that the Holder is withdrawing all or a portion of the tender;

(xii) (A) if Notes in an aggregate principal amount less than or equal to the purchase amount are duly tendered and not withdrawn pursuant to the Offer to Purchase, the Issuer shall purchase all such Notes, and (B) if the Offer to Purchase is for less than all of the outstanding Notes and Notes in an aggregate principal amount in excess of the purchase amount are tendered and not withdrawn pursuant to the offer, the Issuer shall purchase Notes having an aggregate principal amount equal to the purchase amount on a *pro rata* basis, with adjustments so that only Notes in denominations of \$2,000 principal amount and any multiples of \$1,000 in excess thereof;

(xiii) if any Note is purchased in part, new Notes equal in principal amount to the unpurchased portion of the Note shall be issued; and

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

(c) Prior to the purchase date, the Issuer shall accept tendered Notes for purchase as required by the Offer to Purchase and deliver to the Trustee all Notes so accepted together with an Officers’ Certificate specifying which Notes have been accepted for purchase. On the purchase date, the purchase price shall become due and payable on each Note accepted for purchase, and interest on Notes purchased shall cease to accrue on and after the purchase date. The Trustee shall promptly return to Holders any Notes not accepted for purchase and send to Holders new Notes equal in principal amount to any unpurchased portion of any Notes accepted for purchase in part.

(d) The Issuer shall comply with Rule 14e-1 under the Exchange Act and all other applicable laws in making any Offer to Purchase, and the above procedures shall be deemed modified as necessary to permit such compliance.

ARTICLE 4
COVENANTS

Section 4.01. *Payment of Notes.* (a) The Issuer agrees to pay the principal of, premium, if any, and interest on the Notes on the dates and in the manner provided in the Notes and this Indenture. Not later than 9:00 A.M. (New York City time) on the due date of any principal of, premium, if any, or interest on, any Notes, or any redemption or purchase price of the Notes, the Issuer shall deposit with the Trustee (or Paying Agent) money in immediately available funds sufficient to pay such amounts; *provided*, that if the Issuer or any Affiliate of the Issuer is acting as Paying Agent, it shall, on or before each due date, segregate and hold in a separate trust fund for the benefit of the Holders a sum of money sufficient to pay such amounts until paid to such Holders or otherwise disposed of as provided in this Indenture. In each case, the Issuer shall promptly notify the Trustee of its compliance with this paragraph.

(b) An installment of principal, premium, if any, or interest shall be considered paid on the date due if the Trustee (or Paying Agent, other than the Issuer or any Affiliate of the Issuer) holds on that date money designated for and sufficient to pay the installment. If the Issuer or any Affiliate of the Issuer acts as Paying Agent, an installment of principal, premium, if any, or interest shall be considered paid on the due date only if paid to the Holders.

(c) The Issuer agrees to pay interest on overdue principal, and, to the extent lawful, overdue installments of interest, if any, at the rate per annum specified in the Notes.

(d) Payments in respect of the Notes represented by the Global Notes are to be made by wire transfer of immediately available funds to the accounts specified by the Holders of the Global Notes. With respect to Certificated Notes, the Issuer shall make all payments by wire transfer of immediately available funds to the accounts specified by the Holders thereof or, if no such account is specified, by mailing a check to each Holder's registered address.

Section 4.02. *Maintenance of Office or Agency.* The Company and the Issuer shall maintain an office or agency where Notes may be surrendered for registration of transfer or exchange or for presentation for payment and where notices and demands to or upon the Company and the Issuer in respect of the Notes and this Indenture may be served. The Issuer and the Company hereby initially designate the Corporate Trust Office of the Trustee as such office of the Issuer and the Company. The Issuer shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Issuer and the Company fail to maintain any such required office or agency or fail to furnish the Trustee with the address thereof, such

presentations, surrenders, notices and demands may be made or served to the Trustee.

The Issuer may also from time to time designate one or more other offices or agencies where the Notes may be surrendered or presented for any of such purposes and may from time to time rescind such designations. The Issuer shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

Section 4.03. *Existence.* The Company and the Issuer shall each do or cause to be done all things necessary to preserve and keep in full force and effect their existence and the existence of each of the Restricted Subsidiaries in accordance with their respective organizational documents, and the material rights, licenses and franchises of the Company, the Issuer and each Restricted Subsidiary; *provided*, that the Company and the Issuer are not required to preserve any such right, license or franchise, or the existence of any Restricted Subsidiary, if the maintenance or preservation thereof is no longer desirable in the conduct of the business of the Company and its Restricted Subsidiaries taken as a whole; and *provided, further*, that this Section not prohibit any transaction otherwise permitted by Section 4.10 or Section 4.14.

Section 4.04. *Payment of Taxes.* The Company shall pay or discharge, and cause each of its Subsidiaries to pay or discharge before the same become delinquent all material taxes, assessments and governmental charges levied or imposed upon the Company or any Subsidiary or its income or profits or property, other than any such tax, assessment or charge the amount, applicability or validity of which is being contested in good faith by appropriate proceedings.

Section 4.05. [Reserved]

Section 4.06. *Limitations on Indebtedness.* (a) The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary, directly or indirectly, to create, incur, assume, become liable for or guarantee the payment of (collectively, an "incurrence") any Indebtedness (including Acquired Indebtedness) unless, after giving effect thereto and the application of the proceeds therefrom, the Consolidated Fixed Charge Coverage Ratio on the date thereof would be at least 2.0 to 1.0.

(b) Notwithstanding the foregoing, the provisions of this Indenture will not prevent the incurrence of:

- (i) Permitted Indebtedness,
- (ii) Refinancing Indebtedness,
- (iii) Non-Recourse Indebtedness,

(iv) any Guarantee of Indebtedness represented by the Notes,

(v) any guarantee of Indebtedness incurred under Credit Facilities in compliance with this Indenture, and

(vi) any guarantee by the Issuer, the Company or any Guarantor of Indebtedness that is permitted to be incurred in compliance with this Indenture; *provided* that in the event such Indebtedness that is being guaranteed is subordinated in right of payment to the Notes or a Guarantee, as the case may be, then the related guarantee shall be subordinated in right of payment to the Notes or such Guarantee, as the case may be.

(c) For purposes of determining compliance with this covenant, in the event that an item of Indebtedness may be incurred through 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. *Limitations on Restricted Payments.* (a) The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, make any Restricted Payment unless:

(i) no Default or Event of Default shall have occurred and be continuing at the time of or immediately after giving effect to such Restricted Payment;

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(ii) immediately after giving effect to such Restricted Payment, the Company could incur at least \$1.00 of Indebtedness pursuant to Section 4.06(a) hereof; and

(iii) immediately after giving effect to such Restricted Payment, the aggregate amount of all Restricted Payments (including the Fair Market Value of any non-cash Restricted Payment) declared or made on or after the Issue Date 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 November 1, 2012 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 the Issue Date or any issue or sale after the Issue Date of Qualified Stock (other than (x) to any Subsidiary of the Company or (y) any Excluded Contribution) and (2) the issue or sale on or after the Issue Date of any Indebtedness or other securities of the Company convertible into or exercisable for Qualified Stock of the Company that have been so converted or exercised, as the case may be, *plus*

(C) in the case of the disposition or repayment of any Investment constituting a Restricted Payment (or if the Investment was made prior to the Issue Date, that would have constituted a Restricted Payment if made after the Issue Date, if such disposition or repayment results in cash received by the Company, the Issuer or any Restricted Subsidiary), an amount (to the extent not included in the calculation of Consolidated Net Income referred to in (A)) equal to the lesser of (x) the return of capital with respect to such Investment (including by dividend, distribution or sale of Capital Stock) and (y) the amount of such Investment that was treated (or would have been treated when made) as a Restricted Payment, in either case, less the cost of the disposition or repayment of such Investment (to the extent not included in the calculation of Consolidated Net Income referred to in (A)), *plus*

(D) with respect to any Unrestricted Subsidiary that is redesignated as a Restricted Subsidiary after the Issue Date, in

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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.

(b) Clauses (i) (except in the case of clauses (iii)(B), (iii)(C), (iv) and (v) below), (ii) and (iii) of Section 4.07(a) will not prohibit:

(i) the payment of any dividend within 60 days of its declaration if such dividend could have been made on the date of its declaration without violation of the provisions of this Indenture;

(ii) the purchase, repayment, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of any Subordinated Indebtedness of the Issuer, the Company or any Restricted Subsidiary or shares of Capital Stock of the Company in exchange for, or out of the net proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company or constituting an Excluded Contribution) of, shares of Qualified Stock;

(iii) (A) the purchase, repayment, redemption, repurchase, defeasance or other acquisition, cancellation or retirement for value of Subordinated Indebtedness of the Issuer, the Company or any Restricted Subsidiary in exchange for, or out of proceeds of, Refinancing Indebtedness;

(B) the purchase, repayment, redemption, repurchase, defeasance or other acquisition, cancellation or retirement for value of Subordinated Indebtedness of the Issuer, the Company or any Restricted Subsidiary or the making of Restricted Investments in joint ventures:

(1) in an aggregate amount not to exceed \$50.0 million (after giving effect to all subsequent reductions in the amount of any Restricted Investment in a joint venture made pursuant to this clause (B)(1) as a result of the repayment or disposition thereof for cash, not

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to exceed the amount of such Restricted Investment previously made pursuant to this clause (B)(1)); or

(2) in an aggregate amount made under this clause (B)(2) not to exceed Excluded Contributions (after giving effect to all subsequent reductions in the amount of any Restricted Investment in a joint venture made pursuant to this clause (B)(2) as a result of the repayment or disposition thereof for cash, not to exceed the amount of such Restricted Investment previously made pursuant to this clause (B)(2));

(C) the purchase, repayment, redemption, repurchase, defeasance or other acquisition, cancellation or retirement for value of Subordinated Indebtedness of the Issuer, the Company or any Restricted Subsidiary or the making of Restricted Investments in joint ventures (after giving effect to all subsequent reductions in the amount of any Restricted Investment in a joint venture made pursuant to this clause (C) as a result of the repayment or disposition thereof for cash, not to exceed the amount of such Restricted Investment previously made pursuant to this clause (C)), in an aggregate amount not to exceed \$150.0 million; *provided* that, on a pro forma basis after giving effect to any such Restricted Payment, the aggregate fair market value of the Collateral (as determined in good faith by the Company's chief financial officer) is equal to at least 175% of the aggregate principal amount of Collateralized Debt (such ratio as calculated, the "**Collateral Ratio**") as of such date (or, in the case of a Restricted Investment in a joint venture, on the date the Company determines to make such Investment, so long as the Investment is completed within 120 days of such determination date), such fair market value to be determined, with respect to real property Collateral, by reference to book value pursuant to GAAP;

(iv) the payment of dividends on Preferred Stock and Disqualified Stock up to an aggregate amount of \$10.0 million in any fiscal year; *provided* that immediately after giving effect to any declaration of such dividend, the Company could incur at least \$1.00 of Indebtedness pursuant to Section 4.06(a);

(v) the purchase, redemption or other acquisition, cancellation or retirement for value of Capital Stock, or options, warrants, equity appreciation rights or other rights to purchase or acquire Capital Stock, of the Company or any Subsidiary held by officers or employees or former officers or employees of the Company or any Subsidiary (or their estates

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or beneficiaries under their estates) not to exceed \$10.0 million in the aggregate since the Issue Date;

(vi) the making of cash payments in connection with any conversion or exchange of Permitted Convertible Indebtedness in an aggregate amount since the date of the indenture therefor not to exceed the sum of (a) the principal amount of such Permitted Convertible Indebtedness *plus* (b) any payments received by the Company, the Issuer or any Restricted Subsidiaries pursuant to the exercise, settlement or termination of any related Permitted Bond Hedge;

(vii) any payments in connection with (including, without limitation, the purchase of) a Permitted Bond Hedge and the settlement of any related Permitted Warrant (A) by delivery of shares of the Company's Capital Stock upon net share settlement of such Permitted Warrant or (B) by (x) set-off of such Permitted Warrant against the related Permitted Bond Hedge and (y) payment of an amount due upon termination of such Permitted Warrant in Capital Stock or using cash received upon the exercise, settlement or termination of a Permitted Bond Hedge upon any early termination thereof;

(viii) the purchase, repayment, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of any Subordinated Indebtedness (A) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness in the event of a Change of Control in accordance with provisions similar to Section 4.12 hereof or (B) at a purchase price not greater than 100% of the principal amount thereof in accordance with provisions similar to Section 4.10 hereof; *provided* that, prior to or simultaneously with such purchase, repayment, repurchase, redemption, defeasance or other acquisition, cancellation, or retirement, the Company, the Issuer or any Restricted Subsidiary has made the Change of Control offer pursuant to Section 4.12 hereof or Offer to Purchase pursuant to Section 4.10 hereof, as applicable, with respect to the Notes and has completed such repurchase or redemption of all Notes validly tendered for payment in connection with such Change of Control offer or Offer to Purchase;

(ix) any payment of cash by the Company, the Issuer or any of the Restricted Subsidiaries in respect of fractional shares of the Company's Capital Stock upon the exercise, conversion or exchange of any stock options, warrants or other rights to purchase Capital Stock or other

convertible or exchangeable securities; and

- (x) other Restricted Payments in an aggregate amount, when taken together with all other Restricted Payments made pursuant to this

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clause (x) not to exceed \$25.0 million (after giving effect to all subsequent reductions in the amount of Restricted Investments made pursuant to this clause (x) in the form of cash not to exceed the amount of such Restricted Investment previously made pursuant to this clause (x));

provided, however, that each Restricted Payment described in clauses (i) and (ii) of this Section 4.07(b) shall be taken into account for purposes of computing the aggregate amount of all Restricted Payments pursuant to clause (iii) of Section 4.07(a).

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

(d) In determining the “Fair Market Value of Property” for purposes of clause (iii) of Section 4.07(a), Property other than cash, Cash Equivalents and Marketable Securities shall be deemed to be equal in value to the “equity value” of the Capital Stock or other securities issued in exchange therefor. The equity value of such Capital Stock or other securities shall be equal to (i) the number of shares of Common Equity issued in the transaction (or issuable upon conversion or exercise of the Capital Stock or other securities issued in the transaction) multiplied by the closing sale price of the Common Equity on its principal market on the date of the transaction (less, in the case of Capital Stock or other securities which require the payment of consideration at the time of conversion or exercise, the aggregate consideration payable thereupon) or (ii) if the Common Equity is not then traded on the New York Stock Exchange, NYSE MKT or Nasdaq Stock Market, or if the Capital Stock or other securities issued in the transaction do not consist of Common Equity (or Capital Stock or other securities convertible into or exercisable for Common Equity), the value (if more than \$10.0 million) of such Capital Stock or other securities as determined by a nationally recognized investment banking firm retained by the Board of Directors of the Company.

Any restricted payments that were treated as made pursuant to the provisions of the Existing Secured Notes Indenture under the provision of such indenture that is substantially identical to paragraph (iii)(B)(2) of Section 4.07(b) and made prior to the Issue Date shall be treated as Restricted Payments made under paragraph (iii)(B)(2) of Section 4.07(b) under this Indenture (and subsequent reductions in any Restricted Investments made with such restricted payments shall be given effect as well).

Section 4.08. *Limitations on Liens.* The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, create, incur, assume or

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suffer to exist any Liens, other than Permitted Liens, on any of its Property, or on any shares of Capital Stock or Indebtedness of any Restricted Subsidiary.

Section 4.09. *Limitations on Restrictions Affecting Restricted Subsidiaries.* The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, create, assume or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction (other than encumbrances or restrictions imposed by law or by judicial or regulatory action or by provisions of agreements that restrict the assignability thereof) on the ability of any Restricted Subsidiary to:

(a) pay dividends or make any other distributions on its Capital Stock or any other interest or participation in, or measured by, its profits, owned by the Company or any other Restricted Subsidiary, or pay interest on or principal of any Indebtedness owed to the Company or any other Restricted Subsidiary,

(b) make loans or advances to the Company or any other Restricted Subsidiary, or

(c) transfer any of its property or assets to the Company or any other Restricted Subsidiary,

except for:

(i) encumbrances or restrictions existing under or by reason of applicable law,

(ii) contractual encumbrances or restrictions in effect at or entered into on the Issue Date and any amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings thereof; *provided*, that such amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in such contractual encumbrances or restrictions, as in effect at or entered into on the Issue Date,

(iii) any restrictions or encumbrances arising under Acquired Indebtedness; *provided*, that such encumbrance or restriction applies only to either the assets that were subject to the restriction or encumbrance at the time of the acquisition or the obligor on such Indebtedness and its Subsidiaries prior to such acquisition,

(iv) any restrictions or encumbrances arising in connection with Refinancing Indebtedness; *provided, however*, that any restrictions and encumbrances of the type described in this clause (iv) that arise under such

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Refinancing Indebtedness shall not be materially more restrictive or apply to additional assets than those under the agreement creating or evidencing the Indebtedness being refunded, refinanced, replaced or extended,

(v) any Permitted Lien, or any other agreement restricting the sale or other disposition of property, securing Indebtedness permitted by this Indenture if such Permitted Lien or agreement does not expressly restrict the ability of a Subsidiary of the Company to pay dividends or make or repay loans or advances prior to default thereunder,

(vi) reasonable and customary borrowing base covenants set forth in agreements evidencing Indebtedness otherwise permitted by this Indenture,

(vii) customary non-assignment provisions in leases, licenses, encumbrances, contracts or similar assets entered into or acquired in the ordinary course of business,

(viii) any restriction with respect to a Restricted Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Restricted Subsidiary pending the closing of such sale or disposition,

(ix) encumbrances or restrictions existing under or by reason of this Indenture, the Notes or the Guarantees and the Second Lien Indenture, the Second Lien Notes and the Second Lien Guarantees,

(x) purchase money obligations that impose restrictions on the property so acquired of the nature described in clause (c) of this Section 4.09,

(xi) Liens permitted under this Indenture securing Indebtedness that limit the right of the debtor to dispose of the assets subject to such Lien,

(xii) provisions with respect to the disposition or distribution of assets or property in joint venture agreements, assets sale agreements, stock sale agreements and other similar agreements,

(xiii) customary provisions of any franchise, distribution or similar agreements,

(xiv) restrictions on cash or other deposits or net worth imposed by contracts entered into in the ordinary course of business, and

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(xv) any encumbrance or restrictions of the type referred to in clauses (a), (b) or (c) of this Section 4.09 imposed by any amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings of the contracts, instruments or obligations referred to in clauses (i) through (xiv) of this Section 4.09; *provided*, that such amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings are, in the good faith judgment of the Company's Board of Directors, not materially 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.* (a) The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, make any Asset Disposition unless: (x) the Company (or the Issuer or such Restricted Subsidiary, as the case may be) receives consideration at the time of such Asset Disposition at least equal to the Fair Market Value thereof, and (y) not less than 70% of the consideration received by the Company (or the Issuer or such Restricted Subsidiary, as the case may be) is in the form of cash, Cash Equivalents and Marketable Securities (which must be pledged as Collateral if the assets disposed of constituted Collateral).

(b) The amount of (i) any Indebtedness (other than any Subordinated Indebtedness) of the Company or the Issuer 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 (including Capital Stock of any Person that will be a Restricted Subsidiary following receipt thereof) received that are used or useful in a Real Estate Business (*provided* that (except as permitted by clause (c) under the definition of "Permitted Investment") to the extent that the assets disposed of in such Asset Disposition were Collateral, such property or assets are pledged as Collateral under the Security Documents substantially simultaneously with such sale, with the Lien on such Collateral securing the Notes being of the same priority with respect to the Notes as the Lien on the assets disposed of), shall be deemed to be consideration required by clause (y) of Section 4.10(a) for purposes of determining the percentage of such consideration received by the Company or the Restricted Subsidiaries.

(c) The Net Cash Proceeds of an Asset Disposition shall, within one year, at the Company's election, (1) be used by the Company, the Issuer or a Restricted Subsidiary to invest in assets (including Capital Stock of any Person that is or will be a Restricted Subsidiary following investment therein) used or useful in a Real Estate Business (*provided* that (except as permitted by clause (c) under the definition of "Permitted Investment") to the extent that the assets

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disposed of in such Asset Disposition were Collateral, such assets are pledged as Collateral under the Security Documents with the Lien on such Collateral securing the Notes being of the same priority with respect to the Notes as the Lien on the assets disposed of), (2) be used to permanently prepay or permanently repay any (i) Indebtedness which had been secured by the assets sold in the relevant Asset Disposition, to the extent the assets sold were not Collateral or (ii) Indebtedness of a Restricted Subsidiary that is not a Guarantor, to the extent the assets sold were not Collateral or (3) be applied to make an Offer to Purchase the Notes and, if the Company or a Restricted Subsidiary elects or is required to do so, to repay, purchase or redeem any other Indebtedness secured by parity Liens on Collateral (or cash collateralize letters of credit that constitute First-Priority Lien Obligations) and, if the Company or a Restricted Subsidiary elects or is required to do so and the assets disposed of were not Collateral, repay, purchase or redeem any unsubordinated Indebtedness (on a *pro rata* basis if the amount available for such repayment, purchase, redemption or cash collateralization is less than the aggregate amount of (x) the principal amount of the Notes tendered in such Offer to Purchase, (y) the lesser of the principal amount, or accreted value, of such other Indebtedness secured by ratable Liens tendered or to be repaid, redeemed, repurchased or cash collateralized and (z) the lesser of the principal amount, or accreted value, of such

unsubordinated Indebtedness tendered or to be repaid, repurchased or redeemed, plus, in each case, accrued interest to the date of repayment, purchase or redemption) at 100% of the principal amount or accreted value thereof, as the case may be, plus accrued and unpaid interest, if any, to the date of repurchase, repayment or redemption; *provided* that pending any such application under this Section 4.10(c), Net Cash Proceeds may be used to temporarily reduce Indebtedness or otherwise be invested in any manner not prohibited by this Indenture; *provided further* that in the case of clause (1), a binding commitment to invest in assets shall be treated as a permitted application of the Net Cash Proceeds from the date of such commitment so long as the Company, the Issuer or a Restricted Subsidiary enters into such commitment with the good faith expectation that such Net Cash Proceeds will be applied to satisfy such commitment within 180 days of such commitment (an “**Acceptable Commitment**”) and such Net Cash Proceeds are actually applied in such manner within the later of one year from the consummation of the Asset Disposition and 180 days from the date of the Acceptable Commitment, and in the event any Acceptable Commitment is later cancelled or terminated for any reason before the Net Cash Proceeds is applied in connection therewith, the Company, the Issuer or such Restricted Subsidiary enters into another Acceptable Commitment (a “**Second Commitment**”) within 180 days of such cancellation or termination and such Net Cash Proceeds are actually applied in such manner within 180 days from the date of the Second Commitment, it being understood that if a Second Commitment is later cancelled or terminated for any reason before such Net Cash Proceeds is applied, then such Net Cash Proceeds shall be applied in accordance with clauses (2) or (3) above.

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Upon completion of an Offer to Purchase, the amount of Net Cash Proceeds will be reset at zero.

(d) Notwithstanding the foregoing, (A) the Company will not be required to apply such Net Cash Proceeds in accordance with clauses (2) or (3) of Section 4.10(c) except to the extent that such Net Cash Proceeds, together with the aggregate Net Cash Proceeds of prior Asset Dispositions (other than those so used) which have not been applied in accordance with this provision and as to which no prior prepayments or repayments shall have been made and no Offer to Purchase shall have been made, exceed \$25.0 million and (B) in connection with an Asset Disposition, the Company and the Restricted Subsidiaries will not be required to comply with the requirements of clause (y) of Section 4.10(a) to the extent that the non-cash consideration received in connection with such Asset Disposition, together with the sum of all non-cash consideration received in connection with all prior Asset Dispositions that has not yet been converted into cash, Cash Equivalents or Marketable Securities, does not exceed \$25.0 million; *provided, however*, that when any non-cash consideration is converted into cash, Cash Equivalents or Marketable Securities, such cash shall constitute Net Cash Proceeds and be subject to Section 4.10(c).

(e) To the extent that the aggregate amount of Indebtedness validly tendered and not properly withdrawn pursuant to an Offer to Purchase is less than the Net Cash Proceeds, the Company, the Issuer and the Restricted Subsidiaries may use any remaining Net Cash Proceeds for general corporate purposes, subject to the other covenants hereunder.

Section 4.11. *Guarantees by Restricted Subsidiaries.* Each existing Restricted Subsidiary (other than the Issuer (for so long as it remains the Issuer)) will be a Guarantor. The Company is permitted to cause any Unrestricted Subsidiary to be a Guarantor. If the Issuer, the Company or any of its Restricted Subsidiaries acquires or creates a Restricted Subsidiary after the Issue Date, such Restricted Subsidiary shall execute a guarantee substantially in the form included in Exhibit A, execute a supplemental indenture in the form of Exhibit B, and deliver an Opinion of Counsel to the Trustee to the effect that the supplemental indenture has been duly authorized, executed and delivered by the new Restricted Subsidiary and constitutes a valid and binding obligation of the new Restricted Subsidiary, enforceable against the new Restricted Subsidiary in accordance with its terms (subject to customary exceptions).

Section 4.12. *Repurchase of Notes upon a Change of Control.* (a) In the event that there shall occur a Change of Control, each Holder of Notes shall have the right, at such Holder’s option, to require the Issuer to purchase all or any part of such Holder’s Notes on a date (the “**Repurchase Date**”) that is no later than 90 days after notice of the Change of Control, at 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the Repurchase Date.

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(b) On or before the thirtieth day after any Change of Control, the Issuer is obligated to mail, or cause to be mailed, to all Holders of record of Notes and the Trustee, a notice regarding the Change of Control and the repurchase right. The notice shall state the Repurchase Date, the date by which the repurchase right must be exercised, the price for the Notes and the procedure which the Holder must follow to exercise such right. To exercise such right, the Holder of such Note must deliver, at least ten days prior to the Repurchase Date, written notice to the Issuer (or an agent designated by the Issuer for such purpose) of the Holder’s exercise of such right, together with the Note with respect to which the right is being exercised, duly endorsed for transfer; *provided, however*, that if mandated by applicable law, a Holder may be permitted to deliver such written notice nearer to the Repurchase Date than may be specified by the Issuer.

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

Section 4.13. *Limitations on Transactions with Affiliates.* (a) The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, make any loan, advance, guarantee or capital contribution to, or for the benefit of, or sell, lease, transfer or otherwise dispose of any property or assets to or for the benefit of, or purchase or lease any property or assets from, or enter into or amend any contract, agreement or understanding with, or for the benefit of, any Affiliate of the Company or any Affiliate of any of the Company’s Subsidiaries or any holder of 10% or more of the Common Equity of the Company (including any Affiliates of such holders), in a single transaction or series of related transactions (each, an “**Affiliate Transaction**”), except for any Affiliate Transaction the terms of which are at least as favorable as the terms which could be obtained by the Company, the Issuer or such Restricted Subsidiary, as the case may be, in a comparable transaction made on an arm’s-length basis with Persons who are not such a holder, an Affiliate of such a holder or an Affiliate of the Company or any of the Company’s Subsidiaries.

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

- (i) with respect to any such Affiliate Transaction involving or having a value of more than \$10.0 million, the Company shall have
- (x) obtained the approval of a majority of the Board of Directors of the Company and (y) either obtained the approval of a majority of the

(ii) with respect to any such Affiliate Transaction involving or having a value of more than \$20.0 million, the Company shall have (x) obtained the approval of a majority of the Board of Directors of the Company and (y) delivered to the Trustee an opinion of a qualified independent financial advisor to the effect that such Affiliate Transaction is fair to the Company, the Issuer or such Restricted Subsidiary, as the case may be, from a financial point of view.

(c) Notwithstanding the foregoing, an Affiliate Transaction will not include:

(i) any contract, agreement or understanding with, or for the benefit of, or plan for the benefit of, employees of the Company or its Subsidiaries generally (in their capacities as such) that has been approved by the Board of Directors of the Company,

(ii) Capital Stock issuances to directors, officers and employees of the Company or its Subsidiaries pursuant to plans approved by the stockholders of the Company,

(iii) any Restricted Payment otherwise permitted under Section 4.07 hereof or any Permitted Investment (other than a Permitted Investment referred to in clause (b) of the definition thereof, except as permitted by clause (iv) below),

(iv) any transaction between or among 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 this Indenture)*),

(v) any transaction between one or more Restricted Subsidiaries and one or more Unrestricted Subsidiaries where all of the payments to, or other benefits conferred upon, such Unrestricted Subsidiaries are substantially contemporaneously divided, or otherwise distributed or transferred without charge, to the Company or a Restricted Subsidiary,

(vi) issuances, sales or other transfers or dispositions of mortgages and collateralized mortgage obligations in the ordinary course of business between Restricted Subsidiaries and Unrestricted Subsidiaries of the Company, and

(vii) the payment of reasonable and customary fees to, and indemnity provided on behalf of, officers, directors, employees or consultants of the Company, the Issuer or any Restricted Subsidiary.

Section 4.14. *Limitations on Mergers, Consolidations and Sales of Assets.* Neither the Issuer nor any Guarantor will consolidate or merge with or into, or sell, lease, convey or otherwise dispose of all or substantially all of its assets (including, without limitation, by way of liquidation or dissolution), or assign any of its obligations under the Notes, the Guarantees or this Indenture (as an entirety or substantially as an entirety in one transaction or in a series of related transactions), to any Person (in each case other than in a transaction in which the Company, the Issuer or a Restricted Subsidiary is the survivor of a consolidation or merger, or the transferee in a sale, lease, conveyance or other disposition) unless:

(i) the Person formed by or surviving such consolidation or merger (if other than the Company, the Issuer or the Guarantor, as the case may be), or to which such sale, lease, conveyance or other disposition or assignment will be made (collectively, the “**Successor**”), is a corporation or other legal entity organized and existing under the laws of the United States or any state thereof or the District of Columbia, and the Successor assumes by supplemental indenture in a form reasonably satisfactory to the Trustee all of the obligations of the Company, the Issuer or the Guarantor, as the case may be, under the Notes or a Guarantee, as the case may be, and this Indenture and the Security Documents,

(ii) immediately after giving effect to such transaction, no Default or Event of Default has occurred and is continuing, and

(iii) immediately after giving effect to such transaction, the Company (or its Successor) could incur at least \$1.00 of Indebtedness pursuant to Section 4.06(a) hereof.

The foregoing provisions shall not apply to: (i) a transaction involving the sale or disposition of Capital Stock of a Guarantor, or the consolidation or merger of a Guarantor, or the sale, lease, conveyance or other disposition of all or substantially all of the assets of a Guarantor, that in any such case results in such Guarantor being released from its Guarantee pursuant to Section 6.03, or (ii) a transaction the purpose of which is to change the state of incorporation of the Company, the Issuer or any Guarantor.

Section 4.15. *Reports to Holders of Notes.* (a) The Company shall file with the Commission the annual reports and the information, documents and other reports required to be filed pursuant to Section 13 or 15(d) of the Exchange Act. The Company shall file with the Trustee and deliver to each Holder of record of

Notes such reports, information and documents within 15 days after it files them with the Commission. In the event that the Company is no longer subject to these periodic reporting requirements of the Exchange Act, it will nonetheless continue to file reports with the Commission and the Trustee and deliver such reports to each Holder of Notes as if it were subject to such reporting requirements. Regardless of whether the Company is required to furnish such reports to its stockholders pursuant to the Exchange Act, the Company will cause its consolidated financial statements and a “Management’s Discussion and Analysis of

Results of Operations and Financial Condition” written report, similar to those that would have been required to appear in annual or quarterly reports, to be delivered to Holders of Notes.

(b) The posting of the reports, information and documents referred to above on the Company’s website or one maintained on its behalf for such purpose shall be deemed to satisfy the Company’s delivery obligations to the Trustee and the Holders. In addition, availability of the foregoing materials on the Commission’s EDGAR service shall be deemed to satisfy the Company’s delivery obligations to the Trustee and the Holders. The Trustee shall have no obligation to monitor whether the Company posts such reports, information and documents on its website or the Commission’s EDGAR service.

(c) For so long as any of the Notes remain outstanding and constitute “restricted securities” under Rule 144, the Company will furnish to the Holders of Notes and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

(d) Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee’s receipt of them will not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer’s and/or the Company’s compliance with any of its covenants in this Indenture (as to which the Trustee is entitled to rely exclusively on Officers’ Certificates).

Section 4.16. [Reserved]

Section 4.17. *Notice of Other Defaults.* In the event that any Indebtedness of the Issuer or any Guarantor is declared due and payable before its maturity because of the occurrence of any default under such Indebtedness, the Issuer or the relevant Guarantor, as the case may be, shall promptly deliver to the Trustee an Officers’ Certificate stating such declaration; *provided*, that the term “Indebtedness” as used in this Section 4.17 shall not include Non-Recourse Indebtedness.

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Section 4.18. *Collateral Requirement; Further Assurances; Costs.*

(a) On the Issue Date, the Issuer and each Guarantor shall grant Liens on all their property (other than Excluded Property) and take all appropriate steps to cause such Liens to be perfected first-priority liens (subject to Permitted Liens), including through recordation of mortgages, entry into control agreements, filing of UCC-1 financing statements or otherwise, pursuant to, and to the extent required by, the Security Documents to be entered into on the Issue Date and this Indenture. For the avoidance of doubt, the requirements of this Section 4.18(a) are subject to Section 4.18(d) below.

(b) If the Issuer or any of the Guarantors at any time grants, assumes, perfects or becomes subject to any Lien upon any of its property (other than Excluded Property of the type referred to in clause (a) of the definition thereof) then owned or thereafter acquired as security for any other First-Priority Lien Obligation which Obligation is subject to the Intercreditor Agreement, the Issuer will, or will cause such Guarantor to, as promptly as practical (subject to Section 4.18(d) below):

(i) grant a Lien on such property to the Collateral Agent for the benefit of the Holders and, to the extent such grant would require the execution and delivery of a Security Document, the Issuer or such Guarantor shall execute and deliver a Security Document on substantially the same terms as the agreement or instrument executed and delivered to secure such other First-Priority Lien Obligations;

(ii) cause the Lien granted in such Security Document to be duly perfected in any manner permitted by law to the same extent as the Liens granted for the benefit of such other First-Priority Lien Obligations are perfected; and

(iii) instruct the Collateral Agent to take all action necessary in connection with the foregoing provisions of this Section 4.18(b), including as necessary under the Security Documents and determining whether Collateral constitutes Mortgage Tax Collateral (as defined in the Intercreditor Agreement) for purposes of the Intercreditor Agreement.

(c) If the Issuer or any Guarantor at any time after the Issue Date acquires any new property (other than Excluded Property) that is not automatically subject to a Lien under the Security Documents, or a non-Guarantor Restricted Subsidiary becomes a Guarantor, the Issuer will, or will cause such Guarantor, subject to the requirements of the Security Documents, to as soon as practical after such property’s acquisition or it no longer being Excluded Property (subject to Section 4.18(d) below):

(i) grant a Lien on such property (or, in the case of a new Guarantor, all of its assets except Excluded Property) to the Collateral

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Agent for the benefit of the Holders (and, to the extent such grant would require the execution and delivery of a Security Document, the Issuer or such Guarantor shall execute and deliver a Security Document on substantially the same terms as the Security Documents executed and delivered on the Issue Date);

(ii) cause the Lien granted in such Security Document to be duly perfected in any manner permitted by law to the same extent as the Liens granted on the Issue Date are perfected; and

(iii) instruct the Collateral Agent to take all action necessary in connection with the foregoing provisions of this Section 4.18(c) including as necessary under the Security Documents and determining whether Collateral constitutes Mortgage Tax Collateral (as defined in the Intercreditor Agreement) for purposes of the Intercreditor Agreement.

The Issuer or such Guarantor shall deliver an Opinion of Counsel to the Trustee in respect of any Lien grant referred to in this Section 4.18(c) by a new Guarantor or with respect to real property, addressing customary matters (and containing customary exceptions) consistent with the Opinion of Counsel delivered on the Issue Date in respect of such matters; *provided*, that, an Opinion of Counsel shall not be required with respect to any mortgage or similar instrument for real property located in a jurisdiction for which an Opinion of Counsel has been previously delivered to the Trustee pursuant to this Indenture.

(d) Notwithstanding anything to the contrary set forth in this Section 4.18 or elsewhere in this Indenture or any Security Document:

(i) any mortgages, deeds of trust or similar instruments (and any related Security Documents) required to be granted pursuant to this Indenture or the Security Documents with respect to real property owned by the Issuer or a Guarantor on the Issue Date shall be granted, together with Opinions of Counsel delivered to the Trustee in respect of the enforceability and validity of such mortgages, deeds of trust and similar instruments, addressing customary matters (and containing customary exceptions), using reasonable best efforts following the Issue Date, but in no event later than (A) 180 days following the Issue Date with respect to real property to be pledged as Collateral with an aggregate book value of at least 75% of the aggregate book value of such real property owned on the Issue Date and (B) in any event, 270 days after the Issue Date with respect to all real property owned on the Issue Date to be pledged as Collateral;

(ii) any control, intercreditor or similar agreements or other Security Documents with respect to L/C Collateral (other than Excluded

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Property) and any deposit, checking and securities accounts required to be provided pursuant to this Indenture or the Security Documents on the Issue Date shall be provided as soon as commercially reasonable following the Issue Date, but in no event later than 90 days following the Issue Date;

(iii) in the event that Rule 3-16 of Regulation S-X under the Securities Act requires or would require (or is replaced with another rule or regulation, or any other law, rule or regulation is adopted, which would require) the filing with the Commission of separate financial statements of the Issuer, a Guarantor or of K. Hovnanian JV Holdings, L.L.C. that are not otherwise required to be filed, then the capital stock or other securities of such Person need not be pledged pursuant to this Section 4.18 and shall automatically be deemed released and to not be and to not have been part of the Collateral, but only to the extent necessary to not be subject to such requirement. In such event, the Security Documents may be amended or modified, without the consent of any Holder of Notes, to the extent necessary to evidence the release of Liens securing the Notes and the Guarantees on the shares of capital stock or other securities that are so deemed to no longer constitute part of the Collateral;

(iv) any control, intercreditor or similar agreements or other Security Documents required pursuant to this Indenture or the Security Documents with respect to L/C Collateral (other than Excluded Property) may provide that the Collateral Agent for the benefit of the Holders has a security interest in such Collateral that is junior to the lien granted to the holders of the obligations secured by such L/C Collateral;

(v) in the case of personal property, the Issuer and the Guarantors will not be required to take any steps to perfect liens on personal property outside the United States; and

(vi) in the case of real property Collateral, the Issuer and the Guarantors will not be required to provide title insurance policies in respect thereof.

(e) The Issuer will bear and pay all legal expenses, collateral audit and valuation costs, filing fees, insurance premiums and other costs associated with the performance of the obligations of the Issuer and the Guarantors set forth in this Section 4.18 and will also pay or reimburse the Trustee and Collateral Agent for all reasonable out-of-pocket expenses, disbursements and advances incurred or made by the Trustee and Collateral Agent in connection therewith, including the reasonable compensation and expenses of the Trustee and Collateral Agent's agents and counsel.

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(f) Neither the Issuer nor any of the Guarantors will be permitted to take any action, or knowingly or negligently omit to take any action, which action or omission might or would have the result of materially impairing the security interest with respect to the Collateral for the benefit of the Trustee and the Holders of the Notes.

Section 4.19. *Limitation of Applicability of Certain Covenants if Notes Rated Investment Grade.*

(a) The Issuer's, the Company's and its Restricted Subsidiaries' obligations to comply with the provisions of this Indenture described under this Article 4 (except for Section 4.08, Section 4.10 (to the extent the property disposed of constitutes Collateral), Section 4.12, Section 4.14 (other than clause (iii) of the first paragraph thereof), Section 4.15 and Section 4.18) will be suspended (such suspended covenants, the "**Suspended Covenants**") and cease to have any further effect from and after the first date when the Notes are rated Investment Grade (the "**Suspension Date**"); *provided*, that if the Notes subsequently cease to be rated Investment Grade, then, from and after the time the Notes cease to be rated Investment Grade, the Issuer's, the Company's and its Restricted Subsidiaries' obligation to comply with the Suspended Covenants shall be reinstated.

(b) Following the achievement of such Investment Grade ratings, no Restricted Subsidiary thereafter acquired or created will be required to be a Guarantor unless it thereafter guarantees any Applicable Debt or the Notes cease to be rated Investment Grade.

(c) With respect to Restricted Payments made after any reinstatement referred to in Section 4.19(a), the amount of Restricted Payments made after the Issue Date will be calculated as though Section 4.07 had been in effect during the entire period after such date. Accordingly, Restricted Payments made after the Suspension Date will reduce the amount available to be made as Restricted Payments under Section 4.07(a).

(d) Notwithstanding clauses (a), (b) and (c) of this Section 4.19, in the event of any reinstatement of the obligation to comply with the Suspended Covenants referred to in Section 4.19(a), no action taken or omitted to be taken by the Company or any of its Subsidiaries prior to such reinstatement, or action taken by the Company or any of its Subsidiaries at any time pursuant to a contractual obligation arising prior to such reinstatement (not entered into in contemplation of such reinstatement) shall give rise to a Default or Event of Default under this Indenture upon reinstatement.

(e) The Issuer shall promptly notify the Trustee of any suspension or reinstatement of the Suspended Covenants and in the absence of such notice, the

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Trustee shall be entitled to presume that no such suspension or reinstatement has occurred.

ARTICLE 5
REMEDIES

Section 5.01. *Events of Default*. “**Event of Default**” means any one or more of the following events:

- (i) the failure by the Company, the Issuer and the Guarantors to pay interest on any Note when the same becomes due and payable and the continuance of any such failure for a period of 30 days;
- (ii) the failure by the Company, the Issuer and the Guarantors to pay the principal or premium of any Note when the same becomes due and payable at maturity, upon acceleration or otherwise;
- (iii) the failure by the Company, the Issuer or any Restricted Subsidiary to comply with any of its agreements or covenants in, or provisions of, the Notes, the Guarantees or this Indenture and such failure continues for the period and after the notice specified below (except in the case of a default under Section 4.12 and 4.14, which will constitute 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 \$25.0 million or more, individually or in the aggregate, and such acceleration does not cease to exist, or such Indebtedness is not satisfied, in either case within 30 days after such acceleration;
- (v) the failure by the Company, the Issuer or any Restricted Subsidiary to make any principal or interest payment in an amount of \$25.0 million or more, individually or in the aggregate, in respect of Indebtedness (other than Non-Recourse Indebtedness) of the Company or any Restricted Subsidiary within 30 days of such principal or interest becoming due and payable (after giving effect to any applicable grace period set forth in the documents governing such Indebtedness);
- (vi) a final judgment or judgments that exceed \$25.0 million or more, individually or in the aggregate, for the payment of money having been entered by a court or courts of competent jurisdiction against the Company, the Issuer or any of its Restricted Subsidiaries and such

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judgment or judgments is not satisfied, stayed, annulled or rescinded within 60 days of being entered;

(vii) the Company, the Issuer or any Restricted Subsidiary that is a Significant Subsidiary pursuant to or within the meaning of any Bankruptcy Law:

- (A) commences a voluntary case,
- (B) consents to the entry of an order for relief against it in an involuntary case,
- (C) consents to the appointment of a Custodian of it or for all or substantially all of its property, or
- (D) makes a general assignment for the benefit of its creditors;

(viii) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

- (A) is for relief against the Company, the Issuer or any Restricted Subsidiary that is a Significant Subsidiary as debtor in an involuntary case,
- (B) appoints a Custodian of the Company, the Issuer or any Restricted Subsidiary that is a Significant Subsidiary or a Custodian for all or substantially all of the property of the Company or any Restricted Subsidiary that is a Significant Subsidiary, or
- (C) orders the liquidation of the Company, the Issuer or any Restricted Subsidiary that is a Significant Subsidiary,

and the order or decree remains unstayed and in effect for 60 days;

(ix) any Guarantee of a Guarantor that is a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Guarantee and this Indenture) or is declared null and void and unenforceable or found to be invalid or any Guarantor denies its liability under its Guarantee (other than by reason of release of a Guarantor from its Guarantee in accordance with the terms of this Indenture and the Guarantee); or

(x) the Liens created by the Security Documents shall at any time not constitute valid and perfected Liens on any material portion of the

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Collateral intended to be covered thereby (to the extent perfection by filing, registration, recordation or possession is required by this Indenture or the Security Documents) other than in accordance with the terms of the relevant Security Document and this Indenture and other than the satisfaction in full of all Obligations under this Indenture or the release or amendment of any such Lien in accordance with the terms of this Indenture or the Security Documents, or, except for expiration in accordance with its terms or amendment, modification, waiver, termination or release in accordance

with the terms of this Indenture and the relevant Security Document, any of the Security Documents shall for whatever reason be terminated or cease to be in full force and effect, if in either case, such default continues for 30 days after notice, or the enforceability thereof shall be contested by the Issuer or any Guarantor.

A Default as described in subclause (iii) of this Section 5.01 will not be deemed an Event of Default until the Trustee notifies the Company, or the Holders of at least 25 percent in principal amount of the then outstanding Notes notify the Company and the Trustee, of the Default and (except in the case of a Default with respect to Section 4.12 and 4.14 hereof) the Company does not cure the Default within 60 days after receipt of the notice. The notice must specify the Default, demand that it be remedied and state that the notice is a "Notice of Default." If such a Default is cured within such time period, it ceases to be a Default.

If an Event of Default (other than an Event of Default with respect to the Company or the Issuer resulting from subclauses (vii) or (viii) of this Section 5.01), shall have occurred and be continuing under this Indenture, the Trustee by notice to the Company, or the Holders of at least 25 percent in principal amount of the Notes then outstanding by notice to the Company and the Trustee, may declare all Notes to be due and payable immediately. Upon such declaration of acceleration, the amounts due and payable on the Notes will be due and payable immediately. If an Event of Default with respect to the Company or the Issuer specified in subclauses (vii) or (viii) of this Section 5.01 occurs, such an amount will *ipso facto* become and be immediately due and payable without any declaration, notice or other act on the part of the Trustee and the Company or any Holder. This provision, however, is subject to the condition that, if at any time after the unpaid principal amount (or such specified amount) of the Notes shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, the Issuer shall pay or shall deposit with the Trustee a sum sufficient to pay all matured installments of interest, if any, upon all of the Notes and the principal of all the Notes which shall have become due otherwise than by acceleration (with interest on overdue installments of interest, if any, to the extent that payment of such interest is enforceable under applicable law and on such principal at the rate borne by the Notes to the date of such payment or deposit)

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and the reasonable compensation, disbursements, expenses and advances of the Trustee and all other amounts due the Trustee under Section 7.07, and any and all defaults under this Indenture, other than the nonpayment of such portion of the principal amount of and accrued interest, if any, on Notes which shall have become due by acceleration, shall have been cured or shall have been waived in accordance with Section 5.03 or provision deemed by the Trustee to be adequate shall have been made therefor, then and in every such case the Holders of a majority in aggregate principal amount of the Notes then outstanding, by written notice to the Issuer and to the Trustee, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair any right consequent thereon. Notwithstanding the previous sentence, no waiver shall be effective against any Holder for any Event of Default or event which with notice or lapse of time or both would be an Event of Default with respect to any covenant or provision which cannot be modified or amended without the consent of the Holder of each outstanding Note affected thereby, unless all such affected Holders agree, in writing, to waive such Event of Default or other event.

If the Trustee shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned because of such rescission or annulment or for any reason or shall have been determined to be adverse to the Trustee, then and in every such case the Issuer, the Trustee and the Holders of Notes shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Issuer, the Trustee and the Holders of Notes shall continue as though no such proceeding had been taken.

Except with respect to an Event of Default pursuant to clauses (i) or (ii) of this Section 5.01, the Trustee shall not be charged with knowledge of any Event of Default unless written notice thereof shall have been given to a Responsible Officer of the Trustee by the Issuer, a Paying Agent or any Holder and such notice references the Notes and this Indenture.

Section 5.02. *Other Remedies.* If an Event of Default occurs and is continuing, the Trustee may pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of, premium, if any, and interest, if any, on the Notes or to enforce the performance of any provision of the Notes, this Indenture or the Security Documents. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding.

Section 5.03. *Waiver of Defaults by Majority of Holders.* By written notice to the Trustee and the Company, the Holders of a majority in aggregate principal amount of the Notes then outstanding may on behalf of the Holders of all of the Notes waive any past Default or Event of Default hereunder and its

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consequences, except a Default in the payment of interest, if any, on, or the principal of, the Notes. Upon any such waiver, the Issuer, the Trustee and the Holders of Notes shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon. Whenever any Default or Event of Default hereunder shall have been waived as permitted by this Section 5.03, said Default or Event of Default shall for all purposes of the Notes and this Indenture be deemed to have been cured and to be not continuing.

Section 5.04. *Direction of Proceedings.* The Holders of a majority in aggregate principal amount of the Notes then outstanding shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee with respect to the Notes; *provided, however*, that (subject to the provisions of Section 7.01) the Trustee shall have the right to decline to follow any such direction if the Trustee shall determine upon advice of counsel that the action or proceeding so directed may not lawfully be taken or if the Trustee in good faith by its board of directors, its executive committee, or a trust committee of directors or Responsible Officers or both shall determine that the action or proceeding so directed would involve the Trustee in personal liability.

Section 5.05. *Application of Moneys Collected by Trustee.* Any moneys collected by the Trustee pursuant to this Article (including any proceeds from Collateral received pursuant to the terms of the Security Documents) with respect to outstanding Notes shall be applied in the order following, at the date or dates fixed by the Trustee for the distribution of such moneys, upon presentation of the Notes and stamping thereon the payment, if only partially paid, and upon surrender thereof, if fully paid:

FIRST: To the payment of costs and expenses of collection and reasonable compensation to the Trustee (including in its role as Collateral Agent under the Security Documents), its agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Trustee pursuant to Section 7.07 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, if any, on the Notes, in the order of the maturity of the installments of such interest, if any, with interest (to the extent that such interest has been collected by the Trustee) upon the overdue installments of interest, if any, at the rate borne by the Notes, such payment to be made ratably to the Persons entitled thereto;

THIRD: If the principal of the Notes shall have become due, by declaration or otherwise, to the payment of the whole amount then owing

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and unpaid upon the Notes for principal or interest, if any, with interest on the overdue principal and (to the extent that such interest has been collected by the Trustee) upon overdue installments of interest, if any, at the rate borne by the Notes, and in case such moneys shall be insufficient to pay in full the whole amounts so due and unpaid upon the Notes, then to the payment of such principal and interest, if any, without preference or priority of principal over interest, if any, or of interest, if any, over principal, or of any installment of interest, if any, over any other installment of interest, if any, ratably to the aggregate of such principal and accrued and unpaid interest, if any; and

FOURTH: To the payment of any surplus then remaining to the Issuer, its successors or assigns, or to whomsoever may be lawfully entitled to receive the same.

No claim for interest which in any manner at or after maturity shall have been transferred or pledged separate or apart from the Notes to which it relates, or which in any manner shall have been kept alive after maturity by an extension (otherwise than pursuant to an extension made pursuant to a plan proposed by the Issuer to the Holders of all Notes), purchase, funding or otherwise by or on behalf or with the consent or approval of the Issuer shall be entitled, in case of a default hereunder, to any benefit of this Indenture, except after prior payment in full of the principal of all Notes and of all claims for interest not so transferred, pledged, kept alive, extended, purchased or funded.

Section 5.06. *Proceedings by Holders.* No holder of any Notes shall have any right by virtue of or by availing of any provision of this Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to this Indenture for the appointment of a receiver or trustee or similar official, or for any other remedy hereunder, unless such Holder previously shall have given to the Trustee written notice of default and of the continuance thereof, as hereinbefore provided, and unless the Holders of not less than 25% in aggregate principal amount of the Notes then outstanding shall have made written request to the Trustee to institute such action, suit or proceeding in its own name as Trustee hereunder and shall have offered to the Trustee such reasonable indemnity as the Trustee may require against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee for 60 days after its receipt of such notice, request and offer of 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

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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, 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 5 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 an undertaking to pay the cost of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 5.09 shall not apply to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in principal amount of the then outstanding Notes, or to

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any suit instituted by any Holders for the enforcement of the payment of the principal of, premium, if any, or interest, if any, on any Note against the Issuer on or after the due date of such Note.

Section 5.10. *Notice of Defaults.* (a) The Company is required to deliver to the Trustee an annual statement regarding compliance with this Indenture, and include in such statement, if any officer of the Company is aware of any Default or Event of Default, a statement specifying such Default or Event of Default and what action the Company is taking or proposes to take with respect thereto. In addition, the Company is required to deliver to the Trustee prompt written notice of the occurrence of any Default or Event of Default.

(b) The Trustee shall, within 90 days after the occurrence of a default known to the Trustee, with respect to the Notes, mail to all Holders of Notes, as the names and the addresses of such Holders appear upon the Register, notice of all defaults, unless such defaults shall have been cured before the giving of such notice (the term “**default**” for the purpose of this Section 5.10(b) being hereby defined to be the events specified in clauses (i), (ii), (iii), (iv), (v), (vi), (vii), (viii), (ix) and (x) of Section 5.01, not including periods of grace, if any, provided for therein and irrespective of the giving of the written notice specified in said clause (iii) but in the case of any default of the character specified in said clause (iii) no such notice to Holders shall be given until at least 60 days after the giving of written notice thereof to the Company pursuant to said clause (iii)); *provided, however*, that, except in the case of default in the payment of the principal of, premium, if any, or interest, if any, on any of the Notes, or in the payment or satisfaction of a purchase obligation, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, a trust committee of directors or a Responsible Officer of the Trustee in good faith determines that the withholding of such notice is in the best interests of the Holders. Notice to Holders under this Section shall be given in the manner and to the extent provided in Trust Indenture Act Section 313(c).

Section 5.11. *Waiver of Stay, Extension or Usury Laws.* The Company, the Issuer and each Guarantor covenants, to the extent permitted by applicable law, that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law or any usury law or other law that would prohibit or forgive the Company, the Issuer or the Guarantor from paying all or any portion of the principal of, premium, if any, or interest, if any, on the Notes as contemplated herein, wherever enacted, now or at any time hereafter in force, or that may affect the covenants or the performance of this Indenture. The Company, the Issuer and each Guarantor hereby expressly waives, to the extent that it may lawfully do so, all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

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Section 5.12. *Trustee May File Proof of Claim.* The Trustee may file proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee hereunder) and the Holders allowed in any judicial proceedings relating to the Company, the Issuer or any Guarantor or their respective creditors or property, and is entitled and empowered to collect, receive and distribute any money, securities or other property payable or deliverable upon conversion or exchange of the Notes or upon any such claims. Any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, if the Trustee consents to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agent and counsel, and any other amounts due the Trustee hereunder. Nothing in this Indenture will be deemed to empower the Trustee to authorize or consent to, or accept or adopt on behalf of any Holder, any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 5.13. *Payment of Notes on Default; Suit Therefor.* The Issuer covenants that (a) if default shall be made in the payment of any installment of interest upon the Notes as and when the same shall become due and payable, and such default shall have continued for a period of 30 days, or (b) if default shall be made in the payment of the principal of, and premium, if any, on the Notes as and when the same shall have become due and payable, whether at maturity of the Notes or upon redemption or by declaration or otherwise, then, upon demand of the Trustee, the Issuer will pay to the Trustee, for the benefit of the Holders, the whole amount that then shall have become due and payable on all such Notes for principal, and premium, if any, or interest, if any, or both, as the case may be, with interest upon the overdue principal and (to the extent that payment of such interest is enforceable under applicable law) upon the overdue installments of interest, if any, at the rate borne by the Notes; and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including a reasonable compensation to the Trustee, its agent, attorneys and counsel, and any expenses or liabilities incurred by the Trustee hereunder other than through its negligence or bad faith.

If the Issuer shall fail forthwith to pay such amounts upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any actions or proceedings at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceeding to judgment or final decree, and may enforce any such judgment or final decree against the Issuer or any other obligor on the Notes and collect in the

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manner provided by law out of the property of the Issuer or any other obligor on the Notes, wherever situated, the moneys adjudged or decreed to be payable.

If there shall be pending proceedings for the bankruptcy or for the reorganization of the Issuer or any other obligor on the Notes under any bankruptcy, insolvency or other similar law now or hereafter in effect, or if a receiver or trustee or similar official shall have been appointed for the property of the Issuer or such other obligor, or in the case of any other similar judicial proceedings relative to the Issuer or other obligor on the Notes, or to the creditors or property of the Issuer or such other obligor, the Trustee, irrespective of whether the principal of the Notes shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the provisions of this Section 5.13, shall be entitled and empowered by intervention in such proceedings or otherwise to file and prove a claim or claims for the whole amount of principal, premium, if any, and interest, if any, owing and unpaid in respect of the Notes, and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and of the Holders allowed in such judicial proceedings relative to the Issuer or any other obligor on the Notes, its or their creditors, or its or their property, and to collect and receive any moneys or other property

payable or deliverable on any such claims, and to distribute the same after the deduction of its charges and expenses, and any receiver, assignee or trustee or similar official in bankruptcy or reorganization is hereby authorized by each of the Holders to make such payments to the Trustee, and, if the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for compensation and expenses or otherwise pursuant to Section 7.07, including counsel fees and expenses incurred by it up to the date of such distribution. To the extent that such payment of reasonable compensation, expenses and counsel fees and expenses out of the estate in any such proceedings shall be denied for any reason, payment of the same shall be secured by a lien on, and shall be paid out of, any and all distributions, dividends, moneys, securities and other property which the Holders of Notes may be entitled to receive in such proceedings, whether in liquidation or under any plan of reorganization or arrangement or otherwise.

All rights of action and of asserting claims under this Indenture, or under any of the Notes, may be enforced by the Trustee without the possession of any of the Notes, or the production thereof at any trial or other proceeding relative thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall be for the ratable benefit of the Holders of Notes in respect of which such judgment has been recovered.

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ARTICLE 6 GUARANTEES; RELEASE OF GUARANTOR

Section 6.01. *Guarantee.* Each of the Guarantors hereby unconditionally guarantees, jointly and severally with each other Guarantor, to each Holder and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of this Indenture, the Notes or the obligations of the Issuer hereunder or thereunder, that: (i) the due and punctual payment of the principal of, premium, if any, and interest on the Notes, whether at maturity or on an interest payment date, by acceleration, pursuant to an Offer to Purchase or otherwise, to the extent lawful, and all other obligations of the Issuer to the Holders or the Trustee hereunder or thereunder shall be promptly paid in full when due, all in accordance with the terms hereof and thereof, including all amounts payable to the Trustee under Section 7.07 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 performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise.

If the Issuer fails to make any payment when due of any amount so guaranteed for whatever reason, each Guarantor shall be obligated, jointly and severally with each other Guarantor, to pay the same immediately. Each Guarantor hereby agrees that its obligations hereunder shall be continuing, absolute and unconditional, irrespective of, and shall be unaffected by, the validity, regularity or enforceability of the Notes, this Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder or the Trustee with respect to any provisions hereof or thereof, the recovery of any judgment against the Issuer, any action to enforce the same or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of such Guarantor. If any Holder or the Trustee is required by any court or otherwise to return to the Issuer or any Guarantor, or any custodian, trustee, liquidator or other similar official acting in relation to the Issuer or such Guarantor, any amount paid by the Issuer or any Guarantor to the Trustee or such Holder, this Article 6, to the extent theretofore discharged with respect to any Guarantee, shall be reinstated in full force and effect. Each Guarantor agrees that it shall not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby by such Guarantor until payment in full of all such obligations. Each Guarantor further agrees that, as between such Guarantor, on the one hand, and the Holders of Notes and the Trustee on the other hand, (i) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article 5 hereof for the purposes of such Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby and (ii) in the event of any acceleration of such obligations as provided in Article 5 hereof such obligations (whether or not due and payable) shall forthwith become due and payable by such Guarantor, jointly

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and severally with each other Guarantor, for the purpose of this Article 6. In addition, without limiting the foregoing, upon the effectiveness of an acceleration under Article 5, the Trustee may make a demand for payment on the Notes under any Guarantee provided hereunder and not discharged.

The Guarantee set forth in this Section 6.01 and as annexed to any Note shall not be valid or become obligatory for any purpose with respect to a Note until the certificate of authentication on such Note shall have been signed by the Trustee or any duly appointed 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, the obligations of such Guarantor which are absolute and unconditional, to pay to the Holders the principal of, premium, if any, and interest on the Notes as and when the same shall become due and payable in accordance with the provisions of their Guarantee or is intended to or shall affect the relative rights of the Holders and creditors of such Guarantor, nor shall anything herein or therein prevent the Trustee or any Holder from exercising all remedies otherwise permitted by applicable law upon any Default under this Indenture in respect of cash, property or securities of such Guarantor received upon the exercise of any such remedy.

Upon any distribution of assets of a Guarantor referred to in this Article 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 such Holders for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of other indebtedness of such Guarantor, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article 6.

Section 6.03. *Release of a Guarantor.* (a) If all or substantially all of the assets of any Guarantor other than the Company or all of the Capital Stock of any Guarantor other than the Company is sold (including by consolidation, merger, issuance or otherwise) or disposed of (including by liquidation, dissolution or otherwise) by the Company or any of its Subsidiaries, or, unless the Company elects otherwise, if any Guarantor other than the Company is designated an Unrestricted Subsidiary in accordance with the terms of this Indenture, then such Guarantor (in the event of a sale or other disposition of all of the Capital Stock of such Guarantor or a designation as an Unrestricted Subsidiary) or the Person acquiring such assets (in the event of a sale or other disposition of all or substantially all of the assets of such Guarantor) shall be deemed automatically and unconditionally released and discharged from any of its obligations under this

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Indenture without any further action on the part of the Trustee or any Holder of Notes.

(b) 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 Guarantee.* The execution by each Guarantor of this Indenture (or a supplemental indenture in the form of Exhibit B) together with an executed guarantee substantially in the form included in Exhibit A evidences the Guarantee of such Guarantor, whether or not the person signing as an officer of the Guarantor still holds that office at the time of authentication of any Note. The delivery of any Note by the Trustee after authentication constitutes due delivery of the Guarantee on behalf of each Guarantor.

Section 6.05. *Limitation on Guarantor Liability.* Notwithstanding anything to the contrary in this Article 6, each Guarantor, and by its acceptance of a Note, each Holder, hereby confirms that it is the intention of all such parties that the Guarantee of such Guarantor not constitute a fraudulent conveyance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of state law. To effectuate that intention, the Trustee, the Holders and the Guarantors hereby irrevocably agree that the obligations of each Guarantor under its Guarantee are limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of state law.

Section 6.06. *Article 6 not to Prevent Events of Default.* The failure to make a payment on account of principal, premium, if any, or interest, if any, on the Notes by reason of any provision in this Article 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.* To the extent permitted by applicable law, each Guarantor hereby irrevocably waives diligence, presentment, demand of payment, demand of performance, filing of claims with a court in the event of insolvency of bankruptcy of the Issuer, any right to require a proceeding first against the Issuer, the benefit of discussion, protest, notice and all demand whatsoever and covenants that this Guarantee shall not be discharged except by complete performance of the obligations contained in the Notes, in this Indenture and in this Article 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 shall be subrogated to the rights of the payee against the Issuer with respect to such obligation; *provided*, that the Guarantor may not enforce either any right of subrogation, or any right to receive payment in the nature of contribution, or otherwise, from any other Guarantor, with respect to such payment so long as any amount payable by the Issuer hereunder or under the Notes remains unpaid.

Each Guarantor that makes a payment under its Guarantee shall be entitled, upon payment in full of all guaranteed obligations under this Indenture, to seek and receive contribution from and against each other Guarantor in an amount equal to such other Guarantor's *pro rata* portion of such payment based on the respective net assets of all the Guarantors at the time of such payment determined in accordance with GAAP.

Section 6.09. *Stay of Acceleration.* If acceleration of the time for payment of any amount payable by the Issuer under this Indenture or the Notes is stayed upon the insolvency, bankruptcy or reorganization of the Issuer, all such amounts otherwise subject to acceleration under the terms of this Indenture are nonetheless payable by the Guarantors hereunder forthwith on demand by the Trustee or the Holders.

ARTICLE 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 this Indenture relating to the conduct or affecting the liability of, or affording protection to, the Trustee is subject to this Article.

(b) Except during the continuance of an Event of Default, the Trustee need perform only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee and the permissive rights of the Trustee set forth herein shall not be construed as duties. In case an Event of Default has occurred and is continuing, the Trustee shall exercise those rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

Section 7.02. *Certain Rights of the Trustee.* Subject to Trust Indenture Act Sections 315(a) through (d):

(a) The Trustee may rely, and shall be protected in acting or refraining from acting, upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document, but the Trustee, in its discretion, may make further inquiry or investigation into such facts or matters as it sees fit.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel conforming to Section 13.05 and the Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such a certificate or opinion. Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Issuer or the Company, as applicable, shall be sufficient if signed by an Officer of the Issuer or the Company, as applicable.

(c) The Trustee may act through its attorneys and agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders, unless such Holders have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction.

(e) The Trustee shall not be liable for any action it takes or omits to take in good faith that it believes to be authorized or within its rights or powers or for any action it takes or omits to take in accordance with the direction of the Holders in accordance with Section 5.04 relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture.

(f) The Trustee may consult with counsel, and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(g) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in

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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.

(h) The Trustee may request that the Company (on behalf of itself and the Issuer) deliver an Officers' Certificate setting forth the name of the individuals and/or titles of Officers authorized at such time to take specific actions pursuant to this Indenture, which Officers' Certificate may be signed by any person authorized to sign an Officers' Certificate, including any person specified as so authorized in any such Officers' Certificate previously delivered and not superseded.

(i) In no event shall the Trustee be liable, directly or indirectly, for any special, indirect or consequential damages, even if the Trustee has been advised of the possibility of such damages.

(j) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and to each agent, custodian and other Person employed to act hereunder.

(k) In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and, except in the case of failures or delays due to the Trustee's negligence or bad faith, interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services, it being understood that the Trustee shall use reasonable best efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

Section 7.03. *Individual Rights of the Trustee.* The Trustee, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not the Trustee. Any Agent may do the same with like rights. However, the Trustee is subject to Trust Indenture Act Sections 310(b) and 311. For purposes of Trust Indenture Act Section 311(b)(4) and (6):

(a) "**cash transaction**" means any transaction in which full payment for goods or securities sold is made within seven days after

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delivery of the goods or securities in currency or in checks or other orders drawn upon banks or bankers and payable upon demand; and

(b) "**self-liquidating paper**" means any draft, bill of exchange, acceptance or obligation which is made, drawn, negotiated or incurred for the purpose of financing the purchase, processing, manufacturing, shipment, storage or sale of goods, wares or merchandise and which is secured by documents evidencing title to, possession of, or a lien upon, the goods, wares or merchandise or the receivables or proceeds arising from the sale of the goods, wares or merchandise previously constituting the security, provided the security is received by the Trustee simultaneously with the creation of the creditor relationship arising from the making, drawing, negotiating or incurring of the draft, bill of exchange, acceptance or obligation.

Section 7.04. *Trustee's Disclaimer.* The Trustee (a) makes no representation as to the validity or adequacy of this Indenture, the Notes or the Collateral, (b) is not accountable for the Company's use or application of the proceeds from the Notes and (c) is not responsible for any statement in the Notes other than its certificate of authentication.

Section 7.05. *Reserved.*

Section 7.06. *Reports by Trustee to Holders.* To the extent this Indenture becomes qualified under the Trust Indenture Act, within 60 days after each May 1, beginning with the first May 1 after this Indenture so becomes qualified under the Trust Indenture Act, the Trustee shall mail to each Holder, as provided in Trust Indenture Act Section 313(c) a brief report dated as of such May 1, if required by Trust Indenture Act Section 313(a).

Section 7.07. *Compensation and Indemnity.* (a) The Company shall pay the Trustee compensation as agreed upon in writing for its services. The compensation of the Trustee is not limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee 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) In addition to any other indemnity provided to the Trustee hereunder, the Company shall indemnify the Trustee for, and hold it harmless against, any loss or liability or expense incurred by it without negligence or bad faith on its part arising out of or in connection with the acceptance or administration of this Indenture and its duties under this Indenture and the Notes, including the 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

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connection with the exercise or performance of any of its powers or duties under this Indenture and the Notes.

(c) To secure the Company's payment obligations in this Section or as otherwise provided in this Indenture, the Trustee shall have a lien prior to the Notes on all money or property held or collected by the Trustee, in its capacity as Trustee, except money or property held in trust to pay principal of, premium, if any, and interest, if any, on particular Notes.

(d) When the Trustee incurs expenses or renders services after an Event of Default specified in Section 5.01(vii) or Section 5.01(viii) hereof occurs, the expenses and the compensation for the services (including the fees and expenses of its agents and counsel) are intended, to the extent permitted by law, to constitute expenses of administration under any Bankruptcy Law.

(e) The Company's obligations and the Trustee's rights under this Section 7.07 shall survive the resignation or removal of the Trustee and the termination of this Indenture.

Section 7.08. *Replacement of Trustee.* (a)(i) The Trustee may resign at any time by written notice to the Issuer.

(ii) The Holders of a majority in principal amount of the outstanding Notes may remove the Trustee by written notice to the Trustee.

(iii) If the Trustee is no longer eligible under Section 7.10 or in the circumstances described in Trust Indenture Act Section 310(b), any Holder that satisfies the requirements of Trust Indenture Act Section 310(b) may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(iv) The Issuer may remove the Trustee if: (A) the Trustee is no longer eligible under Section 7.10; (B) the Trustee is adjudged bankrupt or an insolvent; (C) a receiver or other public officer takes charge of the Trustee or its property; or (D) the Trustee becomes incapable of acting.

A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section.

(b) If the Trustee has been removed by the Holders, Holders of a majority in principal amount of the Notes may appoint a successor Trustee with the consent of the Issuer. Otherwise, if the Trustee resigns or is removed, or if a vacancy exists in the office of Trustee for any reason, the Issuer shall promptly appoint a successor Trustee. If the successor Trustee does not deliver its written

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acceptance within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Issuer or the Holders of a majority in principal amount of the outstanding Notes may petition, at the expense of the Issuer, any court of competent jurisdiction for the appointment of a successor Trustee.

(c) Upon delivery by the successor Trustee of a written acceptance of its appointment to the retiring Trustee and to the Issuer, (i) the retiring Trustee shall transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 7.07, (ii) the resignation or removal of the retiring Trustee shall become effective, and (iii) the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. Upon request of any successor Trustee, the Issuer shall execute any and all instruments for fully and vesting in and confirming to the successor Trustee all such rights, powers and trusts. The Issuer shall give notice of any resignation and any removal of the Trustee and each appointment of a successor Trustee to all Holders, and include in the notice the name of the successor Trustee and the address of its Corporate Trust Office.

(d) Notwithstanding replacement of the Trustee pursuant to this Section, Issuer's obligations under Section 7.07 shall continue for the benefit of the retiring Trustee.

(e) The Trustee agrees to give the notices provided for in, and otherwise comply with, Trust Indenture Act Section 310(b).

Section 7.09. *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 shall be the successor Trustee with the same effect as if the successor Trustee had been named as the Trustee in this Indenture.

Section 7.10. *Eligibility.* The Indenture must always have a Trustee that satisfies the requirements of Trust Indenture Act Section 310(a) and has a combined capital and surplus of at least \$25,000,000 as set forth in its most recent published annual report of condition.

Section 7.11. *Money Held in Trust.* The Trustee shall not be liable for interest on any money received by it except as it may agree with the Issuer. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law and except for money held in trust under Article 8.

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ARTICLE 8
DEFEASANCE AND DISCHARGE

Section 8.01. *Legal Defeasance and Discharge.* The Issuer, the Company and the Guarantors shall, subject to the satisfaction of the conditions set forth in Section 8.03 hereof, be deemed to have been discharged from their respective obligations with respect to the Notes, the Guarantees and under the Security Documents and cause the release of all Liens on the Collateral granted under the Security Documents, on the date the conditions set forth below are satisfied (hereinafter, “**Legal Defeasance**”). For this purpose, Legal Defeasance means that the Issuer shall be deemed to have paid and discharged the entire Indebtedness represented by the Notes, which shall thereafter be deemed to be outstanding only for the purposes of Section 8.04 hereof and the other Sections of this Indenture referred to in clauses (a) through (f) of this Section 8.01, and the Issuer, the Company and the Guarantors shall be deemed to have satisfied all of their respective obligations under the Notes, the Guarantees, this Indenture and the Security Documents (and the Trustee, on demand of and at the expense of the Issuer, shall execute proper instruments delivered to it by the Issuer acknowledging the same), except for the following provisions which shall survive until otherwise terminated or discharged hereunder: (a) the rights of Holders of Notes to receive payments in respect of the principal, premium, if any, and interest, if any, on the Notes when such payments are due from the trust referred to below; (b) the Issuer’s obligations with respect to the Notes concerning mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust; (c) the rights, powers, trusts, duties and immunities of the Trustee, and the Issuer’s and the Guarantors’ obligations in connection therewith; (d) the Legal Defeasance provisions of Article 8 of this Indenture; (e) the rights of registration of transfer and exchange of the Notes; and (f) the rights of Holders that are beneficiaries with respect to property so deposited with the Trustee payable to all or any of them.

Section 8.02. *Covenant Defeasance.* The Issuer, the Company and the Guarantors shall, subject to the satisfaction of the conditions set forth in Section 8.03 hereof, be released from their obligations with respect to the Notes and the Guarantees under the covenants contained in Sections 4.06, 4.07, 4.08, 4.09, 4.10, 4.11, 4.12 and 4.13, clause (iii) of Section 4.14, Section 4.15, Section 4.18 and Article 6 (except for Section 6.03) and each Guarantor’s obligation under its Guarantee, on and after the date that the conditions set forth in Section 8.03 are satisfied, the Liens on the Collateral granted under the Security Documents shall be released (hereinafter, “**Covenant Defeasance**”), and the Notes shall thereafter be deemed not outstanding for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed outstanding for all other purposes hereunder (it being understood that the

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Notes shall not be deemed outstanding for accounting purposes). For this purpose, Covenant Defeasance means that, with respect to the Notes and the Guarantees, the Issuer, the Company and the Guarantors may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 5.01 hereof, but, except as specified above, the remainder of this Indenture and the Notes shall be unaffected thereby. Subject to the satisfaction of the conditions set forth in Section 8.03 hereof, Sections 5.01(iii) (with respect to the covenants so defeased), 5.01(iv), 5.01(v), 5.01(vi), 5.01(ix) and 5.01(x) shall not constitute Events of Default or Defaults hereunder.

Section 8.03. *Conditions to Legal or Covenant Defeasance.* The following shall be the conditions to the application of either Section 8.01 or Section 8.02 hereof to the Notes:

In order to exercise either Legal Defeasance or Covenant Defeasance:

(a) the Issuer must irrevocably deposit, or cause to be deposited, with the Trustee, in trust, for the benefit of the Holders of Notes, cash in U.S. dollars, U.S. Government Obligations, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay, without reinvestment, the principal of, premium, if any, and interest, if any, on the Notes on the stated maturity thereof or on the applicable redemption date, as the case may be, and the Issuer must specify whether the Notes are being defeased to maturity or to a particular redemption date;

(b) in the case of Legal Defeasance, the Issuer must deliver to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that the Issuer has received from, or there has been published by, the Internal Revenue Service a ruling, or there has been a change in the applicable United States federal income tax law after the date of this Indenture, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the beneficial owners of the Notes will not recognize income, gain or loss for United States federal income tax purposes as a result of such Legal Defeasance, and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(c) in the case of Covenant Defeasance, the Issuer must deliver to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that the beneficial owners of the Notes will not recognize income, gain or loss for United States federal income tax purposes as a result of such Covenant

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Defeasance, and such Holders will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(d) no Default or Event of Default shall have occurred and be continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) or insofar as Events of Default from bankruptcy or insolvency events are concerned, at any time in the period ending on the 91st day after the date of deposit;

(e) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than this Indenture) to which the Issuer or any of its Restricted Subsidiaries is a party or by which the Issuer or any of its

(f) the Issuer must deliver to the Trustee an Officers' Certificate stating that the deposit was not made by the Issuer with the intent of preferring the Holders of Notes over other creditors of the Issuer, or with the intent of defeating, hindering, delaying or defrauding creditors of the Issuer or others; and

(g) the Issuer must deliver to the Trustee an Officers' Certificate and an Opinion of Counsel in the United States reasonably acceptable to the Trustee, each stating that the conditions precedent provided for or relating to Legal Defeasance or Covenant Defeasance, as applicable, in the case of the Officers' Certificate, in clauses (a) through (f) and, in the case of the Opinion of Counsel, in clauses (b) and (c) of this Section 8.03, have been complied with.

Section 8.04. *Deposited Money and Government Securities to be Held in Trust; Other Miscellaneous Provisions.* Subject to Section 8.05 hereof, all money and U.S. Government Obligations (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee, collectively, and solely for purposes of this Section 8.04, the "Trustee") pursuant to Section 8.03 or Section 8.08 hereof in respect of the Notes shall be held in trust and applied by the Trustee, in accordance with the provisions of the Notes and this Indenture, to the payment, either directly or indirectly or through any paying agent (including the Issuer acting as paying agent) as the Trustee may determine, to the Holders of such Notes of all sums due and to become due thereon in respect of principal, premium, if any, and interest, but such money need not be segregated from other funds except to the extent required by law.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the cash or non-callable U.S. Government Obligations deposited pursuant to Section 8.03 or Section 8.08 hereof or the principal, premium, if any, and interest, if any, received in respect

thereof other than any such tax, fee or other charge which by law is for the account of the Holders of Notes.

Subject to the preceding paragraph and Section 7.07 herein, anything in this Article 8 to the contrary notwithstanding, the Trustee shall deliver or pay, solely to the extent available in such trust, to the Issuer from time to time upon the request of the Issuer any money or non-callable U.S. Government Obligations held by it as provided in Section 8.03 or Section 8.08 hereof which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee (which may be the opinion delivered under Section 8.03(a) hereof), are in excess of the amount thereof that would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance.

Section 8.05. *Repayment to Issuer.* Any money deposited with the Trustee or any paying agent, or then held by the Issuer, in trust for the payment of the principal, premium, if any, and interest on the Notes and remaining unclaimed for two years after such principal, premium, if any, and interest has become due and payable shall be paid to the Issuer on its request or (if then held by the Issuer) shall be discharged from such trust; and the Holder of such Note shall thereafter, as an unsecured creditor, look only to the Issuer for payment thereof, and all liability of the Trustee or such paying agent with respect to such trust money, and all liability of the Issuer as trustee thereof, shall thereupon cease.

Section 8.06. *Reinstatement.* If the Trustee or paying agent is unable to apply any money or non-callable U.S. Government Obligations in accordance with Section 8.01, Section 8.02 or Section 8.08 hereof, as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Issuer's obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 8.01, Section 8.02 or Section 8.08 hereof until such time as the Trustee or paying agent is permitted to apply all such money in accordance with Section 8.01, Section 8.02 or Section 8.08 hereof, as the case may be; *provided, however*, that, if the Issuer makes any payment of principal of, premium, if any, or interest, if any, on any Note following the reinstatement of its obligations, the Issuer shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money held by the Trustee or paying agent.

Section 8.07. *Survival.* The Trustee's rights under Article 7 (including, but not limited to, its right to indemnification) and this Article 8 shall survive termination of this Indenture and the resignation or removal of the Trustee.

Section 8.08. *Satisfaction and Discharge of Indenture.* If at any time (a) (i) the Issuer shall have paid or caused to be paid the principal of, premium, if

any, and interest on all the outstanding Notes (other than Notes which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.04) as and when the same shall have become due and payable, or (ii) the Issuer shall have delivered to the Trustee for cancellation all Notes theretofore authenticated (other than Notes which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.04), or (b) (i) the Notes mature within one year, or all of them are to be called for redemption within one year under arrangements satisfactory to the Trustee for giving the notice of redemption, (ii) the Issuer irrevocably deposits in trust with the Trustee, as trust funds solely for the benefit of the Holders, money or U.S. Government Obligations or a combination thereof sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certificate delivered to the Trustee, without consideration of any reinvestment, to pay principal of and premium, if any, and interest on the Notes to maturity or redemption, as the case may be, and to pay all other sums payable by it hereunder, (iii) no Default has occurred and is continuing on the date of the deposit, (iv) the deposit will not result in a breach or violation of, or constitute a default under, this Indenture or any other agreement or instrument to which the Issuer is a party or by which it is bound, and (v) the Issuer delivers to the Trustee an Officers' Certificate and an Opinion of Counsel, in each case stating that all conditions precedent provided for herein relating to the satisfaction and discharge of this Indenture have been complied with; and if, in any such case, the Issuer shall also pay or cause to be paid all other sums payable hereunder by the Issuer (including all amounts, payable to the Trustee pursuant to Section 7.07), then, (x) after satisfying the conditions in clause (a), only the Company's obligations under Sections 7.07 and 8.04 will survive or (y) after satisfying the conditions in clause (b), only the Issuer's or the Company's, as applicable, obligations in Article 2 and Sections 4.01, 4.02, 7.07, 7.08, 8.04, 8.05 and 8.06 will survive, and, in either case, the Trustee, on demand of the Issuer accompanied by an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent relating to the satisfaction and discharge contemplated by this provision have been complied with, and at the cost and expense of the Issuer, shall execute proper instruments acknowledging such satisfaction and discharging of this Indenture and the Security Documents and cause the release of all Liens on the Collateral granted under the Security Documents. The Issuer agrees to reimburse the Trustee for any costs or expenses thereafter reasonably incurred, and to compensate the Trustee for any services thereafter reasonably rendered, by the Trustee in connection with this Indenture or the Notes.

Section 9.01. *Amendments Without Consent of Holders.* The Company, the Issuer, the Guarantors, the Trustee, the Collateral Agent and the Mortgage Tax

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Collateral Agent, as applicable, may amend, supplement or waive this Indenture, the Notes, the Guarantees or the Security Documents without notice to or the consent of any Holder:

- (a) to evidence the succession of another Person to the Issuer or the Company or successive successions, and the assumption by the successor Person of the covenants, agreements and obligations of the Issuer or the Company herein and in the Notes or the Guarantees;
- (b) to add to the covenants of the Issuer or the Company such further covenants, restrictions, conditions or provisions for the protection of the Holders of Notes, or to surrender any right or power herein conferred upon the Issuer or the Company, and to make the occurrence, or the occurrence and continuance, of a default in any such additional covenants, restrictions, conditions or provisions an Event of Default permitting the enforcement of all or any of the several remedies provided in this Indenture as herein set forth; *provided, however*, that in respect of any such additional covenants, restrictions, conditions or provisions such amendment, supplemented indenture or waiver may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such an Event of Default or may limit the remedies available to the Trustee upon such an Event of Default or may limit the right of the Holders of a majority in aggregate principal amount of the Notes to waive such an Event of Default;
- (c) to cure any ambiguity, defect or inconsistency in this Indenture, the Notes, the Guarantees or the Security Documents;
- (d) to comply with any requirements of the Commission in connection with the qualification of this Indenture under the Trust Indenture Act;
- (e) to evidence and provide for the acceptance of appointment hereunder by a successor or replacement Trustee or under the Security Documents of a successor or replacement Collateral Agent or Mortgage Tax Collateral Agent;
- (f) to provide for uncertificated Notes in addition to, or in place of, Certificated Notes;
- (g) to provide for any Guarantee of the Notes;
- (h) to add security to or for the benefit of the Notes and, in the case of the Security Documents, to or for the benefit of the other secured parties named therein, or to confirm and evidence the release, termination or discharge of any Guarantee of the Notes or Lien securing the Notes or any Guarantee when such release, termination or discharge is permitted by this Indenture and the Security Documents;

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- (i) to provide for, or confirm the issuance of, Additional Notes;
 - (j) to evidence compliance with Section 4.14;
 - (k) to make any other change that does not adversely affect the legal rights of any Holder; or
 - (l) to conform any provision of this Indenture, the Notes, the Guarantees or the Security Documents to the “Description of Notes” contained in the Offering Circular to the extent that the “Description of Notes” was intended to be a verbatim recitation of a provision in this Indenture, the Notes, the Guarantees or the Security Documents.

By receiving Notes, Holders of the Notes are hereby deemed to have consented for purposes of this Indenture and the Security Documents, and the Collateral Agent and the Trustee are hereby authorized and directed by the Holders of the Notes, upon receipt of an Officers’ Certificate more fully described below, to amend, supplement or otherwise modify the Security Documents to add or provide for additional secured parties to the extent Liens securing Indebtedness and other Obligations held by such parties are permitted under this Indenture; *provided* that after so securing any such additional secured parties, the amount of First-Priority Lien Obligations, Second-Priority Lien Obligations and Junior-Priority Lien Obligations does not exceed the amount set forth under clause (i) of the definition of “Permitted Liens.”

In connection with any incurrence of Indebtedness under a Credit Facility that is to be secured by Liens on the Collateral that are senior to the Liens securing the Notes and the Guarantees, the Trustee and the Collateral Agent are hereby authorized and directed to, and Holders of the Notes by receiving Notes are deemed to have consented to, amend, supplement or otherwise modify the Security Documents (including, if necessary, by entering into new Security Documents) and are authorized and directed to enter into an intercreditor agreement with the trustee, agent or other representative in respect of such Credit Facility (the “**Senior Representative**”), pursuant to which the Collateral Agent and/or the Trustee shall agree (i) to limitations on their rights (and the rights of the Holders of the Notes) to enforce their Liens and certain other waivers on a basis substantially identical to the manner in which the holders of the Second Lien Notes have agreed to such limitations and waivers in the Intercreditor Agreement and (ii) that the Senior Representative will act as representative for all of the holders of the First-Priority Lien Obligations (including both lenders under such Credit Facility and the Holders of the Notes) for certain purposes under the Intercreditor Agreement.

In executing any such amendment, supplement, consent or waiver or other modification of a Security Document (or in entering into a new intercreditor

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agreement or other Security Document described in the two preceding paragraphs), the Trustee and the Collateral Agent shall be entitled to receive and (subject to their duties set forth in this Indenture) shall be fully protected in relying upon an Officers' Certificate stating that the execution of such amendment, supplement, consent or waiver or new agreement is authorized or permitted by the applicable Security Document and complies with the provisions thereof and of this Indenture. Notwithstanding anything in this Indenture to the contrary, no Opinion of Counsel shall be required in connection with the execution by the Trustee or Collateral Agent of any such amendment, supplement, consent or waiver or other modification of the Security Documents (or the entry into a new intercreditor agreement or other Security Document) as contemplated above.

Section 9.02. *Amendments with Consent of Holders.* (a) Except as otherwise provided in Sections 5.01, 5.03 and 5.06 or Section 9.02(b) and Section 9.02(c) of this Section, the Company, the Issuer, the Guarantors, the Trustee, the Collateral Agent and the Mortgage Tax Collateral Agent, as applicable, may amend or supplement this Indenture, the Notes, the Guarantees and the Security Documents with the consent of the Holders of a majority in principal amount of the outstanding Notes (which may include written consents obtained in connection with a tender offer or exchange offer for Notes), and the Holders of a majority in principal amount of the outstanding Notes by written notice to the Trustee may waive future compliance by the Company, the Issuer and the Guarantors with any provision of this Indenture, the Notes, the Guarantees or the Security Documents (which may include waivers obtained in connection with a tender offer or exchange offer for Notes).

(b) Notwithstanding the provisions of paragraph (a) of this Section 9.02, without the consent of, or notice to, each Holder affected, an amendment or waiver may not:

- (i) reduce the amount of Notes whose Holders must consent to an amendment, supplement or waiver,
- (ii) reduce the rate of, or extend the time for payment of, any interest, including default interest, on any Note,
- (iii) reduce principal of, or change the fixed maturity of, any Note or alter the provisions (including related definitions) with respect to redemptions described under Article 3 or with respect to mandatory offers to repurchase Notes described under Section 4.10 and Section 4.12,
- (iv) make any Note payable in money other than that stated in the Note,

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- (v) modify the ranking or priority of the Notes or any Guarantee,
- (vi) make any change in Sections 5.03 or Section 5.06,
- (vii) release any Guarantor from any of its obligations under its Guarantee or this Indenture otherwise than in accordance with this Indenture, or
- (viii) waive a continuing Default or Event of Default in the payment of principal of, premium, if any, or interest, if any, on the Notes.

(c) Without the consent of the Holders of at least 66 $\frac{2}{3}$ % in principal amount of the Notes, the Company, the Issuer, the Guarantors, the Trustee and the Collateral Agent may not effect a release of all or substantially all of the Collateral other than pursuant to the terms of the Security Documents or as otherwise permitted under this Indenture.

(d) It is not necessary for Holders to approve the particular form of any proposed amendment, supplement or waiver, but is sufficient if their consent approves the substance thereof.

(e) An amendment, supplement or waiver under this Section 9.02 shall become effective on receipt by the Trustee of written consents from the Holders of the requisite percentage in principal amount of the outstanding Notes. After an amendment, supplement or waiver under this Section 9.02 becomes effective, the Issuer (or the Trustee at the request and expense of the Issuer) will send to the Holders affected thereby a notice briefly describing the amendment, supplement or waiver. The Issuer will send supplemental indentures to Holders upon request. Any failure of the Issuer to send such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such supplemental indenture, amendment or waiver.

Section 9.03. *Effect of Consent.* (a) After an amendment, supplement or waiver becomes effective, it will bind every Holder unless it is of the type requiring the consent of each Holder affected. If the amendment, supplement or waiver is of the type requiring the consent of each Holder affected, the amendment, supplement or waiver will bind each Holder that has consented to it and every subsequent Holder of a Note that evidences the same debt as the Note of the consenting Holder.

(b) If an amendment, supplement or waiver changes the terms of a Note, the Trustee may require the Holder to deliver it to the Trustee so that the Trustee may place an appropriate notation of the changed terms on the Note and return it to the Holder, or exchange it for a new Note that reflects the changed terms. The Trustee may also place an appropriate notation on any Note thereafter

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authenticated. However, the effectiveness of the amendment, supplement or waiver shall not be affected or impaired by any failure to annotate or exchange Notes in this fashion.

Section 9.04. *Trustee's Rights and Obligations.* The Trustee is entitled to receive, in addition to the documents required by Section 13.04, and will be fully protected in relying upon, an Opinion of Counsel stating (i) that the execution of any amendment, supplement or waiver authorized pursuant to this Article is authorized or permitted by this Indenture or the applicable Security Document and (ii) in the case of an amendment, supplement or waiver in connection with Section 9.01(k) that such amendment, supplement or waiver does not adversely affect the legal rights of any Holder of Notes affected by such

change. If the Trustee has received such Opinion of Counsel, it shall sign the amendment, supplement or waiver so long as the same does not adversely affect the rights of the Trustee. The Trustee may, but is not obligated to, execute any amendment, supplement or waiver that affects the Trustee's own rights, duties or immunities under this Indenture.

ARTICLE 10
[RESERVED]

ARTICLE 11
COLLATERAL AND SECURITY

Section 11.01. *Security Documents.* The payment of the principal of and interest and premium, if any, on the Notes when due, whether on an interest payment date, at maturity, by acceleration, repurchase, redemption or otherwise and whether by the Issuer pursuant to the Notes or by any Guarantor pursuant to its Guarantee and the performance of all other obligations of the Issuer and the Guarantors under this Indenture, the Notes, the Guarantees and the Security Documents are secured by First-Priority Liens on the Collateral, subject to Permitted Liens, as provided in the Security Documents which the Issuer and the Guarantors have entered into simultaneously with the execution of this Indenture, or in certain circumstances, subsequent to the Issue Date, and shall be secured as provided in the Security Documents hereafter delivered as required or permitted by this Indenture.

Section 11.02. *Collateral Agent.*

(a) The Issuer hereby appoints Wilmington Trust, National Association to act as Collateral Agent, and the Collateral Agent shall have the duties, rights, indemnities, privileges, powers and immunities of the Collateral Agent as set forth herein and in the Security Documents. The Issuer and the Guarantors

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hereby agree that the Collateral Agent shall hold the Collateral in trust for the benefit of all of the Holders and the Trustee, in each case, pursuant to the terms of the Security Documents and the Collateral Agent is hereby authorized to execute and deliver the Security Documents. Subject to the Intercreditor Agreement, each of the Collateral Agent and the Mortgage Tax Collateral Agent are authorized and empowered to appoint one or more co-Collateral Agents or co-Mortgage Tax Collateral Agents, as applicable, as each deems necessary or appropriate.

(b) Neither the Trustee (subject to Section 7.01) nor the Collateral Agent nor any of their respective officers, directors, employees, attorneys or agents shall be responsible or liable for the legality, enforceability, effectiveness or sufficiency of the Security Documents, for the creation, perfection, priority, sufficiency, maintenance, renewal or protection of any First-Priority Lien, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the First-Priority Liens or Security Documents or any delay in doing so; *provided, however,* that nothing in this Section 11.02(b) shall alter the Collateral Agent's obligations under Section 7.02 of the Security Agreement.

(c) The Collateral Agent shall be subject to such directions as may be given it by the Trustee from time to time (as required or permitted by this Indenture). Except as directed by the Trustee as required or permitted by this Indenture or as required or permitted by the Security Documents, the Collateral Agent shall not be obligated:

- (1) to act upon directions purported to be delivered to it by any other Person;
- (2) to foreclose upon or otherwise enforce any First-Priority Lien with respect to the Notes and the Guarantees; or
- (3) to take any other action whatsoever with regard to any or all of the First-Priority Liens with respect to the Notes and the Guarantees, Security Documents or Collateral.

(d) The Collateral Agent shall be accountable only for amounts that it actually receives as a result of the enforcement of the First-Priority Liens with respect to the Notes and the Guarantees or the Security Documents.

(e) In acting as Collateral Agent or co-Collateral Agent, the Collateral Agent and each co-Collateral Agent may rely upon and enforce for its own benefit each and all of the rights, powers, immunities, indemnities and benefits of the Trustee under Article 7 hereof, each of which shall also be deemed to be for the benefit of the Collateral Agent.

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(f) At all times when the Trustee is not itself the Collateral Agent, the Issuer shall deliver to the Trustee copies of all Security Documents delivered to the Collateral Agent and copies of all documents delivered to the Collateral Agent pursuant to the Security Documents.

Section 11.03. *Authorization of Actions to be Taken.*

(a) Each Holder of Notes, by its acceptance thereof, consents and agrees to the terms of each Security Document, as originally in effect on the Issue Date and as amended, supplemented or replaced from time to time in accordance with its terms or the terms of this Indenture, authorizes and directs the Trustee and the Collateral Agent to execute and deliver the Security Documents to which it is a party and authorizes and empowers the Trustee and the Collateral Agent to bind the Holders of Notes and other holders of First-Priority Lien Obligations as set forth in the Security Documents to which it is a party and to perform its obligations and exercise its rights and powers thereunder.

(b) The Collateral Agent and the Trustee are authorized and empowered to receive for the benefit of the Holders of Notes any funds collected or distributed under the Security Documents to which the Collateral Agent or Trustee is a party and to make further distributions of such funds to the Holders of Notes according to the provisions of this Indenture.

(c) Subject to the provisions of Section 7.01 and Section 7.02, the Trustee may (but shall not be obligated), in its sole discretion and without the consent of the Holders of Notes, direct, on behalf of the Holders of Notes, the Collateral Agent to take all actions it deems necessary or appropriate in order to:

- (1) foreclose upon or otherwise enforce any or all of the First-Priority Liens;
- (2) enforce any of the terms of the Security Documents to which the Collateral Agent or Trustee is a party; or
- (3) collect and receive payment of any and all First-Priority Lien Obligations.

Subject to Section 7.01 and Section 7.02, the Trustee is authorized and empowered (but shall not be obligated) to institute and maintain, or direct the Collateral Agent to institute and maintain, such suits and proceedings as it may deem expedient to protect or enforce the First-Priority Liens or the Security Documents to which the Collateral Agent or Trustee is a party or to prevent any impairment of Collateral by any acts that may be unlawful or in violation of the Security Documents to which the Collateral Agent or Trustee is a party or this Indenture, and such suits and proceedings as the Trustee or the Collateral Agent may deem expedient to preserve or protect its interests and the interests of the

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Holders of Notes in the Collateral, including power to institute and maintain suits or proceedings to restrain the enforcement of or compliance with any legislative or other governmental enactment, rule or order that may be unconstitutional or otherwise invalid if the enforcement of, or compliance with, such enactment, rule or order would impair the security interest hereunder or be prejudicial to the interests of Holders of Notes, the Trustee or the Collateral Agent.

Section 11.04. *Release of First-Priority Liens.*

(a) The First-Priority Liens shall be released, with respect to the Notes and the Guarantees:

(1) in whole, upon payment in full of the principal of, accrued and unpaid interest and premium, if any, on the Notes and payment in full of all other First-Priority Lien Obligations in respect thereof that are due and payable at or prior to the time such principal, accrued and unpaid interest and premium, if any, on the Notes are paid;

(3) in whole, upon satisfaction and discharge of this Indenture pursuant to Section 8.08;

(4) in whole, upon a legal defeasance or covenant defeasance pursuant to Article 8;

(5) in part, as to any property constituting Collateral that (a) is sold, transferred or otherwise disposed of by the Company, the Issuer or one of the Restricted Subsidiaries to any Person other than the Company, the Issuer or any of its Restricted Subsidiaries (but excluding any transaction subject to Section 4.14 where the recipient is required to become the obligor on the Notes or a Guarantor) in a transaction permitted by this Indenture and the Security Documents, at the time of such sale or disposition, to the extent of the interest sold or disposed of, (b) is owned or at any time acquired by a Restricted Subsidiary that has been released from its Guarantee under this Indenture, concurrently with the release of such Guarantee or (c) consists of securities of the Issuer or a Guarantor or of K. Hovnanian JV Holdings, L.L.C. to be released as contemplated by Section 4.18(d)(iii); or

(6) in accordance with and subject to the provisions of Article 9, with the consent of Holders (including consents obtained in connection with a tender offer or exchange offer).

(b) If an instrument confirming the release of the First-Priority Liens pursuant to Section 11.04(a) is requested by the Issuer or a Guarantor, then upon delivery to the Trustee of an Officers' Certificate requesting execution of such an instrument, accompanied by:

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(1) an Opinion of Counsel confirming that such release is permitted by Section 11.04(a);

(2) all instruments requested by the Issuer to effectuate or confirm such release; and

(3) such other certificates and documents as the Trustee or Collateral Agent may reasonably request to confirm the matters set forth in Section 11.04(a) that are required by this Indenture or the Security Documents,

the Trustee shall, if such instruments and documents are reasonably satisfactory to the Trustee and Collateral Agent, instruct the Collateral Agent to execute and deliver, and the Collateral Agent shall promptly execute and deliver, such instruments.

(c) All instruments effectuating or confirming any release of any First-Priority Liens will have the effect solely of releasing such First-Priority Liens as to the Collateral described therein, on customary terms and without any recourse, representation, warranty or liability whatsoever.

(d) The Issuer shall bear and pay all costs and expenses associated with any release of First-Priority Liens pursuant to this Section 11.04, including all reasonable fees and disbursements of any attorneys or representatives acting for the Trustee or for the Collateral Agent.

Section 11.05. *Filing, Recording and Opinions.* (a) Any release of Collateral permitted by Section 11.04 hereof or the Security Documents will be deemed not to impair the Liens under this Indenture and the Security Documents in contravention thereof and any person that is required to deliver a certificate or opinion under this Indenture or the Security Documents, shall be entitled to rely upon the foregoing as a basis for delivery of such certificate or opinion. The Trustee may, to the extent permitted by Section 7.01 and Section 7.02 hereof, accept as conclusive evidence of compliance with the foregoing provisions the appropriate statements contained in such documents and opinion.

(b) If any Collateral is released in accordance with this Indenture or any Security Document at a time when the Trustee is not itself also the Collateral Agent and if the Issuer has delivered the certificates and documents required by the Security Documents and permitted to be delivered by Section 11.04 (if any), the Trustee will determine whether it has received all documentation required in connection with such release and, based on such determination and the Opinion of Counsel delivered pursuant to Section 11.04, if any, will, upon request, deliver a certificate to the Collateral Agent setting forth such determination.

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ARTICLE 12
RELEASE OF ISSUER AND GUARANTORS

Section 12.01. *Release of Issuer.* (a) The Issuer shall be released from its obligations under this Indenture and the Notes, without the consent of the Holders, if: (1) the Company or any successor to the Company has assumed the obligations of the Issuer under this Indenture and the Notes, by supplemental indenture executed and delivered to the Trustee and satisfactory in form to the Trustee, (2) the Company delivers an Opinion of Counsel to the Trustee to the effect that beneficial owners of Notes will not recognize income, gain or loss for United States federal income tax purposes as a result of such release and such beneficial owners of Notes will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such release had not occurred and (3) the Issuer shall (w) become a Guarantor at such time subject to the provisions of Article 6 and Section 4.11 hereof, (x) execute a Guarantee, (y) execute a supplemental indenture evidencing its Guarantee and (z) deliver an Opinion of Counsel to the Trustee to the effect that the supplemental indenture has been duly authorized, executed and delivered by the Issuer and constitutes a valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms (subject to customary exceptions), until such time, if any, as such Guarantee may be released as described above under Section 4.19 and Article 6.

(b) A Guarantor may be released from its obligations under this Indenture, the Notes and its Guarantee in accordance with the provisions contained in Section 6.03 herein.

ARTICLE 13
MISCELLANEOUS

Section 13.01. [Reserved]

Section 13.02. *Holder Actions.* (a) 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 (b), 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.

(b) The Issuer may, but is not obligated to, fix a record date (which need not be within the time limits otherwise prescribed by Trust Indenture Act § 316(c)) for the purpose of determining the Holders entitled to act with respect to any amendment or waiver or in any other regard, except that during the continuance of an Event of Default, only the Trustee may set a record date as to

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notices of Default, any declaration or acceleration or any other remedies or other consequences of the Event of Default. If a record date is fixed, those Persons that were Holders at such record date and only those Persons shall be entitled to act, or to revoke any previous act, whether or not those Persons continue to be Holders after the record date. No act shall be valid or effective for more than 90 days after the record date.

Section 13.03. *Notices.* (a) Any notice or communication to the Issuer or the Company shall be deemed given if in writing (i) when delivered in person or (ii) five days after mailing when mailed by first class mail or (iii) when sent by facsimile transmission, with transmission confirmed. Notices or communications to a Guarantor shall be deemed given if given to the Company. Any notice to the Trustee shall be effective only upon receipt. In each case the notice or communication should be addressed as follows:

if to the Issuer or the Company:

K. Hovnanian Enterprises, Inc.
110 West Front Street
P.O. Box 500
Red Bank, New Jersey 07701
Facsimile: (732) 383-2945
Attention: Corporate Counsel

if to the Trustee:

Wilmington Trust, National Association
Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1600
Facsimile: 302-636-4145
Attention: Corporate Client Services

The Issuer or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

(b) Except as otherwise expressly provided with respect to published notices, any notice or communication to a Holder shall be deemed given when mailed to the Holder at its address as it appears on the Register by first class mail or, as to any Global Note registered in the name of DTC or its nominee, 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, shall be

(c) Where this Indenture provides for notice, the notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and the waiver will be the equivalent of the notice. Waivers of notice by Holders must be filed with the Trustee, but such filing is not a condition precedent to the validity of any action taken in reliance upon such waivers.

Section 13.04. *Certificate and Opinion as to Conditions Precedent.* Upon any request or application by the Issuer or the Company to the Trustee to take any action under this Indenture, the Issuer or the Company shall furnish to the Trustee:

- (a) an Officers' Certificate stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and
- (b) an Opinion of Counsel stating that all such conditions precedent relating to the proposed action have been complied with.

Section 13.05. *Statements Required in Certificate or Opinion.* Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture must include:

- (a) a statement that each person signing the certificate or opinion has read the covenant or condition and the related definitions;
- (b) a brief statement as to the nature and scope of the examination or investigation upon which the statement or opinion contained in the certificate or opinion is based;
- (c) a statement that, in the opinion of each such person, that person has made such examination or investigation as is necessary to enable the person to express an informed opinion as to whether or not such covenant or condition has been complied with; and
- (d) a statement as to whether or not, in the opinion of each such person, such condition or covenant has been complied with, *provided*, that an Opinion of Counsel may rely on an Officers' Certificate or certificates of public officials with respect to matters of fact.

Any certificate, statement or opinion of an Officer of the Issuer or the Company, as applicable, may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel, unless such Officer knows that the certificate or opinion or representations with respect to the matters upon which such certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous. Any certificate, statement or Opinion of Counsel may be based,

insofar as it relates to factual matters on information with respect to which is in the possession of the Issuer, or the Company, as applicable, upon the certificate, statement or opinion of or representations by an officer or officers of the Issuer, or the Company, as applicable, unless such counsel knows that the certificate, statement or opinion or representations with respect to the matters upon which such certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous.

Any certificate, statement or opinion of an Officer of the Issuer or the Company, as applicable, or of counsel may be based, insofar as it relates to accounting matters, upon a certificate or opinion of or representations by an accountant or firm of accountants in the employ of the Issuer or the Company, as applicable, unless such Officer or counsel, as the case may be, knows that the certificate or opinion or representations with respect to the accounting matters upon which such certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous.

Any certificate or opinion of any independent firm of public accountants filed with and directed to the Trustee shall contain a statement that such firm is independent.

Section 13.06. *Payment Date Other Than a Business Day.* If any payment with respect to a payment of any principal of, premium, if any, or interest on any Note (including any payment to be made on any date fixed for redemption or purchase of any Note) is due on a day which is not a Business Day, then the payment need not be made on such date, but may be made on the next Business Day with the same force and effect as if made on such date, and no interest shall accrue for the intervening period.

Section 13.07. *Governing Law.* This Indenture, the Guarantees and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York.

Section 13.08. *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 this Indenture.

Section 13.09. *Successors.* All agreements of the Issuer, the Company or any Guarantor in this Indenture and the Notes shall bind its successors. All agreements of the Trustee and the Collateral Agent in this Indenture shall bind its successor.

Section 13.10. *Duplicate Originals.* The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

Section 13.11. *Separability.* To the extent permitted by applicable law, in case any provision in this Indenture or in the Notes is invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 13.12. *Table of Contents and Headings.* The Table of Contents, Cross-Reference Table and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part of this Indenture and in no way modify or restrict any of the terms and provisions of this Indenture.

Section 13.13. *No Liability of Directors, Officers, Employees, Partners, Incorporators and Stockholders.* No recourse under or upon any obligation, covenant or agreement contained in this Indenture, or in the Notes, or because of any indebtedness evidenced thereby, shall be had against any incorporator, as such or against any past, present or future stockholder, officer, director or employee, as such, of the Issuer, the Company or the Guarantors or any partner of the Issuer, the Company or the Guarantors or of any successor, either directly or through the Issuer, the Company or the Guarantors or any successor, under any rule of law, statute or constitutional provision or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, all such liability being expressly waived and released by the acceptance of the Notes by the Holders thereof and as part of the consideration for the issue of the Notes.

Section 13.14. *Provisions of Indenture for the Sole Benefit of Parties and Holders of Notes.* Nothing in this Indenture or in the Notes, expressed or implied, shall give or be construed to give to any Person, other than the parties hereto and their successors and the Holders of Notes, any legal or equitable right, remedy or claim under this Indenture or under any covenant or provision herein contained, all such covenants and provisions being for the sole benefit of the parties hereto and their successors and of the Holders of Notes.

[Signature page follows]

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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. HOVNANIAN ENTERPRISES, INC.,
as Issuer

By: /s/ J. Larry Sorsby

Name: J. Larry Sorsby
Title: Executive Vice President and
Chief Financial Officer

HOVNANIAN ENTERPRISES, INC.,
as the Company and a Guarantor

By: /s/ J. Larry Sorsby

Name: J. Larry Sorsby
Title: Executive Vice President and
Chief Financial Officer

On behalf of each entity named in Schedule A hereto, as a Guarantor

By: /s/ J. Larry Sorsby

Name: J. Larry Sorsby
Title: Executive Vice President and
Chief Financial Officer

WILMINGTON TRUST, NATIONAL ASSOCIATION, as Trustee and
Collateral Agent

By: /s/ Joseph B. Feil

Name: Joseph B. Feil
Title: Vice President

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[Signature page to the First Lien Notes Indenture]

GUARANTORS

ARBOR TRAILS, LLC
AUDDIE ENTERPRISES, L.L.C.
BUILDER SERVICES NJ, L.L.C.
BUILDER SERVICES PA, L.L.C.
DULLES COPPERMINE, L.L.C.
EASTERN NATIONAL TITLE AGENCY, LLC
EASTERN TITLE AGENCY, INC.
F&W MECHANICAL SERVICES, L.L.C.
FOUNDERS TITLE AGENCY OF MARYLAND, L.L.C.
FOUNDERS TITLE AGENCY, INC.
GLENRISE GROVE, L.L.C.
GOVERNOR'S ABSTRACT CO., INC.
HOMEBUYERS FINANCIAL SERVICES, L.L.C.
HOVNANIAN DEVELOPMENTS OF FLORIDA, INC.
HOVNANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP, L.L.C.
K. HOV IP, II, INC.
K. HOV IP, INC.
K. HOVNANIAN ACQUISITIONS, INC.
K. HOVNANIAN AT 4S, LLC
K. HOVNANIAN AT ACQUA VISTA, LLC
K. HOVNANIAN AT ALISO, LLC
K. HOVNANIAN AT ALLENTOWN, L.L.C.
K. HOVNANIAN AT ANDALUSIA, LLC
K. HOVNANIAN AT ARBOR HEIGHTS, LLC
K. HOVNANIAN AT AVENUE ONE, L.L.C.
K. HOVNANIAN AT BAKERSFIELD 463, L.L.C.
K. HOVNANIAN AT BARNEGAT I, L.L.C.
K. HOVNANIAN AT BARNEGAT II, L.L.C.
K. HOVNANIAN AT BELLA LAGO, LLC
K. HOVNANIAN AT BENSALEM, LLC
K. HOVNANIAN AT BERKELEY, L.L.C.
K. HOVNANIAN AT BLUE HERON PINES, L.L.C.
K. HOVNANIAN AT BRANCHBURG, L.L.C.
K. HOVNANIAN AT BRIDGEPORT, INC.
K. HOVNANIAN AT BRIDGEWATER I, L.L.C.
K. HOVNANIAN AT BROAD AND WALNUT, L.L.C.
K. HOVNANIAN AT CAMERON CHASE, INC.
K. HOVNANIAN AT CAMP HILL, L.L.C.
K. HOVNANIAN AT CAPISTRANO, L.L.C.
K. HOVNANIAN AT CARLSBAD, LLC
K. HOVNANIAN AT CEDAR GROVE III, L.L.C.
K. HOVNANIAN AT CEDAR GROVE V, L.L.C.
K. HOVNANIAN AT CHARTER WAY, LLC
K. HOVNANIAN AT CHESTER I, L.L.C.
K. HOVNANIAN AT CHESTERFIELD, L.L.C.
K. HOVNANIAN AT CIELO, L.L.C.
K. HOVNANIAN AT CLIFTON, L.L.C.

Sch. A-1

K. HOVNANIAN AT COASTLINE, L.L.C.
K. HOVNANIAN AT CORTEZ HILL, LLC
K. HOVNANIAN AT CRANBURY, L.L.C.
K. HOVNANIAN AT DENVILLE, L.L.C.
K. HOVNANIAN AT DEPTFORD TOWNSHIP, L.L.C.
K. HOVNANIAN AT DOMINGUEZ HILLS, INC.
K. HOVNANIAN AT EAST BRANDYWINE, L.L.C.
K. HOVNANIAN AT EASTLAKE, LLC
K. HOVNANIAN AT EDGEWATER II, L.L.C.
K. HOVNANIAN AT EDGEWATER, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH II, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH, L.L.C.

K. HOVNANIAN AT ENCINITAS RANCH, LLC
K. HOVNANIAN AT EVERGREEN, L.L.C.
K. HOVNANIAN AT FIDDYMENT RANCH, LLC
K. HOVNANIAN AT FIFTH AVENUE, L.L.C.
K. HOVNANIAN AT FLORENCE I, L.L.C.
K. HOVNANIAN AT FLORENCE II, L.L.C.
K. HOVNANIAN AT FOREST MEADOWS, L.L.C.
K. HOVNANIAN AT FRANKLIN II, L.L.C.
K. HOVNANIAN AT FRANKLIN III, LLC
K. HOVNANIAN AT FRANKLIN, L.L.C.
K. HOVNANIAN AT FREEHOLD TOWNSHIP, L.L.C.
K. HOVNANIAN AT FRESNO, LLC
K. HOVNANIAN AT GASLAMP SQUARE, L.L.C.
K. HOVNANIAN AT GILROY, LLC
K. HOVNANIAN AT GREAT NOTCH, L.L.C.
K. HOVNANIAN AT GUTTENBERG, L.L.C.
K. HOVNANIAN AT HACKETTSTOWN II, L.L.C.
K. HOVNANIAN AT HAMBURG, L.L.C.
K. HOVNANIAN AT HAWTHORNE, L.L.C.
K. HOVNANIAN AT HERSHEY'S MILL, INC.
K. HOVNANIAN AT HIGHLAND SHORES, L.L.C.
K. HOVNANIAN AT HOWELL, LLC
K. HOVNANIAN AT HUDSON POINTE, L.L.C.
K. HOVNANIAN AT JACKSON I, L.L.C.
K. HOVNANIAN AT JACKSON, L.L.C.
K. HOVNANIAN AT JAEGER RANCH, LLC
K. HOVNANIAN AT JERSEY CITY IV, L.L.C.
K. HOVNANIAN AT JERSEY CITY V URBAN RENEWAL COMPANY, L.L.C.
K. HOVNANIAN AT KEYPORT, L.L.C.
K. HOVNANIAN AT LA COSTA GREENS, L.L.C.
K. HOVNANIAN AT LA COSTA, LLC
K. HOVNANIAN AT LA HABRA KNOLLS, LLC
K. HOVNANIAN AT LA LAGUNA, L.L.C.
K. HOVNANIAN AT LAKE RANCHO VIEJO, LLC
K. HOVNANIAN AT LAKE TERRAPIN, L.L.C.
K. HOVNANIAN AT LAWRENCE V, L.L.C.
K. HOVNANIAN AT LEE SQUARE, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR, L.L.C
K. HOVNANIAN AT LONG HILL, L.L.C.

Sch. A-2

K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LOWER MAKEFIELD TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MORELAND I, L.L.C.
K. HOVNANIAN AT LOWER MORELAND II, L.L.C.
K. HOVNANIAN AT MAHWAH VI, INC.
K. HOVNANIAN AT MALAN PARK, L.L.C.
K. HOVNANIAN AT MANALAPAN III, L.L.C.
K. HOVNANIAN AT MANSFIELD I, L.L.C.
K. HOVNANIAN AT MANSFIELD II, L.L.C.
K. HOVNANIAN AT MANSFIELD III, L.L.C.
K. HOVNANIAN AT MANTECA, LLC
K. HOVNANIAN AT MAPLE AVENUE, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP IX, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP V, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP VIII, L.L.C.
K. HOVNANIAN AT MARLBORO VI, L.L.C.
K. HOVNANIAN AT MARLBORO VII, L.L.C.
K. HOVNANIAN AT MELANIE MEADOWS, LLC
K. HOVNANIAN AT MENDHAM TOWNSHIP, L.L.C.
K. HOVNANIAN AT MENIFEE, LLC
K. HOVNANIAN AT MIDDLE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT MIDDLE TOWNSHIP, L.L.C.
K. HOVNANIAN AT MIDDLETOWN II, L.L.C.
K. HOVNANIAN AT MILLVILLE I, L.L.C.
K. HOVNANIAN AT MILLVILLE II, L.L.C.
K. HOVNANIAN AT MONROE II, INC.
K. HOVNANIAN AT MONROE IV, L.L.C.
K. HOVNANIAN AT MONROE NJ, L.L.C.
K. HOVNANIAN AT MONTVALE II, LLC
K. HOVNANIAN AT MONTVALE, L.L.C.

K. HOVNANIAN AT MOSAIC, LLC
K. HOVNANIAN AT MUIRFIELD, LLC
K. HOVNANIAN AT NEW WINDSOR, L.L.C.
K. HOVNANIAN AT NORTH BERGEN, L.L.C.
K. HOVNANIAN AT NORTH BRUNSWICK VI, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL II, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL III, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL IV, L.L.C.
K. HOVNANIAN AT NORTH HALEDON, L.L.C.
K. HOVNANIAN AT NORTH WILDWOOD, L.L.C.
K. HOVNANIAN AT NORTHAMPTON, L.L.C.
K. HOVNANIAN AT NORTHERN WESTCHESTER, INC.
K. HOVNANIAN AT NORTHFIELD, L.L.C.
K. HOVNANIAN AT OCEAN TOWNSHIP, INC
K. HOVNANIAN AT OCEAN WALK, INC.
K. HOVNANIAN AT OCEANPORT, L.L.C.
K. HOVNANIAN AT OLD BRIDGE, L.L.C.
K. HOVNANIAN AT OLDE ORCHARD, LLC
K. HOVNANIAN AT PARAMUS, L.L.C.
K. HOVNANIAN AT PARK LANE, LLC
K. HOVNANIAN AT PARKSIDE, LLC
K. HOVNANIAN AT PARSIPPANY, L.L.C.
K. HOVNANIAN AT PARSIPPANY-TROY HILLS, L.L.C.

Sch. A-3

K. HOVNANIAN AT PIAZZA D'ORO, L.L.C.
K. HOVNANIAN AT PIAZZA SERENA, L.L.C
K. HOVNANIAN AT PITTSBORO, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL IV, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL V, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VI, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VII, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VIII, L.L.C.
K. HOVNANIAN AT POSITANO, LLC
K. HOVNANIAN AT PRADO, L.L.C.
K. HOVNANIAN AT RANCHO SANTA MARGARITA, LLC
K. HOVNANIAN AT RANDOLPH I, L.L.C.
K. HOVNANIAN AT RAPHO, L.L.C
K. HOVNANIAN AT RIDGEMONT, L.L.C.
K. HOVNANIAN AT RIVERBEND, LLC
K. HOVNANIAN AT RODERUCK, L.L.C.
K. HOVNANIAN AT ROSEMARY LANTANA, L.L.C.
K. HOVNANIAN AT SAGE, L.L.C.
K. HOVNANIAN AT SANTA NELLA, LLC
K. HOVNANIAN AT SAWMILL, INC.
K. HOVNANIAN AT SAYREVILLE, L.L.C.
K. HOVNANIAN AT SCOTCH PLAINS, L.L.C.
K. HOVNANIAN AT SEASONS LANDING, LLC
K. HOVNANIAN AT SHELDON GROVE, LLC
K. HOVNANIAN AT SHREWSBURY, LLC
K. HOVNANIAN AT SILVER SPRING, L.L.C.
K. HOVNANIAN AT SKYE ISLE, LLC
K. HOVNANIAN AT SMITHVILLE, INC.
K. HOVNANIAN AT SOMERS POINT, L.L.C.
K. HOVNANIAN AT SOUTH BRUNSWICK II, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK, L.L.C.
K. HOVNANIAN AT STANTON, LLC
K. HOVNANIAN AT STATION SQUARE, L.L.C.
K. HOVNANIAN AT SUNRIDGE PARK, LLC
K. HOVNANIAN AT SYCAMORE, INC.
K. HOVNANIAN AT THE CROSBY, LLC
K. HOVNANIAN AT THE GABLES, LLC
K. HOVNANIAN AT THE MONARCH, L.L.C.
K. HOVNANIAN AT THE PRESERVE, LLC
K. HOVNANIAN AT THOMPSON RANCH, LLC
K. HOVNANIAN AT THORNBURY, INC.
K. HOVNANIAN AT TRAIL RIDGE, LLC
K. HOVNANIAN AT UPPER FREEHOLD TOWNSHIP II, L.L.C.
K. HOVNANIAN AT UPPER FREEHOLD TOWNSHIP III, L.L.C.
K. HOVNANIAN AT UPPER MAKEFIELD I, INC.
K. HOVNANIAN AT UPPER PROVIDENCE, LLC
K. HOVNANIAN AT UPPER UWCHLAN II, L.L.C.
K. HOVNANIAN AT UPPER UWCHLAN, L.L.C.

K. HOVNANIAN AT VALLE DEL SOL, LLC
K. HOVNANIAN AT VERONA URBAN RENEWAL, L.L.C.
K. HOVNANIAN AT VICTORVILLE, L.L.C.
K. HOVNANIAN AT VINELAND, L.L.C.
K. HOVNANIAN AT VISTA DEL SOL, L.L.C.
K. HOVNANIAN AT WARREN TOWNSHIP, L.L.C.

Sch. A-4

K. HOVNANIAN AT WASHINGTON, L.L.C.
K. HOVNANIAN AT WATERSTONE, LLC
K. HOVNANIAN AT WAYNE IX, L.L.C.
K. HOVNANIAN AT WAYNE, VIII, L.L.C.
K. HOVNANIAN AT WEST VIEW ESTATES, L.L.C.
K. HOVNANIAN AT WEST WINDSOR, L.L.C.
K. HOVNANIAN AT WESTSHORE, LLC
K. HOVNANIAN AT WHEELER RANCH, LLC
K. HOVNANIAN AT WILDWOOD BAYSIDE, L.L.C.
K. HOVNANIAN AT WILLOW BROOK, L.L.C.
K. HOVNANIAN AT WINCHESTER, LLC
K. HOVNANIAN AT WOODCREEK WEST, LLC
K. HOVNANIAN AT WOOLWICH I, L.L.C.
K. HOVNANIAN CAMBRIDGE HOMES, L.L.C.
K. HOVNANIAN CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN CLASSICS, L.L.C.
K. HOVNANIAN COMMUNITIES, INC.
K. HOVNANIAN COMPANIES OF CALIFORNIA, INC.
K. HOVNANIAN COMPANIES OF MARYLAND, INC.
K. HOVNANIAN COMPANIES OF NEW YORK, INC.
K. HOVNANIAN COMPANIES OF PENNSYLVANIA, INC.
K. HOVNANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.
K. HOVNANIAN COMPANIES, LLC
K. HOVNANIAN CONSTRUCTION II, INC
K. HOVNANIAN CONSTRUCTION III, INC
K. HOVNANIAN CONSTRUCTION MANAGEMENT, INC.
K. HOVNANIAN CRAFTBUILT HOMES OF SOUTH CAROLINA, L.L.C.
K. HOVNANIAN DEVELOPMENTS OF ARIZONA, INC.
K. HOVNANIAN DEVELOPMENTS OF CALIFORNIA, INC.
K. HOVNANIAN DEVELOPMENTS OF D.C., INC.
K. HOVNANIAN DEVELOPMENTS OF DELAWARE, INC.
K. HOVNANIAN DEVELOPMENTS OF GEORGIA, INC.
K. HOVNANIAN DEVELOPMENTS OF ILLINOIS, INC.
K. HOVNANIAN DEVELOPMENTS OF KENTUCKY, INC.
K. HOVNANIAN DEVELOPMENTS OF MARYLAND, INC.
K. HOVNANIAN DEVELOPMENTS OF MINNESOTA, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY II, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW YORK, INC.
K. HOVNANIAN DEVELOPMENTS OF NORTH CAROLINA, INC.
K. HOVNANIAN DEVELOPMENTS OF OHIO, INC.
K. HOVNANIAN DEVELOPMENTS OF PENNSYLVANIA, INC.
K. HOVNANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.
K. HOVNANIAN DEVELOPMENTS OF TEXAS, INC.
K. HOVNANIAN DEVELOPMENTS OF VIRGINIA, INC.
K. HOVNANIAN DEVELOPMENTS OF WEST VIRGINIA, INC.
K. HOVNANIAN EASTERN PENNSYLVANIA, L.L.C.
K. HOVNANIAN ENTERPRISES, INC.
K. HOVNANIAN ESTATES AT REGENCY, L.L.C.
K. HOVNANIAN FAIRWAYS AT WESTWORTH, LLC
K. HOVNANIAN FIRST HOMES, L.L.C.
K. HOVNANIAN FLORIDA REALTY, L.L.C.
K. HOVNANIAN FOUR SEASONS @ HISTORIC VIRGINIA, LLC
K. HOVNANIAN FOUR SEASONS AT GOLD HILL, LLC

Sch. A-5

K. HOVNANIAN GREAT WESTERN BUILDING COMPANY, LLC
K. HOVNANIAN GREAT WESTERN HOMES, LLC
K. HOVNANIAN HAMPTONS AT OAK CREEK II, L.L.C.
K. HOVNANIAN HOLDINGS NJ, L.L.C.
K. HOVNANIAN HOMES - DFW, L.L.C.
K. HOVNANIAN HOMES AT CAMERON STATION, LLC

K. HOVNANIAN HOMES AT CAMP SPRINGS, L.L.C.
K. HOVNANIAN HOMES AT FAIRWOOD, L.L.C.
K. HOVNANIAN HOMES AT FOREST RUN, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM PARK TOWNS, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM, L.L.C.
K. HOVNANIAN HOMES AT JONES STATION 1, L.L.C.
K. HOVNANIAN HOMES AT MAXWELL PLACE, L.L.C.
K. HOVNANIAN HOMES AT RENAISSANCE PLAZA, L.L.C.
K. HOVNANIAN HOMES AT RUSSETT, L.L.C.
K. HOVNANIAN HOMES AT THE HIGHLANDS, LLC
K. HOVNANIAN HOMES NORTHERN CALIFORNIA, INC.
K. HOVNANIAN HOMES OF D.C., L.L.C.
K. HOVNANIAN HOMES OF DELAWARE, L.L.C.
K. HOVNANIAN HOMES OF GEORGIA, L.L.C.
K. HOVNANIAN HOMES OF HOUSTON, L.L.C.
K. HOVNANIAN HOMES OF MARYLAND, L.L.C.
K. HOVNANIAN HOMES OF MINNESOTA, L.L.C.
K. HOVNANIAN HOMES OF NORTH CAROLINA, INC.
K. HOVNANIAN HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN HOMES OF SOUTH CAROLINA, LLC
K. HOVNANIAN HOMES OF VIRGINIA, INC.
K. HOVNANIAN HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN LIBERTY ON BLUFF CREEK, LLC
K. HOVNANIAN MANALAPAN ACQUISITION, LLC
K. HOVNANIAN NORTH CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTHEAST SERVICES, L.L.C.
K. HOVNANIAN OF HOUSTON II, L.L.C.
K. HOVNANIAN OHIO REALTY, L.L.C.
K. HOVNANIAN OSTER HOMES, L.L.C.
K. HOVNANIAN PA REAL ESTATE, INC.
K. HOVNANIAN PENNSYLVANIA ACQUISITIONS, L.L.C.
K. HOVNANIAN PORT IMPERIAL URBAN RENEWAL, INC.
K. HOVNANIAN PROPERTIES OF RED BANK, INC.
K. HOVNANIAN SHORE ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTHERN NEW JERSEY, L.L.C.
K. HOVNANIAN STANDING ENTITY, L.L.C.
K. HOVNANIAN SUMMIT HOLDINGS, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF KENTUCKY, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES, L.L.C.
K. HOVNANIAN T&C HOMES AT FLORIDA, L.L.C.
K. HOVNANIAN T&C HOMES AT ILLINOIS, L.L.C.
K. HOVNANIAN TIMBRES AT ELM CREEK, LLC
K. HOVNANIAN VENTURE I, L.L.C.
K. HOVNANIAN WINDWARD HOMES, LLC

Sch. A-6

K. HOVNANIAN'S FOUR SEASONS AT ASHBURN VILLAGE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT BAKERSFIELD, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT BEAUMONT, LLC
K. HOVNANIAN'S FOUR SEASONS AT CHARLOTTESVILLE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT HEMET, LLC
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND CONDOMINIUMS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT LOS BANOS, LLC
K. HOVNANIAN'S FOUR SEASONS AT MORENO VALLEY, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT NEW KENT VINEYARDS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT PALM SPRINGS, LLC
K. HOVNANIAN'S FOUR SEASONS AT RENAISSANCE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK II, LLC
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT SILVER MAPLE FARM, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT ST. MARGARETS LANDING, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT VINT HILL, L.L.C.
K. HOVNANIAN'S FOUR SEASONS, LLC
K. HOVNANIAN'S PARKSIDE AT TOWNGATE, L.L.C.
KHIP, L.L.C.
LANDARAMA, INC.
M&M AT CHESTERFIELD, LLC
M&M AT CRESCENT COURT, L.L.C.

M&M AT WEST ORANGE, L.L.C.
M&M AT WHEATENA URBAN RENEWAL, L.L.C.
MATZEL & MUMFORD AT EGG HARBOR, L.L.C.
MATZEL & MUMFORD AT SOUTH BOUND BROOK URBAN RENEWAL, L.L.C.
MCNJ, INC.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF PENNSYLVANIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF WEST VIRGINIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES, L.L.C.
MMIP, L.L.C.
NEW LAND TITLE AGENCY OF TEXAS, LLC
NEW LAND TITLE AGENCY, L.L.C.
PADDOCKS, L.L.C.
PARK TITLE COMPANY, LLC
PINE AYR, LLC
RIDGEMORE UTILITY, L.L.C.
SEABROOK ACCUMULATION CORPORATION
STONEBROOK HOMES, INC.
TERRAPIN REALTY, L.L.C.
THE MATZEL & MUMFORD ORGANIZATION, INC
WASHINGTON HOMES AT COLUMBIA TOWN CENTER, L.L.C.
WASHINGTON HOMES, INC.
WESTMINSTER HOMES, INC.
WH PROPERTIES, INC.
WOODLAND LAKE CONDOMINIUMS AT BOWIE NEW TOWN, L.L.C.

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EXHIBIT A

[FACE OF NOTE]

K. HOVNIANIAN ENTERPRISES, INC.

7.25% Senior Secured First Lien Notes Due 2020

CUSIP No.:

No. \$ [, or such other amount as is provided in the schedule of exchanges of interests in global notes attached hereto]

K. Hovnianian Enterprises, Inc., a California corporation (the "Issuer," which term includes any successor under the Indenture hereinafter referred to), for value received, promises to pay to _____, or its registered assigns, the principal sum of _____ DOLLARS (\$ _____), [or such other amount as is provided in the schedule of exchanges of interests in global notes attached hereto](1), on October 15, 2020.

Interest Rate: 7.25% per annum.

Interest Payment Dates: April 15 and October 15, commencing April 15, 2013.

Record Dates: April 1 and October 1.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which will for all purposes have the same effect as if set forth at this place.

(1) For Global Notes.

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IN WITNESS WHEREOF, the Issuer has caused this Note to be signed manually or by facsimile by its duly authorized officer.

Dated:

K. HOVNIANIAN ENTERPRISES, INC.

By:

Name:

Title:

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This is one of the 7.25% Senior Secured First Lien Notes Due 2020 described in the Indenture referred to in this Note.

WILMINGTON TRUST, NATIONAL ASSOCIATION, as Trustee

By: _____
Authorized Signatory

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[REVERSE SIDE OF NOTE]

K. HOVNIANIAN ENTERPRISES, INC.

7.25% Senior Secured First Lien Notes Due 2020

Capitalized terms used herein are used as defined in the Indenture referred to below unless otherwise indicated.

1. *Principal and Interest.*

K. Hovnianian Enterprises, Inc. (the "**Issuer**," which term includes any successor under the Indenture hereinafter referred to), a California corporation, promises to pay the principal of this Note on October 15, 2020.

The Issuer promises to pay interest on the principal amount of this Note on each interest payment date, as set forth on the face of this Note, at the rate of 7.25% per annum.

Interest will be payable semiannually (to the holders of record of the Notes at the close of business on the April 1 or October 1 immediately preceding the interest payment date) on each interest payment date, commencing April 15, 2013.

Interest on this Note will accrue from the most recent date to which interest has been paid on this Note or the Note surrendered in exchange for this Note (or, if there is no existing default in the payment of interest and if this Note is authenticated between a regular record date and the next interest payment date, from such interest payment date) or, if no interest has been paid, from [the date of issuance]. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

2. *Paying Agent and Registrar.*

Initially, Wilmington Trust, National Association (the "**Trustee**") will act as Paying Agent and Registrar. The Issuer may change or appoint any Paying Agent, Registrar or co-Registrar without notice to any Holder. The Issuer or any of its Subsidiaries may act as Paying Agent, Registrar or co-Registrar.

3. *Indenture; Liens; Guarantees.*

This is one of the Notes issued under an Indenture dated as of October 2, 2012 (as amended from time to time, the "**Indenture**"), among the Issuer, the Guarantors party thereto, the Trustee and the Collateral Agent. The terms of the Notes include those stated in the Indenture and those 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

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applicable law, in the event of any inconsistency between the terms of this Note and the terms of the Indenture, the terms of the Indenture will control.

The Notes are general obligations of the Issuer, secured by first-priority Liens on the Collateral as described in the Indenture and the Security Documents. The Indenture limits the original aggregate principal amount of the Notes issued thereunder to \$577,000,000 but Additional Notes may be issued pursuant to the Indenture (subject to the conditions stated therein), and the originally issued Notes and all such Additional Notes vote together for all purposes as a single class. This Note is guaranteed by the Guarantors as set forth in the Indenture and the Guarantee endorsed hereon.

Reference is hereby made to the Indenture for a statement of the respective rights, duties and obligations thereunder of the Issuer, the Guarantors, the Trustee, the Collateral Agent and the Holders.

4. *Optional Redemption; Redemption with Proceeds of Equity Offering.*

(a) The Issuer may, at its option, redeem the Notes, in whole, at any time, or in part, from time to time, prior to October 15, 2015 at a redemption price equal to the sum of:

(i) 100% of the principal amount thereof, plus accrued and unpaid interest thereon to the redemption date, if any; *plus*

(ii) the Make-Whole Amount.

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

(i) the present value at such redemption date of (i) the redemption price of the Note, at October 15, 2015 (such redemption price being set forth in the table appearing in (b) below) plus (ii) all required interest payments due on the Note through October 15, 2015 (excluding accrued but unpaid interest), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over

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

“**Treasury Rate**” means, in connection with the calculation of any Make-Whole Amount with respect to any Note, as calculated by the Company, the yield to maturity at the time of computation of United States Treasury securities with a constant maturity, as compiled by and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source or similar market data), most nearly equal to the period from the redemption date to October 15, 2015; *provided, however*, that if the period from the

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redemption date to October 15, 2015 is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from the redemption date to October 15, 2015 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

(b) At any time and from time to time on or after October 15, 2015, 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 thereon, if any, to the applicable redemption date.

<u>Period Commencing</u>	<u>Percentage</u>
October 15, 2015	105.438%
October 15, 2016	103.625%
October 15, 2017	101.813%
October 15, 2018 and thereafter	100.000%

At any time and from time to time prior to October 15, 2015, the Issuer may redeem Notes with the net cash proceeds received by the Issuer from any Equity Offering at a redemption price equal to 107.25% of the principal amount plus accrued and unpaid interest to the redemption date, in an aggregate principal amount for all such redemptions not to exceed 35% of the original aggregate principal amount of the Notes (including Additional Notes), *provided* that:

- (i) in each case the redemption takes place not later than 60 days after the closing of the related Equity Offering, and
- (ii) not less than 65% of the original aggregate principal amount of the Notes (including Additional Notes) remains outstanding immediately thereafter.

If fewer than all of the Notes are being redeemed, the Notes to be redeemed shall be selected in accordance with applicable DTC procedures (subject to compliance with the rules of any securities exchange on which the Notes of such series may be listed).

Notes shall be redeemed in denominations of \$2,000 principal amount or any multiple of \$1,000 in excess thereof. Notices of any redemption may be given prior to the completion thereof, and may, at the Issuer’s discretion, be subject to one or more conditions precedent, including, but not limited to, completion of a related Equity Offering.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed. A new

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Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the Holder thereof upon cancellation of the original Note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions thereof called for redemption.

5. *Repurchase Provisions.*

If a Change of Control occurs, each Holder shall have the right, at such Holder’s option, to require the Issuer to purchase all or any part (equal to \$2,000 principal amount or any multiple of \$1,000 in excess thereof) of such Holder’s Notes on a date that is no later than 90 days after notice of the Change of Control, at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of repurchase as provided in, and subject to the terms of, the Indenture.

6. *Mandatory Redemption.*

There is no sinking fund for, or mandatory redemption of, the Notes.

7. *Discharge and Defeasance.*

If the Issuer deposits with the Trustee money and/or U.S. Government Obligations sufficient to pay the then outstanding principal of, premium, interest and accrued interest on the Notes to redemption or maturity, as the case may be, the Issuer, the Company and the Guarantors may in certain circumstances be discharged from the Indenture, the Notes, the Guarantees and the Security Documents or may be discharged from certain of their obligations under certain provisions of the Indenture. In such circumstances, the Liens securing the Notes and the Guarantees will also be released.

8. *Registered Form; Denominations; Transfer; Exchange.*

The Notes are in registered form only without coupons in denominations of \$2,000 principal amount and any multiple of \$1,000 in excess thereof. A Holder may register the transfer or exchange of Notes in accordance with the Indenture. The Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. Pursuant to the Indenture, there are certain periods during which the Trustee will not be required to issue, register the transfer of, or exchange any Note or certain portions of a Note.

9. *Persons Deemed Owners.*

The registered Holder of this Note shall be treated as the owner of it for all purposes.

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10. *Defaults and Remedies.*

If an Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the Notes may declare all the Notes to be due and payable immediately. If a bankruptcy or insolvency default with respect to the Issuer or the Company occurs and is continuing, the Notes automatically become immediately due and payable. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. The Trustee may require indemnity satisfactory to it before it enforces the Indenture or the Notes. Subject to certain limitations, Holders of a majority in principal amount of the Notes then outstanding may direct the Trustee in its exercise of remedies.

11. *Amendment, Supplement and Waiver.*

Subject to certain exceptions, the Indenture, the Notes, the Guarantees and the Security Documents may be amended or supplemented, or future compliance therewith may be waived, with the consent of the Holders of a majority in principal amount of the outstanding Notes. Without notice to or the consent of any Holder, the Company, the Issuer, the Guarantors, the Trustee, the Collateral Agent and the Mortgage Tax Collateral Agent, as applicable, may amend or supplement the Indenture, the Notes, the Guarantees or the Security Documents to, among other things, cure any ambiguity, defect or inconsistency or if such amendment or supplement does not adversely affect the legal rights of any Holder. Without the consent of the Holders of at least 66 $\frac{2}{3}$ % in principal amount of the Notes, the Company, the Issuer, the Guarantors, the Trustee and the Collateral Agent may not effect a release of all or substantially all of the Collateral other than pursuant to the terms of the Security Documents or as otherwise permitted under the Indenture.

12. *Trustee Dealings With Issuer.*

The Trustee, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with the Issuer or its affiliates, with the same rights as if it were not Trustee; *however*, if it acquires any conflicting interest (as defined in the Trust Indenture Act), it must eliminate such conflict, apply to the Commission for permission to continue or resign.

13. *No Recourse Against Others.*

An incorporator, and any past, present or future director, officer, partner, employee or stockholder, as such, of the Issuer, the Company or the Guarantors shall not have any liability for any obligations of the Issuer, the Company or the Guarantors under the Notes, the Indenture or the Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Notes.

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14. *Governing Law.*

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

15. *CUSIP Numbers.*

Pursuant to a recommendation promulgated by the Committee on Uniform Note Identification Procedures, the Issuer has caused CUSIP numbers to be printed on the Notes, and the Trustee may use CUSIP numbers in notices as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice and reliance may be placed only on the other identification numbers placed thereon.

16. *Authentication.*

This Note is not valid until the Trustee (or Authenticating Agent) manually signs the certificate of authentication on the other side of this Note.

17. *Abbreviations.*

Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian) and U/G/M/A/ (= Uniform Gifts to Minors Act).

The Issuer will furnish a copy of the Indenture to any Holder upon written request and without charge.

[FORM OF TRANSFER NOTICE]

FOR VALUE RECEIVED the undersigned registered holder hereby sell(s), assign(s) and transfer(s) unto

Insert Social Security or Taxpayer Identification No.

Please print or typewrite name and address, including zip code, of assignee

the within Note and all rights thereunder, hereby irrevocably constituting and appointing

agent to transfer this Note on the books of the Issuer with full power of substitution in the premises.

Dated: _____

Signed: _____
(sign exactly as name appears on the other side of this Note)

Signature Guarantee(2): _____

(2) Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in the Note Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

[THE FOLLOWING PROVISION TO BE INCLUDED ON ALL CERTIFICATES BEARING A RESTRICTED LEGEND]

In connection with any transfer of this Note occurring prior to the date which is the date following the first anniversary of the original issuance of this Note, the undersigned confirms that such transfer is made without utilizing any general solicitation or general advertising in connection with the transfer and further as follows:

Check One

9 (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.

9 (2) This Note is being transferred to a non-"U.S. Person," as defined in Rule 902 of Regulation S under the Securities Act in compliance with the exemption from registration under the Securities Act of 1933, as amended, provided by Regulation S thereunder, and certification in the form of Exhibit E to the Indenture is being furnished herewith.

or

9 (3) This Note is being transferred other than in accordance with (1) or (2) above and documents are being furnished herewith which comply with the conditions of transfer set forth in this Note and the Indenture.

If none of the foregoing boxes is checked, the Trustee is not obligated to register this Note in the name of any Person other than the Holder hereof unless and until the conditions to any such transfer of registration set forth herein and in the Indenture have been satisfied.

Dated: _____

Transferor

Signed: _____

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within-mentioned instrument in every particular, without alteration or any change whatsoever.

Signature Guarantee:(3) _____

By: _____
(To be executed by an executive officer)

(3) Signatures must be guaranteed by an “**eligible guarantor institution**” meeting the requirements of the Registrar, which requirements include membership or participation in the Note Transfer Agent Medallion Program (“**STAMP**”) or such other “**signature guarantee program**” as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

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OPTION OF HOLDER TO ELECT PURCHASE

If you wish to have all of this Note purchased by the Issuer pursuant to Section 4.10 or Section 4.12 of the Indenture, check the box: 9

If you wish to have a portion of this Note purchased by the Issuer pursuant to Section 4.10 or Section 4.12 of the Indenture, state the amount (in original principal amount) below:

\$.

Date: _____

Your Signature: _____

(Sign exactly as your name appears on the other side of this Note)

Signature Guarantee:(4) _____

(4) Signatures must be guaranteed by an “**eligible guarantor institution**” meeting the requirements of the Trustee, which requirements include membership or participation in the Note Transfer Agent Medallion Program (“**STAMP**”) or such other “**signature guarantee program**” as may be determined by the Trustee in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

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SCHEDULE OF EXCHANGES OF INTERESTS IN GLOBAL NOTES(5)

The following exchanges of a part of this Global Note for Certificated Notes or an interest in another Global Note, or exchanges of a part of another Global Note or Certificated Note for an interest in this Global Note, have been made:

<u>Date of Exchange</u>	<u>Amount of decrease in principal amount of this Global Note</u>	<u>Amount of increase in principal amount of this Global Note</u>	<u>Principal amount of this Global Note following such decrease or increase</u>	<u>Signature of authorized officer of Trustee</u>

(5) For Global Notes

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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 Issuer’s 7.25% Senior Secured First Lien Notes due 2020 (the “**Notes**”), whether at maturity or on an interest payment date, by acceleration or otherwise, on the Notes, to the extent lawful, and of all other obligations of the Issuer to the Holders or the Trustee all in accordance with the terms set forth in Article 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. This Guarantee is secured by first-priority Liens on the Collateral as described in the Indenture and the Security Documents.

No past, present or future stockholder, officer, director, employee, partner or incorporator, as such, of any of the Guarantors shall have any liability under the Guarantee evidenced hereby by reason of such person’s status as stockholder, officer, director, employee, partner or incorporator. Each Holder of a

Note by accepting a Note waives and releases all such liability. This waiver and release are part of the consideration for the issuance of the Guarantee.

Each Holder of a Note by accepting a Note agrees that any Guarantor named below shall have no further liability with respect to its Guarantee if such Guarantor otherwise ceases to be liable in respect of its Guarantee in accordance with the terms of the Indenture.

The Guarantee evidenced hereby shall not be valid or obligatory for any purpose until the certificate of authentication on the Notes upon which the Guarantee is noted shall have been executed by the Trustee under the Indenture by the manual signature of one of its authorized officers.

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

ARBOR TRAILS, LLC
AUDDIE ENTERPRISES, L.L.C.
BUILDER SERVICES NJ, L.L.C.
BUILDER SERVICES PA, L.L.C.
DULLES COPPERMINE, L.L.C.
EASTERN NATIONAL TITLE AGENCY, LLC
EASTERN TITLE AGENCY, INC.
F&W MECHANICAL SERVICES, L.L.C.
FOUNDERS TITLE AGENCY OF MARYLAND, L.L.C.

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FOUNDERS TITLE AGENCY, INC.
GLENRISE GROVE, L.L.C.
GOVERNOR'S ABSTRACT CO., INC.
HOMEBUYERS FINANCIAL SERVICES, L.L.C.
HOVNANIAN DEVELOPMENTS OF FLORIDA, INC.
HOVNANIAN ENTERPRISES, INC.
HOVNANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP, L.L.C.
K. HOV IP, II, INC.
K. HOV IP, INC.
K. HOVNANIAN ACQUISITIONS, INC.
K. HOVNANIAN AT 4S, LLC
K. HOVNANIAN AT ACQUA VISTA, LLC
K. HOVNANIAN AT ALISO, LLC
K. HOVNANIAN AT ALLENTOWN, L.L.C.
K. HOVNANIAN AT ANDALUSIA, LLC
K. HOVNANIAN AT ARBOR HEIGHTS, LLC
K. HOVNANIAN AT AVENUE ONE, L.L.C.
K. HOVNANIAN AT BAKERSFIELD 463, L.L.C.
K. HOVNANIAN AT BARNEGAT I, L.L.C.
K. HOVNANIAN AT BARNEGAT II, L.L.C.
K. HOVNANIAN AT BELLA LAGO, LLC
K. HOVNANIAN AT BENSLEM, LLC
K. HOVNANIAN AT BERKELEY, L.L.C.
K. HOVNANIAN AT BLUE HERON PINES, L.L.C.
K. HOVNANIAN AT BRANCHBURG, L.L.C.
K. HOVNANIAN AT BRIDGEPORT, INC.
K. HOVNANIAN AT BRIDGEWATER I, L.L.C.
K. HOVNANIAN AT BROAD AND WALNUT, L.L.C.
K. HOVNANIAN AT CAMERON CHASE, INC.
K. HOVNANIAN AT CAMP HILL, L.L.C.
K. HOVNANIAN AT CAPISTRANO, L.L.C.
K. HOVNANIAN AT CARLSBAD, LLC
K. HOVNANIAN AT CEDAR GROVE III, L.L.C.
K. HOVNANIAN AT CEDAR GROVE V, L.L.C.
K. HOVNANIAN AT CHARTER WAY, LLC
K. HOVNANIAN AT CHESTER I, L.L.C.
K. HOVNANIAN AT CHESTERFIELD, L.L.C.
K. HOVNANIAN AT CIELO, L.L.C.
K. HOVNANIAN AT CLIFTON, L.L.C.
K. HOVNANIAN AT COASTLINE, L.L.C.
K. HOVNANIAN AT CORTEZ HILL, LLC
K. HOVNANIAN AT CRANBURY, L.L.C.
K. HOVNANIAN AT DENVILLE, L.L.C.

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K. HOVNANIAN AT DEPTFORD TOWNSHIP, L.L.C.
K. HOVNANIAN AT DOMINGUEZ HILLS, INC.

K. HOVNANIAN AT EAST BRANDYWINE, L.L.C.
K. HOVNANIAN AT EASTLAKE, LLC
K. HOVNANIAN AT EDGEWATER II, L.L.C.
K. HOVNANIAN AT EDGEWATER, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH II, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH, L.L.C.
K. HOVNANIAN AT ENCINITAS RANCH, LLC
K. HOVNANIAN AT EVERGREEN, L.L.C.
K. HOVNANIAN AT FIDDYMENT RANCH, LLC
K. HOVNANIAN AT FIFTH AVENUE, L.L.C.
K. HOVNANIAN AT FLORENCE I, L.L.C.
K. HOVNANIAN AT FLORENCE II, L.L.C.
K. HOVNANIAN AT FOREST MEADOWS, L.L.C.
K. HOVNANIAN AT FRANKLIN II, L.L.C.
K. HOVNANIAN AT FRANKLIN III, LLC
K. HOVNANIAN AT FRANKLIN, L.L.C.
K. HOVNANIAN AT FREEHOLD TOWNSHIP, L.L.C.
K. HOVNANIAN AT FRESNO, LLC
K. HOVNANIAN AT GASLAMP SQUARE, L.L.C.
K. HOVNANIAN AT GILROY, LLC
K. HOVNANIAN AT GREAT NOTCH, L.L.C.
K. HOVNANIAN AT GUTTENBERG, L.L.C.
K. HOVNANIAN AT HACKETTSTOWN II, L.L.C.
K. HOVNANIAN AT HAMBURG, L.L.C.
K. HOVNANIAN AT HAWTHORNE, L.L.C.
K. HOVNANIAN AT HERSHEY'S MILL, INC.
K. HOVNANIAN AT HIGHLAND SHORES, L.L.C.
K. HOVNANIAN AT HOWELL, LLC
K. HOVNANIAN AT HUDSON POINTE, L.L.C.
K. HOVNANIAN AT JACKSON I, L.L.C.
K. HOVNANIAN AT JACKSON, L.L.C.
K. HOVNANIAN AT JAEGER RANCH, LLC
K. HOVNANIAN AT JERSEY CITY IV, L.L.C.
K. HOVNANIAN AT JERSEY CITY V URBAN RENEWAL COMPANY, L.L.C.
K. HOVNANIAN AT KEYPORT, L.L.C.
K. HOVNANIAN AT LA COSTA GREENS, L.L.C.
K. HOVNANIAN AT LA COSTA, LLC
K. HOVNANIAN AT LA HABRA KNOLLS, LLC
K. HOVNANIAN AT LA LAGUNA, L.L.C.
K. HOVNANIAN AT LAKE RANCHO VIEJO, LLC
K. HOVNANIAN AT LAKE TERRAPIN, L.L.C.

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K. HOVNANIAN AT LAWRENCE V, L.L.C.
K. HOVNANIAN AT LEE SQUARE, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR, L.L.C.
K. HOVNANIAN AT LONG HILL, L.L.C.
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LOWER MAKEFIELD TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MORELAND I, L.L.C.
K. HOVNANIAN AT LOWER MORELAND II, L.L.C.
K. HOVNANIAN AT MAHWAH VI, INC.
K. HOVNANIAN AT MALAN PARK, L.L.C.
K. HOVNANIAN AT MANALAPAN III, L.L.C.
K. HOVNANIAN AT MANSFIELD I, L.L.C.
K. HOVNANIAN AT MANSFIELD II, L.L.C.
K. HOVNANIAN AT MANSFIELD III, L.L.C.
K. HOVNANIAN AT MANTECA, LLC
K. HOVNANIAN AT MAPLE AVENUE, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP IX, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP V, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP VIII, L.L.C.
K. HOVNANIAN AT MARLBORO VI, L.L.C.
K. HOVNANIAN AT MARLBORO VII, L.L.C.
K. HOVNANIAN AT MELANIE MEADOWS, LLC
K. HOVNANIAN AT MENDHAM TOWNSHIP, L.L.C.
K. HOVNANIAN AT MENIFEE, LLC
K. HOVNANIAN AT MIDDLE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT MIDDLE TOWNSHIP, L.L.C.

K. HOVNANIAN AT MIDDLETOWN II, L.L.C.
K. HOVNANIAN AT MILLVILLE I, L.L.C.
K. HOVNANIAN AT MILLVILLE II, L.L.C.
K. HOVNANIAN AT MONROE II, INC.
K. HOVNANIAN AT MONROE IV, L.L.C.
K. HOVNANIAN AT MONROE NJ, L.L.C.
K. HOVNANIAN AT MONTVALE II, LLC
K. HOVNANIAN AT MONTVALE, L.L.C.
K. HOVNANIAN AT MOSAIC, LLC
K. HOVNANIAN AT MUIRFIELD, LLC
K. HOVNANIAN AT NEW WINDSOR, L.L.C.
K. HOVNANIAN AT NORTH BERGEN. L.L.C.
K. HOVNANIAN AT NORTH BRUNSWICK VI, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL II, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL III, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL IV, L.L.C.
K. HOVNANIAN AT NORTH HALEDON, L.L.C.

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K. HOVNANIAN AT NORTH WILDWOOD, L.L.C.
K. HOVNANIAN AT NORTHAMPTON, L.L.C.
K. HOVNANIAN AT NORTHERN WESTCHESTER, INC.
K. HOVNANIAN AT NORTHFIELD, L.L.C.
K. HOVNANIAN AT OCEAN TOWNSHIP, INC
K. HOVNANIAN AT OCEAN WALK, INC.
K. HOVNANIAN AT OCEANPORT, L.L.C.
K. HOVNANIAN AT OLD BRIDGE, L.L.C.
K. HOVNANIAN AT OLDE ORCHARD, LLC
K. HOVNANIAN AT PARAMUS, L.L.C.
K. HOVNANIAN AT PARK LANE, LLC
K. HOVNANIAN AT PARKSIDE, LLC
K. HOVNANIAN AT PARSIPPANY, L.L.C.
K. HOVNANIAN AT PARSIPPANY-TROY HILLS, L.L.C.
K. HOVNANIAN AT PIAZZA D'ORO, L.L.C.
K. HOVNANIAN AT PIAZZA SERENA, L.L.C
K. HOVNANIAN AT PITTSBORO, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL IV, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL V, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VI, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VII, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VIII, L.L.C.
K. HOVNANIAN AT POSITANO, LLC
K. HOVNANIAN AT PRADO, L.L.C.
K. HOVNANIAN AT RANCHO SANTA MARGARITA, LLC
K. HOVNANIAN AT RANDOLPH I, L.L.C.
K. HOVNANIAN AT RAPHO, L.L.C
K. HOVNANIAN AT RIDGEMONT, L.L.C.
K. HOVNANIAN AT RIVERBEND, LLC
K. HOVNANIAN AT RODERUCK, L.L.C.
K. HOVNANIAN AT ROSEMARY LANTANA, L.L.C.
K. HOVNANIAN AT SAGE, L.L.C.
K. HOVNANIAN AT SANTA NELLA, LLC
K. HOVNANIAN AT SAWMILL, INC.
K. HOVNANIAN AT SAYREVILLE, L.L.C.
K. HOVNANIAN AT SCOTCH PLAINS, L.L.C.
K. HOVNANIAN AT SEASONS LANDING, LLC
K. HOVNANIAN AT SHELDON GROVE, LLC
K. HOVNANIAN AT SHREWSBURY, LLC
K. HOVNANIAN AT SILVER SPRING, L.L.C.
K. HOVNANIAN AT SKYE ISLE, LLC
K. HOVNANIAN AT SMITHVILLE, INC.
K. HOVNANIAN AT SOMERS POINT, L.L.C.
K. HOVNANIAN AT SOUTH BRUNSWICK II, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK, L.L.C.

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K. HOVNANIAN AT STANTON, LLC
K. HOVNANIAN AT STATION SQUARE, L.L.C.
K. HOVNANIAN AT SUNRIDGE PARK, LLC
K. HOVNANIAN AT SYCAMORE, INC.

K. HOVNIANIAN AT THE CROSBY, LLC
K. HOVNIANIAN AT THE GABLES, LLC
K. HOVNIANIAN AT THE MONARCH, L.L.C.
K. HOVNIANIAN AT THE PRESERVE, LLC
K. HOVNIANIAN AT THOMPSON RANCH, LLC
K. HOVNIANIAN AT THORNBURY, INC.
K. HOVNIANIAN AT TRAIL RIDGE, LLC
K. HOVNIANIAN AT UPPER FREEHOLD TOWNSHIP II, L.L.C.
K. HOVNIANIAN AT UPPER FREEHOLD TOWNSHIP III, L.L.C.
K. HOVNIANIAN AT UPPER MAKEFIELD I, INC.
K. HOVNIANIAN AT UPPER PROVIDENCE, LLC
K. HOVNIANIAN AT UPPER UWCHLAN II, L.L.C.
K. HOVNIANIAN AT UPPER UWCHLAN, L.L.C.
K. HOVNIANIAN AT VALLE DEL SOL, LLC
K. HOVNIANIAN AT VERONA URBAN RENEWAL, L.L.C.
K. HOVNIANIAN AT VICTORVILLE, L.L.C.
K. HOVNIANIAN AT VINELAND, L.L.C.
K. HOVNIANIAN AT VISTA DEL SOL, L.L.C.
K. HOVNIANIAN AT WARREN TOWNSHIP, L.L.C.
K. HOVNIANIAN AT WASHINGTON, L.L.C.
K. HOVNIANIAN AT WATERSTONE, LLC
K. HOVNIANIAN AT WAYNE IX, L.L.C.
K. HOVNIANIAN AT WAYNE, VIII, L.L.C.
K. HOVNIANIAN AT WEST VIEW ESTATES, L.L.C.
K. HOVNIANIAN AT WEST WINDSOR, L.L.C.
K. HOVNIANIAN AT WESTSHORE, LLC
K. HOVNIANIAN AT WHEELER RANCH, LLC
K. HOVNIANIAN AT WILDWOOD BAYSIDE, L.L.C.
K. HOVNIANIAN AT WILLOW BROOK, L.L.C.
K. HOVNIANIAN AT WINCHESTER, LLC
K. HOVNIANIAN AT WOODCREEK WEST, LLC
K. HOVNIANIAN AT WOOLWICH I, L.L.C.
K. HOVNIANIAN CAMBRIDGE HOMES, L.L.C.
K. HOVNIANIAN CENTRAL ACQUISITIONS, L.L.C.
K. HOVNIANIAN CLASSICS, L.L.C.
K. HOVNIANIAN COMMUNITIES, INC.
K. HOVNIANIAN COMPANIES OF CALIFORNIA, INC.
K. HOVNIANIAN COMPANIES OF MARYLAND, INC.
K. HOVNIANIAN COMPANIES OF NEW YORK, INC.
K. HOVNIANIAN COMPANIES OF PENNSYLVANIA, INC.
K. HOVNIANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.

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K. HOVNIANIAN COMPANIES, LLC
K. HOVNIANIAN CONSTRUCTION II, INC
K. HOVNIANIAN CONSTRUCTION III, INC
K. HOVNIANIAN CONSTRUCTION MANAGEMENT, INC.
K. HOVNIANIAN CRAFTBUILT HOMES OF SOUTH CAROLINA, L.L.C.
K. HOVNIANIAN DEVELOPMENTS OF ARIZONA, INC.
K. HOVNIANIAN DEVELOPMENTS OF CALIFORNIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF D.C., INC.
K. HOVNIANIAN DEVELOPMENTS OF DELAWARE, INC.
K. HOVNIANIAN DEVELOPMENTS OF GEORGIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF ILLINOIS, INC.
K. HOVNIANIAN DEVELOPMENTS OF KENTUCKY, INC.
K. HOVNIANIAN DEVELOPMENTS OF MARYLAND, INC.
K. HOVNIANIAN DEVELOPMENTS OF MINNESOTA, INC.
K. HOVNIANIAN DEVELOPMENTS OF NEW JERSEY II, INC.
K. HOVNIANIAN DEVELOPMENTS OF NEW JERSEY, INC.
K. HOVNIANIAN DEVELOPMENTS OF NEW YORK, INC.
K. HOVNIANIAN DEVELOPMENTS OF NORTH CAROLINA, INC.
K. HOVNIANIAN DEVELOPMENTS OF OHIO, INC.
K. HOVNIANIAN DEVELOPMENTS OF PENNSYLVANIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.
K. HOVNIANIAN DEVELOPMENTS OF TEXAS, INC.
K. HOVNIANIAN DEVELOPMENTS OF VIRGINIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF WEST VIRGINIA, INC.
K. HOVNIANIAN EASTERN PENNSYLVANIA, L.L.C.
K. HOVNIANIAN ENTERPRISES, INC.
K. HOVNIANIAN ESTATES AT REGENCY, L.L.C.
K. HOVNIANIAN FAIRWAYS AT WESTWORTH, LLC
K. HOVNIANIAN FIRST HOMES, L.L.C.
K. HOVNIANIAN FLORIDA REALTY, L.L.C.

K. HOVNANIAN FOUR SEASONS @ HISTORIC VIRGINIA, LLC
K. HOVNANIAN FOUR SEASONS AT GOLD HILL, LLC
K. HOVNANIAN GREAT WESTERN BUILDING COMPANY, LLC
K. HOVNANIAN GREAT WESTERN HOMES, LLC
K. HOVNANIAN HAMPTONS AT OAK CREEK II, L.L.C.
K. HOVNANIAN HOLDINGS NJ, L.L.C.
K. HOVNANIAN HOMES - DFW, L.L.C.
K. HOVNANIAN HOMES AT CAMERON STATION, LLC
K. HOVNANIAN HOMES AT CAMP SPRINGS, L.L.C.
K. HOVNANIAN HOMES AT FAIRWOOD, L.L.C.
K. HOVNANIAN HOMES AT FOREST RUN, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM PARK TOWNS, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM, L.L.C.
K. HOVNANIAN HOMES AT JONES STATION 1, L.L.C.
K. HOVNANIAN HOMES AT MAXWELL PLACE, L.L.C.

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K. HOVNANIAN HOMES AT RENAISSANCE PLAZA, L.L.C.
K. HOVNANIAN HOMES AT RUSSETT, L.L.C.
K. HOVNANIAN HOMES AT THE HIGHLANDS, LLC
K. HOVNANIAN HOMES NORTHERN CALIFORNIA, INC.
K. HOVNANIAN HOMES OF D.C., L.L.C.
K. HOVNANIAN HOMES OF DELAWARE, L.L.C.
K. HOVNANIAN HOMES OF GEORGIA, L.L.C.
K. HOVNANIAN HOMES OF HOUSTON, L.L.C.
K. HOVNANIAN HOMES OF MARYLAND, L.L.C.
K. HOVNANIAN HOMES OF MINNESOTA, L.L.C.
K. HOVNANIAN HOMES OF NORTH CAROLINA, INC.
K. HOVNANIAN HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN HOMES OF SOUTH CAROLINA, LLC
K. HOVNANIAN HOMES OF VIRGINIA, INC.
K. HOVNANIAN HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN LIBERTY ON BLUFF CREEK, LLC
K. HOVNANIAN MANALAPAN ACQUISITION, LLC
K. HOVNANIAN NORTH CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTHEAST SERVICES, L.L.C.
K. HOVNANIAN OF HOUSTON II, L.L.C.
K. HOVNANIAN OHIO REALTY, L.L.C.
K. HOVNANIAN OSTER HOMES, L.L.C.
K. HOVNANIAN PA REAL ESTATE, INC.
K. HOVNANIAN PENNSYLVANIA ACQUISITIONS, L.L.C.
K. HOVNANIAN PORT IMPERIAL URBAN RENEWAL, INC.
K. HOVNANIAN PROPERTIES OF RED BANK, INC.
K. HOVNANIAN SHORE ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTHERN NEW JERSEY, L.L.C.
K. HOVNANIAN STANDING ENTITY, L.L.C.
K. HOVNANIAN SUMMIT HOLDINGS, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF KENTUCKY, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES, L.L.C.
K. HOVNANIAN T&C HOMES AT FLORIDA, L.L.C.
K. HOVNANIAN T&C HOMES AT ILLINOIS, L.L.C.
K. HOVNANIAN TIMBRES AT ELM CREEK, LLC
K. HOVNANIAN VENTURE I, L.L.C.
K. HOVNANIAN WINDWARD HOMES, LLC
K. HOVNANIAN'S FOUR SEASONS AT ASHBURN VILLAGE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT BAKERSFIELD, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT BEAUMONT, LLC
K. HOVNANIAN'S FOUR SEASONS AT CHARLOTTESVILLE, L.L.C.

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K. HOVNANIAN'S FOUR SEASONS AT HEMET, LLC
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND CONDOMINIUMS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT LOS BANOS, LLC
K. HOVNANIAN'S FOUR SEASONS AT MORENO VALLEY, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT NEW KENT VINEYARDS, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT PALM SPRINGS, LLC
K. HOVNANIAN'S FOUR SEASONS AT RENAISSANCE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK II, LLC
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT SILVER MAPLE FARM, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT ST. MARGARETS LANDING, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT VINT HILL, L.L.C.
K. HOVNANIAN'S FOUR SEASONS, LLC
K. HOVNANIAN'S PARKSIDE AT TOWNGATE, L.L.C.
KHIP, L.L.C.
LANDARAMA, INC.
M&M AT CHESTERFIELD, LLC
M&M AT CRESCENT COURT, L.L.C.
M&M AT WEST ORANGE, L.L.C.
M&M AT WHEATENA URBAN RENEWAL, L.L.C.
MATZEL & MUMFORD AT EGG HARBOR, L.L.C.
MATZEL & MUMFORD AT SOUTH BOUND BROOK URBAN RENEWAL, L.L.C.
MCNJ, INC.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF PENNSYLVANIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF WEST VIRGINIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES, L.L.C.
MMIP, L.L.C.
NEW LAND TITLE AGENCY OF TEXAS, LLC
NEW LAND TITLE AGENCY, L.L.C.
PADDOCKS, L.L.C.
PARK TITLE COMPANY, LLC
PINE AYR, LLC
RIDGEMORE UTILITY, L.L.C.
SEABROOK ACCUMULATION CORPORATION
STONEBROOK HOMES, INC.
TERRAPIN REALTY, L.L.C.
THE MATZEL & MUMFORD ORGANIZATION, INC
WASHINGTON HOMES AT COLUMBIA TOWN CENTER, L.L.C.
WASHINGTON HOMES, INC.
WESTMINSTER HOMES, INC.
WH PROPERTIES, INC.
WOODLAND LAKE CONDOMINIUMS AT BOWIE NEW TOWN, L.L.C.

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By: _____
Name:
Title: Authorized Officer

[This Guarantee relates to K. Hovnanian Enterprises, Inc.'s 7.25% Senior Secured First Lien Notes due 2020 — CUSIP No.:]

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EXHIBIT B

SUPPLEMENTAL INDENTURE

dated as of _____,

among

K. HOVNANIAN ENTERPRISES, INC.,

HOVNANIAN ENTERPRISES, INC.,

The Other Guarantors Party Hereto

and

WILMINGTON TRUST, NATIONAL ASSOCIATION

as Trustee and Collateral Agent

THIS [] SUPPLEMENTAL INDENTURE (this “[] **Supplemental Indenture**”), entered into as of , , among K. Hovnanian Enterprises, Inc., a California corporation (the “**Issuer**”), Hovnanian Enterprises, Inc., a Delaware corporation (the “**Company**”), [list each new guarantor and its jurisdiction of incorporation] (each an “**Undersigned**”) and Wilmington Trust, National Association, a national banking association, as Trustee (the “**Trustee**”) and as Collateral Agent (the “**Collateral Agent**”).

RECITALS

WHEREAS, the Issuer, Company, the other Guarantors party thereto, the Trustee and the Collateral Agent entered into an indenture, dated as of October 2, 2012 (the “**Indenture**”), relating to the Issuer’s 7.25% Senior Secured First Lien Notes due 2020 (the “**Notes**”);

WHEREAS, as a condition to the purchase of the Notes by the Holders, the Company agreed pursuant to the Indenture to cause any newly acquired or created Restricted Subsidiaries to provide Guarantees.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained and intending to be legally bound, the parties hereto hereby agree as follows:

SECTION 1. Capitalized terms used herein and not otherwise defined herein are used as defined in the Indenture.

SECTION 2. Each Undersigned, by its execution of this [] Supplemental Indenture, agrees to be a Guarantor under the Indenture and to be bound by the terms of the Indenture applicable to Guarantors, including, but not limited to, Article 6 thereof.

SECTION 3. This [] Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 4. This [] Supplemental Indenture may be signed in various counterparts which together shall constitute one and the same instrument.

SECTION 5. This [] Supplemental Indenture is an amendment supplemental to the Indenture and the Indenture and this [] Supplemental Indenture shall henceforth be read together.

SECTION 6. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental

Indenture or for or in respect of the Recitals contained herein, all of which are made solely by the Issuer, the Company and each of the undersigned.

IN WITNESS WHEREOF, the parties hereto have caused this [] Supplemental Indenture to be duly executed as of the date first above written.

K. HOVNANIAN ENTERPRISES, INC., as Issuer

By: _____
Name:
Title:

HOVNANIAN ENTERPRISES, INC.

By: _____
Name:
Title:

[GUARANTOR]

By: _____
Name:
Title:

By: _____

Name:

Title:

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EXHIBIT C

RESTRICTED LEGEND

THIS NOTE (OR ITS PREDECESSOR) HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT AS SET FORTH IN THE NEXT SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER:

(1) REPRESENTS THAT (A) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) (A “**QIB**”), (B) IT HAS ACQUIRED THIS NOTE IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT OR (C) IT IS AN INSTITUTIONAL “ACCREDITED INVESTOR” (AS DEFINED IN RULE 501(a)(1), (2), (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT) (AN “**IAI**”),

(2) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN, EXCEPT (A) TO THE ISSUER, THE COMPANY OR ANY OF ITS SUBSIDIARIES, (B) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (C) IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR 904 OF REGULATION S OF THE SECURITIES ACT, (D) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT, (E) TO AN IAI THAT, PRIOR TO SUCH TRANSFER, FURNISHES THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE TRANSFER OF THIS NOTE (THE FORM OF WHICH CAN BE OBTAINED FROM THE TRUSTEE) AND, IF SUCH TRANSFER IS IN RESPECT OF AN AGGREGATE PRINCIPAL AMOUNT OF NOTES LESS THAN \$250,000, AN OPINION OF COUNSEL ACCEPTABLE TO THE ISSUER AND THE TRUSTEE THAT SUCH TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT, (F) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL ACCEPTABLE TO THE ISSUER AND THE TRUSTEE) OR (G) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH CASE, IN ACCORDANCE

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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 NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“**DTC**”), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS A BENEFICIAL INTEREST HEREIN.

THIS NOTE IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED. TRANSFERS OF THIS GLOBAL NOTE ARE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, BY DTC TO A NOMINEE OF DTC OR BY A NOMINEE OF DTC TO DTC OR ANOTHER NOMINEE OF DTC OR BY DTC OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY AND TRANSFERS OF PORTIONS OF THIS GLOBAL NOTE ARE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE TRANSFER PROVISIONS OF THE INDENTURE.

Regulation S Certificate

To: Wilmington Trust, National Association
 Rodney Square North
 1100 North Market Street
 Wilmington, DE 19890-1600
 Facsimile: 302-636-4149
 Attention: Corporate Client Services

Re: K. Hovnanian Enterprises, Inc.
 7.25% Senior Secured First Lien Notes due 2020 (the "Notes")
 Issued under the Indenture (the "Indenture") dated as
 as of October 2, 2012 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.]

o 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

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on our behalf reasonably believed that the buyer was outside the United States or (b) the transaction was executed in, on or through the facilities of a designated offshore securities market, and neither we nor any person acting on our behalf knows that the transaction was pre-arranged with a buyer in the United States.

3. Neither we, any of our affiliates, nor any person acting on our or their behalf has made any directed selling efforts in the United States with respect to the Notes.
 4. The proposed transfer of Notes is not part of a plan or scheme to evade the registration requirements of the Securities Act.
 5. If we are a dealer or a person receiving a selling concession, fee or other remuneration in respect of the Notes, and the proposed transfer takes place during the Restricted Period (as defined in the Indenture), or we are an officer or director of the Company or an Initial Purchaser (as defined in the Indenture), we certify that the proposed transfer is being made in accordance with the provisions of Rule 904(b) of Regulation S.
- o 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

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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 Issuer are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

[NAME OF SELLER (FOR TRANSFERS) OR OWNER (FOR EXCHANGES)]

By: _____

Name:
Title:
Address:

Date: _____

Upon transfer of certificated Notes, the Notes would be registered in the name of the new beneficial owner as follows:

By: _____

Date: _____

Taxpayer ID number: _____

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EXHIBIT F

Rule 144A Certificate

To: Wilmington Trust, National Association
Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1600
Facsimile: 302-636-4149
Attention: Corporate Client Services

Re: K. Hovnanian Enterprises, Inc.
7.25% Senior Secured First Lien Notes due 2020 (the "**Notes**")
Issued under the Indenture (the "**Indenture**") dated as
as of October 2, 2012 relating to the Notes

Ladies and Gentlemen:

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 transfer or exchange of \$ _____ principal amount of Notes issued under the Indenture for an equal principal amount of Notes to be held by us.

We and, if applicable, each account for which we are acting, are a qualified institutional buyer within the meaning of Rule 144A ("**Rule 144A**") under the Securities Act of 1933, as amended (the "**Securities Act**"). If we are acting on behalf of an account, we exercise sole investment discretion with respect to such account. We are aware that the transfer of Notes to us, or such exchange, as applicable, is being made in reliance upon the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. Prior to the date of this Certificate we have received such information regarding the Company as we have requested pursuant to Rule 144A(d)(4) or have determined not to request such information.

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You and the Issuer are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

[NAME OF PURCHASER (FOR TRANSFERS) OR OWNER (FOR EXCHANGES)]

By: _____
Name:
Title:
Address:

Date: _____

Upon transfer of certificated Notes, the Notes would be registered in the name of the new beneficial owner as follows:

By: _____

Date: _____

Taxpayer ID number: _____

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EXHIBIT G

Institutional Accredited Investor Certificate

To: Wilmington Trust, National Association
Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1600
Facsimile: 302-636-4149
Attention: Corporate Client Services

Re: K. Hovnanian Enterprises, Inc.
7.25% Senior Secured First Lien Notes due 2020 (the "Notes")
Issued under the Indenture (the "Indenture") dated as
as of October 2, 2012 relating to the Notes

Ladies and Gentlemen:

This Certificate relates to:

[CHECK A, B OR C AS APPLICABLE.]

- o A. Our proposed purchase of \$ principal amount of Notes issued under the Indenture.
- o B. Our proposed purchase of \$ principal amount of a beneficial interest in a Global Note
- o C. Our proposed transfer or exchange of \$ principal amount of Notes issued under the Indenture for an equal principal amount of Notes to be held by us.

We hereby confirm that:

1. We are an institutional "accredited investor" as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act of 1933, as amended (the "Securities Act") (an "Institutional Accredited Investor").
2. Any acquisition of Notes by us will be for our own account or for the account of one or more other Institutional Accredited Investors as to which we exercise sole investment discretion.

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3. We have such knowledge and experience in financial and business matters that we are capable of evaluating the merits and risks of an investment in the Notes and we and any accounts for which we are acting are able to bear the economic risks of and an entire loss of our or their investment in the Notes.
4. We are not acquiring the Notes or beneficial interest therein with a view to any distribution thereof in a transaction that would violate the Securities Act or the securities laws of any State of the United States or any other applicable jurisdiction; *provided*,

that the disposition of our property and the property of any accounts for which we are acting as fiduciary will remain at all times within our and their control.

5. We acknowledge that the Notes have not been registered under the Securities Act and that the Notes may not be offered or sold within the United States or to or for the benefit of U.S. persons except as set forth below.
6. The principal amount of Notes to which this Certificate relates is at least equal to \$250,000.

We agree for the benefit of the Issuer and the Guarantors, on our own behalf and on behalf of each account for which we are acting, that we will not resell or otherwise transfer this Note or any beneficial interest herein except (A) to the Issuer, the Company or any of its subsidiaries, (B) to a person whom we reasonably believe is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (C) in an offshore transaction meeting the requirements of Rule 903 or 904 of Regulation S of the Securities Act, (D) in a transaction meeting the requirements of Rule 144 under the Securities Act, (E) to an Institutional Accredited Investor that, prior to such transfer, furnishes the Trustee a signed letter containing certain representations and agreements relating to the transfer of the Notes (the form of which can be obtained from the Trustee) and, if such transfer is in respect of an aggregate principal amount of Notes less than \$250,000, an opinion of counsel acceptable to the Issuer and the Trustee that such transfer is in compliance with the Securities Act, (F) in accordance with another exemption from the registration requirements of the Securities Act (and based upon an opinion of counsel acceptable to the Issuer and the Trustee) or (G) pursuant to an effective Registration Statement and, in each case, in accordance with the applicable securities laws of any state of the United States or any other applicable jurisdiction.

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Prior to the registration of any transfer or exchange, we acknowledge that the Issuer reserves the right to require the delivery of such legal opinions, certifications or other evidence as may reasonably be required in order to determine that the proposed transfer or exchange is being made in compliance with the Securities Act and applicable state securities laws. We acknowledge that no representation is made as to the availability of any Rule 144 exemption from the registration requirements of the Securities Act.

We understand that the Trustee will not be required to accept for registration of transfer or exchange any Notes acquired by us, except upon presentation of evidence satisfactory to the Issuer and the Trustee that the foregoing restrictions on transfer have been complied with. We further agree to deliver to each person acquiring any of the Notes or any beneficial interest therein from us a notice advising such person that resales of the Notes are restricted as stated herein.

We agree to notify you promptly in writing if any of our acknowledgments, representations or agreements herein ceases to be accurate and complete.

We represent to you that we have full power to make the foregoing acknowledgments, representations and agreements on our own behalf and on behalf of any account for which we are acting.

You and the Issuer are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

[NAME OF PURCHASER (FOR TRANSFERS) OR OWNER (FOR EXCHANGES)]

By: _____

Name:
Title:
Address:

Date: _____

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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: _____

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[FORM I]

Certificate of Beneficial Ownership

To: Wilmington Trust, National Association
Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1600
Facsimile: 302-636-4149
Attention: Corporate Client Services

[Euroclear Bank S.A./N.V., as operator of the Euroclear System] OR

[Clearstream Banking, *société anonyme*]

Re: K. Hovnanian Enterprises, Inc.
7.25% Senior Secured First Lien Notes due 2020 (the "Notes")
Issued under the Indenture (the "Indenture") dated as
as of October 2, 2012 relating to the Notes

Ladies and Gentlemen:

We are the beneficial owner of \$ _____ principal amount of Notes issued under the Indenture and represented by a Regulation S Temporary Global Note (as defined in the Indenture).

[CHECK A OR B AS APPLICABLE.]

- o A. We are a non-U.S. person (within the meaning of Regulation S under the Securities Act of 1933, as amended).
- o B. We are a U.S. person (within the meaning of Regulation S under the Securities Act of 1933, as amended) that purchased the Notes in a transaction that did not require registration under the Securities Act of 1933, as amended.

You and the Issuer are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

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Very truly yours,

[NAME OF BENEFICIAL OWNER]

By: _____

Name:
Title:
Address:

Date: _____

[FORM II]

Certificate of Beneficial Ownership

To: Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1600
Facsimile: 302-636-4149
Attention: Corporate Client Services

Re: K. Hovnanian Enterprises, Inc.
7.25% Senior Secured First Lien Notes due 2020 (the "Notes")
Issued under the Indenture (the "Indenture") dated as
as of October 2, 2012 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.

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We further certify that (i) we are not submitting herewith for exchange any portion of such Regulation S Temporary Global Note excepted in such Member Organization certifications and (ii) as of the date hereof we have not received any notification from any Member Organization to the effect that the statements made by such Member Organization with respect to any portion of such Regulation S Temporary Global Note submitted herewith for exchange are no longer true and cannot be relied upon as of the date hereof.

You and the Issuer are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Yours faithfully,

[EUROCLEAR BANK S.A./N.V., as operator of the Euroclear System]

OR

[CLEARSTREAM BANKING, *société anonyme*]

By: _____

Name:

Title:

Address:

Date: _____

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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 CERTIFICATED NOTES OTHER THAN A PERMANENT GLOBAL NOTE IN ACCORDANCE WITH THE TERMS OF THE INDENTURE. TERMS IN THIS LEGEND ARE USED AS USED IN REGULATION S UNDER THE SECURITIES ACT.

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EXHIBIT J

UNRESTRICTED SUBSIDIARIES

77 HUDSON STREET JOINT DEVELOPMENT, L.L.C.
AG/HOV DELRAY HOLDINGS, L.L.C.
AG/HOV DELRAY, L.L.C.
AMBER RIDGE, LLC
COBBLESTONE SQUARE DEVELOPMENT, L.L.C.
FIRST MORTGAGE LENDERS OF FLORIDA, L.L.C.
GTIS-HOV DULLES PARKWAY PARENT LLC
GTIS-HOV FESTIVAL LAKES LLC
GTIS-HOV GREENFIELD CROSSING PARENT LLC
GTIS-HOV HOLDINGS LLC
GTIS-HOV LEELAND STATION LLC
GTIS-HOV POSITANO LLC
GTIS-HOV RANCHO 79 LLC
GTIS-HOV RESIDENCES AT DULLES PARKWAY LLC
GTIS-HOV RESIDENCES AT GREENFIELD CROSSING LLC
GTIS-HOV VILLAGES AT PEPPER MILL LLC
GTIS-HOV WARMINSTER LLC
HERITAGE PINES, L.L.C.
HEXTER-FAIR LAND TITLE COMPANY I, INC.

HOMEBUYERS FINANCIAL USA, LLC
HOVSITE CATALINA LLC
HOVSITE CHURCHILL CLUB LLC
HOVSITE CIDER GROVE LLC
HOVSITE FIRENZE LLC
HOVSITE FLORIDA HOLDINGS LLC
HOVSITE GREENWOOD MANOR LLC
HOVSITE HOLDINGS LLC
HOVSITE HUNT CLUB LLC
HOVSITE ILLINOIS HOLDINGS LLC
HOVSITE IRISH PRAIRIE LLC
HOVSITE LIBERTY LAKES LLC
HOVSITE MONTEVERDE 1 & 2 LLC
HOVSITE MONTEVERDE 3 & 4 LLC
HOVSITE PROVIDENCE LLC
HOVSITE SOUTHAMPTON LLC
HOVWEST LAND ACQUISITION, LLC
K. HOVNANIAN 77 HUDSON STREET INVESTMENTS, L.L.C.
K. HOVNANIAN AMERICAN MORTGAGE, L.L.C.
K. HOVNANIAN AT 77 HUDSON STREET URBAN RENEWAL COMPANY, L.L.C.

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K. HOVNANIAN AT COBBLESTONE SQUARE CONDOMINIUMS, L.L.C.
K. HOVNANIAN AT DELRAY BEACH, L.L.C.
K. HOVNANIAN AT EAGLE HEIGHTS, LLC
K. HOVNANIAN AT MANALAPAN II, L.L.C.
K. HOVNANIAN AT PHILADELPHIA I, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL II, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL III, L.L.C.
K. HOVNANIAN AT RIVER HILLS, LLC
K. HOVNANIAN AT TRENTON II, L.L.C.
K. HOVNANIAN AT TRENTON URBAN RENEWAL, L.L.C.
K. HOVNANIAN AT WALDWICK, LLC
K. HOVNANIAN BUILDING COMPANY, LLC
K. HOVNANIAN COMPANIES OF ARIZONA, LLC
K. HOVNANIAN GT INVESTMENT, L.L.C.
K. HOVNANIAN HOMES AT WILLOWSFORD GRANGE, LLC
K. HOVNANIAN HOMES OF DELAWARE I, LLC
K. HOVNANIAN HOMES OF FLORIDA I, LLC
K. HOVNANIAN HOMES OF MARYLAND I, LLC
K. HOVNANIAN HOMES OF VIRGINIA I, LLC
K. HOVNANIAN HOVWEST HOLDINGS, L.L.C.
K. HOVNANIAN INVESTMENTS, L.L.C.
K. HOVNANIAN JV HOLDINGS, L.L.C.
K. HOVNANIAN JV SERVICES COMPANY, L.L.C.
K. HOVNANIAN M.E. INVESTMENTS, LLC
K. HOVNANIAN MANALAPAN INVESTMENT, L.L.C.
K. HOVNANIAN NASSAU GROVE HOLDINGS, L.L.C.
LAUREL HIGHLANDS, LLC
M&M AT MONROE WOODS, L.L.C.
MILLENNIUM TITLE AGENCY, LTD.
MM-BEACHFRONT NORTH I, L.L.C.
MM-BEACHFRONT NORTH II, L.L.C.
MSHOV HOLDING COMPANY, L.L.C.
NASSAU GROVE ENTERPRISES, L.L.C.
NORTH MANATEE, L.L.C.
OLD CITY DELAWARE, L.L.C.
OLD CITY DEVELOPMENT, INC.
OLD CITY JOINT DEVELOPMENT, L.L.C.
PRESTON GRANDE HOMES, INC.
RR HOUSTON DEVELOPERS, LLC
RR HOUSTON DEVELOPMENT, L.P.
TOWN HOMES AT MONTGOMERY, L.L.C.
WHI-REPUBLIC, LLC
WOODMORE RESIDENTIAL, L.L.C.
WTC VENTURES, L.L.C.

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EXCERPT FROM SECOND LIEN INDENTURE

Capitalized terms used in this Exhibit K shall have the meanings given to them in the Second Lien Indenture.

“Permitted Liens” means [...]

(i) Liens on the Collateral and other assets not constituting Collateral pursuant to clause (a) of the definition of “Excluded Property” securing:

(a)(i) the First Lien Notes (other than Additional Notes (as defined in the First Lien Indenture)), the First Lien Guarantees thereof and other Obligations under the First Lien Indenture and the security documents in respect thereof and any obligations owing to the First Lien Trustee or the First Lien Collateral Agent under the First Lien Indenture or the security documents in respect thereof, (ii) other Indebtedness otherwise permitted to be incurred under this Indenture (and all Obligations in respect thereof), *provided* that the Indebtedness so secured pursuant to this clause (a)(ii), when taken together with any Indebtedness secured pursuant to this clause (a) (other than pursuant to clauses (a)(iii) and (v) below), in each case, outstanding at the time such other Indebtedness is incurred and so secured, does not exceed \$577.0 million, (iii) Indebtedness permitted to be incurred under this Indenture so long as on a *pro forma* basis after giving effect to the incurrence of such Indebtedness, the Collateral Ratio is at least 175%, (iv) any Refinancing Indebtedness (including pursuant to Credit Facilities) in respect of Indebtedness incurred and secured pursuant to clauses (a)(i), (a)(ii) and (a)(iii), and (v) Indebtedness incurred pursuant to clause (l) of the definition of “Permitted Indebtedness” (and Obligations in respect thereof), *provided* that the Liens securing any Indebtedness (or Obligations in respect thereof) incurred pursuant to this clause (a) may rank senior, equal or junior to the Liens securing the Notes;

(b)(i) the Notes (other than Additional Notes), the Guarantees thereof and other Obligations under this Indenture and the Security Documents in respect thereof and any obligations owing to the Trustee or the Collateral Agent under this Indenture or the Security Documents in respect thereof, (ii) other Indebtedness otherwise permitted to be incurred under this Indenture (and all Obligations in respect thereof), *provided* that the Indebtedness so secured pursuant to this clause (b)(ii), when taken together with any Indebtedness secured pursuant to clause (a)(other than clauses (a)(iii) and (v) thereof) and this clause (b) outstanding at the time such other Indebtedness is incurred and so secured, does not exceed an amount equal to (x) \$577.0 million *plus* (y) \$220.0 million and (iii) any Refinancing Indebtedness (including pursuant to Credit Facilities) in respect of Indebtedness incurred and secured pursuant to clauses (b) (i) and (b)(ii); *provided* that the Liens securing any Indebtedness (or Obligations in respect thereof) incurred pursuant to this clause (b) shall rank equally with or junior to the Liens securing the Notes; and

(c) any other Indebtedness permitted to be incurred under this Indenture (and all Obligations in respect thereof); *provided* that the Liens securing Indebtedness referred to in this clause (c) rank junior to the Liens on the Collateral securing the Notes pursuant to an intercreditor agreement

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that is substantially similar to the Intercreditor Agreement (with the Notes being treated as senior priority obligations thereunder);

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K. HOVNIANIAN ENTERPRISES, INC.,
as Issuer

HOVNIANIAN ENTERPRISES, INC.
and
the other Guarantors party hereto

and

WILMINGTON TRUST, NATIONAL ASSOCIATION,
as Trustee and Collateral Agent

Indenture

Dated as of October 2, 2012

9.125% Senior Secured Second Lien Notes Due 2020

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INDENTURE, dated as of October 2, 2012, among K. HOVNANIAN ENTERPRISES, INC., a California corporation (the “**Issuer**”), HOVNANIAN ENTERPRISES, INC., a Delaware corporation (the “**Company**”), each of the other Guarantors (as defined hereafter) and WILMINGTON TRUST, NATIONAL ASSOCIATION, a national banking association, as Trustee (the “**Trustee**”) and as Collateral Agent (the “**Collateral Agent**”).

RECITALS

The Issuer has duly authorized the execution and delivery of this Indenture to provide for the issuance on the Issue Date of \$220,000,000 aggregate principal amount of the Issuer’s 9.125% Senior Secured Second Lien Notes Due 2020 and, if and when issued, any Additional Notes (together, the “**Notes**”). All things necessary to make this Indenture a valid agreement of the Issuer, in accordance with its terms, have been done, and the Issuer has done all things necessary to make the Notes (in the case of any Additional Notes, when duly authorized), when duly issued and executed by the Issuer and authenticated and delivered by the Trustee, the valid obligations of the Issuer as hereinafter provided.

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

THIS INDENTURE WITNESSETH

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

ARTICLE 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

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

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

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

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

“**Agent**” means any Registrar, Paying Agent or Authenticating Agent.

“**Agent Member**” means a member of, or a participant in, the Depository.

“**Applicable Debt**” means all Indebtedness of the Company or any of its Restricted Subsidiaries (a) under Credit Facilities or (b) that is publicly traded (including in the Rule 144A market), including, without limitation, the Issuer’s senior notes and senior subordinated notes outstanding on the Issue Date.

“**Asset Acquisition**” means (a) an Investment by the Company, the Issuer or any Restricted Subsidiary in any other Person if, as a result of such Investment, such Person shall become a Restricted Subsidiary or shall be consolidated or merged with or into the Company, the Issuer or any Restricted Subsidiary or (b) the acquisition by the Company, the Issuer or any Restricted Subsidiary of the assets of any Person, which constitute all or substantially all of the assets or of an

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

“**Asset Disposition**” means any sale, transfer, conveyance, lease or other disposition (including, without limitation, by way of merger, consolidation or sale and leaseback or sale of shares of Capital Stock in any Subsidiary) (each, a “**transaction**”) by the Company, the Issuer or any Restricted Subsidiary to any Person of any Property having a Fair Market Value in any transaction or series of related transactions of at least \$10.0 million. The term “**Asset Disposition**” shall not include:

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

(b) a transaction in the ordinary course of business, including, without limitation, sales (directly or indirectly), sales subject to repurchase options, dedications and other donations to governmental authorities, leases and sales and leasebacks of (i) homes, improved land and unimproved land and (ii) real estate (including related amenities and improvements),

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

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

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

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

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

(h) any Restricted Payment or Permitted Investment.

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

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

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

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

“**Cash Equivalents**” means

(a) U.S. dollars;

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

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

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

(e) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (b), (c) and (d) of this definition entered into with any financial institution meeting the qualifications specified in clause (c) of this definition;

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

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

“**cash transaction**” has the meaning ascribed to it in Section 7.03 hereof.

“**Certificate of Beneficial Ownership**” means a certificate substantially in the form of Exhibit 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;

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

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

“**Clearstream**” means Clearstream Banking, société anonyme, Luxembourg.

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

“**Collateral Agent**” means the party named as such in the preamble of this Indenture and any successor acting in such capacity.

“**Collateral Ratio**” has the meaning ascribed to it in Section 4.07(b)(iii)(C).

“**Collateralized Debt**” means (i)(a) the aggregate principal amount of all outstanding Indebtedness and all letters of credit secured by Liens on the Collateral and (b) all outstanding Indebtedness incurred pursuant to clause (l)(ii) of the definition of “Permitted Indebtedness” (for purposes of such clause (l) only, notwithstanding the exclusion at the end of this definition), plus (ii) the aggregate amount of all unfunded commitments under all revolving credit facilities or revolving lines of credit secured by Liens on the Collateral, plus (iii) without duplication, the aggregate principal amount of Indebtedness that at the time of determination would be permitted to be incurred under this Indenture and secured by Liens on the Collateral pursuant to clause (i) of the definition of “Permitted Liens,” but excluding any such principal amount of potential Indebtedness to the extent any outstanding debt instrument of the Company or the Issuer would prohibit the incurrence of a Lien in respect thereof at such time, but in each case, excluding Indebtedness, letters of credit and unfunded commitments secured by Liens on the Collateral that rank junior to the Liens on the Collateral securing the Notes.

“**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.

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

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

- (a) income taxes,
- (b) Consolidated Interest Expense,
- (c) depreciation and amortization expenses and other non-cash charges to earnings, 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 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);

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

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

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

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

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

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

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

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

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

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

(c) the net income of any Restricted Subsidiary to the extent that (but only so long as) the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of that income is not permitted by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary during such period,

(d) the gains or losses, together with any related provision for taxes, realized during such period by the Company, the Issuer or any Restricted Subsidiary resulting from (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, and

(e) any extraordinary gain or loss together with any related provision for taxes, realized by the Company, the Issuer or any Restricted Subsidiary;

provided, further, that for purposes of calculating Consolidated Net Income solely as it relates to clause (iii) of Section 4.07(a) hereof, clause (d)(ii) of this definition shall not be applicable.

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

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

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

“**Covenant Defeasance**” has the meaning ascribed to it in Section 8.02 hereof.

“**Credit Facilities**” means, with respect to the Company, the Issuer or any of its Restricted Subsidiaries, one or more debt facilities or other financing arrangements (including, without limitation, commercial paper facilities or indentures) providing for revolving credit loans, term loans, letters of credit or other long-term indebtedness, including any notes, mortgages, guarantees, collateral documents, instruments and agreements executed in connection therewith, and any amendments, supplements, modifications, extensions, renewals, restatements or refundings thereof and any indentures or credit facilities or commercial paper facilities that exchange, replace, refund, refinance, extend, renew, restate, amend, supplement or modify any part of the loans, notes, other credit facilities or commitments thereunder, including any such exchanged, replacement, refunding, refinancing, extended, renewed, restated, amended, supplemented or modified facility or indenture that increases the amount permitted to be borrowed thereunder or alters the maturity thereof (provided that such increase in borrowings is permitted under Section 4.06(a) hereof) or adds Restricted Subsidiaries as additional borrowers or guarantors thereunder and whether by the same or any other agent, lender or group of lenders.

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

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

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

“**Depository**” means the depository of each Global Note, which will initially be DTC.

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

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

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

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

“**Equity Offering**” means any public or private sale, after the Issue Date, of Qualified Stock of the Company, other than (i) an Excluded Contribution, (ii)

public offerings registered on Form S-4 or S-8 or any successor form thereto or (iii) any issuance pursuant to employee benefit plans or otherwise in compensation to officers, directors or employees.

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

“**Event of Default**” has the meaning ascribed to it in Section 5.01 hereof.

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

“**Excluded Contribution**” means cash or Cash Equivalents received by the Company as capital contributions to its equity (other than through the issuance of Disqualified Stock) or from the issuance or sale (other than to a Subsidiary) of Qualified Stock of the Company, in each case, after January 31, 2008 and to the extent designated as an Excluded Contribution pursuant to an Officers’ Certificate of the Company.

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

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obligations permitted to be secured pursuant to clause (d) of the definition of “Permitted Liens” if, after the use of commercially reasonable efforts by the Company to obtain a Lien on such cash or cash equivalents for the benefit of the Holders of the Notes, the holders of the obligations secured by such cash and cash equivalents do not consent to the granting of such Liens.

“**Existing Debt**” has the meaning ascribed to it in the definition of “Refinancing Indebtedness”.

“**Existing Secured Notes Indenture**” means the Indenture dated as of October 20, 2009 as supplemented by the First Supplemental Indenture dated as of May 4, 2011 under which the Issuer’s 10⁵/₈% Senior Secured Notes due 2016 were issued.

“**expiration date**” has the meaning ascribed to it in Section 3.05(b) hereof.

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

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

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

“**First Lien Guarantors**” means (a) initially, the Company and each of the other guarantors signatory to the First Lien Indenture and (b) each of the Company’s subsidiaries that becomes a guarantor of the First Lien Notes pursuant to the provisions of the First Lien Indenture, and their successors, in each case until released from its respective guarantee pursuant to the First Lien Indenture.

“**First Lien Guarantees**” means the guarantee of the First Lien Notes by each First Lien Guarantor under the First Lien Indenture.

“**First Lien Indenture**” means the indenture, dated as of October 2, 2012, by and among the Issuer, the Company, each of the other First Lien Guarantors,

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the First Lien Trustee and the First Lien Collateral Agent under which the First Lien Notes were issued.

“**First Lien Notes**” means the 7.25% Senior Secured First Lien Notes due 2020 of the Issuer and issued under the First Lien Indenture.

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

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

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

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

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

“**Guarantors**” means (a) initially, the Company and each of the other Guarantors signatory hereto as set forth on Schedule A hereto, which includes each of the Company’s Restricted Subsidiaries in existence on the Issue Date, other than the Issuer, and (b) each of the Company’s Subsidiaries that becomes a Guarantor of the Notes pursuant to the provisions of this Indenture, and their successors, in each case until released from its respective Guarantee pursuant to this Indenture.

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

“**incurrence**” has the meaning ascribed to it in Section 4.06(a) hereof.

“**Indebtedness**” of any Person means, without duplication,

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

(b) any Indebtedness of others that such Person has guaranteed to the extent of the guarantee; *provided, however*, that Indebtedness of the Company and its Restricted Subsidiaries will not include the obligations of the Company or a Restricted Subsidiary under warehouse lines of credit of Mortgage Subsidiaries to repurchase mortgages at prices no greater than 98% of the principal amount thereof, and upon any such purchase the excess, if any, of the purchase price thereof over the Fair Market Value of the mortgages acquired, will constitute Restricted Payments subject to Section 4.07 hereof,

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

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

provided, that Indebtedness shall not include accounts payable, liabilities to trade creditors of such Person or other accrued expenses arising in the ordinary course of business. The amount of Indebtedness of any Person at any date shall be (i) the outstanding balance at such date of all unconditional obligations as described above, net of any unamortized discount to be accounted for as Interest Expense, in accordance with GAAP, (ii) the maximum liability of such Person for any contingent obligations under clause (a) of this definition at such date, net of an

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unamortized discount to be accounted for as Interest Expense in accordance with GAAP, and (iii) in the case of clause (d) of this definition, the lesser of (x) the fair market value of any asset subject to a Lien securing the Indebtedness of others on the date that the Lien attaches and (y) the amount of the Indebtedness secured.

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

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

“**Initial Notes**” means the Notes of the Issuer issued under this Indenture on the Issue Date and any Notes issued in replacement thereof.

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

“**Intercreditor Agreement**” means the Intercreditor Agreement dated as of the Issue Date among the Collateral Agent, the Mortgage Tax Collateral Agent, the First Lien Collateral Agent, the Trustee, the First Lien Trustee, the Issuer, the Company and each other Guarantor named therein, as applicable, as such agreement may be amended, restated, supplemented or otherwise modified from time to time.

“**Interest Expense**” of any Person for any period means, without duplication, the aggregate amount of (a) interest which, in conformity with GAAP, would be set opposite the caption “interest expense” or any like caption on an income statement for such Person (including, without limitation, imputed interest included in Capitalized Lease Obligations, all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers’ acceptance financing, the net costs (but reduced by net gains) associated with Currency Agreements and Interest Protection Agreements, amortization of other financing fees and expenses, the interest portion of any deferred payment obligation, amortization of discount or premium, if any, and all other noncash

interest expense (other than interest and other charges amortized to cost of sales)), and (b) all interest actually paid by the Company or a Restricted Subsidiary under any guarantee of Indebtedness (including, without limitation, a guarantee of principal, interest or any combination thereof) of any Person other than the Company, the Issuer or any Restricted Subsidiary during such period; *provided*, that Interest Expense shall exclude any expense associated with the complete write-off of financing fees and expenses in connection with the repayment of any Indebtedness.

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

“**Interest Payment Date**” means each May 15 and November 15 of each year, commencing May 15, 2013.

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

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

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

“**Issue Date**” means October 2, 2012.

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

“**Junior-Priority Lien Obligations**” means all Indebtedness secured by junior Liens on the Collateral as permitted by clause (i) of the definition of “Permitted Liens” and all Obligations in respect thereof.

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

“**Legal Defeasance**” has the meaning ascribed to it in Section 8.01 hereof.

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

“**Make-Whole Amount**” has the meaning ascribed to it in Section 3.01 hereof.

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

“**Moody’s**” means Moody’s Investors Service, Inc. or any successor to its debt rating business.

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

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

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

terms of any Lien or agreement upon or with respect to such Property or which such Indebtedness must by its terms or by applicable law be repaid out of the proceeds from such Asset Disposition, and net of all contractually required distributions and payments made to minority interest holders in Restricted Subsidiaries or joint ventures as a result of such Asset Disposition.

“Non-Recourse Indebtedness” with respect to any Person means Indebtedness of such Person for which (a) the sole legal recourse for collection of principal and interest on such Indebtedness is against the specific property 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 180 days after the acquisition of such property or completion of such construction or improvement and (b) no other assets of such Person may be realized upon in collection of principal or interest on such Indebtedness. Indebtedness which is otherwise Non-Recourse Indebtedness will not lose its character as Non-Recourse Indebtedness because there is recourse to the borrower, any guarantor or any other Person for (i) environmental warranties and indemnities, or (ii) indemnities for and liabilities arising from fraud, misrepresentation, misapplication or non-payment of rents, profits, insurance and condemnation proceeds and other sums actually received by the borrower from secured assets to be paid to the lender, waste and mechanics’ liens.

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

“Notes” has the meaning ascribed to it in the Recitals hereof.

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

“offer” has the meaning ascribed to it in Section 3.05(a) hereof.

“Offer to Purchase” has the meaning ascribed to it in Section 3.05 hereof.

“Offering Circular” means the Issuer’s Confidential Offering Circular dated September 19, 2012.

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

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

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

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

“Permanent Regulation S Global Note” means a Regulation S Global Note that does not bear the Regulation S Temporary Global Note Legend.

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

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

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“Permitted Convertible Indebtedness Call Transaction” means any Permitted Bond Hedge and any Permitted Warrant.

“Permitted Hovnanian Holders” means, collectively, Ara K. Hovnanian, the members of his immediate family and the members of the immediate family of the late Kevork S. Hovnanian, the respective estates, spouses, heirs, ancestors, lineal descendants, legatees and legal representatives of any of the foregoing and the trustee of any *bona fide* trust of which one or more of the foregoing are the sole beneficiaries or the grantors thereof, or any entity of which any of the foregoing, individually or collectively, beneficially own more than 50% of the Common Equity.

“Permitted Indebtedness” means:

- (a) Indebtedness under the Notes (and Guarantees thereof), other than Additional Notes, and under the First Lien Notes (and the First Lien Guarantees), other than Additional Notes (as defined in the First Lien Indenture);
- (b) Indebtedness of the Company, the Issuer or any Guarantor that is (A) secured by Liens permitted by clause (i) of the definition of “Permitted Liens”, in an aggregate principal amount at any one time outstanding that, after giving effect to the incurrence of such Indebtedness, does not result in outstanding secured Indebtedness in excess of the amount permitted by the proviso in clause (i)(b)(ii) of the definition of “Permitted Liens” (without regard to the priorities of Liens set forth in such clause (i)(b)(ii) of the definition of “Permitted Liens”) and (B) scheduled to mature on or after the maturity date of the Notes (except with respect to Indebtedness incurred pursuant to this clause (b) under Credit Facilities, which may be scheduled to mature on or prior to the maturity date of the Notes; *provided* that such earlier maturity Indebtedness, together with any Refinancing Indebtedness permitted by the proviso of paragraph (b) of the definition thereof then outstanding, does not exceed \$150.0 million in aggregate principal amount);
- (c) Indebtedness outstanding on the Issue Date, excluding Indebtedness constituting Permitted Indebtedness pursuant to clauses (d), (e), (f), (h) or (j) of this definition, which shall instead be incurred under such clauses;
- (d) Indebtedness in respect of obligations of the Company and its Subsidiaries to the trustees under indentures for debt securities;
- (e) intercompany debt obligations of (i) the Company to the Issuer, (ii) the Issuer to the Company, (iii) the Company or the Issuer to any Restricted Subsidiary and (iv) any Restricted Subsidiary to the Company or the Issuer or any other Restricted Subsidiary; *provided, however*, that any Indebtedness of any Restricted Subsidiary or the Issuer or the Company owed to any Restricted Subsidiary or the Issuer that ceases to be a Restricted Subsidiary shall be deemed to be incurred and shall be treated as an incurrence for purposes of Section 4.06(a)

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hereof at the time the Restricted Subsidiary in question ceases to be a Restricted Subsidiary;

- (f) Indebtedness of the Company or the Issuer or any Restricted Subsidiary under any Currency Agreements or Interest Protection Agreements in a notional amount no greater than the payments due (at the time the related Currency Agreement or Interest Protection Agreement is entered into) with respect to the Indebtedness or currency being hedged;
- (g) Purchase Money Indebtedness and Capitalized Lease Obligations in an aggregate principal amount outstanding at any one time not to exceed \$25.0 million;
- (h) obligations for, pledge of assets in respect of, and guaranties of, bond financings of political subdivisions or enterprises thereof in the ordinary course of business;
- (i) Indebtedness secured only by office buildings owned or occupied by the Company or any Restricted Subsidiary, which Indebtedness does not exceed \$10.0 million aggregate principal amount outstanding at any one time;
- (j) Indebtedness under warehouse lines of credit, repurchase agreements and Indebtedness secured by mortgage loans and related assets of mortgage lending Subsidiaries in the ordinary course of a mortgage lending business;
- (k) Indebtedness of the Company or any Restricted Subsidiary which, together with all other Indebtedness under this clause (k), does not exceed \$150.0 million aggregate principal amount outstanding at any one time;
- (l) Indebtedness of the Issuer or any Guarantor incurred under Credit Facilities that constitute revolving credit loans, term loans, letters of credit or similar lines of credit in an amount not exceeding at any time outstanding (i) \$75.0 million *plus* (ii) an aggregate principal amount such that, on a *pro forma* basis after giving effect to the incurrence of such Indebtedness, the Collateral Ratio is at least 175%; and
- (m) Indebtedness under the Units.

“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

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substantially all of the assets of it or an operating unit or line of business to, the Company or a Restricted Subsidiary;

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

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

(e) Investments in Currency Agreements or Interest Protection Agreements described in the definition of “Permitted Indebtedness”;

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

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

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

(i) Investments in an aggregate amount outstanding not to exceed \$10.0 million;

(j) Guarantees issued in accordance with Section 4.06 hereof;

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(k) Investments in existence on the Issue Date not otherwise constituting Permitted Investments pursuant to clause (b) above; and

(l) Permitted Bond Hedges which constitute Investments.

“Permitted Liens” means

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

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

(c) Liens (other than any Lien imposed by the Employer Retirement Income Security Act of 1974, as amended) incurred or deposits made in the ordinary course of business in connection with workers’ compensation, unemployment insurance and other types of social security;

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

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

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

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

(h) Liens securing Indebtedness incurred pursuant to clause (i) or (j) of the definition of “Permitted Indebtedness”;

(i) Liens on the Collateral and other assets not constituting Collateral pursuant to clause (a) of the definition of “Excluded Property” securing:

(a)(i) the First Lien Notes (other than Additional Notes (as defined in the First Lien Indenture)), the First Lien Guarantees thereof and other Obligations under the First Lien Indenture and the security documents in respect thereof and any obligations owing to the First Lien Trustee or the First Lien Collateral Agent under the First Lien Indenture or the security documents in respect thereof, (ii) other Indebtedness otherwise permitted to be incurred under this Indenture (and all Obligations in respect thereof), *provided* that the Indebtedness so secured pursuant to this clause (a)(ii), when taken together with any Indebtedness secured pursuant to this clause (a) (other than pursuant to clauses (a)(iii) and (v) below), in each case, outstanding at the time such other Indebtedness is incurred and so secured, does not exceed \$577.0 million, (iii) Indebtedness permitted to be incurred under this Indenture so long as on a *pro forma* basis after giving effect to the incurrence of such Indebtedness, the Collateral Ratio is at least 175%, (iv) any Refinancing Indebtedness (including pursuant to Credit Facilities) in respect of Indebtedness incurred and secured pursuant to clauses (a)(i), (a)(ii) and (a)(iii), and (v) Indebtedness incurred pursuant to clause (l) of the definition of “Permitted Indebtedness” (and Obligations in respect thereof), *provided* that the Liens securing any Indebtedness (or Obligations in respect thereof) incurred pursuant to this clause (a) may rank senior, equal or junior to the Liens securing the Notes;

(b)(i) the Notes (other than Additional Notes), the Guarantees thereof and other Obligations under this Indenture and the Security Documents in respect thereof and any obligations owing to the Trustee or the Collateral Agent under this Indenture or the Security Documents in respect thereof, (ii) other Indebtedness otherwise permitted to be incurred under this Indenture (and all Obligations in respect thereof), *provided* that the Indebtedness so secured pursuant to this clause (b)(ii), when taken together with any Indebtedness secured pursuant to clause (a)(other than clauses (a)(iii) and (v) thereof) and this clause (b) outstanding at the time such other Indebtedness is incurred and so secured, does not exceed an amount equal to (x) \$577.0 million *plus* (y) \$220.0 million and (iii) any Refinancing Indebtedness (including pursuant to Credit Facilities) in respect of Indebtedness incurred and secured pursuant to clauses (b) (i) and (b)(ii); *provided* that the Liens securing any Indebtedness (or Obligations in respect thereof)

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incurred pursuant to this clause (b) shall rank equally with or junior to the Liens securing the Notes; and

(c) any other Indebtedness permitted to be incurred under this Indenture (and all Obligations in respect thereof); *provided* that the Liens securing Indebtedness referred to in this clause (c) rank junior to the Liens on the Collateral securing the Notes pursuant to an intercreditor agreement that is substantially similar to the Intercreditor Agreement (with the Notes being treated as senior priority obligations thereunder);

(j) Liens securing Non-Recourse Indebtedness of the Company, the Issuer or any Restricted Subsidiary; *provided*, that such Liens apply only to (i) the property financed, constructed or improved out of the net proceeds of such Non-Recourse Indebtedness within 180 days after the incurrence of such Non-Recourse Indebtedness, or (ii) licenses, permits, authorizations, consent forms or contracts related to the acquisition, development, use or improvement of such property;

(k) Liens securing Purchase Money Indebtedness; *provided*, that such Liens apply only to (i) the property financed, constructed or improved with the proceeds of such Purchase Money Indebtedness within 180 days after the incurrence of such Purchase Money Indebtedness, or (ii) licenses, permits, authorizations, consent forms or contracts related to the acquisition, development, use or improvement of such property;

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

(m) leases or subleases granted to others not materially interfering with the ordinary course of business of the Company and the Restricted Subsidiaries;

(n) purchase money security interests (including, without limitation, Capitalized Lease Obligations); *provided*, that such Liens apply only to the Property acquired and the related Indebtedness is incurred within 180 days after the acquisition of such Property;

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

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

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accounts or money of the Company, the Issuer or a Restricted Subsidiary with or held by such lender or lenders or its Affiliates;

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

(r) Liens for homeowner and property owner association developments and assessments;

(s) Liens securing Refinancing Indebtedness; *provided*, that such Liens extend only to the assets securing the Indebtedness being refinanced and except as permitted by clause (i) of this definition, have the same or junior priority as the initial Liens; *provided further* that where Refinancing Indebtedness is expressly provided for in such clause (i), that no Liens may be incurred under this clause (s) in respect of Refinancing Indebtedness incurred to refinance Indebtedness that is secured by Liens incurred under clause (i) of this definition;

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

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

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

(w) Liens existing on the Issue Date (other than Liens securing Obligations under the Notes and the First Lien Notes) and any extensions, renewals or replacements thereof;

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

(y) other Liens securing obligations not to exceed \$25.0 million at any one time outstanding.

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

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

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

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

“**purchase amount**” has the meaning ascribed to it in Section 3.05(b) hereof.

“**purchase date**” has the meaning ascribed to it in Section 3.05(b) hereof.

“**Purchase Money Indebtedness**” means Indebtedness of the Company, the Issuer or any Restricted Subsidiary incurred for the purpose of financing all or any part of the purchase price, or the cost of construction or improvement, of any property to be used in the ordinary course of business by the Company, the Issuer and the Restricted Subsidiaries; *provided, however*, that (a) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost and (b) such Indebtedness shall be incurred no later than 180 days after the acquisition of such property or completion of such construction or improvement.

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

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

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

“**Record Date**” for the interest payable on any Interest Payment Date means the May 1 or November 1 (whether or not a Business Day) immediately preceding such Interest Payment Date.

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

(a) the Refinancing Indebtedness is subordinated, if at all, to the Notes or the Guarantees, as the case may be, to the same extent as the Indebtedness being refunded, refinanced or extended (*provided* that Refinancing Indebtedness issued to refund, refinance or extend Subordinated Indebtedness outstanding as of the Issue Date (such Indebtedness, “**Existing Debt**”) need not be subordinated to the Notes or the Guarantees, as the case may, so long as any Liens securing such Indebtedness are junior to the Liens securing the Notes or the Guarantees, as the case may be),

(b) the Refinancing Indebtedness is scheduled to mature either (x) no earlier than the Indebtedness being refunded, refinanced or extended or (y) after the maturity date of the Notes (unless the Refinancing Indebtedness is in respect of Existing Debt and is secured by Liens on the Collateral, in which case the Refinancing Indebtedness must be scheduled to mature after the maturity date of the Notes), *provided* that up to a total of \$150.0 million at any one time outstanding of Indebtedness under Credit Facilities incurred pursuant to clause (b) or clause (l) under the definition of “Permitted Indebtedness,” *plus* any Refinancing Indebtedness that refinances the First-Priority Lien Obligations (which Refinancing Indebtedness will be secured on a first-lien priority basis by Liens on the Collateral) pursuant to Credit Facilities, may be scheduled to mature on or prior to 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 (plus all accrued interest thereon and the amount of any premiums (including tender premiums) and fees and expenses incurred in connection with the refinancing thereof);

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

“**Register**” has the meaning ascribed to it in Section 2.09 hereof.

“**Registrar**” means a Person engaged to maintain the Register.

“**Regulation S**” means Regulation S under the Securities Act.

“**Regulation S Certificate**” means a certificate substantially in the form of Exhibit 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.

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

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

“**Restricted Investment**” means any Investment other than a Permitted Investment.

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

“**Restricted Payment**” means any of the following:

(a) the declaration or payment of any dividend or any other distribution on Capital Stock of the Company, the Issuer or any Restricted Subsidiary or any payment made to the direct or indirect holders (in their

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capacities as such) of Capital Stock of the Company, the Issuer or any Restricted Subsidiary (other than (i) dividends or distributions payable solely in Qualified Stock and (ii) in the case of the Issuer or Restricted Subsidiaries, dividends or distributions payable to the Company, the Issuer or a Restricted Subsidiary);

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

(c) any Investment (other than any Permitted Investment), including any Investment in an Unrestricted Subsidiary (including by the designation of a Subsidiary of the Company as an Unrestricted Subsidiary) and any amounts paid in accordance with clause (b) of the definition of “Indebtedness”; and

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

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

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

“**Rule 144A**” means Rule 144A under the Securities Act.

“**Rule 144A Certificate**” means a certificate substantially in the form of Exhibit F hereto.

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

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

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

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

“**Securities Act**” means the Securities Act of 1933, as amended.

“**Security Agreement**” means the Second Lien Security Agreement, dated as of October 2, 2012, among the Issuer, the Company and each of the signatories listed on Schedule A thereto, in favor of the Collateral Agent for the benefit of itself, the Trustee and the Holders, as amended, restated or supplemented from time to time.

“**Security Documents**” means (i) the Intercreditor Agreement and (ii) the security documents granting or perfecting a security interest in any assets of any Person to secure the Indebtedness and related Obligations under the Notes and the Guarantees, as each may be amended, restated, supplemented or otherwise modified from time to time.

“**self-liquidating paper**” has the meaning ascribed to it in Section 7.03 hereof.

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

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

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

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

“**Treasury Rate**” has the meaning ascribed to it in Section 3.01 hereof.

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

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

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

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

“**Units**” means the 6.00% Exchangeable Note Units of the Issuer and the Company issued on the Issue Date composed of a senior unsecured exchangeable note of the Issuer and guaranteed by the applicable Guarantors and a senior unsecured amortizing note of the Issuer and guaranteed by the applicable Guarantors.

“**Unrestricted Subsidiary**” means any Subsidiary of the Company so designated by a resolution adopted by the Board of Directors of the Company or a duly authorized committee thereof as provided below; *provided*, that (a) the holders of Indebtedness thereof do not have direct or indirect recourse against the Company, the Issuer or any Restricted Subsidiary, and neither the Company, the Issuer nor any Restricted Subsidiary otherwise has liability for, any payment obligations in respect of such Indebtedness (including any undertaking, agreement or instrument evidencing such Indebtedness), except, in each case, to the extent that the amount thereof constitutes a Restricted Payment permitted by this Indenture, in the case of Non-Recourse Indebtedness, to the extent such recourse or liability is for the matters discussed in the last sentence of the definition of “Non-Recourse Indebtedness,” or to the extent such Indebtedness is a guarantee by such Subsidiary of Indebtedness of the Company, the Issuer or a Restricted Subsidiary and (b) no holder of any Indebtedness of such Subsidiary shall have a right to declare a default on such Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity as a result of a default on any Indebtedness of the Company, the Issuer or any Restricted Subsidiary. As of the Issue Date, the Unrestricted Subsidiaries will be the Subsidiaries of the Company named in Exhibit J hereto.

Subject to the foregoing, the Board of Directors of the Company or a duly authorized committee thereof may designate any Subsidiary in addition to those named above to be an Unrestricted Subsidiary; *provided, however*, that (a) the net amount (the “**Designation Amount**”) then outstanding of all previous Investments by the Company and the Restricted Subsidiaries in such Subsidiary will be deemed to be a Restricted Payment at the time of such designation and

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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) of this paragraph, and (c) after giving effect to such designation, no Default or Event of Default shall have occurred or be continuing. In accordance with the foregoing, and not in limitation thereof, Investments made by any Person in any Subsidiary of such Person prior to such Person’s merger with the Company or any Restricted Subsidiary (but not in contemplation or anticipation of such merger) shall not be counted as an Investment by the Company or such Restricted Subsidiary if such Subsidiary of such Person is designated as an Unrestricted Subsidiary.

The Board of Directors of the Company or a duly authorized committee thereof may also redesignate an Unrestricted Subsidiary to be a Restricted Subsidiary; *provided, however*, that (a) the Indebtedness of such Unrestricted Subsidiary as of the date of such redesignation could then be incurred under Section 4.06 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) of this definition.

"\$" means U.S. dollars.

Section 1.02. *Rules of Construction.* Unless the context otherwise requires or except as otherwise expressly provided,

- (a) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;
- (b) "herein," "hereof" and other words of similar import refer to this Indenture as a whole and not to any particular Section, Article other subdivision;
- (c) all references to Sections or Articles or Exhibits refer to Sections or Articles or Exhibits of or to this Indenture unless otherwise indicated;
- (d) references to agreements or instruments, or to statutes or regulations, are to such agreements or instruments, or statutes or regulations, as amended from time to time (or to successor statutes and regulations); and
- (e) in the event that a transaction meets the criteria of more than one category of permitted transactions or listed exceptions, the Issuer may classify such transaction as it, in its sole discretion, determines.

ARTICLE 2 THE NOTES

Section 2.01. *Form, Dating and Denominations; Legends.* (a) The Notes and the Trustee's certificate of authentication shall be substantially in the form attached as Exhibit A. The terms and provisions contained in the form of the Note annexed as Exhibit A constitute and are hereby expressly made a part of this Indenture. The Notes may have notations, legends or endorsements required by this Indenture, law, rules of or agreements with national securities exchanges to which the Issuer is subject, or usage. Each Note shall be dated the date of its authentication. The Notes shall be issuable in denominations of \$2,000 in principal amount and any multiple of \$1,000 in excess thereof.

(b) (i) Except as otherwise provided in clause (c) of this Section 2.01, Section 2.09(b)(iv), Section 2.10(b)(iii), or Section 2.10(c), each Initial Note or Additional Note shall bear the Restricted Legend.

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

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

Trustee, Initial Notes and Additional Notes offered and sold in reliance on Rule 144A may be issued, in the form of Certificated Notes.

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

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

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

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

Section 2.02. *Execution and Authentication; Additional Notes.* (a) An Officer shall execute the Notes for the Issuer by facsimile or manual signature in the name and on behalf of the Issuer. If an Officer whose signature is on a Note no longer holds that office at the time the Note is authenticated, the Note will still be valid.

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

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

- (i) Initial Notes for original issue in the aggregate principal amount not to exceed \$220,000,000, and

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- (ii) Additional Notes from time to time for original issue in the aggregate principal amounts specified by the Issuer

after the following conditions have been met:

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

- (1) the amount of Notes to be authenticated and the date on which the Notes are to be authenticated,
- (2) whether the Notes are to be Initial Notes or Additional Notes,
- (3) in the case of Additional Notes, that the issuance of such Notes does not contravene any provision of Article 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 Additional Notes, receipt by the Trustee of an Opinion of Counsel confirming that the beneficial owners of the outstanding Notes will be subject to United States federal income tax in the same amounts, in the same manner and at the same times as would have been the case if such Additional Notes were not issued.

Section 2.03. *Registrar, Paying Agent and Authenticating Agent; Paying Agent to Hold Money in Trust.* (a) The Issuer may appoint one or more Registrars and one or more Paying Agents, and the Trustee may appoint an Authenticating Agent, in which case each reference in this Indenture to the Trustee in respect of the obligations of the Trustee to be performed by that Agent shall be deemed to be references to the Agent. The Issuer may act as Registrar or (except for purposes of Article 8) Paying Agent. In each case, the Issuer and the Trustee shall enter into an appropriate agreement with the Agent implementing the provisions of this Indenture relating to the obligations of the Trustee to be performed by the Agent and the related rights.

(b) The Issuer shall require each Paying Agent other than the Trustee to agree in writing that the Paying Agent shall hold in trust for the benefit of the Holders or the Trustee all money held by the Paying Agent for the payment of

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principal of, premium, if any, and interest, if any, on, the Notes and shall promptly notify the Trustee of any default by the Issuer in making any such payment. The Issuer at any time may require a Paying Agent to pay all money held by it to the Trustee and account for any funds disbursed, and the Trustee may at any time during the continuance of any payment default, upon written request to a Paying Agent, require the Paying Agent to pay all money held by it to the Trustee and to account for any funds disbursed. Upon doing so, the Paying Agent shall have no further liability for the money so paid over to the Trustee.

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

Section 2.04. *Replacement Notes.* If a mutilated Note is surrendered to the Trustee or if a Holder claims that its Note has been lost, destroyed or wrongfully taken, the Issuer shall issue and the Trustee shall authenticate a replacement Note of like tenor and principal amount and bearing a number not contemporaneously outstanding. Every replacement Note is an additional obligation of the Issuer and entitled to the benefits of this Indenture. If required by the Trustee or the Issuer, an indemnity must be furnished that is sufficient in the judgment of both the Trustee and the Issuer to protect the Issuer and the Trustee from any loss they may suffer if a Note is replaced. The Issuer and the Trustee may charge the Holder for the expenses of the Issuer and the Trustee in replacing a Note. In case the mutilated, lost, destroyed or wrongfully taken Note has become or is about to become due and payable, the Issuer in its discretion may pay the Note instead of issuing a replacement Note.

Section 2.05. *Outstanding Notes.* (a) Notes outstanding at any time are all Notes that have been authenticated by the Trustee except for:

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

(ii) any Note which has been replaced pursuant to Section 2.04 unless and until the Trustee and the Issuer receive proof satisfactory to them that the replaced Note is held by a protected purchaser; and

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

(b) A Note does not cease to be outstanding because the Issuer or one of its Affiliates holds the Note; *provided*, that in determining whether the Holders of the requisite principal amount of the outstanding Notes have given or taken any request, demand, authorization, direction, notice, consent, waiver or other action

hereunder, Notes owned by the Issuer or any Affiliate of the Issuer shall be disregarded and deemed not to be outstanding (it being understood that in determining whether the Trustee is protected in relying upon any such request, demand, authorization, direction, notice, consent, waiver or other action, only Notes which a Responsible Officer of the Trustee knows to be so owned shall be so disregarded). Notes so owned which have been pledged in good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Notes and that the pledgee is not the Issuer or any Affiliate of the Issuer.

Section 2.06. *Temporary Notes.* Until definitive Notes are ready for delivery, the Issuer may prepare and the Trustee shall authenticate temporary Notes. Temporary Notes shall be substantially in the form of definitive Notes but may have insertions, substitutions, omissions and other variations determined to be appropriate by the Officer executing the temporary Notes, as evidenced by the execution of the temporary Notes. If temporary Notes are issued, the Issuer shall cause definitive Notes to be prepared without unreasonable delay. After the preparation of definitive Notes, the temporary Notes shall be exchangeable for definitive Notes upon surrender of the temporary Notes at the office or agency of the Issuer designated for the purpose pursuant to Section 4.02 without charge to the Holder. Upon surrender for cancellation of any temporary Notes, the Issuer shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Notes of authorized denominations. Until so exchanged, the temporary Notes shall be entitled to the same benefits under this Indenture as definitive Notes.

Section 2.07. *Cancellation.* The Issuer at any time may deliver to the Trustee for cancellation any Notes previously authenticated and delivered hereunder which the Issuer may have acquired in any manner whatsoever, and may deliver to the Trustee for cancellation any Notes previously authenticated hereunder which the Issuer has not issued and sold. Any Registrar or the Paying Agent shall forward to the Trustee any Notes surrendered to it for transfer, exchange or payment. The Trustee shall cancel all Notes surrendered for transfer, exchange, payment or cancellation and dispose of them in accordance with its normal procedures or the written instructions of the Issuer. The Issuer may not issue new Notes to replace Notes that it has paid in full or delivered to the Trustee for cancellation.

Section 2.08. *CUSIP and ISIN Numbers.* The Issuer in issuing the Notes may use "CUSIP" and "ISIN" numbers, and the Trustee shall use CUSIP numbers or ISIN numbers in notices of redemption or exchange or in Offers to Purchase as a convenience to Holders, the notice to state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice of redemption or exchange or Offer to Purchase. The Issuer shall promptly notify the Trustee in writing of any change in the CUSIP or ISIN

numbers. Any Additional Notes that are not fungible with the Initial Notes for United States federal income tax purposes shall be issued with CUSIP and ISIN numbers different from the CUSIP and ISIN numbers assigned to the Initial Notes of such series.

Section 2.09. *Registration, Transfer and Exchange.* (a) The Notes shall be issued in registered form only, without coupons, and the Issuer shall cause the Trustee to maintain a register (the "**Register**") of the Notes, for registering the record ownership of the Notes by the Holders and transfers and exchanges of the Notes.

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

(ii) Each Global Note shall be delivered to the Trustee as custodian for the Depositary. Transfers of a Global Note (but not a beneficial interest therein) shall be limited to transfers thereof in whole, but not in part, to the Depositary, its successors or their respective nominees, except (A) as set forth in Section 2.09(b)(iv) and (B) transfers of portions thereof in the form of Certificated Notes may be made upon request of an Agent Member (for itself or on behalf of a beneficial owner) by 20 days' prior written notice given to the Trustee by or on behalf of the Depositary in accordance with customary procedures of the Depositary and in compliance with this Section and Section 2.10.

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

(iv) If (x) the Depositary (i) notifies the Issuer that it is unwilling or unable to continue as Depositary for a Global Note and a successor depositary is not appointed by the Issuer within 90 days of the notice or (ii) has ceased to be a clearing agency registered under the Exchange Act, (y) the Issuer, at its option, notifies the Trustee in writing that it elects to cause the issuance of Certificated Notes or (z) a Default or an Event of Default with respect to the Notes has occurred and is continuing, the Trustee shall promptly exchange each beneficial interest in the Global Note for one or more Certificated Notes in authorized denominations having an equal aggregate principal amount registered in the name of the owner of such beneficial interest, as identified to the Trustee by the Depositary, and thereupon the Global Note shall be deemed canceled. If such Note does not bear the Restricted Legend, then the Certificated Notes issued in exchange therefor shall not bear the Restricted Legend. If such Note bears the Restricted Legend, then the Certificated Notes issued in exchange therefor shall bear the Restricted Legend; *provided*, that any Holder of any such

Certificated Note issued in exchange for a beneficial interest in a Regulation S Temporary Global Note will have the right upon presentation to the Trustee of a duly completed Certificate of Beneficial Ownership after the Restricted Period to exchange such Certificated Note for a Certificated Note of like tenor and amount that does not bear the Restricted Legend, registered in the name of such Holder.

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

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

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

(ii) the Trustee shall not be required (x) to issue or register the transfer of or exchange any Note for a period of 15 days before a selection of Notes to be redeemed or purchased pursuant to an Offer to Purchase, (y) to register the transfer of or exchange any Note so selected for redemption or purchase in whole or in part, except, in the case of a partial redemption or purchase, that portion of any Note not being redeemed or

purchased, or (z) if a redemption or a purchase pursuant to an Offer to Purchase is to occur after a Record Date but on or before the corresponding Interest Payment Date, to register the transfer of or exchange any Note on or after the Record Date and before the date of redemption or purchase. Prior to the registration of any transfer, the Issuer, the Trustee and their agents shall treat the Person in whose name the Note is registered as the owner and Holder thereof for all purposes (whether or not the Note is overdue), and shall not be affected by notice to the contrary.

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

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

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

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

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

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

Section 2.10. *Restrictions on Transfer and Exchange*. (a) The transfer or exchange of any Note (or a beneficial interest therein) may only be made in accordance with this Section and Section 2.09 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) of this Section, the transfer or exchange of any Note (or a beneficial interest therein) of the type set forth in column A below for a Note (or a beneficial interest therein) of the type set forth opposite in column B below may only be made in compliance with the certification requirements (if any) described in the clause of this paragraph set forth opposite in column C below.

A	B	C
Rule 144A Global Note	Rule 144A Global Note	(i)
Rule 144A Global Note	Regulation S Global Note	(ii)

Rule 144A Global Note	Certificated Note	(iii)
Regulation S Global Note	Rule 144A Global Note	(iv)
Regulation S Global Note	Regulation S Global Note	(i)

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

(i) No certification is required.

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

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

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

(v) If the requested transfer involves a beneficial interest in a Regulation S Temporary Global Note, the Person requesting the registration of transfer must deliver or cause to be delivered to the Trustee (x) a duly completed Rule 144A Certificate or (y) a duly completed Institutional Accredited Investor Certificate and/or an opinion of counsel and such other certifications and evidence as the Issuer or the Trustee may reasonably require in order to determine that the proposed transfer is being made in compliance with the Securities Act and any applicable securities laws of any state of the United States. If the requested transfer or exchange involves a beneficial interest in a Permanent Regulation S Global Note, no

certification is required and the Trustee will deliver a Certificated Note that does not bear the Restricted Legend. Notwithstanding anything to the contrary contained herein, no such exchange is permitted if the requested exchange involves a beneficial interest in a Regulation S Temporary Global Note.

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

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

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

Section 2.11. *Regulation S Temporary Global Notes.* (a) Each Initial Note and Additional Note originally sold in reliance upon Regulation S 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 or Clearstream and their respective direct and indirect participants.

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

ARTICLE 3 REDEMPTION; OFFER TO PURCHASE

Section 3.01. *Optional Redemption.* (a) The Issuer may, at its option, redeem the Notes, in whole, at any time, or in part, from time to time, prior to November 15, 2015, at a redemption price equal to the sum of:

- (i) 100% of the principal amount thereof, plus accrued and unpaid interest thereon to the redemption date, if any; *plus*
- (ii) the Make-Whole Amount.

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

(i) the present value at such redemption date of (i) the redemption price of the Note, at November 15, 2015 (such redemption price being set forth in the table appearing in Section 3.01(b) hereof) plus (ii) all required interest payments due on the Note through November 15, 2015 (excluding accrued but unpaid interest), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; *over*

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

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“**Treasury Rate**” means, in connection with the calculation of any Make-Whole Amount with respect to any Note, as calculated by the Company, the yield to maturity at the time of computation of United States Treasury securities with a constant maturity, as compiled by and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source or similar market data), most nearly equal to the period from the redemption date to November 15, 2015; *provided, however*, that if the period from the redemption date to November 15, 2015 is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from the redemption date to November 15, 2015 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

(b) At any time and from time to time on or after November 15, 2015, 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 thereon, if any, to the applicable redemption date.

<u>Period Commencing</u>	<u>Percentage</u>
November 15, 2015	106.844%
November 15, 2016	104.563%
November 15, 2017	102.281%
November 15, 2018 and thereafter	100.000%

Section 3.02. *Redemption with Proceeds of Equity Offering.* At any time and from time to time prior to November 15, 2015, the Issuer may redeem Notes with the net cash proceeds received by the Issuer from any Equity Offering at a redemption price equal to 109.125% of the principal amount plus accrued and unpaid interest to the redemption date, in an aggregate principal amount for all such redemptions not to exceed 35% of the original aggregate principal amount of the Notes (including Additional Notes), *provided* that:

- (i) in each case the redemption takes place not later than 60 days after the closing of the related Equity Offering, and
- (ii) not less than 65% of the original aggregate principal amount of the Notes (including Additional Notes) remains outstanding immediately thereafter.

Section 3.03. *Sinking Fund; Mandatory Redemption.* There is no sinking fund for, or mandatory redemption of, the Notes.

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Section 3.04. *Method and Effect of Redemption.* (a) If the Issuer elects to redeem Notes, it must notify the Trustee of the redemption date and the principal amount of Notes to be redeemed by delivering an Officers’ Certificate at least 45 days before the redemption date (unless a shorter period is satisfactory to the Trustee). If fewer than all of the Notes are being redeemed, the Notes to be redeemed shall be selected in accordance with applicable DTC procedures (subject to compliance with the rules of any securities exchange on which the Notes of such series may be listed). Notes shall be redeemed in denominations of \$2,000 principal amount or any multiple of \$1,000 in excess thereof. The Trustee will notify the Issuer promptly of the Notes or portions of Notes to be called for redemption. Notice of redemption must be 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. Notices of any redemption may be given prior to the completion thereof, and may, at the Issuer’s discretion, be subject to one or more conditions precedent, including, but not limited to, completion of a related Equity Offering.

- (b) The notice of redemption shall identify the Notes to be redeemed and shall include or state the following:
- (i) the redemption date;
 - (ii) the redemption price, including the portion thereof representing any accrued interest, if any;
 - (iii) the place or places where Notes are to be surrendered for redemption (Notes called for redemption must be so surrendered in order to collect the redemption price);
 - (iv) that on the redemption date, the redemption price shall become due and payable on Notes called for redemption, and interest on Notes called for redemption shall cease to accrue on and after the redemption date;
 - (v) that if any Note is redeemed in part, the portion of the principal amount thereof to be redeemed, and that on and after the redemption date, upon surrender of such Note, new Notes equal in principal amount to the unredeemed portion shall be issued; and
 - (vi) if any Note contains a CUSIP or ISIN number, no representation is being made as to the correctness of the CUSIP or ISIN number either as printed on the Notes or as contained in the notice of redemption and that the Holder should rely only on the other identification numbers printed on the Notes.

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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 shall cease to accrue interest. Upon surrender of any Note redeemed in part, the Holder shall receive a new Note equal in principal amount to the unredeemed portion of the surrendered Note.

Section 3.05. *Offer to Purchase.* (a) An “**Offer to Purchase**” means an offer by the Issuer to purchase Notes as required by this Indenture. An Offer to Purchase must be made by written offer (the “**offer**”) sent to the Holders. The Issuer shall notify the Trustee at least 15 days (or such shorter period as is acceptable to the Trustee) prior to sending the offer to Holders of its obligation to make an Offer to Purchase, and the offer shall be sent by the Issuer or, at the Issuer’s request, by the Trustee in the name and at the expense of the Issuer.

- (b) The offer must include or state the following as to the terms of the Offer to Purchase:
- (i) the provision of this Indenture pursuant to which the Offer to Purchase is being made;
 - (ii) the aggregate principal amount of the outstanding Notes offered to be purchased by the Issuer pursuant to the Offer to Purchase (including, if less than 100%, the manner by which such amount has been determined pursuant to this Indenture) (the “**purchase amount**”);
 - (iii) the purchase price, including the portion thereof representing accrued interest, if any;
 - (iv) an expiration date (the “**expiration date**”) not less than 30 days or more than 60 days after the date of the offer, and a settlement date for purchase (the “**purchase date**”) not more than five Business Days after the expiration date;
 - (v) information concerning the business of the Company, the Issuer and its Subsidiaries which the Issuer in good faith believes will enable the Holders to make an informed decision with respect to the Offer to Purchase.
 - (vi) a Holder may tender all or any portion of its Notes, subject to the requirement that any portion of a Note tendered must be in denominations of \$2,000 principal amount and any multiple of \$1,000 in excess thereof;

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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 shall be required to surrender such Note at the place or places specified in the offer prior to the close of business on the expiration date (such Note being, if the Issuer or the Trustee so requires, duly endorsed or accompanied by a duly executed written instrument of transfer);
- (ix) interest on any Note not tendered, or tendered but not purchased by the Issuer pursuant to the Offer to Purchase, shall continue to accrue;
- (x) on the purchase date the purchase price shall become due and payable on each Note accepted for purchase, and interest on Notes purchased shall cease to accrue on and after the purchase date;
- (xi) Holders are entitled to withdraw Notes tendered by giving notice, which must be received by the Issuer or the Trustee not later than the close of business on the expiration date, setting forth the name of the Holder, the principal amount of the tendered Notes, the certificate number of the tendered Notes and a statement that the Holder is withdrawing all or a portion of the tender;
- (xii) (A) if Notes in an aggregate principal amount less than or equal to the purchase amount are duly tendered and not withdrawn pursuant to the Offer to Purchase, the Issuer shall purchase all such Notes, and (B) if the Offer to Purchase is for less than all of the outstanding Notes and Notes in an aggregate principal amount in excess of the purchase amount are tendered and not withdrawn pursuant to the offer, the Issuer

shall purchase Notes having an aggregate principal amount equal to the purchase amount on a *pro rata* basis, with adjustments so that only Notes in denominations of \$2,000 principal amount and any multiples of \$1,000 in excess thereof;

(xiii) if any Note is purchased in part, new Notes equal in principal amount to the unpurchased portion of the Note shall be issued; and

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

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(c) Prior to the purchase date, the Issuer shall accept tendered Notes for purchase as required by the Offer to Purchase and deliver to the Trustee all Notes so accepted together with an Officers' Certificate specifying which Notes have been accepted for purchase. On the purchase date, the purchase price shall become due and payable on each Note accepted for purchase, and interest on Notes purchased shall cease to accrue on and after the purchase date. The Trustee shall promptly return to Holders any Notes not accepted for purchase and send to Holders new Notes equal in principal amount to any unpurchased portion of any Notes accepted for purchase in part.

(d) The Issuer shall comply with Rule 14e-1 under the Exchange Act and all other applicable laws in making any Offer to Purchase, and the above procedures shall be deemed modified as necessary to permit such compliance.

ARTICLE 4 COVENANTS

Section 4.01. *Payment of Notes.* (a) The Issuer agrees to pay the principal of, premium, if any, and interest on the Notes on the dates and in the manner provided in the Notes and this Indenture. Not later than 9:00 A.M. (New York City time) on the due date of any principal of, premium, if any, or interest on, any Notes, or any redemption or purchase price of the Notes, the Issuer shall deposit with the Trustee (or Paying Agent) money in immediately available funds sufficient to pay such amounts; *provided*, that if the Issuer or any Affiliate of the Issuer is acting as Paying Agent, it shall, on or before each due date, segregate and hold in a separate trust fund for the benefit of the Holders a sum of money sufficient to pay such amounts until paid to such Holders or otherwise disposed of as provided in this Indenture. In each case, the Issuer shall promptly notify the Trustee of its compliance with this paragraph.

(b) An installment of principal, premium, if any, or interest shall be considered paid on the date due if the Trustee (or Paying Agent, other than the Issuer or any Affiliate of the Issuer) holds on that date money designated for and sufficient to pay the installment. If the Issuer or any Affiliate of the Issuer acts as Paying Agent, an installment of principal, premium, if any, or interest shall be considered paid on the due date only if paid to the Holders.

(c) The Issuer agrees to pay interest on overdue principal, and, to the extent lawful, overdue installments of interest, if any, at the rate per annum specified in the Notes.

(d) Payments in respect of the Notes represented by the Global Notes are to be made by wire transfer of immediately available funds to the accounts specified by the Holders of the Global Notes. With respect to Certificated Notes,

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the Issuer shall 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 Company and the Issuer shall maintain an office or agency where Notes may be surrendered for registration of transfer or exchange or for presentation for payment and where notices and demands to or upon the Company and the Issuer in respect of the Notes and this Indenture may be served. The Issuer and the Company hereby initially designate the Corporate Trust Office of the Trustee as such office of the Issuer and the Company. The Issuer shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Issuer and the Company fail to maintain any such required office or agency or fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served to the Trustee.

The Issuer may also from time to time designate one or more other offices or agencies where the Notes may be surrendered or presented for any of such purposes and may from time to time rescind such designations. The Issuer shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

Section 4.03. *Existence.* The Company and the Issuer shall each do or cause to be done all things necessary to preserve and keep in full force and effect their existence and the existence of each of the Restricted Subsidiaries in accordance with their respective organizational documents, and the material rights, licenses and franchises of the Company, the Issuer and each Restricted Subsidiary; *provided*, that the Company and the Issuer are not required to preserve any such right, license or franchise, or the existence of any Restricted Subsidiary, if the maintenance or preservation thereof is no longer desirable in the conduct of the business of the Company and its Restricted Subsidiaries taken as a whole; and *provided, further*, that this Section not prohibit any transaction otherwise permitted by Section 4.10 or Section 4.14.

Section 4.04. *Payment of Taxes.* The Company shall pay or discharge, and cause each of its Subsidiaries to pay or discharge before the same become delinquent all material taxes, assessments and governmental charges levied or imposed upon the Company or any Subsidiary or its income or profits or property, other than any such tax, assessment or charge the amount, applicability or validity of which is being contested in good faith by appropriate proceedings.

Section 4.05. [Reserved].

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Section 4.06. *Limitations on Indebtedness.* (a) The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary, directly or indirectly, to create, incur, assume, become liable for or guarantee the payment of (collectively, an “**incurrence**”) any Indebtedness (including Acquired Indebtedness) unless, after giving effect thereto and the application of the proceeds therefrom, the Consolidated Fixed Charge Coverage Ratio on the date thereof would be at least 2.0 to 1.0.

(b) Notwithstanding the foregoing, the provisions of this Indenture will not prevent the incurrence of:

- (i) Permitted Indebtedness,
- (ii) Refinancing Indebtedness,
- (iii) Non-Recourse Indebtedness,
- (iv) any Guarantee of Indebtedness represented by the Notes,
- (v) any guarantee of Indebtedness incurred under Credit Facilities in compliance with this Indenture, and

(vi) any guarantee by the Issuer, the Company or any Guarantor of Indebtedness that is permitted to be incurred in compliance with this Indenture; *provided* that in the event such Indebtedness that is being guaranteed is subordinated in right of payment to the Notes or a Guarantee, as the case may be, then the related guarantee shall be subordinated in right of payment to the Notes or such Guarantee, as the case may be.

(c) For purposes of determining compliance with this covenant, in the event that an item of Indebtedness may be incurred through 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.

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(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. *Limitations on Restricted Payments.* (a) The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, directly or indirectly, make any Restricted Payment unless:

- (i) no Default or Event of Default shall have occurred and be continuing at the time of or immediately after giving effect to such Restricted Payment;
- (ii) immediately after giving effect to such Restricted Payment, the Company could incur at least \$1.00 of Indebtedness pursuant to Section 4.06(a) hereof; and
- (iii) immediately after giving effect to such Restricted Payment, the aggregate amount of all Restricted Payments (including the Fair Market Value of any non-cash Restricted Payment) declared or made on or after the Issue Date 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 November 1, 2012 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 the Issue Date or any issue or sale after the Issue Date of Qualified Stock (other than (x) to any Subsidiary of the Company or (y) any Excluded Contribution) and (2) the issue or sale on or after the Issue Date 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*

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(C) in the case of the disposition or repayment of any Investment constituting a Restricted Payment (or if the Investment was made prior to the Issue Date, that would have constituted a Restricted Payment if made after the Issue Date, if such disposition or repayment results in cash received by the Company, the Issuer or any Restricted Subsidiary), an amount (to the extent not included in the calculation of Consolidated Net Income referred to in (A)) equal to the lesser of (x) the return of capital with respect to such Investment (including by dividend, distribution or sale of Capital Stock) and (y) the amount of such Investment that was treated (or would have been

treated when made) as a Restricted Payment, in either case, less the cost of the disposition or repayment of such Investment (to the extent not included in the calculation of Consolidated Net Income referred to in (A)), *plus*

(D) with respect to any Unrestricted Subsidiary that is redesignated as a Restricted Subsidiary after the Issue Date, 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.

(b) Clauses (i) (except in the case of clauses (iii)(B), (iii)(C), (iv) and (v) below), (ii) and (iii) of Section 4.07(a) will not prohibit:

(i) the payment of any dividend within 60 days of its declaration if such dividend could have been made on the date of its declaration without violation of the provisions of this Indenture;

(ii) the purchase, repayment, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of any Subordinated Indebtedness of the Issuer, the Company or any Restricted Subsidiary or shares of Capital Stock of the Company in exchange for, or out of the net proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company or constituting an Excluded Contribution) of, shares of Qualified Stock;

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(iii) (A) the purchase, repayment, redemption, repurchase, defeasance or other acquisition, cancellation or retirement for value of Subordinated Indebtedness of the Issuer, the Company or any Restricted Subsidiary in exchange for, or out of proceeds of, Refinancing Indebtedness;

(B) the purchase, repayment, redemption, repurchase, defeasance or other acquisition, cancellation or retirement for value of Subordinated Indebtedness of the Issuer, the Company or any Restricted Subsidiary or the making of Restricted Investments in joint ventures:

(1) in an aggregate amount not to exceed \$50.0 million (after giving effect to all subsequent reductions in the amount of any Restricted Investment in a joint venture made pursuant to this clause (B)(1) as a result of the repayment or disposition thereof for cash, not to exceed the amount of such Restricted Investment previously made pursuant to this clause (B)(1)); or

(2) in an aggregate amount made under this clause (B)(2) not to exceed Excluded Contributions (after giving effect to all subsequent reductions in the amount of any Restricted Investment in a joint venture made pursuant to this clause (B)(2) as a result of the repayment or disposition thereof for cash, not to exceed the amount of such Restricted Investment previously made pursuant to this clause (B)(2));

(C) the purchase, repayment, redemption, repurchase, defeasance or other acquisition, cancellation or retirement for value of Subordinated Indebtedness of the Issuer, the Company or any Restricted Subsidiary or the making of Restricted Investments in joint ventures (after giving effect to all subsequent reductions in the amount of any Restricted Investment in a joint venture made pursuant to this clause (C) as a result of the repayment or disposition thereof for cash, not to exceed the amount of such Restricted Investment previously made pursuant to this clause (C)), in an aggregate amount not to exceed \$150.0 million; *provided* that, on a pro forma basis after giving effect to any such Restricted Payment, the aggregate fair market value of the Collateral (as determined in good faith by the Company’s chief financial officer) is equal to at least 175% of the aggregate principal amount of Collateralized Debt (such ratio as calculated, the “**Collateral Ratio**”) as of such date (or, in the case of a

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Restricted Investment in a joint venture, on the date the Company determines to make such Investment, so long as the Investment is completed within 120 days of such determination date), such fair market value to be determined, with respect to real property Collateral, by reference to book value pursuant to GAAP;

(iv) the payment of dividends on Preferred Stock and Disqualified Stock up to an aggregate amount of \$10.0 million in any fiscal year; *provided* that immediately after giving effect to any declaration of such dividend, the Company could incur at least \$1.00 of Indebtedness pursuant to Section 4.06(a);

(v) the purchase, redemption or other acquisition, cancellation or retirement for value of Capital Stock, or options, warrants, equity appreciation rights or other rights to purchase or acquire Capital Stock, of the Company or any Subsidiary held by officers or employees or former officers or employees of the Company or any Subsidiary (or their estates or beneficiaries under their estates) not to exceed \$10.0 million in the aggregate since the Issue Date;

(vi) the making of cash payments in connection with any conversion or exchange of Permitted Convertible Indebtedness in an aggregate amount since the date of the indenture therefor not to exceed the sum of (a) the principal amount of such Permitted Convertible Indebtedness *plus* (b) any payments received by the Company, the Issuer or any Restricted Subsidiaries pursuant to the exercise, settlement or termination of any related Permitted Bond Hedge;

(vii) any payments in connection with (including, without limitation, the purchase of) a Permitted Bond Hedge and the settlement of any related Permitted Warrant (A) by delivery of shares of the Company’s Capital Stock upon net share settlement of such Permitted Warrant or

(B) by (x) set-off of such Permitted Warrant against the related Permitted Bond Hedge and (y) payment of an amount due upon termination of such Permitted Warrant in Capital Stock or using cash received upon the exercise, settlement or termination of a Permitted Bond Hedge upon any early termination thereof;

(viii) the purchase, repayment, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of any Subordinated Indebtedness (A) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness in the event of a Change of Control in accordance with provisions similar to Section 4.12 hereof or (B) at a purchase price not greater than 100% of the principal amount thereof in accordance with provisions similar to Section 4.10

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hereof; *provided* that, prior to or simultaneously with such purchase, repayment, repurchase, redemption, defeasance or other acquisition, cancellation, or retirement, the Company, the Issuer or any Restricted Subsidiary has made the Change of Control offer pursuant to Section 4.12 hereof or Offer to Purchase pursuant to Section 4.10 hereof, as applicable, with respect to the Notes and has completed such repurchase or redemption of all Notes validly tendered for payment in connection with such Change of Control offer or Offer to Purchase;

(ix) any payment of cash by the Company, the Issuer or any of the Restricted Subsidiaries in respect of fractional shares of the Company's Capital Stock upon the exercise, conversion or exchange of any stock options, warrants or other rights to purchase Capital Stock or other convertible or exchangeable securities; and

(x) other Restricted Payments in an aggregate amount, when taken together with all other Restricted Payments made pursuant to this clause (x) not to exceed \$25.0 million (after giving effect to all subsequent reductions in the amount of Restricted Investments made pursuant to this clause (x) in the form of cash not to exceed the amount of such Restricted Investment previously made pursuant to this clause (x));

provided, however, that each Restricted Payment described in clauses (i) and (ii) of this Section 4.07(b) shall be taken into account for purposes of computing the aggregate amount of all Restricted Payments pursuant to clause (iii) of Section 4.07(a).

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

(d) In determining the "Fair Market Value of Property" for purposes of clause (iii) of Section 4.07(a), Property other than cash, Cash Equivalents and Marketable Securities shall be deemed to be equal in value to the "equity value" of the Capital Stock or other securities issued in exchange therefor. The equity value of such Capital Stock or other securities shall be equal to (i) the number of shares of Common Equity issued in the transaction (or issuable upon conversion or exercise of the Capital Stock or other securities issued in the transaction) multiplied by the closing sale price of the Common Equity on its principal market on the date of the transaction (less, in the case of Capital Stock or other securities which require the payment of consideration at the time of conversion or exercise, the aggregate consideration payable thereupon) or (ii) if the Common Equity is not then traded on the New York Stock Exchange, NYSE MKT or Nasdaq Stock

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Market, or if the Capital Stock or other securities issued in the transaction do not consist of Common Equity (or Capital Stock or other securities convertible into or exercisable for Common Equity), the value (if more than \$10.0 million) of such Capital Stock or other securities as determined by a nationally recognized investment banking firm retained by the Board of Directors of the Company.

Any restricted payments that were treated as made pursuant to the provisions of the Existing Secured Notes Indenture under the provision of such indenture that is substantially identical to paragraph (iii)(B)(2) of Section 4.07(b) and made prior to the Issue Date shall be treated as Restricted Payments made under paragraph (iii)(B)(2) of Section 4.07(b) under this Indenture (and subsequent reductions in any Restricted Investments made with such restricted payments shall be given effect as well).

Section 4.08. *Limitations on Liens.* The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, create, incur, assume or suffer to exist any Liens, other than Permitted Liens, on any of its Property, or on any shares of Capital Stock or Indebtedness of any Restricted Subsidiary.

Section 4.09. *Limitations on Restrictions Affecting Restricted Subsidiaries.* The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, create, assume or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction (other than encumbrances or restrictions imposed by law or by judicial or regulatory action or by provisions of agreements that restrict the assignability thereof) on the ability of any Restricted Subsidiary to:

(a) pay dividends or make any other distributions on its Capital Stock or any other interest or participation in, or measured by, its profits, owned by the Company or any other Restricted Subsidiary, or pay interest on or principal of any Indebtedness owed to the Company or any other Restricted Subsidiary,

(b) make loans or advances to the Company or any other Restricted Subsidiary, or

(c) transfer any of its property or assets to the Company or any other Restricted Subsidiary,

except for:

(i) encumbrances or restrictions existing under or by reason of applicable law,

(ii) contractual encumbrances or restrictions in effect at or entered into on the Issue Date and any amendments, modifications, restatements, renewals, supplements, refundings, replacements or

refinancings thereof; *provided*, that such amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in such contractual encumbrances or restrictions, as in effect at or entered into on the Issue Date,

(iii) any restrictions or encumbrances arising under Acquired Indebtedness; *provided*, that such encumbrance or restriction applies only to either the assets that were subject to the restriction or encumbrance at the time of the acquisition or the obligor on such Indebtedness and its Subsidiaries prior to such acquisition,

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

(v) any Permitted Lien, or any other agreement restricting the sale or other disposition of property, securing Indebtedness permitted by this Indenture if such Permitted Lien or agreement does not expressly restrict the ability of a Subsidiary of the Company to pay dividends or make or repay loans or advances prior to default thereunder,

(vi) reasonable and customary borrowing base covenants set forth in agreements evidencing Indebtedness otherwise permitted by this Indenture,

(vii) customary non-assignment provisions in leases, licenses, encumbrances, contracts or similar assets entered into or acquired in the ordinary course of business,

(viii) any restriction with respect to a Restricted Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all of the Capital Stock or assets of such Restricted Subsidiary pending the closing of such sale or disposition,

(ix) encumbrances or restrictions existing under or by reason of this Indenture, the Notes or the Guarantees and the First Lien Indenture, the First Lien Notes and the First Lien Guarantees,

(x) purchase money obligations that impose restrictions on the property so acquired of the nature described in clause (c) of this Section 4.09,

(xi) Liens permitted under this Indenture securing Indebtedness that limit the right of the debtor to dispose of the assets subject to such Lien,

(xii) provisions with respect to the disposition or distribution of assets or property in joint venture agreements, assets sale agreements, stock sale agreements and other similar agreements,

(xiii) customary provisions of any franchise, distribution or similar agreements,

(xiv) restrictions on cash or other deposits or net worth imposed by contracts entered into in the ordinary course of business, and

(xv) any encumbrance or restrictions of the type referred to in clauses (a), (b) or (c) of this Section 4.09 imposed by any amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings of the contracts, instruments or obligations referred to in clauses (i) through (xiv) of this Section 4.09; *provided*, that such amendments, modifications, restatements, renewals, supplements, refundings, replacements or refinancings are, in the good faith judgment of the Company's Board of Directors, not materially 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.* (a) The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, make any Asset Disposition unless: (x) the Company (or the Issuer or such Restricted Subsidiary, as the case may be) receives consideration at the time of such Asset Disposition at least equal to the Fair Market Value thereof, and (y) not less than 70% of the consideration received by the Company (or the Issuer or such Restricted Subsidiary, as the case may be) is in the form of cash, Cash Equivalents and Marketable Securities (which must be pledged as Collateral if the assets disposed of constituted Collateral).

(b) The amount of (i) any Indebtedness (other than any Subordinated Indebtedness) of the Company or the Issuer 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 (including Capital Stock of any Person that will be a Restricted Subsidiary following receipt thereof) received that are used or useful in a Real Estate Business (*provided* that (except as permitted by clause (c) under the definition of "Permitted Investment") to the extent that the assets

disposed of in such Asset Disposition were Collateral, such property or assets are pledged as Collateral under the Security Documents substantially simultaneously with such sale, with the Lien on such Collateral securing the Notes being of the same priority with respect to the Notes as the Lien on the assets disposed of), shall be deemed to be consideration required by clause (y) of Section 4.10(a) for purposes of determining the percentage of such consideration received by the Company or the Restricted Subsidiaries.

(c) The Net Cash Proceeds of an Asset Disposition shall, within one year, at the Company's election, (1) be used by the Company, the Issuer or a Restricted Subsidiary to invest in assets (including Capital Stock of any Person that is or will be a Restricted Subsidiary following investment therein) used or useful in a Real Estate Business (*provided* that (except as permitted by clause (c) under the definition of "Permitted Investment") to the extent that the assets disposed of in such Asset Disposition were Collateral, such assets are pledged as Collateral under the Security Documents with the Lien on such Collateral securing the Notes being of the same priority with respect to the Notes as the Lien on the assets disposed of), (2) be used to permanently prepay or permanently repay any (i) Indebtedness which had been secured by the assets sold in the relevant Asset Disposition, to the extent the assets sold were not Collateral, or (ii) Indebtedness of a Restricted Subsidiary that is not a Guarantor, to the extent the assets sold were not Collateral or (iii) Indebtedness constituting First-Priority Lien Obligations (or cash collateralize letters of credit that constitute First-Priority Lien Obligations) or (3) be applied to make an Offer to Purchase the Notes and, if the Company or a Restricted Subsidiary elects or is required to do so, to repay, purchase or redeem any other Indebtedness secured by parity Liens on Collateral and, if the Company or a Restricted Subsidiary elects or is required to do so and the assets disposed of were not Collateral, repay, purchase or redeem any unsubordinated Indebtedness (on a *pro rata* basis if the amount available for such repayment, purchase, redemption or cash collateralization is less than the aggregate amount of (x) the principal amount of the Notes tendered in such Offer to Purchase, (y) the lesser of the principal amount, or accreted value, of such other Indebtedness secured by ratable Liens tendered or to be repaid, redeemed, repurchased or cash collateralized and (z) the lesser of the principal amount, or accreted value, of such unsubordinated Indebtedness tendered or to be repaid, repurchased or redeemed, plus, in each case, accrued interest to the date of repayment, purchase or redemption) at 100% of the principal amount or accreted value thereof, as the case may be, plus accrued and unpaid interest, if any, to the date of repurchase, repayment or redemption; *provided* that pending any such application under this Section 4.10(c), Net Cash Proceeds may be used to temporarily reduce Indebtedness or otherwise be invested in any manner not prohibited by this Indenture; *provided further* that in the case of clause (1), a binding commitment to invest in assets shall be treated as a permitted application of the Net Cash Proceeds from the date of such commitment so long as the Company, the Issuer or a Restricted Subsidiary enters into such commitment with

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the good faith expectation that such Net Cash Proceeds will be applied to satisfy such commitment within 180 days of such commitment (an "**Acceptable Commitment**") and such Net Cash Proceeds are actually applied in such manner within the later of one year from the consummation of the Asset Disposition and 180 days from the date of the Acceptable Commitment, and in the event any Acceptable Commitment is later cancelled or terminated for any reason before the Net Cash Proceeds is applied in connection therewith, the Company, the Issuer or such Restricted Subsidiary enters into another Acceptable Commitment (a "**Second Commitment**") within 180 days of such cancellation or termination and such Net Cash Proceeds are actually applied in such manner within 180 days from the date of the Second Commitment, it being understood that if a Second Commitment is later cancelled or terminated for any reason before such Net Cash Proceeds is applied, then such Net Cash Proceeds shall be applied in accordance with clauses (2) or (3) above. Upon completion of an Offer to Purchase, the amount of Net Cash Proceeds will be reset at zero.

(d) Notwithstanding the foregoing, (A) the Company will not be required to apply such Net Cash Proceeds in accordance with clauses (2) or (3) of Section 4.10(c) except to the extent that such Net Cash Proceeds, together with the aggregate Net Cash Proceeds of prior Asset Dispositions (other than those so used) which have not been applied in accordance with this provision and as to which no prior prepayments or repayments shall have been made and no Offer to Purchase shall have been made, exceed \$25.0 million and (B) in connection with an Asset Disposition, the Company and the Restricted Subsidiaries will not be required to comply with the requirements of clause (y) of Section 4.10(a) to the extent that the non-cash consideration received in connection with such Asset Disposition, together with the sum of all non-cash consideration received in connection with all prior Asset Dispositions that has not yet been converted into cash, Cash Equivalents or Marketable Securities, does not exceed \$25.0 million; *provided, however*, that when any non-cash consideration is converted into cash, Cash Equivalents or Marketable Securities, such cash shall constitute Net Cash Proceeds and be subject to Section 4.10(c).

(e) To the extent that the aggregate amount of Indebtedness validly tendered and not properly withdrawn pursuant to an Offer to Purchase is less than the Net Cash Proceeds, the Company, the Issuer and the Restricted Subsidiaries may use any remaining Net Cash Proceeds for general corporate purposes, subject to the other covenants hereunder.

Section 4.11. *Guarantees by Restricted Subsidiaries.* Each existing Restricted Subsidiary (other than the Issuer (for so long as it remains the Issuer)) will be a Guarantor. The Company is permitted to cause any Unrestricted Subsidiary to be a Guarantor. If the Issuer, the Company or any of its Restricted Subsidiaries acquires or creates a Restricted Subsidiary after the Issue Date, such Restricted Subsidiary shall execute a guarantee substantially in the form included

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in Exhibit A, execute a supplemental indenture in the form of Exhibit B, and deliver an Opinion of Counsel to the Trustee to the effect that the supplemental indenture has been duly authorized, executed and delivered by the new Restricted Subsidiary and constitutes a valid and binding obligation of the new Restricted Subsidiary, enforceable against the new Restricted Subsidiary in accordance with its terms (subject to customary exceptions).

Section 4.12. *Repurchase of Notes upon a Change of Control.* (a) In the event that there shall occur a Change of Control, each Holder of Notes shall have the right, at such Holder's option, to require the Issuer to purchase all or any part of such Holder's Notes on a date (the "**Repurchase Date**") that is no later than 90 days after notice of the Change of Control, at 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the Repurchase Date.

(b) On or before the thirtieth day after any Change of Control, the Issuer is obligated to mail, or cause to be mailed, to all Holders of record of Notes and the Trustee, a notice regarding the Change of Control and the repurchase right. The notice shall state the Repurchase Date, the date by which the repurchase right must be exercised, the price for the Notes and the procedure which the Holder must follow to exercise such right. To exercise such right, the Holder of such Note must deliver, at least ten days prior to the Repurchase Date, written notice to the Issuer (or an agent designated by the Issuer for such purpose) of the Holder's exercise of such right, together with the Note with respect to which the right is being exercised, duly endorsed for transfer; *provided*,

however, that if mandated by applicable law, a Holder may be permitted to deliver such written notice nearer to the Repurchase Date than may be specified by the Issuer.

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

Section 4.13. *Limitations on Transactions with Affiliates.* (a) The Company and the Issuer will not, and will not cause or permit any Restricted Subsidiary to, make any loan, advance, guarantee or capital contribution to, or for the benefit of, or sell, lease, transfer or otherwise dispose of any property or assets to or for the benefit of, or purchase or lease any property or assets from, or enter into or amend any contract, agreement or understanding with, or for the benefit of, any Affiliate of the Company or any Affiliate of any of the Company's Subsidiaries or any holder of 10% or more of the Common Equity of the Company (including any Affiliates of such holders), in a single transaction or series of related transactions (each, an "**Affiliate Transaction**"), except for any Affiliate Transaction the terms of which are at least as favorable as the terms which could be obtained by the Company, the Issuer or such Restricted Subsidiary, as the case may be, in a comparable transaction made on an

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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 \$10.0 million, the Company shall have (x) obtained the approval of a majority of the Board of Directors of the Company and (y) either obtained the approval of a majority of the Company's disinterested directors or obtained an opinion of a qualified independent financial advisor to the effect that such Affiliate Transaction is fair to the Company, the Issuer or such Restricted Subsidiary, as the case may be, from a financial point of view, and

(ii) with respect to any such Affiliate Transaction involving or having a value of more than \$20.0 million, the Company shall have (x) obtained the approval of a majority of the Board of Directors of the Company and (y) delivered to the Trustee an opinion of a qualified independent financial advisor to the effect that such Affiliate Transaction is fair to the Company, the Issuer or such Restricted Subsidiary, as the case may be, from a financial point of view.

(c) Notwithstanding the foregoing, an Affiliate Transaction will not include:

(i) any contract, agreement or understanding with, or for the benefit of, or plan for the benefit of, employees of the Company or its Subsidiaries generally (in their capacities as such) that has been approved by the Board of Directors of the Company,

(ii) Capital Stock issuances to directors, officers and employees of the Company or its Subsidiaries pursuant to plans approved by the stockholders of the Company,

(iii) any Restricted Payment otherwise permitted under Section 4.07 hereof or any Permitted Investment (other than a Permitted Investment referred to in clause (b) of the definition thereof, except as permitted by clause (iv) below),

(iv) any transaction between or among 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 this Indenture)),

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(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 divided, or otherwise distributed or transferred without charge, to the Company or a Restricted Subsidiary,

(vi) issuances, sales or other transfers or dispositions of mortgages and collateralized mortgage obligations in the ordinary course of business between Restricted Subsidiaries and Unrestricted Subsidiaries of the Company, and

(vii) the payment of reasonable and customary fees to, and indemnity provided on behalf of, officers, directors, employees or consultants of the Company, the Issuer or any Restricted Subsidiary.

Section 4.14. *Limitations on Mergers, Consolidations and Sales of Assets.* Neither the Issuer nor any Guarantor will consolidate or merge with or into, or sell, lease, convey or otherwise dispose of all or substantially all of its assets (including, without limitation, by way of liquidation or dissolution), or assign any of its obligations under the Notes, the Guarantees or this Indenture (as an entirety or substantially as an entirety in one transaction or in a series of related transactions), to any Person (in each case other than in a transaction in which the Company, the Issuer or a Restricted Subsidiary is the survivor of a consolidation or merger, or the transferee in a sale, lease, conveyance or other disposition) unless:

(i) the Person formed by or surviving such consolidation or merger (if other than the Company, the Issuer or the Guarantor, as the case may be), or to which such sale, lease, conveyance or other disposition or assignment will be made (collectively, the "**Successor**"), is a corporation or other legal entity organized and existing under the laws of the United States or any state thereof or the District of Columbia, and the Successor assumes by supplemental indenture in a form reasonably satisfactory to the Trustee all of the obligations of the Company, the Issuer or the Guarantor, as the case may be, under the Notes or a Guarantee, as the case may be, and this Indenture and the Security Documents,

(ii) immediately after giving effect to such transaction, no Default or Event of Default has occurred and is continuing, and

(iii) immediately after giving effect to such transaction, the Company (or its Successor) could incur at least \$1.00 of Indebtedness pursuant to Section 4.06(a) hereof.

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The foregoing provisions shall not apply to: (i) a transaction involving the sale or disposition of Capital Stock of a Guarantor, or the consolidation or merger of a Guarantor, or the sale, lease, conveyance or other disposition of all or substantially all of the assets of a Guarantor, that in any such case results in such Guarantor being released from its Guarantee pursuant to Section 6.03, or (ii) a transaction the purpose of which is to change the state of incorporation of the Company, the Issuer or any Guarantor.

Section 4.15. *Reports to Holders of Notes.* (a) The Company shall file with the Commission the annual reports and the information, documents and other reports required to be filed pursuant to Section 13 or 15(d) of the Exchange Act. The Company shall file with the Trustee and deliver to each Holder of record of Notes such reports, information and documents within 15 days after it files them with the Commission. In the event that the Company is no longer subject to these periodic reporting requirements of the Exchange Act, it will nonetheless continue to file reports with the Commission and the Trustee and deliver such reports to each Holder of Notes as if it were subject to such reporting requirements. Regardless of whether the Company is required to furnish such reports to its stockholders pursuant to the Exchange Act, the Company will cause its consolidated financial statements and a "Management's Discussion and Analysis of Results of Operations and Financial Condition" written report, similar to those that would have been required to appear in annual or quarterly reports, to be delivered to Holders of Notes.

(b) The posting of the reports, information and documents referred to above on the Company's website or one maintained on its behalf for such purpose shall be deemed to satisfy the Company's delivery obligations to the Trustee and the Holders. In addition, availability of the foregoing materials on the Commission's EDGAR service shall be deemed to satisfy the Company's delivery obligations to the Trustee and the Holders. The Trustee shall have no obligation to monitor whether the Company posts such reports, information and documents on its website or the Commission's EDGAR service.

(c) For so long as any of the Notes remain outstanding and constitute "restricted securities" under Rule 144, the Company will furnish to the Holders of Notes and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

(d) Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of them will not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's and/or the Company's compliance with any of its covenants in this Indenture (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

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Section 4.16. [Reserved]

Section 4.17. *Notice of Other Defaults.* In the event that any Indebtedness of the Issuer or any Guarantor is declared due and payable before its maturity because of the occurrence of any default under such Indebtedness, the Issuer or the relevant Guarantor, as the case may be, shall promptly deliver to the Trustee an Officers' Certificate stating such declaration; *provided*, that the term "Indebtedness" as used in this Section 4.17 shall not include Non-Recourse Indebtedness.

Section 4.18. *Collateral Requirement; Further Assurances; Costs.*

(a) On the Issue Date, the Issuer and each Guarantor shall grant Liens on all their property (other than Excluded Property) and take all appropriate steps to cause such Liens to be perfected second-priority liens (subject to Permitted Liens), including through recordation of mortgages, entry into control agreements, filing of UCC-1 financing statements or otherwise, pursuant to, and to the extent required by, the Security Documents to be entered into on the Issue Date and this Indenture. For the avoidance of doubt, the requirements of this Section 4.18(a) are subject to Section 4.18(d) below.

(b) If the Issuer or any of the Guarantors at any time grants, assumes, perfects or becomes subject to any Lien upon any of its property (other than Excluded Property of the type referred to in clause (a) of the definition thereof) then owned or thereafter acquired as security for any First-Priority Lien Obligation or other Second-Priority Lien Obligation that in each case is subject to the Intercreditor Agreement, the Issuer will, or will cause such Guarantor to, as promptly as practical (subject to Section 4.18(d) below):

(i) grant a second-priority Lien on such property to the Collateral Agent for the benefit of the Holders and, to the extent such grant would require the execution and delivery of a Security Document, the Issuer or such Guarantor shall execute and deliver a Security Document on substantially the same terms as the agreement or instrument executed and delivered to secure such other First-Priority Lien Obligations or Second-Priority Lien Obligations (but, in the case of First-Priority Lien Obligations, subject to changes to make such new Security Document consistent with the Security Documents delivered on the Issue Date in respect of the Second-Priority Lien Obligations compared to those for the First-Priority Lien Obligations);

(ii) cause the Lien granted in such Security Document to be duly perfected as a second-priority lien in any manner permitted by law to the same extent as the Liens granted for the benefit of such other

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First-Priority Lien Obligations or Second-Priority Lien Obligations are perfected; and

(iii) instruct the Collateral Agent to take all action necessary in connection with the foregoing provisions of this Section 4.18(b), including as necessary under the Security Documents and determining whether Collateral constitutes Mortgage Tax Collateral (as defined in the Intercreditor Agreement) for purposes of the Intercreditor Agreement.

(c) If the Issuer or any Guarantor at any time after the Issue Date acquires any new property (other than Excluded Property) that is not automatically subject to a Lien under the Security Documents, or a non-Guarantor Restricted Subsidiary becomes a Guarantor, the Issuer will, or will cause such Guarantor, subject to the requirements of the Security Documents, to as soon as practical after such property's acquisition or it no longer being Excluded Property (subject to Section 4.18(d) below):

(i) grant a second-priority Lien on such property (or, in the case of a new Guarantor, all of its assets except Excluded Property) to the Collateral Agent for the benefit of the Holders (and, to the extent such grant would require the execution and delivery of a Security Document, the Issuer or such Guarantor shall execute and deliver a Security Document on substantially the same terms as the Security Documents executed and delivered on the Issue Date);

(ii) cause the Lien granted in such Security Document to be duly perfected in any manner permitted by law to the same extent as the Liens granted on the Issue Date are perfected; and

(iii) instruct the Collateral Agent to take all action necessary in connection with the foregoing provisions of this Section 4.18(c) including as necessary under the Security Documents and determining whether Collateral constitutes Mortgage Tax Collateral (as defined in the Intercreditor Agreement) for purposes of the Intercreditor Agreement.

The Issuer or such Guarantor shall deliver an Opinion of Counsel to the Trustee in respect of any Lien grant referred to in this Section 4.18(c) by a new Guarantor or with respect to real property, addressing customary matters (and containing customary exceptions) consistent with the Opinion of Counsel delivered on the Issue Date in respect of such matters; *provided*, that, an Opinion of Counsel shall not be required with respect to any mortgage or similar instrument for real property located in a jurisdiction for which an Opinion of Counsel has been previously delivered to the Trustee pursuant to this Indenture.

(d) Notwithstanding anything to the contrary set forth in this Section 4.18 or elsewhere in this Indenture or any Security Document:

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(i) any mortgages, deeds of trust or similar instruments (and any related Security Documents) required to be granted pursuant to this Indenture or the Security Documents with respect to real property owned by the Issuer or a Guarantor on the Issue Date shall be granted, together with Opinions of Counsel delivered to the Trustee in respect of the enforceability and validity of such mortgages, deeds of trust and similar instruments, addressing customary matters (and containing customary exceptions), using reasonable best efforts following the Issue Date, but in no event later than (A) 180 days following the Issue Date with respect to real property to be pledged as Collateral with an aggregate book value of at least 75% of the aggregate book value of such real property owned on the Issue Date and (B) in any event, 270 days after the Issue Date with respect to all real property owned on the Issue Date to be pledged as Collateral;

(ii) any control, intercreditor or similar agreements or other Security Documents with respect to L/C Collateral (other than Excluded Property) and any deposit, checking and securities accounts required to be provided pursuant to this Indenture or the Security Documents on the Issue Date shall be provided as soon as commercially reasonable following the Issue Date, but in no event later than 90 days following the Issue Date;

(iii) in the event that Rule 3-16 of Regulation S-X under the Securities Act requires or would require (or is replaced with another rule or regulation, or any other law, rule or regulation is adopted, which would require) the filing with the Commission of separate financial statements of the Issuer, a Guarantor or of K. Hovnanian JV Holdings, L.L.C. that are not otherwise required to be filed, then the capital stock or other securities of such Person need not be pledged pursuant to this Section 4.18 and shall automatically be deemed released and to not be and to not have been part of the Collateral, but only to the extent necessary to not be subject to such requirement. In such event, the Security Documents may be amended or modified, without the consent of any Holder of Notes, to the extent necessary to evidence the release of Liens securing the Notes and the Guarantees on the shares of capital stock or other securities that are so deemed to no longer constitute part of the Collateral;

(iv) any control, intercreditor or similar agreements or other Security Documents required pursuant to this Indenture or the Security Documents with respect to L/C Collateral (other than Excluded Property) may provide that the Collateral Agent for the benefit of the Holders has a security interest in such Collateral that is junior to both the lien granted to the holders of the obligations secured by such L/C Collateral and the First-Priority Lien Obligations;

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(v) in the case of personal property, the Issuer and the Guarantors will not be required to take any steps to perfect liens on personal property outside the United States; and

(vi) in the case of real property Collateral, the Issuer and the Guarantors will not be required to provide title insurance policies in respect thereof.

(e) The Issuer will bear and pay all legal expenses, collateral audit and valuation costs, filing fees, insurance premiums and other costs associated with the performance of the obligations of the Issuer and the Guarantors set forth in this Section 4.18 and will also pay or reimburse the Trustee and Collateral Agent for all reasonable out-of-pocket expenses, disbursements and advances incurred or made by the Trustee and Collateral Agent in connection therewith, including the reasonable compensation and expenses of the Trustee and Collateral Agent's agents and counsel.

(f) Neither the Issuer nor any of the Guarantors will be permitted to take any action, or knowingly or negligently omit to take any action, which action or omission might or would have the result of materially impairing the security interest with respect to the Collateral for the benefit of the Trustee and the Holders of the Notes.

Section 4.19. *Limitation of Applicability of Certain Covenants if Notes Rated Investment Grade.*

(a) The Issuer's, the Company's and its Restricted Subsidiaries' obligations to comply with the provisions of this Indenture described under this Article 4 (except for Section 4.08, Section 4.10 (to the extent the property disposed of constitutes Collateral), Section 4.12, Section 4.14 (other than clause (iii) of the first paragraph thereof), Section 4.15 and Section 4.18) will be suspended (such suspended covenants, the "**Suspended Covenants**") and cease to have any further effect from and after the first date when the Notes are rated Investment Grade (the "**Suspension Date**"); *provided*, that if the Notes subsequently cease to be rated Investment Grade, then, from and after the time the Notes cease to be rated Investment Grade, the Issuer's, the Company's and its Restricted Subsidiaries' obligation to comply with the Suspended Covenants shall be reinstated.

(b) Following the achievement of such Investment Grade ratings, no Restricted Subsidiary thereafter acquired or created will be required to be a Guarantor unless it thereafter guarantees any Applicable Debt or the Notes cease to be rated Investment Grade.

(c) With respect to Restricted Payments made after any reinstatement referred to in Section 4.19(a), the amount of Restricted Payments made after the

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Issue Date will be calculated as though Section 4.07 had been in effect during the entire period after such date. Accordingly, Restricted Payments made after the Suspension Date will reduce the amount available to be made as Restricted Payments under Section 4.07(a).

(d) Notwithstanding clauses (a), (c) and (c) of this Section 4.19, in the event of any reinstatement of the obligation to comply with the Suspended Covenants referred to in Section 4.19(a), no action taken or omitted to be taken by the Company or any of its Subsidiaries prior to such reinstatement, or action taken by the Company or any of its Subsidiaries at any time pursuant to a contractual obligation arising prior to such reinstatement (not entered into in contemplation of such reinstatement) shall give rise to a Default or Event of Default under this Indenture upon reinstatement.

(e) The Issuer shall promptly notify the Trustee of any suspension or reinstatement of the Suspended Covenants and in the absence of such notice, the Trustee shall be entitled to presume that no such suspension or reinstatement has occurred.

ARTICLE 5 REMEDIES

Section 5.01. *Events of Default.* "**Event of Default**" means any one or more of the following events:

(i) the failure by the Company, the Issuer and the Guarantors to pay interest on any Note when the same becomes due and payable and the continuance of any such failure for a period of 30 days;

(ii) the failure by the Company, the Issuer and the Guarantors to pay the principal or premium of any Note when the same becomes due and payable at maturity, upon acceleration or otherwise;

(iii) the failure by the Company, the Issuer or any Restricted Subsidiary to comply with any of its agreements or covenants in, or provisions of, the Notes, the Guarantees or this Indenture and such failure continues for the period and after the notice specified below (except in the case of a default under Section 4.12 and 4.14, which will constitute 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 \$25.0 million or more, individually or in the aggregate, and such acceleration does not

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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 \$25.0 million or more, individually or in the aggregate, in respect of Indebtedness (other than Non-Recourse Indebtedness) of the Company or any Restricted Subsidiary within 30 days of such principal or interest becoming due and payable (after giving effect to any applicable grace period set forth in the documents governing such Indebtedness);

(vi) a final judgment or judgments that exceed \$25.0 million or more, individually or in the aggregate, for the payment of money having been entered by a court or courts of competent jurisdiction against the Company, the Issuer or any of its Restricted Subsidiaries and such judgment or judgments is not satisfied, stayed, annulled or rescinded within 60 days of being entered;

(vii) the Company, the Issuer or any Restricted Subsidiary that is a Significant Subsidiary pursuant to or within the meaning of any Bankruptcy Law:

(A) commences a voluntary case,

(B) consents to the entry of an order for relief against it in an involuntary case,

(C) consents to the appointment of a Custodian of it or for all or substantially all of its property, or

(D) makes a general assignment for the benefit of its creditors;

(viii) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief against the Company, the Issuer or any Restricted Subsidiary that is a Significant Subsidiary as debtor in an involuntary case,

(B) appoints a Custodian of the Company, the Issuer or any Restricted Subsidiary that is a Significant Subsidiary or a Custodian for all or substantially all of the property of the Company or any Restricted Subsidiary that is a Significant Subsidiary, or

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(C) orders the liquidation of the Company, the Issuer or any Restricted Subsidiary that is a Significant Subsidiary, and the order or decree remains unstayed and in effect for 60 days;

(ix) any Guarantee of a Guarantor that is a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Guarantee and this Indenture) or is declared null and void and unenforceable or found to be invalid or any Guarantor denies its liability under its Guarantee (other than by reason of release of a Guarantor from its Guarantee in accordance with the terms of this Indenture and the Guarantee); or

(x) the Liens created by the Security Documents shall at any time not constitute valid and perfected Liens on any material portion of the Collateral intended to be covered thereby (to the extent perfection by filing, registration, recordation or possession is required by this Indenture or the Security Documents) other than in accordance with the terms of the relevant Security Document and this Indenture and other than the satisfaction in full of all Obligations under this Indenture or the release or amendment of any such Lien in accordance with the terms of this Indenture or the Security Documents, or, except for expiration in accordance with its terms or amendment, modification, waiver, termination or release in accordance with the terms of this Indenture and the relevant Security Document, any of the Security Documents shall for whatever reason be terminated or cease to be in full force and effect, if in either case, such default continues for 30 days after notice, or the enforceability thereof shall be contested by the Issuer or any Guarantor.

A Default as described in subclause (iii) of this Section 5.01 will not be deemed an Event of Default until the Trustee notifies the Company, or the Holders of at least 25 percent in principal amount of the then outstanding Notes notify the Company and the Trustee, of the Default and (except in the case of a Default with respect to Section 4.12 and 4.14 hereof) the Company does not cure the Default within 60 days after receipt of the notice. The notice must specify the Default, demand that it be remedied and state that the notice is a "Notice of Default." If such a Default is cured within such time period, it ceases to be a Default.

If an Event of Default (other than an Event of Default with respect to the Company or the Issuer resulting from subclauses (vii) or (viii) of this Section 5.01), shall have occurred and be continuing under this Indenture, the Trustee by notice to the Company, or the Holders of at least 25 percent in principal amount of the Notes then outstanding by notice to the Company and the Trustee, may declare all Notes to be due and payable immediately. Upon such declaration of

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acceleration, the amounts due and payable on the Notes will be due and payable immediately. If an Event of Default with respect to the Company or the Issuer specified in subclauses (vii) or (viii) of this Section 5.01 occurs, such an amount will *ipso facto* become and be immediately due and payable without any declaration, notice or other act on the part of the Trustee and the Company or any Holder. This provision, however, is subject to the condition that, if at any time after the unpaid principal amount (or such specified amount) of the Notes shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, the Issuer shall pay or shall deposit with the Trustee a sum sufficient to pay all matured installments of interest, if any, upon all of the Notes and the principal of all the Notes which shall have become due otherwise than by acceleration (with interest on overdue installments of interest, if any, to the extent that payment of such interest is enforceable under applicable law and on such principal at the rate borne by the Notes to the date of such payment or deposit) and the reasonable compensation, disbursements, expenses and advances of the Trustee and all other amounts due the Trustee under Section 7.07, and any and all defaults under this Indenture, other than the nonpayment of such portion of the principal amount of and accrued interest, if any, on Notes which shall have become due by acceleration, shall have been cured or shall have been waived in accordance with Section 5.03 or provision deemed by the Trustee to be adequate shall have been made therefor, then and in every such case the Holders of a majority in aggregate principal amount of the Notes then outstanding, by written notice to the Issuer and to the Trustee, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair any right consequent thereon. Notwithstanding the previous sentence, no waiver shall be effective against any Holder for any Event of Default or event which with notice or lapse of time or both would be an Event of Default with respect to any covenant or provision which cannot be modified or amended without the consent of the Holder of each outstanding Note affected thereby, unless all such affected Holders agree, in writing, to waive such Event of Default or other event.

If the Trustee shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned because of such rescission or annulment or for any reason or shall have been determined to be adverse to the Trustee, then and in every such case the Issuer, the Trustee and the Holders of Notes shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Issuer, the Trustee and the Holders of Notes shall continue as though no such proceeding had been taken.

Except with respect to an Event of Default pursuant to clauses (i) or (ii) of this Section 5.01, the Trustee shall not be charged with knowledge of any Event of Default unless written notice thereof shall have been given to a Responsible

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Officer of the Trustee by the Issuer, a Paying Agent or any Holder and such notice references the Notes and this Indenture.

Section 5.02. *Other Remedies.* If an Event of Default occurs and is continuing, the Trustee may pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of, premium, if any, and interest, if any, on the Notes or to

enforce the performance of any provision of the Notes, this Indenture or the Security Documents. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding.

Section 5.03. *Waiver of Defaults by Majority of Holders.* By written notice to the Trustee and the Company, the Holders of a majority in aggregate principal amount of the Notes then outstanding may on behalf of the Holders of all of the Notes waive any past Default or Event of Default hereunder and its consequences, except a Default in the payment of interest, if any, on, or the principal of, the Notes. Upon any such waiver, the Issuer, the Trustee and the Holders of Notes shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon. Whenever any Default or Event of Default hereunder shall have been waived as permitted by this Section 5.03, said Default or Event of Default shall for all purposes of the Notes and this Indenture be deemed to have been cured and to be not continuing.

Section 5.04. *Direction of Proceedings.* The Holders of a majority in aggregate principal amount of the Notes then outstanding shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee with respect to the Notes; *provided, however,* that (subject to the provisions of Section 7.01) the Trustee shall have the right to decline to follow any such direction if the Trustee shall determine upon advice of counsel that the action or proceeding so directed may not lawfully be taken or if the Trustee in good faith by its board of directors, its executive committee, or a trust committee of directors or Responsible Officers or both shall determine that the action or proceeding so directed would involve the Trustee in personal liability.

Section 5.05. *Application of Moneys Collected by Trustee.* Any moneys collected by the Trustee pursuant to this Article (including any proceeds from Collateral received pursuant to the terms of the Security Documents) with respect to outstanding Notes shall be applied in the order following, at the date or dates fixed by the Trustee for the distribution of such moneys, upon presentation of the Notes and stamping thereon the payment, if only partially paid, and upon surrender thereof, if fully paid:

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FIRST: To the payment of costs and expenses of collection and reasonable compensation to the Trustee (including in its role as Collateral Agent under the Security Documents), its agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Trustee pursuant to Section 7.07 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, if any, on the Notes, in the order of the maturity of the installments of such interest, if any, with interest (to the extent that such interest has been collected by the Trustee) upon the overdue installments of interest, if any, at the rate borne by the Notes, such payment to be made ratably to the Persons entitled thereto;

THIRD: If the principal of the Notes shall have become due, by declaration or otherwise, to the payment of the whole amount then owing and unpaid upon the Notes for principal or interest, if any, with interest on the overdue principal and (to the extent that such interest has been collected by the Trustee) upon overdue installments of interest, if any, at the rate borne by the Notes, and in case such moneys shall be insufficient to pay in full the whole amounts so due and unpaid upon the Notes, then to the payment of such principal and interest, if any, without preference or priority of principal over interest, if any, or of interest, if any, over principal, or of any installment of interest, if any, over any other installment of interest, if any, ratably to the aggregate of such principal and accrued and unpaid interest, if any; and

FOURTH: To the payment of any surplus then remaining to the Issuer, its successors or assigns, or to whomsoever may be lawfully entitled to receive the same.

No claim for interest which in any manner at or after maturity shall have been transferred or pledged separate or apart from the Notes to which it relates, or which in any manner shall have been kept alive after maturity by an extension (otherwise than pursuant to an extension made pursuant to a plan proposed by the Issuer to the Holders of all Notes), purchase, funding or otherwise by or on behalf or with the consent or approval of the Issuer shall be entitled, in case of a default hereunder, to any benefit of this Indenture, except after prior payment in full of the principal of all Notes and of all claims for interest not so transferred, pledged, kept alive, extended, purchased or funded.

Section 5.06. *Proceedings by Holders.* No holder of any Notes shall have any right by virtue of or by availing of any provision of this Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to this Indenture for the appointment of a receiver or trustee or similar official, or for

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any other remedy hereunder, unless such Holder previously shall have given to the Trustee written notice of default and of the continuance thereof, as hereinbefore provided, and unless the Holders of not less than 25% in aggregate principal amount of the Notes then outstanding shall have made written request to the Trustee to institute such action, suit or proceeding in its own name as Trustee hereunder and shall have offered to the Trustee such reasonable indemnity as the Trustee may require against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee for 60 days after its receipt of such notice, request and offer of 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, 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 5 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

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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 an undertaking to pay the cost of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 5.09 shall not apply to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in principal amount of the then outstanding Notes, or to any suit instituted by any Holders for the enforcement of the payment of the principal of, premium, if any, or interest, if any, on any Note against the Issuer on or after the due date of such Note.

Section 5.10. *Notice of Defaults.* (a) The Company is required to deliver to the Trustee an annual statement regarding compliance with this Indenture, and include in such statement, if any officer of the Company is aware of any Default or Event of Default, a statement specifying such Default or Event of Default and what action the Company is taking or proposes to take with respect thereto. In addition, the Company is required to deliver to the Trustee prompt written notice of the occurrence of any Default or Event of Default.

(b) The Trustee shall, within 90 days after the occurrence of a default known to the Trustee, with respect to the Notes, mail to all Holders of Notes, as the names and the addresses of such Holders appear upon the Register, notice of all defaults, unless such defaults shall have been cured before the giving of such notice (the term "**default**" for the purpose of this Section 5.10(b) being hereby defined to be the events specified in clauses (i), (ii), (iii), (iv), (v), (vi), (vii), (viii), (ix) and (x) of Section 5.01, not including periods of grace, if any, provided for therein and irrespective of the giving of the written notice specified in said clause (iii) but in the case of any default of the character specified in said clause (iii) no such notice to Holders shall be given until at least 60 days after the giving of written notice thereof to the Company pursuant to said clause (iii)); *provided, however*, that, except in the case of default in the payment of the principal of, premium, if any, or interest, if any, on any of the Notes, or in the payment or satisfaction of a purchase obligation, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, a trust committee of directors or a Responsible Officer of the Trustee in good faith determines that the withholding of such notice is in the best interests of the

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Holders. Notice to Holders under this Section shall be given in the manner and to the extent provided in Trust Indenture Act Section 313(c).

Section 5.11. *Waiver of Stay, Extension or Usury Laws.* The Company, the Issuer and each Guarantor covenants, to the extent permitted by applicable law, that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law or any usury law or other law that would prohibit or forgive the Company, the Issuer or the Guarantor from paying all or any portion of the principal of, premium, if any, or interest, if any, on the Notes as contemplated herein, wherever enacted, now or at any time hereafter in force, or that may affect the covenants or the performance of this Indenture. The Company, the Issuer and each Guarantor hereby expressly waives, to the extent that it may lawfully do so, all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 5.12. *Trustee May File Proof of Claim.* The Trustee may file proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee hereunder) and the Holders allowed in any judicial proceedings relating to the Company, the Issuer or any Guarantor or their respective creditors or property, and is entitled and empowered to collect, receive and distribute any money, securities or other property payable or deliverable upon conversion or exchange of the Notes or upon any such claims. Any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, if the Trustee consents to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agent and counsel, and any other amounts due the Trustee hereunder. Nothing in this Indenture will be deemed to empower the Trustee to authorize or consent to, or accept or adopt on behalf of any Holder, any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 5.13. *Payment of Notes on Default; Suit Therefor.* The Issuer covenants that (a) if default shall be made in the payment of any installment of interest upon the Notes as and when the same shall become due and payable, and such default shall have continued for a period of 30 days, or (b) if default shall be made in the payment of the principal of, and premium, if any, on the Notes as and when the same shall have become due and payable, whether at maturity of the Notes or upon redemption or by declaration or otherwise, then, upon demand of

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the Trustee, the Issuer will pay to the Trustee, for the benefit of the Holders, the whole amount that then shall have become due and payable on all such Notes for principal, and premium, if any, or interest, if any, or both, as the case may be, with interest upon the overdue principal and (to the extent that payment of such interest is enforceable under applicable law) upon the overdue installments of interest, if any, at the rate borne by the Notes; and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including a reasonable compensation to the Trustee, its agent, attorneys and counsel, and any expenses or liabilities incurred by the Trustee hereunder other than through its negligence or bad faith.

If the Issuer shall fail forthwith to pay such amounts upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered to institute any actions or proceedings at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceeding to judgment or final decree, and may enforce any such judgment or final decree against the Issuer or any other obligor on the Notes and collect in the manner provided by law out of the property of the Issuer or any other obligor on the Notes, wherever situated, the moneys adjudged or decreed to be payable.

If there shall be pending proceedings for the bankruptcy or for the reorganization of the Issuer or any other obligor on the Notes under any bankruptcy, insolvency or other similar law now or hereafter in effect, or if a receiver or trustee or similar official shall have been appointed for the property of the Issuer or such other obligor, or in the case of any other similar judicial proceedings relative to the Issuer or other obligor on the Notes, or to the creditors or property of the Issuer or such other obligor, the Trustee, irrespective of whether the principal of the Notes shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to the provisions of this Section 5.13, shall be entitled and empowered by intervention in such proceedings or otherwise to file and prove a claim or claims for the whole amount of principal, premium, if any, and interest, if any, owing and unpaid in respect of the Notes, and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and of the Holders allowed in such judicial proceedings relative to the Issuer or any other obligor on the Notes, its or their creditors, or its or their property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same after the deduction of its charges and expenses, and any receiver, assignee or trustee or similar official in bankruptcy or reorganization is hereby authorized by each of the Holders to make such payments to the Trustee, and, if the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for compensation and expenses or otherwise pursuant to Section 7.07, including counsel fees and expenses incurred by it up to the date of such distribution. To

the extent that such payment of reasonable compensation, expenses and counsel fees and expenses out of the estate in any such proceedings shall be denied for any reason, payment of the same shall be secured by a lien on, and shall be paid out of, any and all distributions, dividends, moneys, securities and other property which the Holders of Notes may be entitled to receive in such proceedings, whether in liquidation or under any plan of reorganization or arrangement or otherwise.

All rights of action and of asserting claims under this Indenture, or under any of the Notes, may be enforced by the Trustee without the possession of any of the Notes, or the production thereof at any trial or other proceeding relative thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall be for the ratable benefit of the Holders of Notes in respect of which such judgment has been recovered.

ARTICLE 6 GUARANTEES; RELEASE OF GUARANTOR

Section 6.01. *Guarantee.* Each of the Guarantors hereby unconditionally guarantees, jointly and severally with each other Guarantor, to each Holder and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of this Indenture, the Notes or the obligations of the Issuer hereunder or thereunder, that: (i) the due and punctual payment of the principal of, premium, if any, and interest on the Notes, whether at maturity or on an interest payment date, by acceleration, pursuant to an Offer to Purchase or otherwise, to the extent lawful, and all other obligations of the Issuer to the Holders or the Trustee hereunder or thereunder shall be promptly paid in full when due, all in accordance with the terms hereof and thereof, including all amounts payable to the Trustee under Section 7.07 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 performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise.

If the Issuer fails to make any payment when due of any amount so guaranteed for whatever reason, each Guarantor shall be obligated, jointly and severally with each other Guarantor, to pay the same immediately. Each Guarantor hereby agrees that its obligations hereunder shall be continuing, absolute and unconditional, irrespective of, and shall be unaffected by, the validity, regularity or enforceability of the Notes, this Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder or the Trustee with respect to any provisions hereof or thereof, the recovery of any judgment against the Issuer, any action to enforce the same or any other

circumstance which might otherwise constitute a legal or equitable discharge or defense of such Guarantor. If any Holder or the Trustee is required by any court or otherwise to return to the Issuer or any Guarantor, or any custodian, trustee, liquidator or other similar official acting in relation to the Issuer or such Guarantor, any amount paid by the Issuer or any Guarantor to the Trustee or such Holder, this Article 6, to the extent theretofore discharged with respect to any Guarantee, shall be reinstated in full force and effect. Each Guarantor agrees that it shall not be entitled to any right of subrogation in relation to the Holders in respect of any obligations guaranteed hereby by such Guarantor until payment in full of all such obligations. Each Guarantor further agrees that, as between such Guarantor, on the one hand, and the Holders of Notes and the Trustee on the other hand, (i) the maturity of the obligations guaranteed hereby may be accelerated as provided in Article 5 hereof for the purposes of such Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby and (ii) in the event of any acceleration of such obligations as provided in Article 5 hereof such obligations (whether or not due and payable) shall forthwith become due and payable by such Guarantor, jointly and severally with each other Guarantor, for the purpose of this Article 6. In addition, without limiting the foregoing, upon the effectiveness of an acceleration under Article 5, the Trustee may make a demand for payment on the Notes under any Guarantee provided hereunder and not discharged.

The Guarantee set forth in this Section 6.01 and as annexed to any Note shall not be valid or become obligatory for any purpose with respect to a Note until the certificate of authentication on such Note shall have been signed by the Trustee or any duly appointed 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, the obligations of such Guarantor which are absolute and unconditional, to pay to the Holders the principal of, premium, if any, and interest on the Notes as and when the same shall become due and payable in accordance with the provisions of their Guarantee or is intended to or shall affect the relative rights of the Holders and creditors of such Guarantor, nor shall anything herein or therein prevent the Trustee or any Holder from exercising all remedies otherwise permitted by applicable law upon any Default under this Indenture in respect of cash, property or securities of such Guarantor received upon the exercise of any such remedy.

Upon any distribution of assets of a Guarantor referred to in this Article 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 such Holders for the purpose of ascertaining

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

(b) 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 Guarantee.* The execution by each Guarantor of this Indenture (or a supplemental indenture in the form of Exhibit B) together with an executed guarantee substantially in the form included in Exhibit A evidences the Guarantee of such Guarantor, whether or not the person signing as an officer of the Guarantor still holds that office at the time of authentication of any Note. The delivery of any Note by the Trustee after authentication constitutes due delivery of the Guarantee on behalf of each Guarantor.

Section 6.05. *Limitation on Guarantor Liability.* Notwithstanding anything to the contrary in this Article 6, each Guarantor, and by its acceptance of a Note, each Holder, hereby confirms that it is the intention of all such parties that the Guarantee of such Guarantor not constitute a fraudulent conveyance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of state law. To effectuate that intention, the Trustee, the Holders and the Guarantors hereby irrevocably agree that the obligations of each Guarantor under its Guarantee are limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of state law.

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Section 6.06. *Article 6 not to Prevent Events of Default.* The failure to make a payment on account of principal, premium, if any, or interest, if any, on the Notes by reason of any provision in this Article 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.* To the extent permitted by applicable law, each Guarantor hereby irrevocably waives diligence, presentment, demand of payment, demand of performance, filing of claims with a court in the event of insolvency of bankruptcy of the Issuer, any right to require a proceeding first against the Issuer, the benefit of discussion, protest, notice and all demand whatsoever and covenants that this Guarantee shall not be discharged except by complete performance of the obligations contained in the Notes, in this Indenture and in this Article 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 shall be subrogated to the rights of the payee against the Issuer with respect to such obligation; *provided*, that the Guarantor may not enforce either any right of subrogation, or any right to receive payment in the nature of contribution, or otherwise, from any other Guarantor, with respect to such payment so long as any amount payable by the Issuer hereunder or under the Notes remains unpaid.

Each Guarantor that makes a payment under its Guarantee shall be entitled, upon payment in full of all guaranteed obligations under this Indenture, to seek and receive contribution from and against each other Guarantor in an amount equal to such other Guarantor's *pro rata* portion of such payment based on the respective net assets of all the Guarantors at the time of such payment determined in accordance with GAAP.

Section 6.09. *Stay of Acceleration.* If acceleration of the time for payment of any amount payable by the Issuer under this Indenture or the Notes is stayed upon the insolvency, bankruptcy or reorganization of the Issuer, all such amounts otherwise subject to acceleration under the terms of this Indenture are nonetheless payable by the Guarantors hereunder forthwith on demand by the Trustee or the Holders.

ARTICLE 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 this Indenture relating to the conduct or

affecting the liability of, or affording protection to, the Trustee is subject to this Article.

(b) Except during the continuance of an Event of Default, the Trustee need perform only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee and the permissive rights of the Trustee set forth herein shall not be construed as duties. In case an Event of Default has occurred and is continuing, the Trustee shall exercise those rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

Section 7.02. *Certain Rights of the Trustee.* Subject to Trust Indenture Act Sections 315(a) through (d):

(a) The Trustee may rely, and shall be protected in acting or refraining from acting, upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document, but the Trustee, in its discretion, may make further inquiry or investigation into such facts or matters as it sees fit.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel conforming to Section 13.05 and the Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such a certificate or opinion. Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Issuer or the Company, as applicable, shall be sufficient if signed by an Officer of the Issuer or the Company, as applicable.

(c) The Trustee may act through its attorneys and agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders, unless such Holders have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction.

(e) The Trustee shall not be liable for any action it takes or omits to take in good faith that it believes to be authorized or within its rights or powers or for any action it takes or omits to take in accordance with the direction of the Holders in accordance with Section 5.04 relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture.

(f) The Trustee may consult with counsel, and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(g) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder, or in the exercise of its rights or powers, unless it receives indemnity satisfactory to it against any loss, liability or expense.

(h) The Trustee may request that the Company (on behalf of itself and the Issuer) deliver an Officers' Certificate setting forth the name of the individuals and/or titles of Officers authorized at such time to take specific actions pursuant to this Indenture, which Officers' Certificate may be signed by any person authorized to sign an Officers' Certificate, including any person specified as so authorized in any such Officers' Certificate previously delivered and not superseded.

(i) In no event shall the Trustee be liable, directly or indirectly, for any special, indirect or consequential damages, even if the Trustee has been advised of the possibility of such damages.

(j) The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and to each agent, custodian and other Person employed to act hereunder.

(k) In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and, except in the case of failures or delays due to the Trustee's negligence or bad faith, interruptions, loss or malfunctions of utilities, communications or computer (software and

hardware) services, it being understood that the Trustee shall use reasonable best efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

Section 7.03. *Individual Rights of the Trustee.* The Trustee, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not the Trustee. Any Agent may do the same with like rights. However, the Trustee is subject to Trust Indenture Act Sections 310(b) and 311. For purposes of Trust Indenture Act Section 311(b)(4) and (6):

(a) “**cash transaction**” means any transaction in which full payment for goods or securities sold is made within seven days after delivery of the goods or securities in currency or in checks or other orders drawn upon banks or bankers and payable upon demand; and

(b) “**self-liquidating paper**” means any draft, bill of exchange, acceptance or obligation which is made, drawn, negotiated or incurred for the purpose of financing the purchase, processing, manufacturing, shipment, storage or sale of goods, wares or merchandise and which is secured by documents evidencing title to, possession of, or a lien upon, the goods, wares or merchandise or the receivables or proceeds arising from the sale of the goods, wares or merchandise previously constituting the security, provided the security is received by the Trustee simultaneously with the creation of the creditor relationship arising from the making, drawing, negotiating or incurring of the draft, bill of exchange, acceptance or obligation.

Section 7.04. *Trustee’s Disclaimer.* The Trustee (a) makes no representation as to the validity or adequacy of this Indenture, the Notes or the Collateral, (b) is not accountable for the Company’s use or application of the proceeds from the Notes and (c) is not responsible for any statement in the Notes other than its certificate of authentication.

Section 7.05. *Reserved.*

Section 7.06. *Reports by Trustee to Holders.* To the extent this Indenture becomes qualified under the Trust Indenture Act, within 60 days after each May 1, beginning with the first May 1 after this Indenture so becomes qualified under the Trust Indenture Act, the Trustee shall mail to each Holder, as provided in Trust Indenture Act Section 313(c) a brief report dated as of such May 1, if required by Trust Indenture Act Section 313(a).

Section 7.07. *Compensation and Indemnity.* (a) The Company shall pay the Trustee compensation as agreed upon in writing for its services. The

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compensation of the Trustee is not limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee 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) In addition to any other indemnity provided to the Trustee hereunder, the Company shall indemnify the Trustee for, and hold it harmless against, any loss or liability or expense incurred by it without negligence or bad faith on its part arising out of or in connection with the acceptance or administration of this Indenture and its duties under this Indenture and the Notes, including the costs and expenses of defending itself against any claim or liability and of complying with any process served upon it or any of its officers in connection with the exercise or performance of any of its powers or duties under this Indenture and the Notes.

(c) To secure the Company’s payment obligations in this Section or as otherwise provided in this Indenture, the Trustee shall have a lien prior to the Notes on all money or property held or collected by the Trustee, in its capacity as Trustee, except money or property held in trust to pay principal of, premium, if any, and interest, if any, on particular Notes.

(d) When the Trustee incurs expenses or renders services after an Event of Default specified in Section 5.01(vii) or Section 5.01(viii) hereof occurs, the expenses and the compensation for the services (including the fees and expenses of its agents and counsel) are intended, to the extent permitted by law, to constitute expenses of administration under any Bankruptcy Law.

(e) The Company’s obligations and the Trustee’s rights under this Section 7.07 shall survive the resignation or removal of the Trustee and the termination of this Indenture.

Section 7.08. *Replacement of Trustee.* (a)(i) The Trustee may resign at any time by written notice to the Issuer.

(ii) The Holders of a majority in principal amount of the outstanding Notes may remove the Trustee by written notice to the Trustee.

(iii) If the Trustee is no longer eligible under Section 7.10 or in the circumstances described in 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.

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(iv) The Issuer may remove the Trustee if: (A) the Trustee is no longer eligible under Section 7.10; (B) the Trustee is adjudged bankrupt or an insolvent; (C) a receiver or other public officer takes charge of the Trustee or its property; or (D) the Trustee becomes incapable of acting.

A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee’s acceptance of appointment as provided in this Section.

(b) If the Trustee has been removed by the Holders, Holders of a majority in principal amount of the Notes may appoint a successor Trustee with the consent of the Issuer. Otherwise, if the Trustee resigns or is removed, or if a vacancy exists in the office of Trustee for any reason, the Issuer shall promptly appoint a successor Trustee. If the successor Trustee does not deliver its written acceptance within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Issuer or the Holders of a majority in principal amount of the outstanding Notes may petition, at the expense of the Issuer, any court of competent jurisdiction for the appointment of a successor Trustee.

(c) Upon delivery by the successor Trustee of a written acceptance of its appointment to the retiring Trustee and to the Issuer, (i) the retiring Trustee shall transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 7.07, (ii) the resignation or removal of the retiring Trustee shall become effective, and (iii) the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture.

Upon request of any successor Trustee, the Issuer shall execute any and all instruments for fully and vesting in and confirming to the successor Trustee all such rights, powers and trusts. The Issuer shall give notice of any resignation and any removal of the Trustee and each appointment of a successor Trustee to all Holders, and include in the notice the name of the successor Trustee and the address of its Corporate Trust Office.

(d) Notwithstanding replacement of the Trustee pursuant to this Section, Issuer's obligations under Section 7.07 shall continue for the benefit of the retiring Trustee.

(e) The Trustee agrees to give the notices provided for in, and otherwise comply with, Trust Indenture Act Section 310(b).

Section 7.09. *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 shall be the successor Trustee with the same effect as if the successor Trustee had been named as the Trustee in this Indenture.

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Section 7.10. *Eligibility.* The Indenture must always have a Trustee that satisfies the requirements of Trust Indenture Act Section 310(a) and has a combined capital and surplus of at least \$25,000,000 as set forth in its most recent published annual report of condition.

Section 7.11. *Money Held in Trust.* The Trustee shall not be liable for interest on any money received by it except as it may agree with the Issuer. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law and except for money held in trust under Article 8.

ARTICLE 8 DEFEASANCE AND DISCHARGE

Section 8.01. *Legal Defeasance and Discharge.* The Issuer, the Company and the Guarantors shall, subject to the satisfaction of the conditions set forth in Section 8.03 hereof, be deemed to have been discharged from their respective obligations with respect to the Notes, the Guarantees and under the Security Documents and cause the release of all Liens on the Collateral granted under the Security Documents, on the date the conditions set forth below are satisfied (hereinafter, "**Legal Defeasance**"). For this purpose, Legal Defeasance means that the Issuer shall be deemed to have paid and discharged the entire Indebtedness represented by the Notes, which shall thereafter be deemed to be outstanding only for the purposes of Section 8.04 hereof and the other Sections of this Indenture referred to in clauses (a) through (f) of this Section 8.01, and the Issuer, the Company and the Guarantors shall be deemed to have satisfied all of their respective obligations under the Notes, the Guarantees, this Indenture and the Security Documents (and the Trustee, on demand of and at the expense of the Issuer, shall execute proper instruments delivered to it by the Issuer acknowledging the same), except for the following provisions which shall survive until otherwise terminated or discharged hereunder: (a) the rights of Holders of Notes to receive payments in respect of the principal, premium, if any, and interest, if any, on the Notes when such payments are due from the trust referred to below; (b) the Issuer's obligations with respect to the Notes concerning mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust; (c) the rights, powers, trusts, duties and immunities of the Trustee, and the Issuer's and the Guarantors' obligations in connection therewith; (d) the Legal Defeasance provisions of Article 8 of this Indenture; (e) the rights of registration of transfer and exchange of the Notes; and (f) the rights of Holders that are beneficiaries with respect to property so deposited with the Trustee payable to all or any of them.

Section 8.02. *Covenant Defeasance.* The Issuer, the Company and the Guarantors shall, subject to the satisfaction of the conditions set forth in Section 8.03

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hereof, be released from their obligations with respect to the Notes and the Guarantees under the covenants contained in Sections 4.06, 4.07, 4.08, 4.09, 4.10, 4.11, 4.12 and 4.13, clause (iii) of Section 4.14, Section 4.15, Section 4.18 and Article 6 (except for Section 6.03 and Section 6.10) and each Guarantor's obligation under its Guarantee, on and after the date that the conditions set forth in Section 8.03 are satisfied, the Liens on the Collateral granted under the Security Documents shall be released (hereinafter, "**Covenant Defeasance**"), and the Notes shall thereafter be deemed not outstanding for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed outstanding for all other purposes hereunder (it being understood that the Notes shall not be deemed outstanding for accounting purposes). For this purpose, Covenant Defeasance means that, with respect to the Notes and the Guarantees, the Issuer, the Company and the Guarantors may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 5.01 hereof, but, except as specified above, the remainder of this Indenture and the Notes shall be unaffected thereby. Subject to the satisfaction of the conditions set forth in Section 8.03 hereof, Sections 5.01(iii) (with respect to the covenants so defeased), 5.01(iv), 5.01(v), 5.01(vi), 5.01(ix) and 5.01(x) shall not constitute Events of Default or Defaults hereunder.

Section 8.03. *Conditions to Legal or Covenant Defeasance.* The following shall be the conditions to the application of either Section 8.01 or Section 8.02 hereof to the Notes:

In order to exercise either Legal Defeasance or Covenant Defeasance:

(a) the Issuer must irrevocably deposit, or cause to be deposited, with the Trustee, in trust, for the benefit of the Holders of Notes, cash in U.S. dollars, U.S. Government Obligations, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay, without reinvestment, the principal of, premium, if any, and interest, if any, on the Notes on the stated maturity thereof or on the applicable redemption date, as the case may be, and the Issuer must specify whether the Notes are being defeased to maturity or to a particular redemption date;

(b) in the case of Legal Defeasance, the Issuer must deliver to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that the Issuer has received from, or there has been published by, the Internal Revenue Service a ruling, or there has been a change in the

effect that, and based thereon such Opinion of Counsel shall confirm that, the beneficial owners of the Notes will not recognize income, gain or loss for United States federal income tax purposes as a result of such Legal Defeasance, and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(c) in the case of Covenant Defeasance, the Issuer must deliver to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that the beneficial owners of the Notes will not recognize income, gain or loss for United States federal income tax purposes as a result of such Covenant Defeasance, and such Holders will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(d) no Default or Event of Default shall have occurred and be continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) or insofar as Events of Default from bankruptcy or insolvency events are concerned, at any time in the period ending on the 91st day after the date of deposit;

(e) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than this Indenture) to which the Issuer or any of its Restricted Subsidiaries is a party or by which the Issuer or any of its Restricted Subsidiaries is bound;

(f) the Issuer must deliver to the Trustee an Officers' Certificate stating that the deposit was not made by the Issuer with the intent of preferring the Holders of Notes over other creditors of the Issuer, or with the intent of defeating, hindering, delaying or defrauding creditors of the Issuer or others; and

(g) the Issuer must deliver to the Trustee an Officers' Certificate and an Opinion of Counsel in the United States reasonably acceptable to the Trustee, each stating that the conditions precedent provided for or relating to Legal Defeasance or Covenant Defeasance, as applicable, in the case of the Officers' Certificate, in clauses (a) through (f) and, in the case of the Opinion of Counsel, in clauses (b) and (c) of this Section 8.03, have been complied with.

Section 8.04. *Deposited Money and Government Securities to be Held in Trust; Other Miscellaneous Provisions.* Subject to Section 8.05 hereof, all money and U.S. Government Obligations (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee, collectively, and solely for purposes of this Section 8.04, the "Trustee") pursuant to Section 8.03 or Section 8.08 hereof in respect of the Notes shall be held in trust and applied by the Trustee, in

accordance with the provisions of the Notes and this Indenture, to the payment, either directly or indirectly or through any paying agent (including the Issuer acting as paying agent) as the Trustee may determine, to the Holders of such Notes of all sums due and to become due thereon in respect of principal, premium, if any, and interest, but such money need not be segregated from other funds except to the extent required by law.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the cash or non-callable U.S. Government Obligations deposited pursuant to Section 8.03 or Section 8.08 hereof or the principal, premium, if any, and interest, if any, received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of Notes.

Subject to the preceding paragraph and Section 7.07 herein, anything in this Article 8 to the contrary notwithstanding, the Trustee shall deliver or pay, solely to the extent available in such trust, to the Issuer from time to time upon the request of the Issuer any money or non-callable U.S. Government Obligations held by it as provided in Section 8.03 or Section 8.08 hereof which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee (which may be the opinion delivered under Section 8.03(a) hereof), are in excess of the amount thereof that would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance.

Section 8.05. *Repayment to Issuer.* Any money deposited with the Trustee or any paying agent, or then held by the Issuer, in trust for the payment of the principal, premium, if any, and interest on the Notes and remaining unclaimed for two years after such principal, premium, if any, and interest has become due and payable shall be paid to the Issuer on its request or (if then held by the Issuer) shall be discharged from such trust; and the Holder of such Note shall thereafter, as an unsecured creditor, look only to the Issuer for payment thereof, and all liability of the Trustee or such paying agent with respect to such trust money, and all liability of the Issuer as trustee thereof, shall thereupon cease.

Section 8.06. *Reinstatement.* If the Trustee or paying agent is unable to apply any money or non-callable U.S. Government Obligations in accordance with Section 8.01, Section 8.02 or Section 8.08 hereof, as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Issuer's obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 8.01, Section 8.02 or Section 8.08 hereof until such time as the Trustee or paying agent is permitted to apply all such money in accordance with Section 8.01, Section 8.02 or Section 8.08 hereof, as the case may be; *provided, however*, that, if the Issuer makes any payment of

principal of, premium, if any, or interest, if any, on any Note following the reinstatement of its obligations, the Issuer shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money held by the Trustee or paying agent.

Section 8.07. *Survival.* The Trustee's rights under Article 7 (including, but not limited to, its right to indemnification) and this Article 8 shall survive termination of this Indenture and the resignation or removal of the Trustee.

Section 8.08. *Satisfaction and Discharge of Indenture.* If at any time (a) (i) the Issuer shall have paid or caused to be paid the principal of, premium, if any, and interest on all the outstanding Notes (other than Notes which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.04) as and when the same shall have become due and payable, or (ii) the Issuer shall have delivered to the Trustee for cancellation all Notes theretofore authenticated (other than Notes which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.04), or (b) (i) the Notes mature within one year, or all of them are to be called for redemption within one year under arrangements satisfactory to the Trustee for giving the notice of redemption, (ii) the Issuer irrevocably deposits in trust with the Trustee, as trust funds solely for the benefit of the Holders, money or U.S. Government Obligations or a combination thereof sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certificate delivered to the Trustee, without consideration of any reinvestment, to pay principal of and premium, if any, and interest on the Notes to maturity or redemption, as the case may be, and to pay all other sums payable by it hereunder, (iii) no Default has occurred and is continuing on the date of the deposit, (iv) the deposit will not result in a breach or violation of, or constitute a default under, this Indenture or any other agreement or instrument to which the Issuer is a party or by which it is bound, and (v) the Issuer delivers to the Trustee an Officers' Certificate and an Opinion of Counsel, in each case stating that all conditions precedent provided for herein relating to the satisfaction and discharge of this Indenture have been complied with; and if, in any such case, the Issuer shall also pay or cause to be paid all other sums payable hereunder by the Issuer (including all amounts, payable to the Trustee pursuant to Section 7.07), then, (x) after satisfying the conditions in clause (a), only the Company's obligations under Sections 7.07 and 8.04 will survive or (y) after satisfying the conditions in clause (b), only the Issuer's or the Company's, as applicable, obligations in Article 2 and Sections 4.01, 4.02, 7.07, 7.08, 8.04, 8.05 and 8.06 will survive, and, in either case, the Trustee, on demand of the Issuer accompanied by an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent relating to the satisfaction and discharge contemplated by this provision have been complied with, and at the cost and expense of the Issuer, shall execute proper instruments acknowledging such satisfaction and discharging of this Indenture and the Security Documents and cause the release of all Liens on the

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Collateral granted under the Security Documents. The Issuer agrees to reimburse the Trustee for any costs or expenses thereafter reasonably incurred, and to compensate the Trustee for any services thereafter reasonably rendered, by the Trustee in connection with this Indenture or the Notes.

ARTICLE 9 AMENDMENTS, SUPPLEMENTS AND WAIVERS

Section 9.01. *Amendments Without Consent of Holders.* The Company, the Issuer, the Guarantors, the Trustee, the Collateral Agent and the Mortgage Tax Collateral Agent, as applicable, may amend, supplement or waive this Indenture, the Notes, the Guarantees or the Security Documents without notice to or the consent of any Holder:

- (a) to evidence the succession of another Person to the Issuer or the Company or successive successions, and the assumption by the successor Person of the covenants, agreements and obligations of the Issuer or the Company herein and in the Notes or the Guarantees;
- (b) to add to the covenants of the Issuer or the Company such further covenants, restrictions, conditions or provisions for the protection of the Holders of Notes, or to surrender any right or power herein conferred upon the Issuer or the Company, and to make the occurrence, or the occurrence and continuance, of a default in any such additional covenants, restrictions, conditions or provisions an Event of Default permitting the enforcement of all or any of the several remedies provided in this Indenture as herein set forth; *provided, however*, that in respect of any such additional covenants, restrictions, conditions or provisions such amendment, supplemented indenture or waiver may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such an Event of Default or may limit the remedies available to the Trustee upon such an Event of Default or may limit the right of the Holders of a majority in aggregate principal amount of the Notes to waive such an Event of Default;
- (c) to cure any ambiguity, defect or inconsistency in this Indenture, the Notes, the Guarantees or the Security Documents;
- (d) to comply with any requirements of the Commission in connection with the qualification of this Indenture under the Trust Indenture Act;
- (e) to evidence and provide for the acceptance of appointment hereunder by a successor or replacement Trustee or under the Security Documents of a successor or replacement Collateral Agent or Mortgage Tax Collateral Agent;

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- (f) to provide for uncertificated Notes in addition to, or in place of, Certificated Notes;
 - (g) to provide for any Guarantee of the Notes;
 - (h) to add security to or for the benefit of the Notes and, in the case of the Security Documents, to or for the benefit of the other secured parties named therein, or to confirm and evidence the release, termination or discharge of any Guarantee of the Notes or Lien securing the Notes or any Guarantee when such release, termination or discharge is permitted by this Indenture and the Security Documents;
 - (i) to provide for, or confirm the issuance of, Additional Notes;
 - (j) to evidence compliance with Section 4.14;
 - (k) to make any other change that does not adversely affect the legal rights of any Holder; or
 - (l) to conform any provision of this Indenture, the Notes, the Guarantees or the Security Documents to the "Description of Notes" contained in the Offering Circular to the extent that the "Description of Notes" was intended to be a verbatim recitation of a provision in this Indenture, the Notes, the Guarantees or the Security Documents.

By receiving Notes, Holders of the Notes are hereby deemed to have consented for purposes of this Indenture and the Security Documents, and the Collateral Agent and the Trustee are hereby authorized and directed by the Holders of the Notes, upon receipt of an Officers' Certificate more fully described below, to amend, supplement or otherwise modify the Security Documents to add or provide for additional secured parties to the extent Liens securing Indebtedness and other Obligations held by such parties are permitted under this Indenture (and to reflect any differing level of Lien priorities among the holders of First-Priority Lien Obligations); *provided* that after so securing any such additional secured parties, the amount of First-Priority Lien Obligations, Second-Priority Lien Obligations and Junior-Priority Lien Obligations does not exceed the amount set forth under clause (i) of the definition of "Permitted Liens."

In executing any such amendment, supplement, consent or waiver or other modification of a Security Document (or in entering into a new intercreditor agreement or other Security Document described in the preceding paragraph), the Trustee and the Collateral Agent shall be entitled to receive and (subject to their duties set forth in this Indenture) shall be fully protected in relying upon an Officers' Certificate stating that the execution of such amendment, supplement, consent or waiver or new agreement is authorized or permitted by the applicable Security Document and complies with the provisions thereof and of this

Indenture. Notwithstanding anything in this Indenture to the contrary, no Opinion of Counsel shall be required in connection with the execution by the Trustee or Collateral Agent of any such amendment, supplement, consent or waiver or other modification of the Security Documents (or the entry into a new intercreditor agreement or other Security Document) as contemplated above.

Section 9.02. *Amendments with Consent of Holders.* (a) Except as otherwise provided in Sections 5.01, 5.03 and 5.06 or Section 9.02(b) and Section 9.02(c) of this Section, the Company, the Issuer, the Guarantors, the Trustee, the Collateral Agent and the Mortgage Tax Collateral Agent, as applicable, may amend or supplement this Indenture, the Notes, the Guarantees and the Security Documents with the consent of the Holders of a majority in principal amount of the outstanding Notes (which may include written consents obtained in connection with a tender offer or exchange offer for Notes), and the Holders of a majority in principal amount of the outstanding Notes by written notice to the Trustee may waive future compliance by the Company, the Issuer and the Guarantors with any provision of this Indenture, the Notes, the Guarantees or the Security Documents (which may include waivers obtained in connection with a tender offer or exchange offer for Notes).

(b) Notwithstanding the provisions of paragraph (a) of this Section 9.02, without the consent of, or notice to, each Holder affected, an amendment or waiver may not:

(i) reduce the amount of Notes whose Holders must consent to an amendment, supplement or waiver,

(ii) reduce the rate of, or extend the time for payment of, any interest, including default interest, on any Note,

(iii) reduce principal of, or change the fixed maturity of, any Note or alter the provisions (including related definitions) with respect to redemptions described under Article 3 or with respect to mandatory offers to repurchase Notes described under Section 4.10 and Section 4.12,

(iv) make any Note payable in money other than that stated in the Note,

(v) modify the ranking or priority of the Notes or any Guarantee,

(vi) make any change in Sections 5.03 or Section 5.06,

(vii) release any Guarantor from any of its obligations under its Guarantee or this Indenture otherwise than in accordance with this Indenture, or

(viii) waive a continuing Default or Event of Default in the payment of principal of, premium, if any, or interest, if any, on the Notes.

(c) Without the consent of the Holders of at least 66²/₃% in principal amount of the Notes, the Company, the Issuer, the Guarantors, the Trustee and the Collateral Agent may not effect a release of all or substantially all of the Collateral other than pursuant to the terms of the Security Documents or as otherwise permitted under this Indenture.

(d) It is not necessary for Holders to approve the particular form of any proposed amendment, supplement or waiver, but is sufficient if their consent approves the substance thereof.

(e) An amendment, supplement or waiver under this Section 9.02 shall become effective on receipt by the Trustee of written consents from the Holders of the requisite percentage in principal amount of the outstanding Notes. After an amendment, supplement or waiver under this Section 9.02 becomes effective, the Issuer (or the Trustee at the request and expense of the Issuer) will send to the Holders affected thereby a notice briefly describing the amendment, supplement or waiver. The Issuer will send supplemental indentures to Holders upon request. Any failure of the Issuer to send such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such supplemental indenture, amendment or waiver.

Section 9.03. *Effect of Consent.* (a) After an amendment, supplement or waiver becomes effective, it will bind every Holder unless it is of the type requiring the consent of each Holder affected. If the amendment, supplement or waiver is of the type requiring the consent of each Holder affected, the amendment, supplement or waiver will bind each Holder that has consented to it and every subsequent Holder of a Note that evidences the same debt as the Note of the consenting Holder.

(b) If an amendment, supplement or waiver changes the terms of a Note, the Trustee may require the Holder to deliver it to the Trustee so that the Trustee may place an appropriate notation of the changed terms on the Note and return it to the Holder, or exchange it for a new Note that reflects the

changed terms. The Trustee may also place an appropriate notation on any Note thereafter authenticated. However, the effectiveness of the amendment, supplement or waiver shall not be affected or impaired by any failure to annotate or exchange Notes in this fashion.

Section 9.04. *Trustee's Rights and Obligations.* The Trustee is entitled to receive, in addition to the documents required by Section 13.04, and will be fully protected in relying upon, an Opinion of Counsel stating (i) that the execution of any amendment, supplement or waiver authorized pursuant to this Article is

authorized or permitted by this Indenture or the applicable Security Document and (ii) in the case of an amendment, supplement or waiver in connection with Section 9.01(k) that such amendment, supplement or waiver does not adversely affect the legal rights of any Holder of Notes affected by such change. If the Trustee has received such Opinion of Counsel, it shall sign the amendment, supplement or waiver so long as the same does not adversely affect the rights of the Trustee. The Trustee may, but is not obligated to, execute any amendment, supplement or waiver that affects the Trustee's own rights, duties or immunities under this Indenture.

ARTICLE 10
[RESERVED]

ARTICLE 11
COLLATERAL AND SECURITY

Section 11.01. *Security Documents.* The payment of the principal of and interest and premium, if any, on the Notes when due, whether on an interest payment date, at maturity, by acceleration, repurchase, redemption or otherwise and whether by the Issuer pursuant to the Notes or by any Guarantor pursuant to its Guarantee and the performance of all other obligations of the Issuer and the Guarantors under this Indenture, the Notes, the Guarantees and the Security Documents are secured by Second-Priority Liens on the Collateral, subject to Permitted Liens, as provided in the Security Documents which the Issuer and the Guarantors have entered into simultaneously with the execution of this Indenture, or in certain circumstances, subsequent to the Issue Date, and shall be secured as provided in the Security Documents hereafter delivered as required or permitted by this Indenture.

Section 11.02. *Collateral Agent.*

(a) The Issuer hereby appoints Wilmington Trust, National Association to act as Collateral Agent, and the Collateral Agent shall have the duties, rights, indemnities, privileges, powers and immunities of the Collateral Agent as set forth herein and in the Security Documents. The Issuer and the Guarantors hereby agree that the Collateral Agent shall hold the Collateral in trust for the benefit of all of the Holders and the Trustee, in each case, pursuant to the terms of the Security Documents and the Collateral Agent is hereby authorized to execute and deliver the Security Documents. Subject to the Intercreditor Agreement, each of the Collateral Agent and the Mortgage Tax Collateral Agent are authorized and empowered to appoint one or more co-Collateral Agents or co-Mortgage Tax Collateral Agents, as applicable, as each deems necessary or appropriate.

(b) Neither the Trustee (subject to Section 7.01) nor the Collateral Agent nor any of their respective officers, directors, employees, attorneys or agents shall be responsible or liable for the legality, enforceability, effectiveness or sufficiency of the Security Documents, for the creation, perfection, priority, sufficiency, maintenance, renewal or protection of any Second-Priority Lien, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Second-Priority Liens or Security Documents or any delay in doing so; *provided, however*, that nothing in this Section 11.02(b) shall alter the Collateral Agent's obligations under Section 7.02 of the Security Agreement.

(c) The Collateral Agent shall be subject to such directions as may be given it by the Trustee from time to time (as required or permitted by this Indenture). Except as directed by the Trustee as required or permitted by this Indenture or as required or permitted by the Security Documents, the Collateral Agent shall not be obligated:

- (1) to act upon directions purported to be delivered to it by any other Person;
- (2) to foreclose upon or otherwise enforce any Second-Priority Lien with respect to the Notes and the Guarantees; or
- (3) to take any other action whatsoever with regard to any or all of the Second-Priority Liens with respect to the Notes and the Guarantees, Security Documents or Collateral.

(d) The Collateral Agent shall be accountable only for amounts that it actually receives as a result of the enforcement of the Second-Priority Liens with respect to the Notes and the Guarantees or the Security Documents.

(e) In acting as Collateral Agent or co-Collateral Agent, the Collateral Agent and each co-Collateral Agent may rely upon and enforce for its own benefit each and all of the rights, powers, immunities, indemnities and benefits of the Trustee under Article 7 hereof, each of which shall also be deemed to be for the benefit of the Collateral Agent.

(f) At all times when the Trustee is not itself the Collateral Agent, the Issuer shall deliver to the Trustee copies of all Security Documents delivered to the Collateral Agent and copies of all documents delivered to the Collateral Agent pursuant to the Security Documents.

(g) Neither the Trustee nor the Collateral Agent, in their capacities as such hereunder, shall be deemed to owe any fiduciary duty to the holders of the First Lien Notes or the holders of any First-Priority Lien Obligations.

Section 11.03. *Authorization of Actions to be Taken.*

(a) Each Holder of Notes, by its acceptance thereof, consents and agrees to the terms of each Security Document, as originally in effect on the Issue Date and as amended, supplemented or replaced from time to time in accordance with its terms or the terms of this Indenture, authorizes and directs the Trustee and the Collateral Agent to execute and deliver the Security Documents to which it is a party and authorizes and empowers the Trustee and the Collateral Agent to bind the Holders of Notes and other holders of Second-Priority Lien Obligations as set forth in the Security Documents to which it is a party and to perform its obligations and exercise its rights and powers thereunder.

(b) The Collateral Agent and the Trustee are authorized and empowered to receive for the benefit of the Holders of Notes any funds collected or distributed under the Security Documents to which the Collateral Agent or Trustee is a party and to make further distributions of such funds to the Holders of Notes according to the provisions of this Indenture.

(c) Subject to the provisions of Section 7.01 and Section 7.02, the Trustee may (but shall not be obligated), in its sole discretion and without the consent of the Holders of Notes, direct, on behalf of the Holders of Notes, the Collateral Agent to take all actions it deems necessary or appropriate in order to:

- (1) foreclose upon or otherwise enforce any or all of the Second-Priority Liens;
- (2) enforce any of the terms of the Security Documents to which the Collateral Agent or Trustee is a party; or
- (3) collect and receive payment of any and all Second-Priority Lien Obligations.

Subject to Section 7.01 and Section 7.02, the Trustee is authorized and empowered (but shall not be obligated) to institute and maintain, or direct the Collateral Agent to institute and maintain, such suits and proceedings as it may deem expedient to protect or enforce the Second-Priority Liens or the Security Documents to which the Collateral Agent or Trustee is a party or to prevent any impairment of Collateral by any acts that may be unlawful or in violation of the Security Documents to which the Collateral Agent or Trustee is a party or this Indenture, and such suits and proceedings as the Trustee or the Collateral Agent may deem expedient to preserve or protect its interests and the interests of the Holders of Notes in the Collateral, including power to institute and maintain suits or proceedings to restrain the enforcement of or compliance with any legislative or other governmental enactment, rule

or order that may be unconstitutional or otherwise invalid if the enforcement of, or compliance with, such enactment, rule or order would impair the security interest hereunder or be prejudicial to the interests of Holders of Notes, the Trustee or the Collateral Agent.

Section 11.04. *Release of Second-Priority Liens.*

(a) The Second-Priority Liens shall be released, with respect to the Notes and the Guarantees:

(1) in whole, upon payment in full of the principal of, accrued and unpaid interest and premium, if any, on the Notes and payment in full of all other Second-Priority Lien Obligations in respect thereof that are due and payable at or prior to the time such principal, accrued and unpaid interest and premium, if any, on the Notes are paid;

(3) in whole, upon satisfaction and discharge of this Indenture pursuant to Section 8.08;

(4) in whole, upon a legal defeasance or covenant defeasance pursuant to Article 8;

(5) in part, as to any property constituting Collateral that (a) is sold, transferred or otherwise disposed of by the Company, the Issuer or one of the Restricted Subsidiaries to any Person other than the Company, the Issuer or any of its Restricted Subsidiaries (but excluding any transaction subject to Section 4.14 where the recipient is required to become the obligor on the Notes or a Guarantor) in a transaction permitted by this Indenture and the Security Documents, at the time of such sale or disposition, to the extent of the interest sold or disposed of, (b) is owned or at any time acquired by a Restricted Subsidiary that has been released from its Guarantee under this Indenture, concurrently with the release of such Guarantee or (c) consists of securities of the Issuer or a Guarantor or of K. Hovnanian JV Holdings, L.L.C. to be released as contemplated by Section 4.18(d)(iii); or

(6) in accordance with and subject to the provisions of Article 9, with the consent of Holders (including consents obtained in connection with a tender offer or exchange offer).

(b) If an instrument confirming the release of the Second-Priority Liens pursuant to Section 11.04(a) is requested by the Issuer or a Guarantor, then upon delivery to the Trustee of an Officers' Certificate requesting execution of such an instrument, accompanied by:

- (1) an Opinion of Counsel confirming that such release is permitted by Section 11.04(a);

(2) all instruments requested by the Issuer to effectuate or confirm such release; and

(3) such other certificates and documents as the Trustee or Collateral Agent may reasonably request to confirm the matters set forth in Section 11.04(a) that are required by this Indenture or the Security Documents,

the Trustee shall, if such instruments and documents are reasonably satisfactory to the Trustee and Collateral Agent, instruct the Collateral Agent to execute and deliver, and the Collateral Agent shall promptly execute and deliver, such instruments.

(c) All instruments effectuating or confirming any release of any Second-Priority Liens will have the effect solely of releasing such Second-Priority Liens as to the Collateral described therein, on customary terms and without any recourse, representation, warranty or liability whatsoever.

(d) The Issuer shall bear and pay all costs and expenses associated with any release of Second-Priority Liens pursuant to this Section 11.04, including all reasonable fees and disbursements of any attorneys or representatives acting for the Trustee or for the Collateral Agent.

Section 11.05. *Filing, Recording and Opinions.* (a) Any release of Collateral permitted by Section 11.04 hereof or the Security Documents will be deemed not to impair the Liens under this Indenture and the Security Documents in contravention thereof and any person that is required to deliver a certificate or opinion under this Indenture or the Security Documents, shall be entitled to rely upon the foregoing as a basis for delivery of such certificate or opinion. The Trustee may, to the extent permitted by Section 7.01 and Section 7.02 hereof, accept as conclusive evidence of compliance with the foregoing provisions the appropriate statements contained in such documents and opinion.

(b) If any Collateral is released in accordance with this Indenture or any Security Document at a time when the Trustee is not itself also the Collateral Agent and if the Issuer has delivered the certificates and documents required by the Security Documents and permitted to be delivered by Section 11.04 (if any), the Trustee will determine whether it has received all documentation required in connection with such release and, based on such determination and the Opinion of Counsel delivered pursuant to Section 11.04, if any, will, upon request, deliver a certificate to the Collateral Agent setting forth such determination.

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ARTICLE 12
RELEASE OF ISSUER AND GUARANTORS

Section 12.01. *Release of Issuer.* (a) The Issuer shall be released from its obligations under this Indenture and the Notes, without the consent of the Holders, if: (1) the Company or any successor to the Company has assumed the obligations of the Issuer under this Indenture and the Notes, by supplemental indenture executed and delivered to the Trustee and satisfactory in form to the Trustee, (2) the Company delivers an Opinion of Counsel to the Trustee to the effect that beneficial owners of Notes will not recognize income, gain or loss for United States federal income tax purposes as a result of such release and such beneficial owners of Notes will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such release had not occurred and (3) the Issuer shall (w) become a Guarantor at such time subject to the provisions of Article 6 and Section 4.11 hereof, (x) execute a Guarantee, (y) execute a supplemental indenture evidencing its Guarantee and (z) deliver an Opinion of Counsel to the Trustee to the effect that the supplemental indenture has been duly authorized, executed and delivered by the Issuer and constitutes a valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms (subject to customary exceptions), until such time, if any, as such Guarantee may be released as described above under Section 4.19 and Article 6.

(b) A Guarantor may be released from its obligations under this Indenture, the Notes and its Guarantee in accordance with the provisions contained in Section 6.03 herein.

ARTICLE 13
MISCELLANEOUS

Section 13.01. [Reserved]

Section 13.02. *Holder Actions.* (a) 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 (b), 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.

(b) The Issuer may, but is not obligated to, fix a record date (which need not be within the time limits otherwise prescribed by Trust Indenture Act § 316(c)) for the purpose of determining the Holders entitled to act with respect to any amendment or waiver or in any other regard, except that during the continuance of an Event of Default, only the Trustee may set a record date as to

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notices of Default, any declaration or acceleration or any other remedies or other consequences of the Event of Default. If a record date is fixed, those Persons that were Holders at such record date and only those Persons shall be entitled to act, or to revoke any previous act, whether or not those Persons continue to be Holders after the record date. No act shall be valid or effective for more than 90 days after the record date.

Section 13.03. *Notices.* (a) Any notice or communication to the Issuer or the Company shall be deemed given if in writing (i) when delivered in person or (ii) five days after mailing when mailed by first class mail or (iii) when sent by facsimile transmission, with transmission confirmed. Notices or communications to a Guarantor shall be deemed given if given to the Company. Any notice to the Trustee shall be effective only upon receipt. In each case the notice or communication should be addressed as follows:

if to the Issuer or the Company:

K. Hovnanian Enterprises, Inc.
110 West Front Street
P.O. Box 500
Red Bank, New Jersey 07701
Facsimile: (732) 383-2945
Attention: Corporate Counsel

if to the Trustee:

Wilmington Trust, National Association
Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1600
Facsimile: 302-636-4145
Attention: Corporate Client Services

The Issuer or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

(b) Except as otherwise expressly provided with respect to published notices, any notice or communication to a Holder shall be deemed given when mailed to the Holder at its address as it appears on the Register by first class mail or, as to any Global Note registered in the name of DTC or its nominee, 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, shall be mailed to the Trustee at the same time. Defect in mailing a notice or communication to any particular Holder shall not affect its sufficiency with respect to other Holders.

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(c) Where this Indenture provides for notice, the notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and the waiver will be the equivalent of the notice. Waivers of notice by Holders must be filed with the Trustee, but such filing is not a condition precedent to the validity of any action taken in reliance upon such waivers.

Section 13.04. *Certificate and Opinion as to Conditions Precedent.* Upon any request or application by the Issuer or the Company to the Trustee to take any action under this Indenture, the Issuer or the Company shall furnish to the Trustee:

- (a) an Officers' Certificate stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and
- (b) an Opinion of Counsel stating that all such conditions precedent relating to the proposed action have been complied with.

Section 13.05. *Statements Required in Certificate or Opinion.* Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture must include:

- (a) a statement that each person signing the certificate or opinion has read the covenant or condition and the related definitions;
- (b) a brief statement as to the nature and scope of the examination or investigation upon which the statement or opinion contained in the certificate or opinion is based;
- (c) a statement that, in the opinion of each such person, that person has made such examination or investigation as is necessary to enable the person to express an informed opinion as to whether or not such covenant or condition has been complied with; and
- (d) a statement as to whether or not, in the opinion of each such person, such condition or covenant has been complied with, *provided*, that an Opinion of Counsel may rely on an Officers' Certificate or certificates of public officials with respect to matters of fact.

Any certificate, statement or opinion of an Officer of the Issuer or the Company, as applicable, may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel, unless such Officer knows that the certificate or opinion or representations with respect to the matters upon which such certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous. Any certificate, statement or Opinion of Counsel may be based,

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insofar as it relates to factual matters on information with respect to which is in the possession of the Issuer, or the Company, as applicable, upon the certificate, statement or opinion of or representations by an officer or officers of the Issuer, or the Company, as applicable, unless such counsel knows that the certificate, statement or opinion or representations with respect to the matters upon which such certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous.

Any certificate, statement or opinion of an Officer of the Issuer or the Company, as applicable, or of counsel may be based, insofar as it relates to accounting matters, upon a certificate or opinion of or representations by an accountant or firm of accountants in the employ of the Issuer or the Company, as applicable, unless such Officer or counsel, as the case may be, knows that the certificate or opinion or representations with respect to the accounting matters upon which such certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous.

Any certificate or opinion of any independent firm of public accountants filed with and directed to the Trustee shall contain a statement that such firm is independent.

Section 13.06. *Payment Date Other Than a Business Day.* If any payment with respect to a payment of any principal of, premium, if any, or interest on any Note (including any payment to be made on any date fixed for redemption or purchase of any Note) is due on a day which is not a Business Day, then the payment need not be made on such date, but may be made on the next Business Day with the same force and effect as if made on such date, and no interest shall accrue for the intervening period.

Section 13.07. *Governing Law.* This Indenture, the Guarantees and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York.

Section 13.08. *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 this Indenture.

Section 13.09. *Successors.* All agreements of the Issuer, the Company or any Guarantor in this Indenture and the Notes shall bind its successors. All agreements of the Trustee and the Collateral Agent in this Indenture shall bind its successor.

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Section 13.10. *Duplicate Originals.* The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

Section 13.11. *Separability.* To the extent permitted by applicable law, in case any provision in this Indenture or in the Notes is invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 13.12. *Table of Contents and Headings.* The Table of Contents, Cross-Reference Table and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part of this Indenture and in no way modify or restrict any of the terms and provisions of this Indenture.

Section 13.13. *No Liability of Directors, Officers, Employees, Partners, Incorporators and Stockholders.* No recourse under or upon any obligation, covenant or agreement contained in this Indenture, or in the Notes, or because of any indebtedness evidenced thereby, shall be had against any incorporator, as such or against any past, present or future stockholder, officer, director or employee, as such, of the Issuer, the Company or the Guarantors or any partner of the Issuer, the Company or the Guarantors or of any successor, either directly or through the Issuer, the Company or the Guarantors or any successor, under any rule of law, statute or constitutional provision or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, all such liability being expressly waived and released by the acceptance of the Notes by the Holders thereof and as part of the consideration for the issue of the Notes.

Section 13.14. *Provisions of Indenture for the Sole Benefit of Parties and Holders of Notes.* Nothing in this Indenture or in the Notes, expressed or implied, shall give or be construed to give to any Person, other than the parties hereto and their successors and the Holders of Notes, any legal or equitable right, remedy or claim under this Indenture or under any covenant or provision herein contained, all such covenants and provisions being for the sole benefit of the parties hereto and their successors and of the Holders of Notes.

[Signature page follows]

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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. HOVNANIAN ENTERPRISES, INC., as Issuer

By: /s/ J. Larry Sorsby
Name: J. Larry Sorsby
Title: Executive Vice President and Chief Financial Officer

HOVNANIAN ENTERPRISES, INC., as the Company and a Guarantor

By: /s/ J. Larry Sorsby
Name: J. Larry Sorsby
Title: Executive Vice President and Chief Financial Officer

On behalf of each entity named in Schedule A hereto, as a Guarantor

By: /s/ J. Larry Sorsby
Name: J. Larry Sorsby
Title: Executive Vice President and Chief Financial Officer

WILMINGTON TRUST, NATIONAL ASSOCIATION, as Trustee and
Collateral Agent

By: /s/ Joseph B. Feil

[Signature page to the Second Lien Notes Indenture]

SCHEDULE A

GUARANTORS

ARBOR TRAILS, LLC
AUDDIE ENTERPRISES, L.L.C.
BUILDER SERVICES NJ, L.L.C.
BUILDER SERVICES PA, L.L.C.
DULLES COPPERMINE, L.L.C.
EASTERN NATIONAL TITLE AGENCY, LLC
EASTERN TITLE AGENCY, INC.
F&W MECHANICAL SERVICES, L.L.C.
FOUNDERS TITLE AGENCY OF MARYLAND, L.L.C.
FOUNDERS TITLE AGENCY, INC.
GLENRISE GROVE, L.L.C.
GOVERNOR'S ABSTRACT CO., INC.
HOMEBUYERS FINANCIAL SERVICES, L.L.C.
HOVNANIAN DEVELOPMENTS OF FLORIDA, INC.
HOVNANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP, L.L.C.
K. HOV IP, II, INC.
K. HOV IP, INC.
K. HOVNANIAN ACQUISITIONS, INC.
K. HOVNANIAN AT 4S, LLC
K. HOVNANIAN AT ACQUA VISTA, LLC
K. HOVNANIAN AT ALISO, LLC
K. HOVNANIAN AT ALLENTOWN, L.L.C.
K. HOVNANIAN AT ANDALUSIA, LLC
K. HOVNANIAN AT ARBOR HEIGHTS, LLC
K. HOVNANIAN AT AVENUE ONE, L.L.C.
K. HOVNANIAN AT BAKERSFIELD 463, L.L.C.
K. HOVNANIAN AT BARNEGAT I, L.L.C.
K. HOVNANIAN AT BARNEGAT II, L.L.C.
K. HOVNANIAN AT BELLA LAGO, LLC
K. HOVNANIAN AT BENSLEM, LLC
K. HOVNANIAN AT BERKELEY, L.L.C.
K. HOVNANIAN AT BLUE HERON PINES, L.L.C.
K. HOVNANIAN AT BRANCHBURG, L.L.C.
K. HOVNANIAN AT BRIDGEPORT, INC.
K. HOVNANIAN AT BRIDGEWATER I, L.L.C.
K. HOVNANIAN AT BROAD AND WALNUT, L.L.C.
K. HOVNANIAN AT CAMERON CHASE, INC.
K. HOVNANIAN AT CAMP HILL, L.L.C.
K. HOVNANIAN AT CAPISTRANO, L.L.C.
K. HOVNANIAN AT CARLSBAD, LLC
K. HOVNANIAN AT CEDAR GROVE III, L.L.C.
K. HOVNANIAN AT CEDAR GROVE V, L.L.C.
K. HOVNANIAN AT CHARTER WAY, LLC
K. HOVNANIAN AT CHESTER I, L.L.C.
K. HOVNANIAN AT CHESTERFIELD, L.L.C.
K. HOVNANIAN AT CIELO, L.L.C.
K. HOVNANIAN AT CLIFTON, L.L.C.

Sch. A-1

K. HOVNANIAN AT COASTLINE, L.L.C.
K. HOVNANIAN AT CORTEZ HILL, LLC
K. HOVNANIAN AT CRANBURY, L.L.C.
K. HOVNANIAN AT DENVILLE, L.L.C.

K. HOVNANIAN AT DEPTFORD TOWNSHIP, L.L.C.
K. HOVNANIAN AT DOMINGUEZ HILLS, INC.
K. HOVNANIAN AT EAST BRANDYWINE, L.L.C.
K. HOVNANIAN AT EASTLAKE, LLC
K. HOVNANIAN AT EDGEWATER II, L.L.C.
K. HOVNANIAN AT EDGEWATER, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH II, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH, L.L.C.
K. HOVNANIAN AT ENCINITAS RANCH, LLC
K. HOVNANIAN AT EVERGREEN, L.L.C.
K. HOVNANIAN AT FIDDYMENT RANCH, LLC
K. HOVNANIAN AT FIFTH AVENUE, L.L.C.
K. HOVNANIAN AT FLORENCE I, L.L.C.
K. HOVNANIAN AT FLORENCE II, L.L.C.
K. HOVNANIAN AT FOREST MEADOWS, L.L.C.
K. HOVNANIAN AT FRANKLIN II, L.L.C.
K. HOVNANIAN AT FRANKLIN III, LLC
K. HOVNANIAN AT FRANKLIN, L.L.C.
K. HOVNANIAN AT FREEHOLD TOWNSHIP, L.L.C.
K. HOVNANIAN AT FRESNO, LLC
K. HOVNANIAN AT GASLAMP SQUARE, L.L.C.
K. HOVNANIAN AT GILROY, LLC
K. HOVNANIAN AT GREAT NOTCH, L.L.C.
K. HOVNANIAN AT GUTTENBERG, L.L.C.
K. HOVNANIAN AT HACKETTSTOWN II, L.L.C.
K. HOVNANIAN AT HAMBURG, L.L.C.
K. HOVNANIAN AT HAWTHORNE, L.L.C.
K. HOVNANIAN AT HERSHEY'S MILL, INC.
K. HOVNANIAN AT HIGHLAND SHORES, L.L.C.
K. HOVNANIAN AT HOWELL, LLC
K. HOVNANIAN AT HUDSON POINTE, L.L.C.
K. HOVNANIAN AT JACKSON I, L.L.C.
K. HOVNANIAN AT JACKSON, L.L.C.
K. HOVNANIAN AT JAEGER RANCH, LLC
K. HOVNANIAN AT JERSEY CITY IV, L.L.C.
K. HOVNANIAN AT JERSEY CITY V URBAN RENEWAL COMPANY, L.L.C.
K. HOVNANIAN AT KEYPORT, L.L.C.
K. HOVNANIAN AT LA COSTA GREENS, L.L.C.
K. HOVNANIAN AT LA COSTA, LLC
K. HOVNANIAN AT LA HABRA KNOLLS, LLC
K. HOVNANIAN AT LA LAGUNA, L.L.C.
K. HOVNANIAN AT LAKE RANCHO VIEJO, LLC
K. HOVNANIAN AT LAKE TERRAPIN, L.L.C.
K. HOVNANIAN AT LAWRENCE V, L.L.C.
K. HOVNANIAN AT LEE SQUARE, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR, L.L.C
K. HOVNANIAN AT LONG HILL, L.L.C.

Sch. A-2

K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LOWER MAKEFIELD TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MORELAND I, L.L.C.
K. HOVNANIAN AT LOWER MORELAND II, L.L.C.
K. HOVNANIAN AT MAHWAH VI, INC.
K. HOVNANIAN AT MALAN PARK, L.L.C.
K. HOVNANIAN AT MANALAPAN III, L.L.C.
K. HOVNANIAN AT MANSFIELD I, L.L.C.
K. HOVNANIAN AT MANSFIELD II, L.L.C.
K. HOVNANIAN AT MANSFIELD III, L.L.C.
K. HOVNANIAN AT MANTECA, LLC
K. HOVNANIAN AT MAPLE AVENUE, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP IX, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP V, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP VIII, L.L.C.
K. HOVNANIAN AT MARLBORO VI, L.L.C.
K. HOVNANIAN AT MARLBORO VII, L.L.C.
K. HOVNANIAN AT MELANIE MEADOWS, LLC
K. HOVNANIAN AT MENDHAM TOWNSHIP, L.L.C.
K. HOVNANIAN AT MENIFEE, LLC

K. HOVNANIAN AT MIDDLE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT MIDDLE TOWNSHIP, L.L.C.
K. HOVNANIAN AT MIDDLETOWN II, L.L.C.
K. HOVNANIAN AT MILLVILLE I, L.L.C.
K. HOVNANIAN AT MILLVILLE II, L.L.C.
K. HOVNANIAN AT MONROE II, INC.
K. HOVNANIAN AT MONROE IV, L.L.C.
K. HOVNANIAN AT MONROE NJ, L.L.C.
K. HOVNANIAN AT MONTVALE II, LLC
K. HOVNANIAN AT MONTVALE, L.L.C.
K. HOVNANIAN AT MOSAIC, LLC
K. HOVNANIAN AT MUIRFIELD, LLC
K. HOVNANIAN AT NEW WINDSOR, L.L.C.
K. HOVNANIAN AT NORTH BERGEN. L.L.C.
K. HOVNANIAN AT NORTH BRUNSWICK VI, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL II, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL III, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL IV, L.L.C.
K. HOVNANIAN AT NORTH HALEDON, L.L.C.
K. HOVNANIAN AT NORTH WILDWOOD, L.L.C.
K. HOVNANIAN AT NORTHAMPTON, L.L.C.
K. HOVNANIAN AT NORTHERN WESTCHESTER, INC.
K. HOVNANIAN AT NORTHFIELD, L.L.C.
K. HOVNANIAN AT OCEAN TOWNSHIP, INC
K. HOVNANIAN AT OCEAN WALK, INC.
K. HOVNANIAN AT OCEANPORT, L.L.C.
K. HOVNANIAN AT OLD BRIDGE, L.L.C.
K. HOVNANIAN AT OLDE ORCHARD, LLC
K. HOVNANIAN AT PARAMUS, L.L.C.
K. HOVNANIAN AT PARK LANE, LLC
K. HOVNANIAN AT PARKSIDE, LLC
K. HOVNANIAN AT PARSIPPANY, L.L.C.
K. HOVNANIAN AT PARSIPPANY-TROY HILLS, L.L.C.

Sch. A-3

K. HOVNANIAN AT PIAZZA D'ORO, L.L.C.
K. HOVNANIAN AT PIAZZA SERENA, L.L.C
K. HOVNANIAN AT PITTSBORO, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL IV, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL V, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VI, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VII, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VIII, L.L.C.
K. HOVNANIAN AT POSITANO, LLC
K. HOVNANIAN AT PRADO, L.L.C.
K. HOVNANIAN AT RANCHO SANTA MARGARITA, LLC
K. HOVNANIAN AT RANDOLPH I, L.L.C.
K. HOVNANIAN AT RAPHO, L.L.C
K. HOVNANIAN AT RIDGEMONT, L.L.C.
K. HOVNANIAN AT RIVERBEND, LLC
K. HOVNANIAN AT RODERUCK, L.L.C.
K. HOVNANIAN AT ROSEMARY LANTANA, L.L.C.
K. HOVNANIAN AT SAGE, L.L.C.
K. HOVNANIAN AT SANTA NELLA, LLC
K. HOVNANIAN AT SAWMILL, INC.
K. HOVNANIAN AT SAYREVILLE, L.L.C.
K. HOVNANIAN AT SCOTCH PLAINS, L.L.C.
K. HOVNANIAN AT SEASONS LANDING, LLC
K. HOVNANIAN AT SHELDON GROVE, LLC
K. HOVNANIAN AT SHREWSBURY, LLC
K. HOVNANIAN AT SILVER SPRING, L.L.C.
K. HOVNANIAN AT SKYE ISLE, LLC
K. HOVNANIAN AT SMITHVILLE, INC.
K. HOVNANIAN AT SOMERS POINT, L.L.C.
K. HOVNANIAN AT SOUTH BRUNSWICK II, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK, L.L.C.
K. HOVNANIAN AT STANTON, LLC
K. HOVNANIAN AT STATION SQUARE, L.L.C.
K. HOVNANIAN AT SUNRIDGE PARK, LLC
K. HOVNANIAN AT SYCAMORE, INC.
K. HOVNANIAN AT THE CROSBY, LLC
K. HOVNANIAN AT THE GABLES, LLC
K. HOVNANIAN AT THE MONARCH, L.L.C.

K. HOVNANIAN AT THE PRESERVE, LLC
K. HOVNANIAN AT THOMPSON RANCH, LLC
K. HOVNANIAN AT THORNBURY, INC.
K. HOVNANIAN AT TRAIL RIDGE, LLC
K. HOVNANIAN AT UPPER FREEHOLD TOWNSHIP II, L.L.C.
K. HOVNANIAN AT UPPER FREEHOLD TOWNSHIP III, L.L.C.
K. HOVNANIAN AT UPPER MAKEFIELD I, INC.
K. HOVNANIAN AT UPPER PROVIDENCE, LLC
K. HOVNANIAN AT UPPER UWCHLAN II, L.L.C.
K. HOVNANIAN AT UPPER UWCHLAN, L.L.C.
K. HOVNANIAN AT VALLE DEL SOL, LLC
K. HOVNANIAN AT VERONA URBAN RENEWAL, L.L.C.
K. HOVNANIAN AT VICTORVILLE, L.L.C.
K. HOVNANIAN AT VINELAND, L.L.C.
K. HOVNANIAN AT VISTA DEL SOL, L.L.C.
K. HOVNANIAN AT WARREN TOWNSHIP, L.L.C.

Sch. A-4

K. HOVNANIAN AT WASHINGTON, L.L.C.
K. HOVNANIAN AT WATERSTONE, LLC
K. HOVNANIAN AT WAYNE IX, L.L.C.
K. HOVNANIAN AT WAYNE, VIII, L.L.C.
K. HOVNANIAN AT WEST VIEW ESTATES, L.L.C.
K. HOVNANIAN AT WEST WINDSOR, L.L.C.
K. HOVNANIAN AT WESTSHORE, LLC
K. HOVNANIAN AT WHEELER RANCH, LLC
K. HOVNANIAN AT WILDWOOD BAYSIDE, L.L.C.
K. HOVNANIAN AT WILLOW BROOK, L.L.C.
K. HOVNANIAN AT WINCHESTER, LLC
K. HOVNANIAN AT WOODCREEK WEST, LLC
K. HOVNANIAN AT WOOLWICH I, L.L.C.
K. HOVNANIAN CAMBRIDGE HOMES, L.L.C.
K. HOVNANIAN CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN CLASSICS, L.L.C.
K. HOVNANIAN COMMUNITIES, INC.
K. HOVNANIAN COMPANIES OF CALIFORNIA, INC.
K. HOVNANIAN COMPANIES OF MARYLAND, INC.
K. HOVNANIAN COMPANIES OF NEW YORK, INC.
K. HOVNANIAN COMPANIES OF PENNSYLVANIA, INC.
K. HOVNANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.
K. HOVNANIAN COMPANIES, LLC
K. HOVNANIAN CONSTRUCTION II, INC
K. HOVNANIAN CONSTRUCTION III, INC
K. HOVNANIAN CONSTRUCTION MANAGEMENT, INC.
K. HOVNANIAN CRAFTBUILT HOMES OF SOUTH CAROLINA, L.L.C.
K. HOVNANIAN DEVELOPMENTS OF ARIZONA, INC.
K. HOVNANIAN DEVELOPMENTS OF CALIFORNIA, INC.
K. HOVNANIAN DEVELOPMENTS OF D.C., INC.
K. HOVNANIAN DEVELOPMENTS OF DELAWARE, INC.
K. HOVNANIAN DEVELOPMENTS OF GEORGIA, INC.
K. HOVNANIAN DEVELOPMENTS OF ILLINOIS, INC.
K. HOVNANIAN DEVELOPMENTS OF KENTUCKY, INC.
K. HOVNANIAN DEVELOPMENTS OF MARYLAND, INC.
K. HOVNANIAN DEVELOPMENTS OF MINNESOTA, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY II, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW YORK, INC.
K. HOVNANIAN DEVELOPMENTS OF NORTH CAROLINA, INC.
K. HOVNANIAN DEVELOPMENTS OF OHIO, INC.
K. HOVNANIAN DEVELOPMENTS OF PENNSYLVANIA, INC.
K. HOVNANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.
K. HOVNANIAN DEVELOPMENTS OF TEXAS, INC.
K. HOVNANIAN DEVELOPMENTS OF VIRGINIA, INC.
K. HOVNANIAN DEVELOPMENTS OF WEST VIRGINIA, INC.
K. HOVNANIAN EASTERN PENNSYLVANIA, L.L.C.
K. HOVNANIAN ENTERPRISES, INC.
K. HOVNANIAN ESTATES AT REGENCY, L.L.C.
K. HOVNANIAN FAIRWAYS AT WESTWORTH, LLC
K. HOVNANIAN FIRST HOMES, L.L.C.
K. HOVNANIAN FLORIDA REALTY, L.L.C.
K. HOVNANIAN FOUR SEASONS @ HISTORIC VIRGINIA, LLC
K. HOVNANIAN FOUR SEASONS AT GOLD HILL, LLC

K. HOVNANIAN GREAT WESTERN BUILDING COMPANY, LLC
K. HOVNANIAN GREAT WESTERN HOMES, LLC
K. HOVNANIAN HAMPTONS AT OAK CREEK II, L.L.C.
K. HOVNANIAN HOLDINGS NJ, L.L.C.
K. HOVNANIAN HOMES - DFW, L.L.C.
K. HOVNANIAN HOMES AT CAMERON STATION, LLC
K. HOVNANIAN HOMES AT CAMP SPRINGS, L.L.C.
K. HOVNANIAN HOMES AT FAIRWOOD, L.L.C.
K. HOVNANIAN HOMES AT FOREST RUN, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM PARK TOWNS, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM, L.L.C.
K. HOVNANIAN HOMES AT JONES STATION 1, L.L.C.
K. HOVNANIAN HOMES AT MAXWELL PLACE, L.L.C.
K. HOVNANIAN HOMES AT RENAISSANCE PLAZA, L.L.C.
K. HOVNANIAN HOMES AT RUSSETT, L.L.C.
K. HOVNANIAN HOMES AT THE HIGHLANDS, LLC
K. HOVNANIAN HOMES NORTHERN CALIFORNIA, INC.
K. HOVNANIAN HOMES OF D.C., L.L.C.
K. HOVNANIAN HOMES OF DELAWARE, L.L.C.
K. HOVNANIAN HOMES OF GEORGIA, L.L.C.
K. HOVNANIAN HOMES OF HOUSTON, L.L.C.
K. HOVNANIAN HOMES OF MARYLAND, L.L.C.
K. HOVNANIAN HOMES OF MINNESOTA, L.L.C.
K. HOVNANIAN HOMES OF NORTH CAROLINA, INC.
K. HOVNANIAN HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN HOMES OF SOUTH CAROLINA, LLC
K. HOVNANIAN HOMES OF VIRGINIA, INC.
K. HOVNANIAN HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN LIBERTY ON BLUFF CREEK, LLC
K. HOVNANIAN MANALAPAN ACQUISITION, LLC
K. HOVNANIAN NORTH CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTHEAST SERVICES, L.L.C.
K. HOVNANIAN OF HOUSTON II, L.L.C.
K. HOVNANIAN OHIO REALTY, L.L.C.
K. HOVNANIAN OSTER HOMES, L.L.C.
K. HOVNANIAN PA REAL ESTATE, INC.
K. HOVNANIAN PENNSYLVANIA ACQUISITIONS, L.L.C.
K. HOVNANIAN PORT IMPERIAL URBAN RENEWAL, INC.
K. HOVNANIAN PROPERTIES OF RED BANK, INC.
K. HOVNANIAN SHORE ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTHERN NEW JERSEY, L.L.C.
K. HOVNANIAN STANDING ENTITY, L.L.C.
K. HOVNANIAN SUMMIT HOLDINGS, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF KENTUCKY, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES, L.L.C.
K. HOVNANIAN T&C HOMES AT FLORIDA, L.L.C.
K. HOVNANIAN T&C HOMES AT ILLINOIS, L.L.C.
K. HOVNANIAN TIMBRES AT ELM CREEK, LLC
K. HOVNANIAN VENTURE I, L.L.C.
K. HOVNANIAN WINDWARD HOMES, LLC

K. HOVNANIAN'S FOUR SEASONS AT ASHBURN VILLAGE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT BAKERSFIELD, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT BEAUMONT, LLC
K. HOVNANIAN'S FOUR SEASONS AT CHARLOTTESVILLE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT HEMET, LLC
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND CONDOMINIUMS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT LOS BANOS, LLC
K. HOVNANIAN'S FOUR SEASONS AT MORENO VALLEY, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT NEW KENT VINEYARDS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT PALM SPRINGS, LLC
K. HOVNANIAN'S FOUR SEASONS AT RENAISSANCE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK II, LLC

K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT SILVER MAPLE FARM, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT ST. MARGARETS LANDING, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT VINT HILL, L.L.C.
K. HOVNANIAN'S FOUR SEASONS, LLC
K. HOVNANIAN'S PARKSIDE AT TOWNGATE, L.L.C.
KHIP, L.L.C.
LANDARAMA, INC.
M&M AT CHESTERFIELD, LLC
M&M AT CRESCENT COURT, L.L.C.
M&M AT WEST ORANGE, L.L.C.
M&M AT WHEATENA URBAN RENEWAL, L.L.C.
MATZEL & MUMFORD AT EGG HARBOR, L.L.C.
MATZEL & MUMFORD AT SOUTH BOUND BROOK URBAN RENEWAL, L.L.C.
MCNJ, INC.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF PENNSYLVANIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF WEST VIRGINIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES, L.L.C.
MMIP, L.L.C.
NEW LAND TITLE AGENCY OF TEXAS, LLC
NEW LAND TITLE AGENCY, L.L.C.
PADDOCKS, L.L.C.
PARK TITLE COMPANY, LLC
PINE AYR, LLC
RIDGEMORE UTILITY, L.L.C.
SEABROOK ACCUMULATION CORPORATION
STONEBROOK HOMES, INC.
TERRAPIN REALTY, L.L.C.
THE MATZEL & MUMFORD ORGANIZATION, INC
WASHINGTON HOMES AT COLUMBIA TOWN CENTER, L.L.C.
WASHINGTON HOMES, INC.
WESTMINSTER HOMES, INC.
WH PROPERTIES, INC.
WOODLAND LAKE CONDOMINIUMS AT BOWIE NEW TOWN, L.L.C.

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EXHIBIT A

[FACE OF NOTE]

K. HOVNANIAN ENTERPRISES, INC.

9.125% Senior Secured Second Lien Notes Due 2020

CUSIP No.:

No. \$ [, or such other amount as is provided in the schedule of exchanges of interests in global notes attached hereto]

K. Hovnanian Enterprises, Inc., a California corporation (the "Issuer," which term includes any successor under the Indenture hereinafter referred to), for value received, promises to pay to [], or its registered assigns, the principal sum of [] DOLLARS (\$ []), [or such other amount as is provided in the schedule of exchanges of interests in global notes attached hereto](1), on November 15, 2020.

Interest Rate: 9.125% per annum.

Interest Payment Dates: May 15 and November 15, commencing May 15, 2013.

Record Dates: May 1 and November 1.

Reference is hereby made to the further provisions of this Note set forth on the reverse hereof, which will for all purposes have the same effect as if set forth at this place.

(1) For Global Notes.

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IN WITNESS WHEREOF, the Issuer has caused this Note to be signed manually or by facsimile by its duly authorized officer.

Dated:

By: _____

Name:

Title:

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[Form of] Trustee's Certificate of Authentication

This is one of the 9.125% Senior Secured Second Lien Notes Due 2020 described in the Indenture referred to in this Note.

WILMINGTON TRUST, NATIONAL ASSOCIATION, as Trustee

By: _____

Authorized Signatory

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[REVERSE SIDE OF NOTE]

K. HOVNANIAN ENTERPRISES, INC.

9.125% Senior Secured Second Lien Notes Due 2020

Capitalized terms used herein are used as defined in the Indenture referred to below unless otherwise indicated.

1. *Principal and Interest.*

K. Hovnanian Enterprises, Inc. (the "**Issuer**," which term includes any successor under the Indenture hereinafter referred to), a California corporation, promises to pay the principal of this Note on November 15, 2020.

The Issuer promises to pay interest on the principal amount of this Note on each interest payment date, as set forth on the face of this Note, at the rate of 9.125% per annum.

Interest will be payable semiannually (to the holders of record of the Notes at the close of business on the May 1 or November 1 immediately preceding the interest payment date) on each interest payment date, commencing May 15, 2013.

Interest on this Note will accrue from the most recent date to which interest has been paid on this Note or the Note surrendered in exchange for this Note (or, if there is no existing default in the payment of interest and if this Note is authenticated between a regular record date and the next interest payment date, from such interest payment date) or, if no interest has been paid, from [the date of issuance]. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

2. *Paying Agent and Registrar.*

Initially, Wilmington Trust, National Association (the "**Trustee**") will act as Paying Agent and Registrar. The Issuer may change or appoint any Paying Agent, Registrar or co-Registrar without notice to any Holder. The Issuer or any of its Subsidiaries may act as Paying Agent, Registrar or co-Registrar.

3. *Indenture; Liens; Guarantees.*

This is one of the Notes issued under an Indenture dated as of October 2, 2012 (as amended from time to time, the "**Indenture**"), among the Issuer, the Guarantors party thereto, the Trustee and the Collateral Agent. The terms of the Notes include those stated in the Indenture and those 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

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applicable law, in the event of any inconsistency between the terms of this Note and the terms of the Indenture, the terms of the Indenture will control.

The Notes are general obligations of the Issuer, secured by second-priority Liens on the Collateral as described in the Indenture and the Security Documents. The Indenture limits the original aggregate principal amount of the Notes issued thereunder to \$220,000,000 but Additional Notes may be issued pursuant to the Indenture (subject to the conditions stated therein), and the originally issued Notes and all such Additional Notes vote together for all purposes as a single class. This Note is guaranteed by the Guarantors as set forth in the Indenture and the Guarantee endorsed hereon.

Reference is hereby made to the Indenture for a statement of the respective rights, duties and obligations thereunder of the Issuer, the Guarantors, the Trustee, the Collateral Agent and the Holders.

4. *Optional Redemption; Redemption with Proceeds of Equity Offering.*

(a) The Issuer may, at its option, redeem the Notes, in whole, at any time, or in part, from time to time, prior to November 15, 2015 at a redemption price equal to the sum of:

- (i) 100% of the principal amount thereof, plus accrued and unpaid interest thereon to the redemption date, if any; *plus*
- (ii) the Make-Whole Amount.

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

(i) the present value at such redemption date of (i) the redemption price of the Note, at November 15, 2015 (such redemption price being set forth in the table appearing in (b) below) plus (ii) all required interest payments due on the Note through November 15, 2015 (excluding accrued but unpaid interest), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; *over*

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

“**Treasury Rate**” means, in connection with the calculation of any Make-Whole Amount with respect to any Note, as calculated by the Company, the yield to maturity at the time of computation of United States Treasury securities with a constant maturity, as compiled by and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source or similar market data), most nearly equal to the period from the redemption date to November 15, 2015; *provided, however*, that if the period from the

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redemption date to November 15, 2015 is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from the redemption date to November 15, 2015 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

(b) At any time and from time to time on or after November 15, 2015, 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 thereon, if any, to the applicable redemption date.

Period Commencing	Percentage
November 15, 2015	106.844%
November 15, 2016	104.563%
November 15, 2017	102.281%
November 15, 2018 and thereafter	100.000%

At any time and from time to time prior to November 15, 2015, the Issuer may redeem Notes with the net cash proceeds received by the Issuer from any Equity Offering at a redemption price equal to 109.125% of the principal amount plus accrued and unpaid interest to the redemption date, in an aggregate principal amount for all such redemptions not to exceed 35% of the original aggregate principal amount of the Notes (including Additional Notes), *provided* that:

- (i) in each case the redemption takes place not later than 60 days after the closing of the related Equity Offering, and
- (ii) not less than 65% of the original aggregate principal amount of the Notes (including Additional Notes) remains outstanding immediately thereafter.

If fewer than all of the Notes are being redeemed, the Notes to be redeemed shall be selected in accordance with applicable DTC procedures (subject to compliance with the rules of any securities exchange on which the Notes of such series may be listed).

Notes shall be redeemed in denominations of \$2,000 principal amount or any multiple of \$1,000 in excess thereof. Notices of any redemption may be given prior to the completion thereof, and may, at the Issuer’s discretion, be subject to one or more conditions precedent, including, but not limited to, completion of a related Equity Offering.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed. A new

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Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the Holder thereof upon cancellation of the original Note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions thereof called for redemption.

5. *Repurchase Provisions.*

If a Change of Control occurs, each Holder shall have the right, at such Holder’s option, to require the Issuer to purchase all or any part (equal to \$2,000 principal amount or any multiple of \$1,000 in excess thereof) of such Holder’s Notes on a date that is no later than 90 days after notice of the Change of Control, at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of repurchase as provided in, and subject to the terms of, the Indenture.

6. *Mandatory Redemption.*

There is no sinking fund for, or mandatory redemption of, the Notes.

7. *Discharge and Defeasance.*

If the Issuer deposits with the Trustee money and/or U.S. Government Obligations sufficient to pay the then outstanding principal of, premium, interest and accrued interest on the Notes to redemption or maturity, as the case may be, the Issuer, the Company and the Guarantors may in certain circumstances be discharged from the Indenture, the Notes, the Guarantees and the Security Documents or may be discharged from certain of their obligations under certain provisions of the Indenture. In such circumstances, the Liens securing the Notes and the Guarantees will also be released.

8. *Registered Form; Denominations; Transfer; Exchange.*

The Notes are in registered form only without coupons in denominations of \$2,000 principal amount and any multiple of \$1,000 in excess thereof. A Holder may register the transfer or exchange of Notes in accordance with the Indenture. The Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. Pursuant to the Indenture, there are certain periods during which the Trustee will not be required to issue, register the transfer of, or exchange any Note or certain portions of a Note.

9. *Persons Deemed Owners.*

The registered Holder of this Note shall be treated as the owner of it for all purposes.

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10. *Defaults and Remedies.*

If an Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the Notes may declare all the Notes to be due and payable immediately. If a bankruptcy or insolvency default with respect to the Issuer or the Company occurs and is continuing, the Notes automatically become immediately due and payable. Holders may not enforce the Indenture or the Notes except as provided in the Indenture. The Trustee may require indemnity satisfactory to it before it enforces the Indenture or the Notes. Subject to certain limitations, Holders of a majority in principal amount of the Notes then outstanding may direct the Trustee in its exercise of remedies.

11. *Amendment, Supplement and Waiver.*

Subject to certain exceptions, the Indenture, the Notes, the Guarantees and the Security Documents may be amended or supplemented, or future compliance therewith may be waived, with the consent of the Holders of a majority in principal amount of the outstanding Notes. Without notice to or the consent of any Holder, the Company, the Issuer, the Guarantors, the Trustee, the Collateral Agent and the Mortgage Tax Collateral Agent, as applicable, may amend or supplement the Indenture, the Notes, the Guarantees or the Security Documents to, among other things, cure any ambiguity, defect or inconsistency or if such amendment or supplement does not adversely affect the legal rights of any Holder. Without the consent of the Holders of at least 66 $\frac{2}{3}$ % in principal amount of the Notes, the Company, the Issuer, the Guarantors, the Trustee and the Collateral Agent may not effect a release of all or substantially all of the Collateral other than pursuant to the terms of the Security Documents or as otherwise permitted under the Indenture.

12. *Trustee Dealings With Issuer.*

The Trustee, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with the Issuer or its affiliates, with the same rights as if it were not Trustee; *however*, if it acquires any conflicting interest (as defined in the Trust Indenture Act), it must eliminate such conflict, apply to the Commission for permission to continue or resign.

13. *No Recourse Against Others.*

An incorporator, and any past, present or future director, officer, partner, employee or stockholder, as such, of the Issuer, the Company or the Guarantors shall not have any liability for any obligations of the Issuer, the Company or the Guarantors under the Notes, the Indenture or the Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Notes.

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14. *Governing Law.*

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

15. *CUSIP Numbers.*

Pursuant to a recommendation promulgated by the Committee on Uniform Note Identification Procedures, the Issuer has caused CUSIP numbers to be printed on the Notes, and the Trustee may use CUSIP numbers in notices as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice and reliance may be placed only on the other identification numbers placed thereon.

16. *Authentication.*

This Note is not valid until the Trustee (or Authenticating Agent) manually signs the certificate of authentication on the other side of this Note.

17. *Abbreviations.*

Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian) and U/G/M/A/ (= Uniform Gifts to Minors Act).

The Issuer will furnish a copy of the Indenture to any Holder upon written request and without charge.

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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 Social Security or Taxpayer Identification No.

Please print or typewrite name and address, including zip code, of assignee

the within Note and all rights thereunder, hereby irrevocably constituting and appointing

agent to transfer this Note on the books of the Issuer with full power of substitution in the premises.

Dated: _____

Signed: _____
(sign exactly as name appears on the other side of this Note)

Signature Guarantee(2): _____

(2) Signatures must be guaranteed by an “**eligible guarantor institution**” meeting the requirements of the Registrar, which requirements include membership or participation in the Note Transfer Agent Medallion Program (“**STAMP**”) or such other “**signature guarantee program**” as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

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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 date which is the date following the first anniversary of the original issuance of this Note, the undersigned confirms that such transfer is made without utilizing any general solicitation or general advertising in connection with the transfer and further as follows:

Check One

9 (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.

9 (2) This Note is being transferred to a non-”U.S. Person,” as defined in Rule 902 of Regulation S under the Securities Act in compliance with the exemption from registration under the Securities Act of 1933, as amended, provided by Regulation S thereunder, and certification in the form of Exhibit E to the Indenture is being furnished herewith.

or

9 (3) This Note is being transferred other than in accordance with (1) or (2) above and documents are being furnished herewith which comply with the conditions of transfer set forth in this Note and the Indenture.

If none of the foregoing boxes is checked, the Trustee is not obligated to register this Note in the name of any Person other than the Holder hereof unless and until the conditions to any such transfer of registration set forth herein and in the Indenture have been satisfied.

Dated: _____

Signed: _____

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within-mentioned instrument in every particular, without alteration or any change whatsoever.

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Signature Guarantee:(3) _____

By: _____
(To be executed by an executive officer)

(3) Signatures must be guaranteed by an “**eligible guarantor institution**” meeting the requirements of the Registrar, which requirements include membership or participation in the Note Transfer Agent Medallion Program (“**STAMP**”) or such other “**signature guarantee program**” as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

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OPTION OF HOLDER TO ELECT PURCHASE

If you wish to have all of this Note purchased by the Issuer pursuant to Section 4.10 or Section 4.12 of the Indenture, check the box: 9

If you wish to have a portion of this Note purchased by the Issuer pursuant to Section 4.10 or Section 4.12 of the Indenture, state the amount (in original principal amount) below:

\$.

Date: _____

Your Signature: _____

(Sign exactly as your name appears on the other side of this Note)

Signature Guarantee:(4) _____

(4) Signatures must be guaranteed by an “**eligible guarantor institution**” meeting the requirements of the Trustee, which requirements include membership or participation in the Note Transfer Agent Medallion Program (“**STAMP**”) or such other “**signature guarantee program**” as may be determined by the Trustee in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

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SCHEDULE OF EXCHANGES OF INTERESTS IN GLOBAL NOTES(5)

The following exchanges of a part of this Global Note for Certificated Notes or an interest in another Global Note, or exchanges of a part of another Global Note or Certificated Note for an interest in this Global Note, have been made:

Date of Exchange	Amount of decrease in principal amount of this Global Note	Amount of increase in principal amount of this Global Note	Principal amount of this Global Note following such decrease or increase	Signature of authorized officer of Trustee
------------------	--	--	--	--

(5) For Global Notes

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GUARANTEE

The undersigned (the “**Guarantors**”) have unconditionally guaranteed, jointly and severally (such guarantee by each Guarantor being referred to herein as the “**Guarantee**”) (i) the due and punctual payment of the principal of and interest on the Issuer’s 9.125% Senior Secured Second Lien Notes due 2020 (the “**Notes**”), whether at maturity or on an interest payment date, by acceleration or otherwise, on the Notes, to the extent lawful, and of all other obligations of the Issuer to the Holders or the Trustee all in accordance with the terms set forth in Article 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. This Guarantee is secured by second-priority Liens on the Collateral as described in the Indenture and the Security Documents.

No past, present or future stockholder, officer, director, employee, partner or incorporator, as such, of any of the Guarantors shall have any liability under the Guarantee evidenced hereby by reason of such person’s status as stockholder, officer, director, employee, partner or incorporator. Each Holder of a Note by accepting a Note waives and releases all such liability. This waiver and release are part of the consideration for the issuance of the Guarantee.

Each Holder of a Note by accepting a Note agrees that any Guarantor named below shall have no further liability with respect to its Guarantee if such Guarantor otherwise ceases to be liable in respect of its Guarantee in accordance with the terms of the Indenture.

The Guarantee evidenced hereby shall not be valid or obligatory for any purpose until the certificate of authentication on the Notes upon which the Guarantee is noted shall have been executed by the Trustee under the Indenture by the manual signature of one of its authorized officers.

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

ARBOR TRAILS, LLC
AUDDIE ENTERPRISES, L.L.C.
BUILDER SERVICES NJ, L.L.C.
BUILDER SERVICES PA, L.L.C.
DULLES COPPERMINE, L.L.C.
EASTERN NATIONAL TITLE AGENCY, LLC
EASTERN TITLE AGENCY, INC.
F&W MECHANICAL SERVICES, L.L.C.
FOUNDERS TITLE AGENCY OF MARYLAND, L.L.C.

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FOUNDERS TITLE AGENCY, INC.
GLENRISE GROVE, L.L.C.
GOVERNOR’S ABSTRACT CO., INC.
HOMEBUYERS FINANCIAL SERVICES, L.L.C.
HOVNANIAN DEVELOPMENTS OF FLORIDA, INC.
HOVNANIAN ENTERPRISES, INC.
HOVNANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP, L.L.C.
K. HOV IP, II, INC.
K. HOV IP, INC.
K. HOVNANIAN ACQUISITIONS, INC.
K. HOVNANIAN AT 4S, LLC
K. HOVNANIAN AT ACQUA VISTA, LLC
K. HOVNANIAN AT ALISO, LLC
K. HOVNANIAN AT ALLENTOWN, L.L.C.
K. HOVNANIAN AT ANDALUSIA, LLC
K. HOVNANIAN AT ARBOR HEIGHTS, LLC
K. HOVNANIAN AT AVENUE ONE, L.L.C.
K. HOVNANIAN AT BAKERSFIELD 463, L.L.C.
K. HOVNANIAN AT BARNEGAT I, L.L.C.
K. HOVNANIAN AT BARNEGAT II, L.L.C.
K. HOVNANIAN AT BELLA LAGO, LLC
K. HOVNANIAN AT BENSLEM, LLC
K. HOVNANIAN AT BERKELEY, L.L.C.
K. HOVNANIAN AT BLUE HERON PINES, L.L.C.
K. HOVNANIAN AT BRANDBURG, L.L.C.
K. HOVNANIAN AT BRIDGEPORT, INC.
K. HOVNANIAN AT BRIDGEWATER I, L.L.C.
K. HOVNANIAN AT BROAD AND WALNUT, L.L.C.
K. HOVNANIAN AT CAMERON CHASE, INC.
K. HOVNANIAN AT CAMP HILL, L.L.C.
K. HOVNANIAN AT CAPISTRANO, L.L.C.
K. HOVNANIAN AT CARLSBAD, LLC
K. HOVNANIAN AT CEDAR GROVE III, L.L.C.
K. HOVNANIAN AT CEDAR GROVE V, L.L.C.
K. HOVNANIAN AT CHARTER WAY, LLC
K. HOVNANIAN AT CHESTER I, L.L.C.
K. HOVNANIAN AT CHESTERFIELD, L.L.C.
K. HOVNANIAN AT CIELO, L.L.C.

K. HOVNANIAN AT CLIFTON, L.L.C.
K. HOVNANIAN AT COASTLINE, L.L.C.
K. HOVNANIAN AT CORTEZ HILL, LLC
K. HOVNANIAN AT CRANBURY, L.L.C.
K. HOVNANIAN AT DENVILLE, L.L.C.

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K. HOVNANIAN AT DEPTFORD TOWNSHIP, L.L.C.
K. HOVNANIAN AT DOMINGUEZ HILLS, INC.
K. HOVNANIAN AT EAST BRANDYWINE, L.L.C.
K. HOVNANIAN AT EASTLAKE, LLC
K. HOVNANIAN AT EDGEWATER II, L.L.C.
K. HOVNANIAN AT EDGEWATER, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH II, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH, L.L.C.
K. HOVNANIAN AT ENCINITAS RANCH, LLC
K. HOVNANIAN AT EVERGREEN, L.L.C.
K. HOVNANIAN AT FIDDYMENT RANCH, LLC
K. HOVNANIAN AT FIFTH AVENUE, L.L.C.
K. HOVNANIAN AT FLORENCE I, L.L.C.
K. HOVNANIAN AT FLORENCE II, L.L.C.
K. HOVNANIAN AT FOREST MEADOWS, L.L.C.
K. HOVNANIAN AT FRANKLIN II, L.L.C.
K. HOVNANIAN AT FRANKLIN III, LLC
K. HOVNANIAN AT FRANKLIN, L.L.C.
K. HOVNANIAN AT FREEHOLD TOWNSHIP, L.L.C.
K. HOVNANIAN AT FRESNO, LLC
K. HOVNANIAN AT GASLAMP SQUARE, L.L.C.
K. HOVNANIAN AT GILROY, LLC
K. HOVNANIAN AT GREAT NOTCH, L.L.C.
K. HOVNANIAN AT GUTTENBERG, L.L.C.
K. HOVNANIAN AT HACKETTSTOWN II, L.L.C.
K. HOVNANIAN AT HAMBURG, L.L.C.
K. HOVNANIAN AT HAWTHORNE, L.L.C.
K. HOVNANIAN AT HERSHEY'S MILL, INC.
K. HOVNANIAN AT HIGHLAND SHORES, L.L.C.
K. HOVNANIAN AT HOWELL, LLC
K. HOVNANIAN AT HUDSON POINTE, L.L.C.
K. HOVNANIAN AT JACKSON I, L.L.C.
K. HOVNANIAN AT JACKSON, L.L.C.
K. HOVNANIAN AT JAEGER RANCH, LLC
K. HOVNANIAN AT JERSEY CITY IV, L.L.C.
K. HOVNANIAN AT JERSEY CITY V URBAN RENEWAL COMPANY, L.L.C.
K. HOVNANIAN AT KEYPORT, L.L.C.
K. HOVNANIAN AT LA COSTA GREENS, L.L.C.
K. HOVNANIAN AT LA COSTA, LLC
K. HOVNANIAN AT LA HABRA KNOLLS, LLC
K. HOVNANIAN AT LA LAGUNA, L.L.C.
K. HOVNANIAN AT LAKE RANCHO VIEJO, LLC
K. HOVNANIAN AT LAKE TERRAPIN, L.L.C.

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K. HOVNANIAN AT LAWRENCE V, L.L.C.
K. HOVNANIAN AT LEE SQUARE, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR, L.L.C.
K. HOVNANIAN AT LONG HILL, L.L.C.
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LOWER MAKEFIELD TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MORELAND I, L.L.C.
K. HOVNANIAN AT LOWER MORELAND II, L.L.C.
K. HOVNANIAN AT MAHWAH VI, INC.
K. HOVNANIAN AT MALAN PARK, L.L.C.
K. HOVNANIAN AT MANALAPAN III, L.L.C.
K. HOVNANIAN AT MANSFIELD I, L.L.C.
K. HOVNANIAN AT MANSFIELD II, L.L.C.
K. HOVNANIAN AT MANSFIELD III, L.L.C.

K. HOVNANIAN AT MANTECA, LLC
K. HOVNANIAN AT MAPLE AVENUE, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP IX, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP V, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP VIII, L.L.C.
K. HOVNANIAN AT MARLBORO VI, L.L.C.
K. HOVNANIAN AT MARLBORO VII, L.L.C.
K. HOVNANIAN AT MELANIE MEADOWS, LLC
K. HOVNANIAN AT MENDHAM TOWNSHIP, L.L.C.
K. HOVNANIAN AT MENIFEE, LLC
K. HOVNANIAN AT MIDDLE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT MIDDLE TOWNSHIP, L.L.C.
K. HOVNANIAN AT MIDDLETOWN II, L.L.C.
K. HOVNANIAN AT MILLVILLE I, L.L.C.
K. HOVNANIAN AT MILLVILLE II, L.L.C.
K. HOVNANIAN AT MONROE II, INC.
K. HOVNANIAN AT MONROE IV, L.L.C.
K. HOVNANIAN AT MONROE NJ, L.L.C.
K. HOVNANIAN AT MONTVALE II, LLC
K. HOVNANIAN AT MONTVALE, L.L.C.
K. HOVNANIAN AT MOSAIC, LLC
K. HOVNANIAN AT MUIRFIELD, LLC
K. HOVNANIAN AT NEW WINDSOR, L.L.C.
K. HOVNANIAN AT NORTH BERGEN. L.L.C.
K. HOVNANIAN AT NORTH BRUNSWICK VI, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL II, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL III, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL IV, L.L.C.
K. HOVNANIAN AT NORTH HALEDON, L.L.C.

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K. HOVNANIAN AT NORTH WILDWOOD, L.L.C.
K. HOVNANIAN AT NORTHAMPTON, L.L.C.
K. HOVNANIAN AT NORTHERN WESTCHESTER, INC.
K. HOVNANIAN AT NORTHFIELD, L.L.C.
K. HOVNANIAN AT OCEAN TOWNSHIP, INC
K. HOVNANIAN AT OCEAN WALK, INC.
K. HOVNANIAN AT OCEANPORT, L.L.C.
K. HOVNANIAN AT OLD BRIDGE, L.L.C.
K. HOVNANIAN AT OLDE ORCHARD, LLC
K. HOVNANIAN AT PARAMUS, L.L.C.
K. HOVNANIAN AT PARK LANE, LLC
K. HOVNANIAN AT PARKSIDE, LLC
K. HOVNANIAN AT PARSIPPANY, L.L.C.
K. HOVNANIAN AT PARSIPPANY-TROY HILLS, L.L.C.
K. HOVNANIAN AT PIAZZA D'ORO, L.L.C.
K. HOVNANIAN AT PIAZZA SERENA, L.L.C
K. HOVNANIAN AT PITTSBORO, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL IV, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL V, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VI, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VII, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VIII, L.L.C.
K. HOVNANIAN AT POSITANO, LLC
K. HOVNANIAN AT PRADO, L.L.C.
K. HOVNANIAN AT RANCHO SANTA MARGARITA, LLC
K. HOVNANIAN AT RANDOLPH I, L.L.C.
K. HOVNANIAN AT RAPHO, L.L.C
K. HOVNANIAN AT RIDGEMONT, L.L.C.
K. HOVNANIAN AT RIVERBEND, LLC
K. HOVNANIAN AT RODERUCK, L.L.C.
K. HOVNANIAN AT ROSEMARY LANTANA, L.L.C.
K. HOVNANIAN AT SAGE, L.L.C.
K. HOVNANIAN AT SANTA NELLA, LLC
K. HOVNANIAN AT SAWMILL, INC.
K. HOVNANIAN AT SAYREVILLE, L.L.C.
K. HOVNANIAN AT SCOTCH PLAINS, L.L.C.
K. HOVNANIAN AT SEASONS LANDING, LLC
K. HOVNANIAN AT SHELDON GROVE, LLC
K. HOVNANIAN AT SHREWSBURY, LLC
K. HOVNANIAN AT SILVER SPRING, L.L.C.
K. HOVNANIAN AT SKYE ISLE, LLC
K. HOVNANIAN AT SMITHVILLE, INC.

K. HOVNANIAN AT SOMERS POINT, L.L.C.
K. HOVNANIAN AT SOUTH BRUNSWICK II, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK, L.L.C.

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K. HOVNANIAN AT STANTON, LLC
K. HOVNANIAN AT STATION SQUARE, L.L.C.
K. HOVNANIAN AT SUNRIDGE PARK, LLC
K. HOVNANIAN AT SYCAMORE, INC.
K. HOVNANIAN AT THE CROSBY, LLC
K. HOVNANIAN AT THE GABLES, LLC
K. HOVNANIAN AT THE MONARCH, L.L.C.
K. HOVNANIAN AT THE PRESERVE, LLC
K. HOVNANIAN AT THOMPSON RANCH, LLC
K. HOVNANIAN AT THORNBURY, INC.
K. HOVNANIAN AT TRAIL RIDGE, LLC
K. HOVNANIAN AT UPPER FREEHOLD TOWNSHIP II, L.L.C.
K. HOVNANIAN AT UPPER FREEHOLD TOWNSHIP III, L.L.C.
K. HOVNANIAN AT UPPER MAKEFIELD I, INC.
K. HOVNANIAN AT UPPER PROVIDENCE, LLC
K. HOVNANIAN AT UPPER UWCHLAN II, L.L.C.
K. HOVNANIAN AT UPPER UWCHLAN, L.L.C.
K. HOVNANIAN AT VALLE DEL SOL, LLC
K. HOVNANIAN AT VERONA URBAN RENEWAL, L.L.C.
K. HOVNANIAN AT VICTORVILLE, L.L.C.
K. HOVNANIAN AT VINELAND, L.L.C.
K. HOVNANIAN AT VISTA DEL SOL, L.L.C.
K. HOVNANIAN AT WARREN TOWNSHIP, L.L.C.
K. HOVNANIAN AT WASHINGTON, L.L.C.
K. HOVNANIAN AT WATERSTONE, LLC
K. HOVNANIAN AT WAYNE IX, L.L.C.
K. HOVNANIAN AT WAYNE, VIII, L.L.C.
K. HOVNANIAN AT WEST VIEW ESTATES, L.L.C.
K. HOVNANIAN AT WEST WINDSOR, L.L.C.
K. HOVNANIAN AT WESTSHORE, LLC
K. HOVNANIAN AT WHEELER RANCH, LLC
K. HOVNANIAN AT WILDWOOD BAYSIDE, L.L.C.
K. HOVNANIAN AT WILLOW BROOK, L.L.C.
K. HOVNANIAN AT WINCHESTER, LLC
K. HOVNANIAN AT WOODCREEK WEST, LLC
K. HOVNANIAN AT WOOLWICH I, L.L.C.
K. HOVNANIAN CAMBRIDGE HOMES, L.L.C.
K. HOVNANIAN CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN CLASSICS, L.L.C.
K. HOVNANIAN COMMUNITIES, INC.
K. HOVNANIAN COMPANIES OF CALIFORNIA, INC.
K. HOVNANIAN COMPANIES OF MARYLAND, INC.
K. HOVNANIAN COMPANIES OF NEW YORK, INC.
K. HOVNANIAN COMPANIES OF PENNSYLVANIA, INC.
K. HOVNANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.

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K. HOVNANIAN COMPANIES, LLC
K. HOVNANIAN CONSTRUCTION II, INC
K. HOVNANIAN CONSTRUCTION III, INC
K. HOVNANIAN CONSTRUCTION MANAGEMENT, INC.
K. HOVNANIAN CRAFTBUILT HOMES OF SOUTH CAROLINA, L.L.C.
K. HOVNANIAN DEVELOPMENTS OF ARIZONA, INC.
K. HOVNANIAN DEVELOPMENTS OF CALIFORNIA, INC.
K. HOVNANIAN DEVELOPMENTS OF D.C., INC.
K. HOVNANIAN DEVELOPMENTS OF DELAWARE, INC.
K. HOVNANIAN DEVELOPMENTS OF GEORGIA, INC.
K. HOVNANIAN DEVELOPMENTS OF ILLINOIS, INC.
K. HOVNANIAN DEVELOPMENTS OF KENTUCKY, INC.
K. HOVNANIAN DEVELOPMENTS OF MARYLAND, INC.
K. HOVNANIAN DEVELOPMENTS OF MINNESOTA, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY II, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW YORK, INC.
K. HOVNANIAN DEVELOPMENTS OF NORTH CAROLINA, INC.

K. HOVNANIAN DEVELOPMENTS OF OHIO, INC.
K. HOVNANIAN DEVELOPMENTS OF PENNSYLVANIA, INC.
K. HOVNANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.
K. HOVNANIAN DEVELOPMENTS OF TEXAS, INC.
K. HOVNANIAN DEVELOPMENTS OF VIRGINIA, INC.
K. HOVNANIAN DEVELOPMENTS OF WEST VIRGINIA, INC.
K. HOVNANIAN EASTERN PENNSYLVANIA, L.L.C.
K. HOVNANIAN ENTERPRISES, INC.
K. HOVNANIAN ESTATES AT REGENCY, L.L.C.
K. HOVNANIAN FAIRWAYS AT WESTWORTH, LLC
K. HOVNANIAN FIRST HOMES, L.L.C.
K. HOVNANIAN FLORIDA REALTY, L.L.C.
K. HOVNANIAN FOUR SEASONS @ HISTORIC VIRGINIA, LLC
K. HOVNANIAN FOUR SEASONS AT GOLD HILL, LLC
K. HOVNANIAN GREAT WESTERN BUILDING COMPANY, LLC
K. HOVNANIAN GREAT WESTERN HOMES, LLC
K. HOVNANIAN HAMPTONS AT OAK CREEK II, L.L.C.
K. HOVNANIAN HOLDINGS NJ, L.L.C.
K. HOVNANIAN HOMES - DFW, L.L.C.
K. HOVNANIAN HOMES AT CAMERON STATION, LLC
K. HOVNANIAN HOMES AT CAMP SPRINGS, L.L.C.
K. HOVNANIAN HOMES AT FAIRWOOD, L.L.C.
K. HOVNANIAN HOMES AT FOREST RUN, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM PARK TOWNS, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM, L.L.C.
K. HOVNANIAN HOMES AT JONES STATION 1, L.L.C.
K. HOVNANIAN HOMES AT MAXWELL PLACE, L.L.C.

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K. HOVNANIAN HOMES AT RENAISSANCE PLAZA, L.L.C.
K. HOVNANIAN HOMES AT RUSSETT, L.L.C.
K. HOVNANIAN HOMES AT THE HIGHLANDS, LLC
K. HOVNANIAN HOMES NORTHERN CALIFORNIA, INC.
K. HOVNANIAN HOMES OF D.C., L.L.C.
K. HOVNANIAN HOMES OF DELAWARE, L.L.C.
K. HOVNANIAN HOMES OF GEORGIA, L.L.C.
K. HOVNANIAN HOMES OF HOUSTON, L.L.C.
K. HOVNANIAN HOMES OF MARYLAND, L.L.C.
K. HOVNANIAN HOMES OF MINNESOTA, L.L.C.
K. HOVNANIAN HOMES OF NORTH CAROLINA, INC.
K. HOVNANIAN HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN HOMES OF SOUTH CAROLINA, LLC
K. HOVNANIAN HOMES OF VIRGINIA, INC.
K. HOVNANIAN HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN LIBERTY ON BLUFF CREEK, LLC
K. HOVNANIAN MANALAPAN ACQUISITION, LLC
K. HOVNANIAN NORTH CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTHEAST SERVICES, L.L.C.
K. HOVNANIAN OF HOUSTON II, L.L.C.
K. HOVNANIAN OHIO REALTY, L.L.C.
K. HOVNANIAN OSTER HOMES, L.L.C.
K. HOVNANIAN PA REAL ESTATE, INC.
K. HOVNANIAN PENNSYLVANIA ACQUISITIONS, L.L.C.
K. HOVNANIAN PORT IMPERIAL URBAN RENEWAL, INC.
K. HOVNANIAN PROPERTIES OF RED BANK, INC.
K. HOVNANIAN SHORE ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTHERN NEW JERSEY, L.L.C.
K. HOVNANIAN STANDING ENTITY, L.L.C.
K. HOVNANIAN SUMMIT HOLDINGS, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF KENTUCKY, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES, L.L.C.
K. HOVNANIAN T&C HOMES AT FLORIDA, L.L.C.
K. HOVNANIAN T&C HOMES AT ILLINOIS, L.L.C.
K. HOVNANIAN TIMBRES AT ELM CREEK, LLC
K. HOVNANIAN VENTURE I, L.L.C.
K. HOVNANIAN WINDWARD HOMES, LLC
K. HOVNANIAN'S FOUR SEASONS AT ASHBURN VILLAGE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT BAKERSFIELD, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT BEAUMONT, LLC

K. HOVNANIAN'S FOUR SEASONS AT HEMET, LLC
 K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND CONDOMINIUMS, L.L.C.
 K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND, L.L.C.
 K. HOVNANIAN'S FOUR SEASONS AT LOS BANOS, LLC
 K. HOVNANIAN'S FOUR SEASONS AT MORENO VALLEY, L.L.C.
 K. HOVNANIAN'S FOUR SEASONS AT NEW KENT VINEYARDS, L.L.C.
 K. HOVNANIAN'S FOUR SEASONS AT PALM SPRINGS, LLC
 K. HOVNANIAN'S FOUR SEASONS AT RENAISSANCE, L.L.C.
 K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK II, LLC
 K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK, L.L.C.
 K. HOVNANIAN'S FOUR SEASONS AT SILVER MAPLE FARM, L.L.C.
 K. HOVNANIAN'S FOUR SEASONS AT ST. MARGARETS LANDING, L.L.C.
 K. HOVNANIAN'S FOUR SEASONS AT VINT HILL, L.L.C.
 K. HOVNANIAN'S FOUR SEASONS, LLC
 K. HOVNANIAN'S PARKSIDE AT TOWNGATE, L.L.C.
 KHIP, L.L.C.
 LANDARAMA, INC.
 M&M AT CHESTERFIELD, LLC
 M&M AT CRESCENT COURT, L.L.C.
 M&M AT WEST ORANGE, L.L.C.
 M&M AT WHEATENA URBAN RENEWAL, L.L.C.
 MATZEL & MUMFORD AT EGG HARBOR, L.L.C.
 MATZEL & MUMFORD AT SOUTH BOUND BROOK URBAN RENEWAL, L.L.C.
 MCNJ, INC.
 MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF PENNSYLVANIA, L.L.C.
 MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF WEST VIRGINIA, L.L.C.
 MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES, L.L.C.
 MMIP, L.L.C.
 NEW LAND TITLE AGENCY OF TEXAS, LLC
 NEW LAND TITLE AGENCY, L.L.C.
 PADDOCKS, L.L.C.
 PARK TITLE COMPANY, LLC
 PINE AYR, LLC
 RIDGEMORE UTILITY, L.L.C.
 SEABROOK ACCUMULATION CORPORATION
 STONEBROOK HOMES, INC.
 TERRAPIN REALTY, L.L.C.
 THE MATZEL & MUMFORD ORGANIZATION, INC
 WASHINGTON HOMES AT COLUMBIA TOWN CENTER, L.L.C.
 WASHINGTON HOMES, INC.
 WESTMINSTER HOMES, INC.
 WH PROPERTIES, INC.
 WOODLAND LAKE CONDOMINIUMS AT BOWIE NEW TOWN, L.L.C.

By: _____
 Name:
 Title: Authorized Officer

[This Guarantee relates to K. Hovnanian Enterprises, Inc.'s 9.125% Senior Secured Second Lien Notes due 2020 — CUSIP No.:]

SUPPLEMENTAL INDENTURE

dated as of _____,

among

K. HOVNANIAN ENTERPRISES, INC.,

HOVNANIAN ENTERPRISES, INC.,

The Other Guarantors Party Hereto

and

WILMINGTON TRUST, NATIONAL ASSOCIATION

as Trustee and Collateral Agent

9.125% Senior Secured Second Lien Notes due 2020

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THIS [] SUPPLEMENTAL INDENTURE (this “[] **Supplemental Indenture**”), entered into as of , , among K. Hovnanian Enterprises, Inc., a California corporation (the “**Issuer**”), Hovnanian Enterprises, Inc., a Delaware corporation (the “**Company**”), [list each new guarantor and its jurisdiction of incorporation] (each an “**Undersigned**”) and Wilmington Trust, National Association, a national banking association, as Trustee (the “**Trustee**”) and as Collateral Agent (the “**Collateral Agent**”).

RECITALS

WHEREAS, the Issuer, Company, the other Guarantors party thereto, the Trustee and the Collateral Agent entered into an indenture, dated as of October 2, 2012 (the “**Indenture**”), relating to the Issuer’s 9.125% Senior Secured Second Lien Notes due 2020 (the “**Notes**”);

WHEREAS, as a condition to the purchase of the Notes by the Holders, the Company agreed pursuant to the Indenture to cause any newly acquired or created Restricted Subsidiaries to provide Guarantees.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained and intending to be legally bound, the parties hereto hereby agree as follows:

SECTION 1. Capitalized terms used herein and not otherwise defined herein are used as defined in the Indenture.

SECTION 2. Each Undersigned, by its execution of this [] Supplemental Indenture, agrees to be a Guarantor under the Indenture and to be bound by the terms of the Indenture applicable to Guarantors, including, but not limited to, Article 6 thereof.

SECTION 3. This [] Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 4. This [] Supplemental Indenture may be signed in various counterparts which together shall constitute one and the same instrument.

SECTION 5. This [] Supplemental Indenture is an amendment supplemental to the Indenture and the Indenture and this [] Supplemental Indenture shall henceforth be read together.

SECTION 6. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental

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Indenture or for or in respect of the Recitals contained herein, all of which are made solely by the Issuer, the Company and each of the undersigned.

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IN WITNESS WHEREOF, the parties hereto have caused this [] Supplemental Indenture to be duly executed as of the date first above written.

K. HOVNANIAN ENTERPRISES, INC., as Issuer

By: _____
Name:
Title:

HOVNANIAN ENTERPRISES, INC.

By: _____

Name:
Title:

[GUARANTOR]

By: _____
Name:
Title:

WILMINGTON TRUST, NATIONAL ASSOCIATION, as Trustee and
Collateral Agent

By: _____
Name:
Title:

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EXHIBIT C

RESTRICTED LEGEND

THIS NOTE (OR ITS PREDECESSOR) HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT AS SET FORTH IN THE NEXT SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER:

(1) REPRESENTS THAT (A) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) (A “QIB”), (B) IT HAS ACQUIRED THIS NOTE IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATIONS UNDER THE SECURITIES ACT OR (C) IT IS AN INSTITUTIONAL “ACCREDITED INVESTOR” (AS DEFINED IN RULE 501(a)(1), (2), (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT) (AN “IAI”),

(2) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THIS NOTE OR ANY BENEFICIAL INTEREST HEREIN, EXCEPT (A) TO THE ISSUER, THE COMPANY OR ANY OF ITS SUBSIDIARIES, (B) TO A PERSON WHOM 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 NOTES LESS THAN \$250,000, AN OPINION OF COUNSEL ACCEPTABLE TO THE ISSUER AND THE TRUSTEE THAT SUCH TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT, (F) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL ACCEPTABLE TO THE ISSUER AND THE TRUSTEE) OR (G) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH CASE, IN ACCORDANCE

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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 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 NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED

REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS A BENEFICIAL INTEREST HEREIN.

THIS NOTE IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED. TRANSFERS OF THIS GLOBAL NOTE ARE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, BY DTC TO A NOMINEE OF DTC OR BY A NOMINEE OF DTC TO DTC OR ANOTHER NOMINEE OF DTC OR BY DTC OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY AND TRANSFERS OF PORTIONS OF THIS GLOBAL NOTE ARE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE TRANSFER PROVISIONS OF THE INDENTURE.

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EXHIBIT E

Regulation S Certificate

To: Wilmington Trust, National Association
Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1600
Facsimile: 302-636-4149
Attention: Corporate Client Services

Re: K. Hovnanian Enterprises, Inc.
9.125% Senior Secured Second Lien Notes due 2020 (the "Notes")
Issued under the Indenture (the "**Indenture**") dated as
as of October 2, 2012 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.]

G 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

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on our behalf reasonably believed that the buyer was outside the United States or (b) the transaction was executed in, on or through the facilities of a designated offshore securities market, and neither we nor any person acting on our behalf knows that the transaction was pre-arranged with a buyer in the United States.

3. Neither we, any of our affiliates, nor any person acting on our or their behalf has made any directed selling efforts in the United States with respect to the Notes.
4. The proposed transfer of Notes is not part of a plan or scheme to evade the registration requirements of the Securities Act.
5. If we are a dealer or a person receiving a selling concession, fee or other remuneration in respect of the Notes, and the proposed transfer takes place during the Restricted Period (as defined in the Indenture), or we are an officer or director of the Company or an Initial Purchaser (as defined in the Indenture), we certify that the proposed transfer is being made in accordance with the provisions of Rule 904(b) of Regulation S.

G 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

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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 Issuer are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

[NAME OF SELLER (FOR TRANSFERS) OR OWNER (FOR EXCHANGES)]

By: _____

Name:

Title:

Address:

Date: _____

Upon transfer of certificated Notes, the Notes would be registered in the name of the new beneficial owner as follows:

By: _____

Date: _____

Taxpayer ID number:

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EXHIBIT F

Rule 144A Certificate

To: Wilmington Trust, National Association
Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1600
Facsimile: 302-636-4149
Attention: Corporate Client Services

Re: K. Hovnanian Enterprises, Inc.
9.125% Senior Secured Second Lien Notes due 2020 (the "Notes")
Issued under the Indenture (the "Indenture") dated as
as of October 2, 2012 relating to the Notes

Ladies and Gentlemen:

This Certificate relates to:

[CHECK A OR B AS APPLICABLE.]

G A. Our proposed purchase of \$ _____ principal amount of Notes issued under the Indenture.

G B. Our proposed transfer or exchange of \$ _____ principal amount of Notes issued under the Indenture for an equal principal amount of Notes to be held by us.

We and, if applicable, each account for which we are acting, are a qualified institutional buyer within the meaning of Rule 144A ("Rule 144A") under the Securities Act of 1933, as amended (the "Securities Act"). If we are acting on behalf of an account, we exercise sole investment discretion with respect to such account. We are aware that the transfer of Notes to us, or such exchange, as applicable, is being made in reliance upon the exemption from the

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You and the Issuer are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

[NAME OF PURCHASER (FOR TRANSFERS) OR OWNER (FOR EXCHANGES)]

By: _____

Name:

Title:

Address:

Date: _____

Upon transfer of certificated Notes, the Notes would be registered in the name of the new beneficial owner as follows:

By: _____

Date: _____

Taxpayer ID number:

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EXHIBIT G

Institutional Accredited Investor Certificate

To: Wilmington Trust, National Association
Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1600
Facsimile: 302-636-4149
Attention: Corporate Client Services

Re: K. Hovnanian Enterprises, Inc.
9.125% Senior Secured Second Lien Notes due 2020 (the "Notes")
Issued under the Indenture (the "Indenture") dated as
as of October 2, 2012 relating to the Notes

Ladies and Gentlemen:

This Certificate relates to:

[CHECK A, B OR C AS APPLICABLE.]

- G A. Our proposed purchase of \$ principal amount of Notes issued under the Indenture.
- G B. Our proposed purchase of \$ principal amount of a beneficial interest in a Global Note
- G C. Our proposed transfer or exchange of \$ principal amount of Notes issued under the Indenture for an equal principal amount of Notes to be held by us.

We hereby confirm that:

1. We are an institutional "accredited investor" as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act of 1933, as amended (the "Securities Act") (an "Institutional Accredited Investor").
2. Any acquisition of Notes by us will be for our own account or for the account of one or more other Institutional Accredited Investors as to which we exercise sole investment discretion.

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3. We have such knowledge and experience in financial and business matters that we are capable of evaluating the merits and risks of an investment in the Notes and we and any accounts for which we are acting are able to bear the economic risks of and an entire loss of our or their investment in the Notes.
4. We are not acquiring the Notes or beneficial interest therein with a view to any distribution thereof in a transaction that would violate the Securities Act or the securities laws of any State of the United States or any other applicable jurisdiction; *provided*, that the disposition of our property and the property of any accounts for which we are acting as fiduciary will remain at all times within our and their control.
5. We acknowledge that the Notes have not been registered under the Securities Act and that the Notes may not be offered or sold within the United States or to or for the benefit of U.S. persons except as set forth below.
6. The principal amount of Notes to which this Certificate relates is at least equal to \$250,000.

We agree for the benefit of the Issuer and the Guarantors, on our own behalf and on behalf of each account for which we are acting, that we will not resell or otherwise transfer this Note or any beneficial interest herein except (A) to the Issuer, the Company or any of its subsidiaries, (B) to a person whom we reasonably believe is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (C) in an offshore transaction meeting the requirements of Rule 903 or 904 of Regulation S of the Securities Act, (D) in a transaction meeting the requirements of Rule 144 under the Securities Act, (E) to an Institutional Accredited Investor that, prior to such transfer, furnishes the Trustee a signed letter containing certain representations and agreements relating to the transfer of the Notes (the form of which can be obtained from the Trustee) and, if such transfer is in respect of an aggregate principal amount of Notes less than \$250,000, an opinion of counsel acceptable to the Issuer and the Trustee that such transfer is in compliance with the Securities Act, (F) in accordance with another exemption from the registration requirements of the Securities Act (and based upon an opinion of counsel acceptable to the Issuer and the Trustee) or (G) pursuant to an effective Registration Statement and, in each case, in accordance with the applicable securities laws of any state of the United States or any other applicable jurisdiction.

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Prior to the registration of any transfer or exchange, we acknowledge that the Issuer reserves the right to require the delivery of such legal opinions, certifications or other evidence as may reasonably be required in order to determine that the proposed transfer or exchange is being made in compliance with the Securities Act and applicable state securities laws. We acknowledge that no representation is made as to the availability of any Rule 144 exemption from the registration requirements of the Securities Act.

We understand that the Trustee will not be required to accept for registration of transfer or exchange any Notes acquired by us, except upon presentation of evidence satisfactory to the Issuer and the Trustee that the foregoing restrictions on transfer have been complied with. We further agree to deliver to each person acquiring any of the Notes or any beneficial interest therein from us a notice advising such person that resales of the Notes are restricted as stated herein.

We agree to notify you promptly in writing if any of our acknowledgments, representations or agreements herein ceases to be accurate and complete.

We represent to you that we have full power to make the foregoing acknowledgments, representations and agreements on our own behalf and on behalf of any account for which we are acting.

You and the Issuer are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

[NAME OF PURCHASER (FOR TRANSFERS) OR OWNER (FOR EXCHANGES)]

By: _____
 Name:
 Title:
 Address:

Date: _____

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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: Wilmington Trust, National Association
Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1600
Facsimile: 302-636-4149
Attention: Corporate Client Services

[Euroclear Bank S.A./N.V., as operator of the Euroclear System] OR

[Clearstream Banking, *société anonyme*]

Re: K. Hovnanian Enterprises, Inc.
9.125% Senior Secured Second Lien Notes due 2020 (the "Notes")
Issued under the Indenture (the "Indenture") dated as
as of October 2, 2012 relating to the Notes

Ladies and Gentlemen:

We are the beneficial owner of \$ _____ principal amount of Notes issued under the Indenture and represented by a Regulation S Temporary Global Note (as defined in the Indenture).

[CHECK A OR B AS APPLICABLE.]

- o A. We are a non-U.S. person (within the meaning of Regulation S under the Securities Act of 1933, as amended).
- o B. We are a U.S. person (within the meaning of Regulation S under the Securities Act of 1933, as amended) that purchased the Notes in a transaction that did not require registration under the Securities Act of 1933, as amended.

You and the Issuer are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

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Very truly yours,

[NAME OF BENEFICIAL OWNER]

By: _____

Name:
Title:
Address:

Date: _____

[FORM II]

Certificate of Beneficial Ownership

To: Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1600
Facsimile: 302-636-4149
Attention: Corporate Client Services

Re: K. Hovnanian Enterprises, Inc.
9.125% Senior Secured Second Lien Notes due 2020 (the "Notes")
Issued under the Indenture (the "Indenture") dated as

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.

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We further certify that (i) we are not submitting herewith for exchange any portion of such Regulation S Temporary Global Note excepted in such Member Organization certifications and (ii) as of the date hereof we have not received any notification from any Member Organization to the effect that the statements made by such Member Organization with respect to any portion of such Regulation S Temporary Global Note submitted herewith for exchange are no longer true and cannot be relied upon as of the date hereof.

You and the Issuer are entitled to rely upon this Certificate and are irrevocably authorized to produce this Certificate or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Yours faithfully,

[EUROCLEAR BANK S.A./N.V., as operator of the Euroclear System]

OR

[CLEARSTREAM BANKING, *société anonyme*]

By: _____

Name:
Title:
Address:

Date: _____

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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 CERTIFICATED NOTES OTHER THAN A PERMANENT GLOBAL NOTE IN ACCORDANCE WITH THE TERMS OF THE INDENTURE. TERMS IN THIS LEGEND ARE USED AS USED IN REGULATION S UNDER THE SECURITIES ACT.

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EXHIBIT J

UNRESTRICTED SUBSIDIARIES

77 HUDSON STREET JOINT DEVELOPMENT, L.L.C.
AG/HOV DELRAY HOLDINGS, L.L.C.
AG/HOV DELRAY, L.L.C.
AMBER RIDGE, LLC
COBBLESTONE SQUARE DEVELOPMENT, L.L.C.
FIRST MORTGAGE LENDERS OF FLORIDA, L.L.C.
GTIS-HOV DULLES PARKWAY PARENT LLC
GTIS-HOV FESTIVAL LAKES LLC
GTIS-HOV GREENFIELD CROSSING PARENT LLC
GTIS-HOV HOLDINGS LLC
GTIS-HOV LEELAND STATION LLC
GTIS-HOV POSITANO LLC
GTIS-HOV RANCHO 79 LLC
GTIS-HOV RESIDENCES AT DULLES PARKWAY LLC

GTIS-HOV RESIDENCES AT GREENFIELD CROSSING LLC
GTIS-HOV VILLAGES AT PEPPER MILL LLC
GTIS-HOV WARMINSTER LLC
HERITAGE PINES, L.L.C.
HEXTER-FAIR LAND TITLE COMPANY I, INC.
HOMEBUYERS FINANCIAL USA, LLC
HOVSITE CATALINA LLC
HOVSITE CHURCHILL CLUB LLC
HOVSITE CIDER GROVE LLC
HOVSITE FIRENZE LLC
HOVSITE FLORIDA HOLDINGS LLC
HOVSITE GREENWOOD MANOR LLC
HOVSITE HOLDINGS LLC
HOVSITE HUNT CLUB LLC
HOVSITE ILLINOIS HOLDINGS LLC
HOVSITE IRISH PRAIRIE LLC
HOVSITE LIBERTY LAKES LLC
HOVSITE MONTEVERDE 1 & 2 LLC
HOVSITE MONTEVERDE 3 & 4 LLC
HOVSITE PROVIDENCE LLC
HOVSITE SOUTHAMPTON LLC
HOVWEST LAND ACQUISITION, LLC
K. HOVNANIAN 77 HUDSON STREET INVESTMENTS, L.L.C.
K. HOVNANIAN AMERICAN MORTGAGE, L.L.C.
K. HOVNANIAN AT 77 HUDSON STREET URBAN RENEWAL COMPANY, L.L.C.

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K. HOVNANIAN AT COBBLESTONE SQUARE CONDOMINIUMS, L.L.C.
K. HOVNANIAN AT DELRAY BEACH, L.L.C.
K. HOVNANIAN AT EAGLE HEIGHTS, LLC
K. HOVNANIAN AT MANALAPAN II, L.L.C.
K. HOVNANIAN AT PHILADELPHIA I, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL II, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL III, L.L.C.
K. HOVNANIAN AT RIVER HILLS, LLC
K. HOVNANIAN AT TRENTON II, L.L.C.
K. HOVNANIAN AT TRENTON URBAN RENEWAL, L.L.C.
K. HOVNANIAN AT WALDWICK, LLC
K. HOVNANIAN BUILDING COMPANY, LLC
K. HOVNANIAN COMPANIES OF ARIZONA, LLC
K. HOVNANIAN GT INVESTMENT, L.L.C.
K. HOVNANIAN HOMES AT WILLOWSFORD GRANGE, LLC
K. HOVNANIAN HOMES OF DELAWARE I, LLC
K. HOVNANIAN HOMES OF FLORIDA I, LLC
K. HOVNANIAN HOMES OF MARYLAND I, LLC
K. HOVNANIAN HOMES OF VIRGINIA I, LLC
K. HOVNANIAN HOVWEST HOLDINGS, L.L.C.
K. HOVNANIAN INVESTMENTS, L.L.C.
K. HOVNANIAN JV HOLDINGS, L.L.C.
K. HOVNANIAN JV SERVICES COMPANY, L.L.C.
K. HOVNANIAN M.E. INVESTMENTS, LLC
K. HOVNANIAN MANALAPAN INVESTMENT, L.L.C.
K. HOVNANIAN NASSAU GROVE HOLDINGS, L.L.C.
LAUREL HIGHLANDS, LLC
M&M AT MONROE WOODS, L.L.C.
MILLENNIUM TITLE AGENCY, LTD.
MM-BEACHFRONT NORTH I, L.L.C.
MM-BEACHFRONT NORTH II, L.L.C.
MSHOV HOLDING COMPANY, L.L.C.
NASSAU GROVE ENTERPRISES, L.L.C.
NORTH MANATEE, L.L.C.
OLD CITY DELAWARE, L.L.C.
OLD CITY DEVELOPMENT, INC.
OLD CITY JOINT DEVELOPMENT, L.L.C.
PRESTON GRANDE HOMES, INC.
RR HOUSTON DEVELOPERS, LLC
RR HOUSTON DEVELOPMENT, L.P.
TOWN HOMES AT MONTGOMERY, L.L.C.
WHI-REPUBLIC, LLC
WOODMORE RESIDENTIAL, L.L.C.
WTC VENTURES, L.L.C.

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UNITS AGREEMENT

Dated as of October 2, 2012

among

HOVNIANIAN ENTERPRISES, INC.

and

K. HOVNIANIAN ENTERPRISES, INC.

and

WILMINGTON TRUST COMPANY,

as Units Agent

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EXHIBITS

Exhibit A: Form of Unit

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UNITS AGREEMENT, dated as of October 2, 2012 among HOVNANIAN ENTERPRISES, INC., a Delaware corporation (the “**Company**”), K. HOVNANIAN ENTERPRISES, INC., a California corporation (the “**Note Issuer**”), and WILMINGTON TRUST COMPANY, a Delaware banking corporation acting as units agent (the “**Units Agent**”).

RECITALS OF THE COMPANY AND THE NOTE ISSUER

The Company and the Note Issuer have duly authorized the execution and delivery of this Agreement and the Units issuable hereunder.

All things necessary to make the Units, when such are executed by the Company and by the Note Issuer, and authenticated and delivered by the Units Agent, as provided in this Agreement, the valid obligations of the Company and of the Note Issuer, and to constitute this Agreement a valid agreement of the Company and the Note Issuer, in accordance with its terms, have been done. For and in consideration of the premises and the purchase of the Units (including the constituent parts thereof) by the Holders thereof, it is mutually agreed as follows:

ARTICLE 1
DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.01. Definitions. For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

- (a) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular, and nouns and pronouns of the masculine gender include the feminine and neuter genders;
- (b) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles in the United States;
- (c) the terms “includes” and “including” shall be deemed to be followed by the phrase “without limitation”;
- (d) “will” shall have the same meaning as “shall”;
- (e) the words “herein,” “hereof” and “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section, Exhibit or other subdivision; and
- (f) the following terms have the meanings given to them in this Section 1.01(f):

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

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

“**Amortizing Notes**” means the series of notes designated as the 11.00% Senior Notes due 2017 to be issued by the Note Issuer under the Amortizing Notes Indenture, and, unless the context otherwise requires, “**Amortizing Note**” means each note of such series having an initial principal amount of \$231.49.

“**Amortizing Notes Indenture**” means the Senior Indenture, dated as of February 14, 2011, among the Note Issuer, the Company and the Amortizing Notes Trustee (including any provisions of the TIA that are deemed incorporated therein), as supplemented by the Fifth Supplemental Indenture, dated as of October 2, 2012, among the Note Issuer, the Company, the other Guarantors from time to time party thereto, and the Amortizing Notes Trustee, pursuant to which the Amortizing Notes will be issued.

“**Amortizing Notes Trustee**” means Wilmington Trust Company, as trustee under the Amortizing Notes Indenture, or any successor thereto.

“**Applicants**” has the meaning set forth in Section 6.11(b).

“**Bankruptcy Event**” means the occurrence of one or more of the following events:

- (a) a decree or order by a court having jurisdiction in the premises shall have been entered adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization of the Company under any Bankruptcy Law and such decree or order shall have continued undischarged and unstayed for a period of 60 days;
- (b) a decree or order by a court having jurisdiction in the premises for the appointment of a receiver or liquidator or trustee or assignee (or other similar official) in bankruptcy or insolvency of the Company or of all or substantially all of its property, or for the winding up or liquidation of its affairs, shall have been entered and such decree or order shall have continued undischarged and unstayed for a period of 60 days; or
- (c) the Company shall institute proceedings to be adjudicated a voluntary bankrupt, or shall consent to the filing of a bankruptcy proceeding against it, or shall file a petition or answer or consent seeking reorganization

under any Bankruptcy Law, or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or liquidator or trustee or assignee (or other similar official) in bankruptcy or insolvency of it or of its property, or shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due.

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

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

“Board of Directors” means, with respect to the Company or the Note Issuer, the board of directors thereof or any duly authorized committee of that board or any director or directors to whom that board or committee shall have duly delegated its authority.

“Board Resolution” means one or more resolutions, certified by the secretary or an assistant secretary of the Company or the Note Issuer, as the case may be, to have been duly adopted or consented to by the Board of Directors of the Company or the Note Issuer, as appropriate, and to be in full force and effect delivered to the Units Agent.

“Book-Entry Interest” means a beneficial interest in a Global Security, registered in the name of a Depository or a nominee thereof, ownership and transfers of which shall be maintained and made through book entries by such Depository as described in Section 3.06.

“Business Day” means any day other than a Saturday, Sunday or any day on which banking institutions in New York, New York are authorized or obligated by applicable law or executive order to close or be closed.

“Clearing Agency” means an organization registered as a “Clearing Agency” pursuant to Section 17A of the Exchange Act.

“Company” means the Person named as the “Company” in the first paragraph of this Agreement until a successor shall have become such pursuant to Article 8, and thereafter “Company” shall mean such successor.

“Component Amortizing Note” means an Amortizing Note, attached to a Global Unit, that (a) shall evidence the number of Amortizing Notes specified therein that are components of the Units evidenced by such Global Unit (which shall be equal to the aggregate stated amount of such Units *divided by* \$1,000), (b)

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shall be registered on the security register for the Amortizing Notes in the name of the Depository or a nominee thereof, and (c) shall be held by the Units Agent, as custodian of such Global Unit for the Depository.

“Component Exchangeable Note” means an Exchangeable Note, attached to a Global Unit, that (a) shall evidence the number of Exchangeable Notes specified therein that are components of the Units evidenced by such Global Unit (which shall be equal to the aggregate stated amount of such Units *divided by* \$1,000), (b) shall be registered on the security register for the Exchangeable Notes in the name of the Depository or a nominee thereof, and (c) shall be held by the Units Agent, as custodian of such Global Unit for the Depository.

“Component Definitive Notes” means the Exchangeable Notes in definitive form and the Amortizing Notes in definitive form that are included in Definitive Units.

“Component Notes” means the Component Amortizing Notes and the Component Exchangeable Notes, collectively.

“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 principal corporate trust office of the Units Agent at which, at any particular time, its corporate trust business shall be principally administered, which office at the date hereof is located at Rodney Square North, 1100 North Market Street, Wilmington, DE 19890.

“default” means any failure to comply with terms of this Agreement or any covenant contained herein.

“Definitive Security” means any Security in definitive form.

“Definitive Unit” means a Unit in definitive form that (a) shall evidence the aggregate stated amount of Units specified therein, (b) shall be registered on the Security Register in the name of the Holder thereof and (c) shall include, as attachments thereto, a Component Amortizing Note and a Component Exchangeable Note, each in the name of the Holder of such Unit, evidencing, respectively, a number of Amortizing Notes and a number of Exchangeable Notes, in each case, equal to the aggregate stated amount of Units evidenced by such Unit in definitive form *divided by* \$1,000.

“Depository” means a Clearing Agency that is acting as a depository for the Units and in whose name, or in the name of a nominee of that organization,

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shall be registered one or more Global Units and which shall undertake to effect book-entry transfers of the Units as contemplated by Section 3.06, Section 3.07, Section 3.08 and Section 3.09.

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

“DTC” means The Depository Trust Company.

“DWAC System” has the meaning set forth in Section 2.03(a).

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

“**Exchangeable Notes**” means the series of notes designated as the Zero Coupon Senior Exchangeable Notes due 2017 to be issued by the Note Issuer under the Exchangeable Notes Indenture, and, unless the context otherwise requires, “**Exchangeable Note**” means each note of such series having a principal amount at maturity of \$1,000.

“**Exchangeable Notes Indenture**” means the Senior Indenture, dated as of February 14, 2011, among the Note Issuer, the Company and the Exchangeable Notes Trustee (including any provisions of the TIA that are deemed incorporated therein), as supplemented by the Fourth Supplemental Indenture, dated as of October 2, 2012, among the Note Issuer, the Company, the other Guarantors from time to time party thereto, and the Exchangeable Notes Trustee, pursuant to which the Exchangeable Notes will be issued.

“**Exchangeable Notes Trustee**” means Wilmington Trust Company, as trustee under the Exchangeable Notes Indenture, or any successor thereto.

“**Global Amortizing Note**” means an Amortizing Note in global form that (a) shall evidence the number of Separate Amortizing Notes specified therein, (b) shall be registered on the security register for the Amortizing Notes in the name of the Depository or its nominee, and (c) shall be held by the Amortizing Notes Trustee as custodian for the Depository.

“**Global Exchangeable Note**” means an Exchangeable Note in global form that (a) shall evidence the number of Separate Exchangeable Notes specified therein, (b) shall be registered on the security register for the Exchangeable Notes in the name of the Depository or its nominee, and (c) shall be held by the Exchangeable Notes Trustee as custodian for the Depository.

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“**Global Note**” means a Global Amortizing Note or a Global Exchangeable Note, as applicable.

“**Global Security**” means a Global Unit or a Global Note, as applicable.

“**Global Unit**” means a Unit in global form that (a) shall evidence the aggregate stated amount of Units specified therein, (b) shall be registered on the Security Register in the name of the Depository or its nominee, (c) shall include, as attachments thereto, a Component Amortizing Note and a Component Exchangeable Note, each in the name of the Depository or its nominee, evidencing, respectively, a number of Amortizing Notes and a number of Exchangeable Notes, in each case, equal to the aggregate stated amount of Units evidenced by such Unit in global form *divided by* \$1,000, and (d) shall be held by the Units Agent as custodian for the Depository.

“**Holder**” means, with respect to a Unit, the Person in whose name the Unit is registered in the Security Register.

“**Indentures**” means the Amortizing Notes Indenture and the Exchangeable Notes Indenture, collectively.

“**Installment Payment**” shall have the meaning set forth in the Amortizing Notes Indenture.

“**Installment Payment Date**” shall have the meaning set forth in the Amortizing Notes Indenture.

“**Issue Date**” means October 2, 2012.

“**Issuer Order**” means a written statement, request or order of the Company or the Note Issuer, as the case may be, which is signed in its name by the chairman of the applicable Board of Directors, the chief financial officer, the president or chief executive officer, any senior vice president, any vice president or the treasurer of the Company or the Note Issuer, as appropriate, and delivered to the Units Agent.

“**Note Issuer**” means the Person named as the “Note Issuer” in the first paragraph of this Agreement until a successor shall have become such pursuant to Article 8, and thereafter “Note Issuer” shall mean such successor.

“**Notes**” means the Amortizing Notes and the Exchangeable Notes, collectively.

“**Officers’ Certificate**” means, with respect to the Company or the Note Issuer, a certificate signed by the chairman of the applicable Board of Directors, the president or chief executive officer, or any vice president and by the chief

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financial officer, the treasurer, any assistant treasurer, the controller, any assistant controller, the secretary or any assistant secretary of the Company or the Note Issuer, as the case may be. Each such certificate shall include the statements provided for in Section 1.02 if and to the extent required by the provisions of such Section 1.02.

“**Opinion of Counsel**” means an opinion in writing signed by the chief counsel of the Company or the Note Issuer or by such other legal counsel who may be an employee of or counsel to the Company or the Note Issuer and who shall be reasonably satisfactory to the Units Agent. Each such opinion shall include the statements provided for in Section 1.02 if and to the extent required by the provisions of such Section 1.02.

“**Outstanding Units**” means, subject to the provisions of Section 4.03, as of the date of determination, all Units theretofor executed, authenticated and delivered under this Agreement, except:

(a) Units theretofor cancelled by the Units Agent or delivered to the Units Agent for cancellation or deemed cancelled pursuant to the provisions of this Agreement; and

(b) Units in exchange for or in lieu of which other Units have been executed, authenticated and delivered pursuant to this Agreement, other than any such Unit in respect of which there shall have been presented to the Units Agent proof satisfactory to it that such Unit is held by a protected purchaser in whose hands the Units are valid obligations of the Company and the Note Issuer.

“**Participant**” has the meaning set for in Section 2.03(a).

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

“**Prospectus Supplement**” means the preliminary prospectus supplement dated September 18, 2012, as supplemented by the pricing term sheet dated September 19, 2012, relating to the offering and sale of the Units.

“**Responsible Officer**” means any officer of the Units Agent with direct responsibility for the administration of this Agreement.

“**Scheduled Trading Day**” shall have the meaning set forth in the Exchangeable Notes Indenture.

“**Securities**” means the Units and the Notes, collectively.

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“**Security Register**” has the meaning set forth in Section 3.05.

“**Security Registrar**” has the meaning set forth in Section 3.05.

“**Separate Amortizing Note**” has the meaning set forth in Section 2.03(a).

“**Separate Exchangeable Note**” has the meaning set forth in Section 2.03(a).

“**Separate Notes**” means the Separate Amortizing Notes and Separate Exchangeable Notes, collectively.

“**TIA**” means the Trust Indenture Act of 1939, as amended from time to time.

“**Trustees**” means the Amortizing Notes Trustee and the Exchangeable Notes Trustee, collectively.

“**Unit**” means the collective rights of a Holder of a unit, with \$1,000 in stated amount per Unit, consisting of a single Exchangeable Note and a single Amortizing Note prior to separation pursuant Section 2.03 or subsequent to recreation pursuant to Section 2.04. Any reference herein to a “**Unit**,” unless the context otherwise requires, means \$1,000 stated amount of Units.

“**Units Agent**” means the Person named as the “Units Agent” in the first paragraph of this Agreement until a successor Units Agent shall have become such pursuant to Article 8, and thereafter “Units Agent” shall mean such Person, in each case, acting in such capacity.

Section 1.02. Compliance Certificates and Opinions. Upon any application or request by the Company or the Note Issuer to the Units Agent to take any action in accordance with any provision of this Agreement, the Company or the Note Issuer, as applicable, shall furnish to the Units Agent an Officers’ Certificate stating that all conditions precedent, if any, provided for in this Agreement relating to the proposed action have been complied with and an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent, if any, have been complied with.

Every Officers’ Certificate or opinion with respect to compliance with a condition or covenant provided for in this Agreement shall include:

(i) a statement that each individual signing such Officers’ Certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

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

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

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

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

Any certificate, statement or opinion of an officer of the Company or the Note Issuer, as applicable, or of counsel may be based, insofar as it relates to accounting matters, upon a certificate or opinion of or representations by an accountant or firm of accountants in the employ of the Company or the Note Issuer, as applicable, unless such officer or counsel, as the case may be, knows that the certificate or opinion or representations with respect to the accounting matters upon which his certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous.

Any certificate or opinion of any independent firm of public accountants filed with and directed to the Units Agent shall contain a statement that such firm is independent.

Section 1.03. Notices. Any notice or demand which by any provision of this Agreement is required or permitted to be given or served by the Units Agent or by the Holders to or on the Company or the Note Issuer may be given or served by being deposited postage prepaid, first class mail (except as otherwise

specifically provided herein) addressed (until another address of the Company or the Note Issuer is filed by the Company or the Note Issuer with the Units Agent) (a) in the case of the Company, to Hovnanian Enterprises, Inc., 110 West Front Street, P.O. Box 500, Red Bank, New Jersey 07701, and (b) in the case of the Note Issuer, to K. Hovnanian Enterprises, Inc., 110 West Front Street, P.O. Box 500, Red Bank, New Jersey 07701. Any notice, direction, request or demand by the Company, the Note Issuer or any Holder to or upon the Units Agent shall be deemed to have been sufficiently given or served by being deposited postage prepaid, first class mail (except as otherwise specifically provided herein) addressed (until another address of the Units Agent is filed by the Units Agent with the Company and the Note Issuer) to Wilmington Trust Company, Rodney Square North, 1100 North Market Street, Wilmington, DE 19890.

Where this Agreement provides for notice to Holders, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first class postage prepaid, to each Holder entitled thereto, at his last address as it appears in the Security Register. Where this Agreement provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Units Agent, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 1.04. Effect of Headings and Table of Contents. The Article and Section headings herein and in the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 1.05. Successors and Assigns. All covenants and agreements in this Agreement by the Company, the Note Issuer and the Units Agent shall bind their respective successors and assigns, whether so expressed or not.

Section 1.06. Separability Clause. In case any provision in this Agreement or in the Units shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof and thereof shall not in any way be affected or impaired thereby.

Section 1.07. Benefits of Agreement. Nothing contained in this Agreement or in the Units, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder and, to the extent provided hereby, the Holders, any benefits or any legal or equitable right, remedy or claim under this Agreement. The Holders from time to time shall be beneficiaries of this Agreement and shall be bound by all of the terms and conditions hereof and of the Units by their acceptance of delivery of such Units.

Section 1.08. Governing Law. This Agreement and the Units, and any claim, controversy or dispute arising under or related to this Agreement or the Units, shall be governed by, and construed in accordance with, the laws of the State of New York.

Section 1.09. Conflict with Indenture. To the extent that any provision of this Units Agreement relating to or affecting any Notes conflicts with or is inconsistent with the applicable Indenture, such Indenture shall govern.

Section 1.10. Counterparts. This Agreement may be executed in any number of counterparts by the parties hereto on separate counterparts, each of which, when so executed and delivered, shall be deemed an original, but all such counterparts shall together constitute one and the same instrument.

Section 1.11. Inspection of Agreement. A copy of this Agreement shall be available at all reasonable times during normal business hours at Hovnanian Enterprises, Inc., 110 West Front Street, Red Bank, New Jersey 07701 for inspection by any Holder or Beneficial Holder.

ARTICLE 2 UNIT FORMS

Section 2.01. Form of Units Generally. (a) The Units shall be in substantially the form set forth in Exhibit A, which shall be incorporated in and made a part of this Units Agreement, with such letters, numbers or other marks of identification or designation and such legends or endorsements printed, lithographed or engraved thereon as may be required by the rules of any securities exchange on which the Units may be listed or of any depository therefor, or as may, consistently herewith, be determined by the officers of the Company and the Note Issuer executing such Units, as evidenced by their execution thereof.

(b) The Units shall be issuable only in registered form and only in denominations of a single unit, \$1,000 in stated amount per Unit, and any integral multiple thereof.

(c) The Units will initially be issued in the form of one or more fully registered Global Units as set forth in Section 3.06.

(d) Definitive Units shall be printed, lithographed or engraved with steel engraved borders or may be produced in any other manner, all as determined by the officers of the Company and the Note Issuer executing the Units evidenced by such Definitive Units, consistent with the provisions of this Agreement, as evidenced by their execution thereof.

(e) Every Global Unit executed, authenticated and delivered hereunder shall bear a legend in substantially the following form:

“THIS SECURITY IS A GLOBAL UNIT WITHIN THE MEANING OF THE UNITS AGREEMENT HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OF A DEPOSITARY OR A SUCCESSOR DEPOSITARY. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR SECURITIES IN CERTIFICATED FORM, THIS SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TRUST COMPANY, A NEW YORK CORPORATION (THE “**DEPOSITARY**”) TO THE NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

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

Section 2.02. Form of Certificate of Authentication. The form of certificate of authentication of the Units shall be in substantially the form set forth in the form of Unit attached hereto.

Section 2.03. Global Units; Separation of Units.

(a) On any Business Day during the period beginning on, and including, the Business Day immediately following the Issue Date to, but excluding, the third Scheduled Trading Day immediately preceding December 1, 2017, and also excluding the Business Day immediately preceding any Installment Payment Date (*provided* that, for the avoidance of doubt, such right to separate Units shall resume after such Business Day), a Holder or Beneficial Holder of a Unit may separate such Unit into its constituent Exchangeable Note and Amortizing Note (each such separated Exchangeable Note and separated Amortizing Note, a “**Separate Exchangeable Note**” and “**Separate Amortizing Note**,” respectively), which will thereafter trade under their respective CUSIP numbers (442488 BP6

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and 442488 BQ4), in which case that Unit shall cease to exist. Beneficial interests in a Unit, and after separation, the Separate Exchangeable Note and Separate Amortizing Note, will be shown on and transfers will be effected through direct or indirect participants in DTC. Beneficial interests in Units, Separate Exchangeable Notes and Separate Amortizing Notes will be evidenced by Global Units, Global Exchangeable Notes and Global Amortizing Notes, respectively. In order to separate a Unit into its component parts, a Beneficial Holder must deliver written instruction to the broker or other direct or indirect participant (the “**Participant**”) through which it holds an interest in such Unit to notify DTC through DTC’s Deposit/Withdrawal at Custodian System (the “**DWAC System**”) of such Beneficial Holder’s election to separate such Unit, following which the Units Agent, the Depositary and, pursuant to the applicable Indenture, each Trustee shall reflect on their books and records (i) a decrease in the aggregate stated amount of Units represented by the Global Unit by the aggregate stated amount of Units so separated and a decrease in the number of Exchangeable Notes and Amortizing Notes represented by the Component Exchangeable Note and the Component Amortizing Note attached to the Global Unit as Attachments 3 and 4, respectively, in each case, by the aggregate stated amount of Units so separated *divided by* \$1,000 and (ii) a corresponding increase in the number of Exchangeable Notes and Amortizing Notes represented by the Global Exchangeable Note and the Global Amortizing Note, respectively, in each case, by the aggregate stated amount of Units so separated *divided by* \$1,000. If, however, such Unit is in the form of a Definitive Security in accordance with Section 3.09, the Holder thereof must deliver to the Units Agent such Unit, together with a separation notice (which shall also be delivered to each Trustee, if other than the Units Agent), in the form set forth in Attachment 1 to the form of Unit attached hereto as Exhibit A. Upon the receipt of such separation notice, the Company shall promptly cause delivery, in accordance with the delivery instructions set forth in such separation notice, of one Separate Exchangeable Note and one Separate Amortizing Note, in each case in definitive form, for each \$1,000 in stated amount of Units so separated. Separate Exchangeable Notes and Separate Amortizing Notes will be transferable independently from each other.

(b) Holders which elect to separate the Notes constituting components of a Unit in accordance with this Section 2.03 shall be responsible for any fees or expenses payable in connection with such separation, and neither the Company nor the Units Agent shall be liable for any such fees or expenses.

Section 2.04. Recreation of Units.

(a) On any Business Day during the period beginning on, and including, the Business Day immediately following the Issue Date to, but excluding, the third Scheduled Trading Day immediately preceding December 1, 2017, and also excluding the Business Day immediately preceding any Installment Payment Date (*provided* that, for the avoidance of doubt, such right to recreate Units shall

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resume after such Business Day), a Holder or Beneficial Holder of a Separate Exchangeable Note and a Separate Amortizing Note may recreate a Unit (which will thereafter trade under the CUSIP number 442488 BN1 for the Units), and each such Separate Exchangeable Note and Separate Amortizing Note shall cease to exist. In order to recreate a Separate Exchangeable Note and Separate Amortizing Note into a Unit, a Beneficial Holder must deliver written instruction to the Participant through which it holds an interest in such Separate Exchangeable Note and Separate Amortizing Note to notify DTC through the DTC’s DWAC System of such Beneficial Holder’s election to recreate a Unit, following which the Units Agent, the Depositary and, pursuant to the applicable Indenture, each Trustee shall reflect on their books and records (i) an increase in the aggregate stated amount of Units represented by the Global Unit by the aggregate stated amount of Units so recreated and an increase in the number of Exchangeable Notes and Amortizing Notes represented by the Component Exchangeable Note and the Component Amortizing Note attached to the Global Unit as Attachments 3 and 4, respectively, in each case, by the aggregate stated amount of Units so recreated *divided by* \$1,000 and (ii) a corresponding decrease in the number of Exchangeable Notes and Amortizing Notes represented by the Global Exchangeable Note and Global Amortizing Note, respectively, in each case, by the aggregate stated amount of Units so

recreated *divided by* \$1,000. If, however, such Separate Exchangeable Note and Separate Amortizing Note are in the form of Definitive Securities, the Holder thereof must deliver to the Units Agent such Definitive Securities, together with a recreation notice (which shall also be delivered to each Trustee, if other than the Units Agent), in the form set forth in Attachment 2 to the form of Unit attached hereto as Exhibit A. Upon the receipt of such recreation notice, the Company shall promptly cause delivery, in accordance with the delivery instructions set forth in such recreation notice, of a Unit in definitive form with aggregate stated amount equal to \$1,000 per Unit so recreated.

(b) Holders that recreate Units in accordance with this Section 2.04 shall be responsible for any fees or expenses payable in connection with such recreation, and neither the Company nor the Units Agent shall be liable for any such fees or expenses.

Section 2.05. Exercise/Required Repurchase.

(a) Any Holder of a Definitive Unit may surrender such Unit to the Units Agent in connection with any exchange of the Exchangeable Note included in such Unit for Class A common stock of the Company or any required repurchase at the option of such Holder of any Component Definitive Note, in each case, pursuant to the applicable Indenture, in which case the Units Agent shall cause the delivery of each such Component Definitive Note to the applicable Trustee.

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(b) If (x) any Component Definitive Note included in any Definitive Unit has been surrendered for required repurchase, and (y) the other Component Definitive Note included in such Unit will remain outstanding beyond the applicable repurchase date, in each case, pursuant to the applicable Indenture, the Note Issuer shall issue a Separate Amortizing Note or Separate Exchangeable Note, as applicable, in definitive form to the applicable Holder evidencing the Note that will remain outstanding.

(c) If (x) the Exchangeable Note included in any Definitive Unit has been surrendered for exchange for Class A common stock of the Company, and (y) the Amortizing Note included in such Unit will remain outstanding beyond the settlement date for the consideration due upon exchange, in each case, pursuant to the applicable Indenture, the Note Issuer shall issue a Separate Amortizing Note in definitive form to the applicable Holder evidencing such Amortizing Note.

(d) To effect an exchange of any Component Exchangeable Notes for Class A common stock of the Company or a required repurchase of any Component Notes constituting part of a Global Unit, the Holder or Beneficial Holder thereof must comply with applicable procedures of the Depository therefor, in which event:

(i) the Units Agent and the Depository will reflect a decrease on their books and records in the aggregate stated amount of Units reflected by such Global Unit equal to the aggregate stated amount of Units that contained the Component Notes so exchanged or repurchased, and

(ii) if any Component Notes included in such Unit will remain outstanding beyond the applicable repurchase date or settlement date, pursuant to the applicable Indenture, the Depository and, pursuant to the applicable Indenture, the applicable Trustee shall reflect on their books and records a corresponding increase in the number of Notes represented by the applicable Global Note equal to the number of such Notes that will remain outstanding.

**ARTICLE 3
THE UNITS**

Section 3.01. Amount and Denominations. The aggregate stated amount of Units executed, authenticated and delivered hereunder is limited to \$100,000,000 (equivalent to 100,000 Units), except for Units executed, authenticated and delivered upon registration of transfer of, in exchange for, or in lieu of, other Units pursuant to Section 3.04, Section 3.05, Section 3.10 or Section 7.05.

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Units that are not in the form of Global Units shall be issuable in denominations of a single Unit, \$1,000 in stated amount per Unit, and integral multiples in excess thereof.

Section 3.02. Rights and Obligations Evidenced by the Units. Each Unit certificate shall evidence the aggregate stated amount of Units specified therein, with each \$1,000 in stated amount of such Unit representing the rights and obligations of the Holder thereof, the Company, the Note Issuer and other parties to the Indentures under a single Unit composed of (i) one Exchangeable Note and (ii) one Amortizing Note. The Holder of a Unit shall, for all purposes hereunder and under the applicable Indenture, be deemed to be the holder of the Exchangeable Note and the Amortizing Note that are components of a single Unit.

Section 3.03. Execution, Authentication, Delivery and Dating. Upon the execution and delivery of this Agreement, and at any time and from time to time thereafter, the Company and the Note Issuer may deliver Units executed by the Company and the Note Issuer to the Units Agent for authentication and delivery, together with the Company's Issuer Order for authentication of such Units, and the Units Agent in accordance with such Issuer Order shall authenticate and deliver such Units.

The Units shall be executed on behalf of the Company and the Note Issuer by any authorized officer of the Company and the Note Issuer, respectively. The signature of any such officer on the Units may be manual or facsimile.

Units bearing the manual or facsimile signature of an individual who was at any time the proper officer of the Company or the Note Issuer shall bind the Company or the Note Issuer, as the case may be, notwithstanding that such individual has ceased to hold such offices prior to the authentication and delivery of such Units or did not hold such offices at the date of such Units.

Each Unit shall be dated the date of its authentication.

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

Section 3.04. Temporary Units. Pending the preparation of Definitive Units, the Company and the Note Issuer shall execute and deliver to the Units Agent, and the Units Agent shall authenticate and deliver, in lieu of such Definitive Units, temporary Units that are in substantially the form set forth in Exhibit A hereto, with such letters, numbers or other marks of identification or designation and such legends or endorsements printed, lithographed or engraved thereon as may be

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required by the rules of any securities exchange on which the Units may be listed, or as may, consistently herewith, be determined by the officers of the Company executing such Units, as evidenced by their execution of the Units.

If temporary Units are issued, the Company and the Note Issuer will cause Definitive Units to be prepared without unreasonable delay. After the preparation of Definitive Units, the temporary Units shall be exchangeable for Definitive Units upon surrender of the temporary Units at the Corporate Trust Office, at the expense of the Company and the Note Issuer and without charge to the Holder or the Units Agent. Upon surrender for cancellation of any one or more temporary Units, the Company and the Note Issuer shall execute and deliver to the Units Agent, and the Units Agent shall authenticate and deliver in exchange therefor one or more Definitive Units of like tenor and denominations and evidencing a like aggregate stated amount of Units as the temporary Unit or Units so surrendered. Until so exchanged, the temporary Units shall in all respects evidence the same benefits and the same obligations with respect to the Units evidenced thereby as Definitive Units.

Section 3.05. Registration; Registration of Transfer and Exchange. The Company and the Note Issuer shall cause to be kept at the Corporate Trust Office a register (the “**Security Register**”) in which, subject to such reasonable regulations as it may prescribe, the Company and the Note Issuer shall provide for the registration of Definitive Units and of transfers of Definitive Units. The Units Agent is hereby initially appointed Security Registrar (the “**Security Registrar**”) for the purpose of registration of Definitive Units and transfers of Definitive Units as provided herein.

Upon surrender for registration of transfer of any Definitive Unit at the Corporate Trust Office, the Company and the Note Issuer shall execute and deliver to the Units Agent, and the Units Agent shall authenticate and deliver, to the designated transferee or transferees, one or more new Definitive Units of any authorized denominations, of like tenor, and evidencing a like aggregate stated amount of Units.

At the option of the Holder, Definitive Units may be exchanged for other Definitive Units, of any authorized denomination and evidencing a like aggregate stated amount of Units, upon surrender of the Definitive Units to be exchanged at the Corporate Trust Office. Whenever any Definitive Units are so surrendered for exchange, the Company and the Note Issuer shall execute and deliver to the Units Agent, and the Units Agent shall authenticate and deliver the Definitive Units which the Holder making the exchange is entitled to receive.

All Definitive Units issued upon any registration of transfer or exchange of a Definitive Unit shall evidence the ownership of the same aggregate stated amount of Units, and be entitled to the same benefits and subject to the same

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obligations, under this Agreement as the Definitive Units surrendered upon such registration of transfer or exchange.

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

No service charge shall be made for any registration of transfer or exchange of a Definitive Unit, but the Company or the Units Agent on behalf of the Company may require payment from the Holder of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Definitive Units, other than any exchanges pursuant to Section 3.06 and Section 7.05 not involving any transfer.

Notwithstanding the foregoing, the Company and the Note Issuer shall not be obligated to execute and deliver to the Units Agent, and the Units Agent shall not be obligated to authenticate or deliver any Definitive Unit in exchange for any other Definitive Unit (i) if the Exchangeable Note included in such Unit has been surrendered for exchange for shares of Class A common stock of the Company pursuant to the Exchangeable Notes Indenture, (ii) the Exchangeable Note and/or the Amortizing Note included in such Unit has been surrendered for required repurchase or (iii) on or after the Business Day immediately preceding December 1, 2017. In lieu of delivery of a new Definitive Unit, upon satisfaction of the applicable conditions specified above in this Section and receipt of appropriate registration or transfer instructions from such Holder, (x) if the relevant Exchangeable Note has been so exchanged, the Note Issuer (or the Company on its behalf) shall deliver to the Holder or its designee the shares of its Class A common stock deliverable upon such exchange (together with cash in lieu of any fractional share) pursuant to the Exchangeable Notes Indenture, and if the Amortizing Note included in such Unit will remain outstanding beyond the settlement date for the consideration due upon exchange, the Note Issuer shall deliver a certificate for a Separate Amortizing Note to the Holder or its designated transferee, (y) if either or both Notes included in such Unit have been surrendered for required repurchase, the Note Issuer shall make the required payment on each Note so surrendered pursuant to the terms of the applicable Indenture and if either Note will remain outstanding after such required repurchase, the Note Issuer shall deliver a certificate for the Separate Note to remain outstanding and (z) if the Notes included in such Unit have become due and payable on the Maturity Date (as defined in the Exchangeable Notes Indenture), the Note Issuer shall make the required principal payment on the Exchangeable Note and shall make the final Installment Payment on the Amortizing Note, in each case, pursuant to the terms of the applicable Note and the applicable Indenture.

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Section 3.06. Book-Entry Interests. The Units, on original issuance, will be issued in the form of one or more fully registered Global Units, to be delivered to the Depository or its custodian by, or on behalf of, the Company and the Note Issuer. The Company and the Note Issuer hereby designate DTC as the initial Depository. Such Global Units shall initially be registered on the books and records of the Company in the name of Cede & Co., the nominee of DTC, and no Beneficial Holder will receive a Definitive Unit representing such Beneficial Holder's interest in such Global Unit, except as provided in Section 3.09. Unless and until definitive, fully registered Units have been issued to Beneficial Holders pursuant to Section 3.09:

- (i) the provisions of this Section 3.06 shall be in full force and effect;
- (ii) the Company and the Note Issuer shall treat the Depository for all purposes of this Agreement as the Holder of the Global Units and shall have no obligation to the Beneficial Holders;
- (iii) to the extent that the provisions of this Section 3.06 conflict with any other provisions of this Agreement, the provisions of this Section 3.06 shall control; and
- (iv) the rights of the Beneficial Holders shall be exercised only through the Depository and shall be limited to those established by law and agreements between such Beneficial Holders and the Depository or the Depository Participants;

provided that a Beneficial Holder may directly enforce its right pursuant to Section 3.09(iii) to exchange its beneficial interest in a Global Unit for a Definitive Unit.

Section 3.07. Notices to Holders. Whenever a notice or other communication to the Holders is required to be given under this Agreement, the Company or the Company's agent shall give such notices and communications to the Holders and, with respect to any Units registered in the name of the Depository or the nominee of the Depository, the Company or the Company's agent shall, except as set forth herein, have no obligations to give such notices and communications directly to the Beneficial Holders.

Section 3.08. Appointment of Successor Depository. If the Depository elects to discontinue its services as securities depository with respect to the Units, the Company and the Note Issuer may, in their sole discretion, appoint a successor Depository with respect to such Units.

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Section 3.09. Definitive Securities. If:

- (i) the Depository is unwilling or unable to continue as depository for the Global Units and the Company is unable to find a qualified replacement for such Depository within 90 days;
- (ii) at any time the Depository ceases to be a Clearing Agency registered under the Exchange Act; or
- (iii) an Event of Default under either Indenture (as defined therein), a default hereunder, or any failure on the part of the Company or the Note Issuer to observe or perform any covenant or agreement in either Indenture or the Notes, has occurred and is continuing and a Beneficial Holder requests that its Units be issued in physical, certificated form,

then, in each case the Company and the Note Issuer shall execute, and the Units Agent, upon receipt of an Issuer Order for the authentication and delivery of Definitive Units, shall authenticate and deliver Definitive Units representing the aggregate stated amount of Units represented by such Global Unit or Units (or representing an aggregate stated amount of Units equal to the aggregate stated amount of Units in respect of which such Beneficial Holder has requested the issuance of Definitive Units pursuant to clause (iii) above) in exchange for such Global Unit or Units (or portion thereof). Each Definitive Unit so delivered shall evidence Units of the same kind and tenor as the Global Unit so surrendered in respect thereof.

Section 3.10. Mutilated, Destroyed, Lost and Stolen Units. If any mutilated Definitive Unit is surrendered to the Units Agent, at the expense of the Holder, the Company and the Note Issuer shall execute and deliver to the Units Agent, and the Units Agent shall authenticate and deliver in exchange therefor a new Definitive Unit, evidencing the same aggregate stated amount of Units, and bearing a security number not contemporaneously outstanding.

If there shall be delivered to the Company, the Note Issuer and the Units Agent (i) evidence to their satisfaction of the destruction, loss or theft of any Definitive Unit, and (ii) such security or indemnity as may be reasonably required by them to hold each of them and any agent of any of them harmless, then, in the absence of notice to the Company, the Note Issuer or the Units Agent that such Definitive Unit has been acquired by a protected purchaser, at the expense of the Holder, the Company and the Note Issuer shall execute and deliver to the Units Agent, and the Units Agent shall authenticate and deliver to the Holder, in lieu of any such destroyed, lost or stolen Definitive Unit, a new Definitive Unit, evidencing the same aggregate stated amount of Units, and bearing a security number not contemporaneously outstanding.

Notwithstanding the foregoing, the Company and the Note Issuer shall not be obligated to execute and deliver to the Units Agent, and the Units Agent shall

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not be obligated to authenticate and deliver to the Holder, a Definitive Unit pursuant to this Section (i) if the Exchangeable Note included in such Unit has been surrendered for exchange for shares of Class A common stock of the Company pursuant to the Exchangeable Notes Indenture, (ii) the Exchangeable Note and/or the Amortizing Note included in such Unit has been surrendered for required repurchase or (iii) on or after the Business Day immediately preceding December 1, 2017. In lieu of delivery of a new Definitive Unit, upon satisfaction of the applicable conditions specified above in this Section and receipt of appropriate registration or transfer instructions from such Holder, (x) if the relevant Exchangeable Note has been so exchanged, the Note Issuer (or the Company on its behalf) shall deliver to the Holder or its designee the shares of its Class A common stock deliverable upon such exchange (together with cash in lieu of any fractional share) pursuant to the Exchangeable Notes Indenture, and if the Amortizing Note included in such Unit will remain outstanding beyond the settlement date for the consideration due upon exchange, the Note Issuer shall deliver a certificate for a Separate Amortizing Note to the Holder or

its designated transferee, (y) if either or both Notes included in such Unit have been surrendered for required repurchase, the Note Issuer shall make the required payment on each Note so surrendered pursuant to the terms of the applicable Indenture and if either Note will remain outstanding after such required repurchase, the Note Issuer shall deliver a certificate for the Separate Note to remain outstanding and (z) if the Notes included in such Unit have become due and payable on the Maturity Date (as defined in the Exchangeable Notes Indenture), the Note Issuer shall make the required principal payment on the Exchangeable Note and shall make the final Installment Payment on the Amortizing Note, in each case, pursuant to the terms of the applicable Note and the applicable Indenture.

Upon the issuance of any new Definitive Unit under this Section 3.10, the Company, the Note Issuer and the Units Agent may require the payment by the Holder of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Units Agent) connected therewith.

Every new Definitive Unit issued pursuant to this Section 3.10 in lieu of any destroyed, lost or stolen Definitive Unit shall constitute an original additional contractual obligation of the Company and the Note Issuer and of the Holder in respect of the Units evidenced thereby, whether or not the destroyed, lost or stolen Definitive Unit shall be found at any time. Such new Definitive Unit (and the Units evidenced thereby) shall be at any time enforceable by anyone, and shall be entitled to all the benefits and be subject to all the obligations of this Agreement equally and proportionately with any and all other Units delivered hereunder.

The provisions of this Section 3.10 are exclusive and shall preclude, to the extent lawful, all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Definitive Units.

Section 3.11. *Persons Deemed Owners.* Prior to due presentation of a Definitive Unit for registration of transfer, the Company, the Note Issuer, and the Units Agent, and any agent of the Company, the Note Issuer or the Units Agent, may treat the Person in whose name such Definitive Unit is registered as the owner of the Units evidenced thereby for all purposes whatsoever, and none of the Company, the Note Issuer nor the Units Agent, nor any agent of the Company, the Note Issuer or the Units Agent, shall be affected by notice to the contrary.

Neither the Units Agent nor the Security Registrar shall have any responsibility or obligation to any Beneficial Holder in a Global Unit, an agent member or other Person with respect to the accuracy of the records of the Depository or its nominee or of any agent member, with respect to any ownership interest in the Units or with respect to the delivery to any agent member, Beneficial Holder or other Person (other than the Depository) of any notice or the payment of any amount, under or with respect to such Units (or the Component Notes). All notices and communications to be given to the Holders and all payments or deliveries to be made to Holders under the Component Notes and this Agreement shall be given or made only to or upon the order of the registered Holders (which shall be the Depository or its nominee in the case of a Global Unit or Component Note). The rights of Beneficial Holders in Global Units or Component Notes shall be exercised only through the Depository subject to the applicable procedures. The Units Agent and the Security Registrar shall be entitled to rely and shall be fully protected in relying upon information furnished by the Depository with respect to its members, participants and any Beneficial Holders. The Units Agent and the Security Registrar shall be entitled to deal with the Depository, and any nominee thereof, that is the registered Holder of any Global Unit for all purposes of this Agreement relating to such Global Unit (including the payment or delivery of amounts due under the Component Notes and the giving of instructions or directions by or to any Beneficial Holder) as the sole Holder of such Global Unit and shall have no obligations to the Beneficial Holders thereof. Neither the Units Agent nor the Security Registrar shall have any responsibility or liability for any acts or omissions of the Depository with respect to such Global Unit, for the records of any such Depository, including records in respect of the Beneficial Holders of any such Global Unit, for any transactions between the Depository and any agent member or between or among the Depository, any such agent member and/or any Holder or Beneficial Holder of such Global Unit, or for any transfers of beneficial interests in any such Global Unit.

Notwithstanding the foregoing, with respect to any Global Unit or Component Note, nothing herein shall prevent the Company, the Units Agent or any agent of the Company or the Units Agent from giving effect to any written certification, proxy or other authorization furnished by any depository (or its nominee), as a Holder, with respect to such Global Unit or Component Note or shall impair, as between such Depository and Beneficial Holders of such Global

Unit or Component Note, the operation of customary practices governing the exercise of the rights of such depository (or its nominee) as Holder of such Global Unit or Component Note.

Neither the Units Agent nor the Security Registrar shall have any obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Agreement or under applicable law with respect to any transfer of any interest in any Unit (including any transfers between or among participants of DTC, members or Beneficial Holders in any Global Unit) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by, the terms of this Agreement, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

Section 3.12. *Cancellation.* All Securities surrendered for separation or recreation and all Units surrendered for exchange or required repurchase of the Notes included therein pursuant to Section 2.05 and the applicable Indenture or upon the registration of transfer of a Unit or exchange of a Unit for other Units shall, if surrendered to any Person other than the Units Agent, be delivered to the Units Agent and, if not already cancelled, be promptly cancelled by it; *provided, however*, that the Units Agent shall deliver any Notes included in such Units or Separate Notes so surrendered to it to the applicable Trustee for disposition in accordance with the provisions of the applicable Indenture. The Company may at any time (subject to the following paragraph) deliver to the Units Agent for cancellation any Units previously executed, authenticated and delivered hereunder that the Company may have acquired in any manner whatsoever, and all Units so delivered shall, upon an Issuer Order of the Company, be promptly cancelled by the Units Agent; *provided, however*, that the Units Agent shall deliver the Notes included in such Units to the applicable Trustee for disposition in accordance with the provisions of the applicable Indenture. No Units shall be executed, authenticated and delivered in lieu of or in exchange for any Units cancelled as provided in this Section, except as expressly permitted by this Agreement. All cancelled Units held by the Units Agent shall be disposed of in accordance with its customary practices.

The Company or the Note Issuer may from time to time repurchase Units or Separate Notes in open market purchases or by tender at any price, or in negotiated transactions, in each case without prior notice to Holders. Any Units (including any Notes included therein) or Separate Notes purchased by the

ARTICLE 4
CONCERNING THE HOLDERS OF UNITS

Section 4.01. Evidence of Action Taken by Holders. Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Agreement to be given or taken by a specified percentage of Units may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such specified percentage of Holders in Person or by agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Units Agent. Proof of execution of any instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Agreement and (subject to Section 6.01 and Section 6.03) conclusive in favor of the Units Agent, the Company and the Note Issuer, if made in the manner provided in this Article 4.

Section 4.02. Proof of Execution of Instruments and of Holding of Units. Subject to Section 6.01 and Section 6.03, the execution of any instrument by a Holder or his agent or proxy may be proved in the following manner:

(a) The fact and date of the execution by any Holder of any instrument may be proved by the certificate of any notary public or other officer of any jurisdiction authorized to take acknowledgments of deeds or administer oaths that the Person executing such instruments acknowledged to him the execution thereof, or by an affidavit of a witness to such execution sworn to before any such notary or other such officer. Where such execution is by or on behalf of any legal entity other than an individual, such certificate or affidavit shall also constitute sufficient proof of the authority of the Person executing the same.

(b) The ownership of the Units shall be proved by the Security Register or by a certificate of the Security Registrar.

Section 4.03. Units Deemed Not Outstanding. In determining whether the Holders of the requisite stated amount of Outstanding Units have concurred in any direction, consent or waiver under this Agreement, Units which are owned by the Company or by any Affiliate of the Company with respect to which such determination is being made shall be disregarded and deemed not to be Outstanding Units for the purpose of any such determination, except that for the purpose of determining whether the Units Agent shall be protected in relying on any such direction, consent or waiver only Units which a Responsible Officer of the Units Agent knows are so owned shall be so disregarded. Units so owned which have been pledged in good faith may be regarded as Outstanding Units if the pledgee establishes to the satisfaction of the Units Agent the pledgee's right so to act with respect to such Units and that the pledgee is not the Company or any Affiliate of the Company. In case of a dispute as to such right, the advice of

counsel shall be full protection in respect of any decision made by the Units Agent in accordance with such advice. Upon request of the Units Agent, the Company shall furnish to the Units Agent promptly an Officers' Certificate listing and identifying all Units, if any, known by the Company to be owned or held by or for the account of any of the above described Persons; and, subject to Section 6.01 and Section 6.03, the Units Agent shall be entitled to accept such Officers' Certificate as conclusive evidence of the facts therein set forth and of the fact that all Units not listed therein are Outstanding Units for the purpose of any such determination.

Section 4.04. Right of Revocation of Action Taken. At any time prior to (but not after) the evidencing to the Units Agent, as provided in Section 4.01, of the taking of any action by the Holders of the percentage of Units specified in this Agreement in connection with such action, any Holder of a Unit the serial number of which is shown by the evidence to be included among the serial numbers of the Units the Holders of which have consented to such action may, by filing written notice at the Corporate Trust Office and upon proof of holding as provided in this Article 4, revoke such action so far as concerns such Unit; *provided* that such revocation shall not become effective until three Business Days after such filing. Except as aforesaid, any such action taken by the Holder of any Unit shall be conclusive and binding upon such Holder and upon all future Holders and owners of such Unit and of any Units issued in exchange or substitution therefor or on registration of transfer thereof, irrespective of whether or not any notation in regard thereto is made upon any such Unit. Any action taken by the Holders of the percentage of Units specified in this Agreement in connection with such action shall be conclusively binding upon the Company, the Note Issuer, the Units Agent and the Holders of all the Units affected by such action.

Section 4.05. Record Date for Consents and Waivers. The Company may, but shall not be obligated to, establish a record date for the purpose of determining the Persons entitled to give, make or take any request, demand, authorization, direction, notice, consent, waiver or other action provided or permitted by this Agreement to be given made or taken by Holders of Units. If a record date is fixed, the Holders on such record date, or their duly designated proxies, and any such Persons, shall be entitled to give, make or take any such request, demand, authorization, direction, notice, consent, waiver or other action, whether or not such Holder remains a Holder after such record date; *provided, however*, that unless such waiver or consent is obtained from the Holders, or duly designated proxies, of the requisite stated amount of Outstanding Units prior to the date which is the 120th day after such record date, any such waiver or consent previously given shall automatically and, without further action by any Holder be cancelled and of no further effect.

ARTICLE 5

Section 5.01. Notice To Units Agent; Limitation On Proceedings. Holders of not less than 25% of Outstanding Units, by notice given to the Units Agent, may request the Units Agent to institute proceedings with respect to a default relating to any covenant hereunder. No Holder of Units may institute any proceedings, judicial or otherwise, with respect to this Agreement or for any remedy hereunder, except in the case of failure of the Units Agent, for 60 days, to act after the Units Agent has received a written request to institute proceedings in respect of a default with respect to any covenant hereunder from the Holders of not less than 25% of the Outstanding Units, as well as an offer of indemnity reasonably satisfactory to the Units Agent.

Section 5.02. Restoration of Rights and Remedies. If any Holder or the Units Agent has instituted any proceeding to enforce any right or remedy under this Agreement and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to such Holder or the Units Agent, then and in every such case, subject to any determination in such proceeding, the Company and the Note Issuer, as the case may be, and such Holder or the Units Agent shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of such Holder shall continue as though no such proceeding had been instituted.

Section 5.03. Rights and Remedies Cumulative. Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Units in the last paragraph of Section 3.10, no right or remedy herein conferred upon or reserved to the Holders or the Units Agent is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 5.04. Delay or Omission Not Waiver. No delay or omission of any Holder or the Units Agent to exercise any right or remedy upon a default hereunder shall impair any such right or remedy or constitute a waiver of any such right. Every right and remedy given by this Article or by law to the Holders or the Units Agent may be exercised from time to time, and as often as may be deemed expedient, by such Holders or the Units Agent.

Section 5.05. Undertaking for Costs. All parties to this Agreement agree, and each Holder of a Unit, by its acceptance of such Unit shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Agreement, or in any suit against the Units

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Agent for any action taken, suffered or omitted by it as Units Agent, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees and costs against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; *provided* that the provisions of this Section shall not apply to any suit instituted by (a) the Units Agent or (b) any Holder, or group of Holders, holding in the aggregate more than 10% of the Outstanding Units.

Section 5.06. Waiver of Stay or Extension Laws. The Company and the Note Issuer covenant (to the extent that they may lawfully do so) that they will not at any time insist upon, or plead, or in any manner whatsoever claim or assume or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Agreement, in each case, to the extent permitted by law; and the Company and the Note Issuer (to the extent that they may lawfully do so) hereby expressly waive all benefit or advantage of any such law and covenants that they will not hinder, delay or impede the execution of any power herein granted to the Units Agent or the Holders, but will suffer and permit the execution of every such power as though no such law had been enacted, in each case, to the extent permitted by law.

Section 5.07. Control by Majority. The Holders of not less than a majority in stated amount of Outstanding Units shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Units Agent hereunder or under the Units, or of exercising any trust or power conferred upon the Units Agent hereunder or under the Units; *provided* that the Units Agent has received indemnity reasonably satisfactory to it. Notwithstanding the foregoing, the Units Agent may refuse to follow any direction that is in conflict with any law or the Units Agreement, that may involve it in personal liability or that may be unduly prejudicial to the Holders of Units not joining in the action.

ARTICLE 6 THE UNITS AGENT

Section 6.01. Certain Duties and Responsibilities. (a) The Units Agent undertakes to perform such duties and only such duties as are specifically delegated to it and set forth in this Agreement.

(b) No provision of this Agreement shall be construed to relieve the Units Agent from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

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(i) the duties and obligations of the Units Agent with respect to the Units shall be determined solely by the express provisions of this Agreement, and the Units Agent shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Units Agent;

(ii) in the absence of bad faith on the part of the Units Agent, the Units Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any statements, certificates or opinions furnished to the Units Agent and conforming to the requirements of this Agreement; but in the case of any such statements, certificates or opinions which by any provision hereof are specifically required to be furnished to the Units Agent, the Units Agent shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Agreement;

(iii) the Units Agent shall not be liable for any error of judgment made in good faith by a Responsible Officer or Responsible Officers of the Units Agent, unless it shall be proved that the Units Agent was negligent in ascertaining the pertinent facts; and

(iv) the Units Agent shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders pursuant to Section 5.07 relating to the time, method and place of conducting any proceeding for any remedy available to the Units Agent, or exercising any right or power conferred upon the Units Agent under this Agreement.

(c) This Agreement shall not be deemed to create a fiduciary relationship under state or federal law between Wilmington Trust Company, in its capacity as the Units Agent, and any Holder of any Unit.

None of the provisions contained in this Agreement shall require the Units Agent to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if there shall be reasonable ground for believing that the repayment of such funds or adequate indemnity against such liability is not reasonably assured to it.

Section 6.02. Notice of Default. Within 90 days after the occurrence of any default by the Company or the Note Issuer hereunder of which a Responsible Officer of the Units Agent has knowledge, subject to Section 6.03(h) hereof, the Units Agent shall transmit by mail to the Company, the Note Issuer and the Holders of Units, as their names and addresses appear in the Security Register,

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notice of such default hereunder, unless such Responsible Officer of the Units Agent has actual knowledge that such default shall have been cured or waived.

Section 6.03. Certain Rights of Units Agent. Subject to the provisions of Section 6.01:

(a) the Units Agent may rely and shall be protected in acting or refraining from acting upon any resolution, Officers' Certificate or any other certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, note, coupon, security or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request, direction, order or demand of the Company or the Note Issuer mentioned herein shall be sufficiently evidenced by an Officers' Certificate or Issuer Order (unless other evidence in respect thereof be herein specifically prescribed); and any resolution of the Board of Directors may be evidenced to the Units Agent by a Board Resolution;

(c) the Units Agent may consult with counsel of its selection and any advice of such counsel promptly confirmed in writing shall be full and complete authorization and protection in respect of any action taken, suffered or omitted to be taken by it hereunder in good faith and in reliance thereon in accordance with such advice or Opinion of Counsel;

(d) the Units Agent shall be under no obligation to exercise any of the rights or powers vested in it by this Agreement at the request, order or direction of any of the Holders pursuant to the provisions of this Agreement, unless such Holders shall have offered to the Units Agent reasonable security or indemnity against the costs, expenses and liabilities which might be incurred therein or thereby;

(e) the Units Agent shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion, rights or powers conferred upon it by this Agreement;

(f) the Units Agent shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, appraisal, bond, debenture, note, coupon, security, or other paper or document unless requested in writing so to do by the Holders of not less than a majority in stated amount of the Outstanding Units; *provided that*, if the payment within a reasonable time to the Units Agent of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Units Agent, not reasonably assured to the Units Agent by the security afforded to it by the terms of this Agreement, the Units Agent may require reasonable indemnity against such expenses or liabilities as a condition to proceeding; the reasonable expenses of

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every such investigation shall be paid by the Company or, if paid by the Units Agent or any predecessor Units Agent, shall be repaid by the Company upon demand;

(g) the Units Agent may execute any of the rights or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys not regularly in its employ and the Units Agent shall not be responsible for any misconduct or negligence on the part of any such agent or attorney appointed with due care by it hereunder;

(h) the Units Agent shall not be charged with knowledge of any default with respect to the Units unless a Responsible Officer of the Units Agent assigned to the Corporate Trust Office of the Units Agent (or any successor division or department of the Units Agent) shall have received written notice of such default from the Company, the Note Issuer or any Holder;

(i) the Units Agent shall not be liable for any action taken, suffered or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Agreement;

(j) the permissive rights of the Units Agent hereunder shall not be construed as duties;

(k) in no event shall the Units Agent be liable for any consequential, special, punitive or indirect loss or damages, even if advised of the likelihood thereof in advance and regardless of the form of action;

(l) the rights, privileges, protections, immunities and benefits given to the Units Agent, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, each agent, custodian and other Person employed by the Units Agent to act hereunder;

(m) the Units Agent may request that the Company (on behalf of itself and the Note Issuer) deliver an Officers' Certificate setting forth the name of the individuals and/or titles of Officers authorized at such time to take specific actions pursuant to this Agreement, which Officers' Certificate may be signed by any Person authorized to sign an Officers' Certificate, including any Person specified as so authorized in any such Officers' Certificate previously delivered and not superseded; and

(n) the Units Agent shall not be responsible for delays or failures in performance of its obligations hereunder resulting from acts beyond its reasonable control. Such acts shall include but not be limited to acts of God, strikes, lockouts, riots, acts of war, epidemics, governmental regulations

the Units Agent shall use reasonable best efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

Section 6.04. *Not Responsible for Recitals.* The recitals contained herein and in the Certificates shall be taken as the statements of the Company or the Note Issuer, as the case may be, and the Units Agent does not assume any responsibility for their accuracy. The Units Agent does not make any representations as to the validity or sufficiency of either this Agreement or of the Units. The Units Agent shall not be accountable for the use or application by the Company or the Note Issuer of the proceeds in respect of the Units.

Section 6.05. *May Hold Units.* Any Security Registrar, any other agent of the Company, the Units Agent, and any of their Affiliates, in their individual or any other capacity, may become the owner of Units and Separate Notes and may otherwise deal with the Company, the Note Issuer or any other Person with the same rights it would have if it were not Security Registrar or such other agent, or the Units Agent. The Company and the Note Issuer may become the owner of Units and Separate Notes, subject to Section 3.12.

Section 6.06. *Compensation, Reimbursement and Indemnification.* The Company covenants and agrees to pay to the Units Agent from time to time, and the Units Agent shall be entitled to, such compensation as shall be agreed to in writing between the Company and the Units Agent and the Company covenants and agrees to pay or reimburse the Units Agent and each predecessor Units Agent upon its request for all reasonable expenses, disbursements and advances incurred or made by or on behalf of it in accordance with any of the provisions of this Agreement (including the reasonable compensation and the expenses and disbursements of its counsel and of all agents and other Persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence or bad faith. The Company also covenants to indemnify the Units Agent and each predecessor Units Agent for, and to hold it harmless against, any and all loss, liability, damage, claim or expense, including taxes (other than taxes based on the income of the Units Agent), incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this Agreement and its duties hereunder, including the costs and expenses of defending itself against or investigating any claim or liability in the premises. The obligations of the agreement under this Section 6.06 to compensate and indemnify the Units Agent and each predecessor Units Agent and to pay or reimburse the Units Agent and each predecessor Units Agent for expenses, disbursements and advances shall survive the satisfaction and discharge of this Agreement or the resignation or removal of the Units Agent. If the Units Agent incurs any expenses, or if the Units Agent is entitled to any compensation for services rendered (including fees and expenses of its agent and counsel), in each case, in connection with the performance of its obligations under this Agreement

after the occurrence of a Bankruptcy Event, then any such expenses or compensation are intended to constitute expenses of administration under applicable Bankruptcy Laws.

Section 6.07. *Corporate Units Agent Required; Eligibility.* There shall at all times be a Units Agent hereunder. The Units Agent shall at all times be a corporation organized and doing business under the laws of the United States of America or of any state thereof or the District of Columbia having a combined capital and surplus of at least \$25,000,000, and which is authorized under such laws to exercise corporate trust powers and is subject to supervision or examination by federal, state or District of Columbia authority, or a corporation or other Person permitted to act as trustee by the Commission. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Units Agent shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect specified in this Article.

Section 6.08. *Resignation and Removal; Appointment of Successor.* (a) No resignation or removal of the Units Agent and no appointment of a successor Units Agent pursuant to this Article shall become effective until the acceptance of appointment by the successor Units Agent in accordance with the applicable requirements of Section 6.09.

(b) The Units Agent may resign at any time by giving written notice thereof to the Company 60 days prior to the effective date of such resignation. If the instrument of acceptance by a successor Units Agent required by Section 6.09 shall not have been delivered to the Units Agent within 30 days after the giving of such notice of resignation, the resigning Units Agent may petition, at the expense of the Company, any court of competent jurisdiction for the appointment of a successor Units Agent.

(c) The Units Agent may be removed at any time the Holders of a majority in stated amount of the Outstanding Units. If the instrument of acceptance by a successor Units Agent required by Section 6.09 shall not have been delivered to the Units Agent within 30 days after evidence of such removal is delivered to the Company and Units Agent, the removed Units Agent may petition, at the expense of the Company, any court of competent jurisdiction for the appointment of a successor Units Agent.

(d) If at any time:

(i) the Units Agent shall cease to be eligible under Section 6.07 and shall fail to resign after written request therefor by the Company or by any such Holder; or

(ii) the Units Agent shall be adjudged bankrupt or insolvent or a receiver of the Units Agent or of its property shall be appointed or any public officer shall take charge or control of the Units Agent or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (x) the Company by a Board Resolution may remove the Units Agent, or (y) any Holder who has been a bona fide Holder of a Unit for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Units Agent and the appointment of a successor Units Agent.

(e) If the Units Agent shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Units Agent for any cause, the Company and the Note Issuer shall promptly appoint a successor Units Agent and shall comply with the applicable requirements of Section 6.09. If no successor Units Agent shall have been so appointed by the Company and the Note Issuer and accepted appointment in the manner required by Section 6.09, any Holder who has been a bona fide Holder of a Unit for at least six months, on behalf of itself and all others similarly situated, or the Units Agent may petition at the expense of the Company, any court of competent jurisdiction for the appointment of a successor Units Agent.

(f) The Company shall give, or shall cause such successor Units Agent to give, notice of each resignation and each removal of the Units Agent and each appointment of a successor Units Agent by mailing written notice of such event by first-class mail, postage prepaid, to Holders as their names and addresses appear in the applicable Security Register. Each notice shall include the name of the successor Units Agent and the address of its Corporate Trust Office.

Section 6.09. Acceptance of Appointment by Successor. (a) In case of the appointment hereunder of a successor Units Agent, every such successor Units Agent so appointed shall execute, acknowledge and deliver to the Company and the Note Issuer and to the retiring Units Agent an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Units Agent shall become effective and such successor Units Agent, without any further act, deed or conveyance, shall become vested with all the rights, powers, agencies and duties of the retiring Units Agent. At the request of the Company or the successor Units Agent, such retiring Units Agent shall, upon its receipt of payment or reimbursement of any amounts due to it hereunder, execute and deliver an

instrument transferring to such successor Units Agent all the rights, powers and trusts of the retiring Units Agent.

(b) Upon request of any such successor Units Agent, the Company and the Note Issuer shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Units Agent all such rights, powers and agencies referred to in paragraph (a) of this Section.

(c) No successor Units Agent shall accept its appointment unless at the time of such acceptance such successor Units Agent shall be qualified and eligible under this Article.

Section 6.10. Merger; Conversion; Consolidation or Succession to Business. Any corporation into which the Units Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Units Agent shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Units Agent, shall be the successor of the Units Agent hereunder; *provided* that such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. If any Units shall have been authenticated by the Units Agent then in office, but not delivered, any successor by merger, conversion or consolidation to such Units Agent may adopt such Units Agent's authentication and deliver the Units so authenticated with the same effect as if such successor Units Agent had itself authenticated such Units.

Section 6.11. Preservation of Information; Communications to Holders. (a) The Units Agent shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders as received by the Units Agent in its capacity as Security Registrar.

(b) If three or more Holders (such three or more Holders, the "**Applicants**") apply in writing to the Units Agent, and furnish to the Units Agent reasonable proof that each such Applicant has owned a Unit for a period of at least six months preceding the date of such application, and such application states that the Applicants desire to communicate with other Holders with respect to their rights under this Agreement or under the Units and is accompanied by a copy of the form of proxy or other communication that such Applicants propose to transmit, then the Units Agent shall mail to all the Holders copies of the form of proxy or other communication that is specified in such request, with reasonable promptness after a tender to the Units Agent of the materials to be mailed and of payment, or provision for the payment, of the reasonable expenses of such mailing.

ARTICLE 7 SUPPLEMENTAL AGREEMENTS

Section 7.01. Supplemental Agreements Without Consent of Holders. Without the consent of any Holders, the Company, the Note Issuer and the Units Agent at any time and from time to time, may enter into one or more agreements supplemental hereto, in form satisfactory to the Company, the Note Issuer and the Units Agent, to:

- (i) evidence the succession of another Person to the Company or the Note Issuer pursuant to Article 8, and the assumption by any such successor of the covenants and obligations of the Company or the Note Issuer under this Agreement and the Units;
- (ii) add to the covenants of the Company or Note Issuer for the benefit of Holders or to surrender any of the Company's or Note Issuer's rights or powers;
- (iii) evidence and provide for the acceptance of appointment of a successor Units Agent in accordance with this Agreement;
- (iv) conform the terms of the Units or the provisions of this Agreement to the "Description of the Units" section in the Prospectus Supplement;

(v) cure any ambiguity or manifest error, to correct or supplement any provisions that may be inconsistent, so long as such action does not adversely affect the interest of the Holders; or

(vi) make any other provisions with respect to such matters or questions, so long as such action does not adversely affect the interest of the Holders.

Section 7.02. *Supplemental Agreements With Consent of Holders.* With the consent of the Holders of not less than a majority in stated amount of the Outstanding Units, the Units Agent, the Company, when authorized by a Board Resolution, and the Note Issuer, when authorized by a Board Resolution, may enter into an agreement or agreements supplemental hereto for the purpose of modifying this Agreement; *provided, however*, that, except as contemplated herein, no such supplemental agreement shall, without the consent of each Holder of an Outstanding Unit affected thereby reduce the above-stated percentage of Outstanding Units the consent of the Holders of which is required for the modification or amendment of the provisions of this Agreement.

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It shall not be necessary for any consent of Holders under this Section to approve the particular form of any proposed supplemental agreement, but it shall be sufficient if such consent shall approve the substance thereof.

Section 7.03. *Execution of Supplemental Agreements.* In executing, or accepting the additional agencies created by, any supplemental agreement permitted by this Article or the modifications thereby of the agencies created by this Agreement, the Units Agent shall be provided, and (subject to Section 6.01) shall be fully protected in relying upon, an Officers' Certificate and an Opinion of Counsel, in each case of the Company, stating that the execution of such supplemental agreement is authorized or permitted by this Agreement and does not violate the Indentures, and that any and all conditions precedent to the execution and delivery of such supplemental agreement have been satisfied. The Units Agent may, but shall not be obligated to, enter into any such supplemental agreement that affects the Units Agent's own rights, duties or immunities under this Agreement or otherwise.

Section 7.04. *Effect of Supplemental Agreements.* Upon the execution of any supplemental agreement under this Article, this Agreement shall be modified in accordance therewith, and such supplemental agreement shall form a part of this Agreement for all purposes; and every Holder of Units theretofore or thereafter authenticated and delivered hereunder, shall be bound thereby.

Section 7.05. *Reference to Supplemental Agreements.* Units authenticated and delivered after the execution of any supplemental agreement pursuant to this Article may, and shall if required by the Units Agent, bear a notation in form approved by the Units Agent as to any matter provided for in such supplemental agreement. If the Company and the Note Issuer shall so determine, new Units so modified as to conform, in the opinion of the Units Agent, the Company and the Note Issuer, to any such supplemental agreement may be prepared and executed by the Company and the Note Issuer and authenticated and delivered by the Units Agent in exchange for outstanding Units.

Section 7.06. *Notice of Supplemental Agreements.* After any supplemental agreement under this Article becomes effective, the Company shall mail to the Holders a notice briefly describing such supplemental agreement; *provided, however*, that the failure to give such notice to all Holders, or any defect therein, shall not impair or affect the validity of such supplemental agreement.

ARTICLE 8 SUCCESSION OF COMPANY OR NOTE ISSUER

Section 8.01. *Succession of Company or Note Issuer.* Upon any succession of another Person to the obligations, rights and powers of the Company or the

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Note Issuer under either Indenture, (i) such successor Person and (subject to Section 7.03) the other parties hereto shall execute a supplemental agreement, pursuant to which such successor Person shall assume all obligations, rights and powers of the Company or the Note Issuer, as the case may be, hereunder and under the Units, as if such successor Person were named as the Company or the Note Issuer herein and therein, and (ii) following execution of such supplemental agreement, if the Company or the Note Issuer has been discharged of its obligations under both Indentures, the Company or the Note Issuer, as the case may be, shall also be discharged from its obligations hereunder and under the Units.

ARTICLE 9 COVENANTS OF THE COMPANY AND THE NOTE ISSUER

Section 9.01. *Performance Under this Agreement.* Each of the Company and the Note Issuer covenants and agrees for the benefit of the Holders from time to time of the Units that it will duly and punctually perform its obligations under the Units in accordance with the terms of the Units and this Agreement.

Section 9.02. *Maintenance of Office Or Agency.* The Company will maintain in the Borough of Manhattan, New York City or in Delaware an office or agency where Securities may be presented or surrendered to take any action provided for hereunder, and where notices and demands to or upon the Company in respect of the Units and this Agreement may be served. The Company will give prompt written notice to the Units Agent of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Units Agent with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office, and the Company hereby appoints the Units Agent as its agent to receive all such presentations, surrenders, notices and demands. The Company may also from time to time designate one or more other offices or agencies where Securities may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; *provided, however*, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, New York City or in Delaware for such purposes. The Company will give prompt written notice to the Units Agent of any such designation or rescission and of any change in the location of any such other office or agency.

Section 9.03. Statements of Officers of the Company as to Default; Notice of Default. (a) The Company will deliver to the Units Agent, within 120 days after the end of each fiscal year of the Company (which as of the Issue Date is October 31) ending after the date hereof, an Officers' Certificate (one of the

signers of which shall be the principal executive officer, principal financial officer or principal accounting officer of the Company), stating whether or not to the knowledge of the signers thereof the Company or the Note Issuer is in default in the performance and observance of any of the terms, provisions and conditions hereof, and if the Company or the Note Issuer shall be in default, specifying all such defaults and the nature and status thereof of which they may have knowledge and what action the Company or the Note Issuer, as the case may be, is taking or proposes to take with respect thereto.

(b) The Company shall promptly deliver to the Units Agent written notice of the occurrence of any default in the performance and observance of any of the terms, provisions and conditions hereof and the status thereof.

Section 9.04. Existence. The Company and the Note Issuer shall each do or cause to be done all things necessary to preserve and keep in full force and effect its existence in accordance with their respective organizational documents, and the material rights, licenses and franchises of the Company and the Note Issuer; *provided* that this Section 9.04 shall not prohibit any transaction otherwise permitted by the Indentures.

Section 9.05. Tax Treatment. The Company and the Note Issuer agree, and by purchasing a Unit each Beneficial Holder agrees, for United States federal income tax purposes, to (a) treat a Unit as an investment unit composed of two separate instruments, an Amortizing Note and an Exchangeable Note, and (b) in the case of each Beneficial Holder acquiring the Units at original issuance, allocate the stated amount of each Unit between the Amortizing Note and the Exchangeable Note so that such Beneficial Holder's initial tax basis in each Amortizing Note will be \$231.49 and such Beneficial Holder's initial tax basis in each Exchangeable Note will be \$768.51.

[SIGNATURES ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

HOVNANIAN ENTERPRISES, INC.

By: /s/ J. Larry Sorsby

Name: J. Larry Sorsby

Title: Executive Vice President and Chief Financial Officer

K. HOVNANIAN ENTERPRISES, INC.

By: /s/ J. Larry Sorsby

Name: J. Larry Sorsby

Title: Executive Vice President and Chief Financial Officer

WILMINGTON TRUST COMPANY, as Units Agent

By: /s/ Joshua C. Jones

Name: Joshua C. Jones

Title: Assistant Secretary and Financial Services Officer

EXHIBIT A

[FORM OF FACE OF UNIT]

[THIS SECURITY IS A GLOBAL UNIT WITHIN THE MEANING OF THE UNITS AGREEMENT HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OF A DEPOSITARY OR A SUCCESSOR DEPOSITARY. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR SECURITIES IN CERTIFICATED FORM, THIS SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TRUST COMPANY, A NEW YORK CORPORATION (THE "DEPOSITARY") TO THE NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

UNLESS THIS SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TO THE COMPANY AND THE NOTE ISSUER OR THEIR AGENTS FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY SECURITY ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]*

* Include if a Global Unit.

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HOVNANIAN ENTERPRISES, INC.

and

K. HOVNANIAN ENTERPRISES, INC.

6.00% EXCHANGEABLE NOTE UNITS

CUSIP No. 442488 BN1

ISIN No. US442488BN15

No.

[Initial]* Aggregate Stated Amount of Units
(equivalent to Units)

This Unit certifies that [CEDE & CO., as nominee of The Depository Trust Company]*[]** (the “**Holder**”), or registered assigns, is the registered owner of the aggregate stated amount of Units set forth above[, or such other aggregate stated amount of Units reflected on the books and records of the Units Agent and the Depository, in accordance with the terms of the Units Agreement (as defined below), but which aggregate stated amount, taken together with the aggregate stated amount of all other outstanding Units, shall not exceed \$100,000,000 (equivalent to 100,000 Units) at any time]*.

Each \$1,000 in stated amount of Units consists of (i) an Exchangeable Note, and (ii) an Amortizing Note, each issued by the Note Issuer. Each Unit evidenced hereby is governed by a Units Agreement, dated as of October 2, 2012 (as may be supplemented from time to time, the “**Units Agreement**”), among the Company, the Note Issuer and Wilmington Trust Company, as Units Agent (including its successors hereunder, the “**Units Agent**”).

Reference is hereby made to the Units Agreement and the Indentures and, in each case supplemental agreements thereto, for a description of the respective rights, limitations of rights, obligations, duties and immunities thereunder of the Units Agent, the Company, the Note Issuer and the Holders and of the terms upon which the Units are, and are to be, executed and delivered.

Upon the conditions and under the circumstances set forth in the Units Agreement, Holders of Units shall have the right to separate a Unit into its component parts, and a Holder of a Separate Exchangeable Note and Separate Amortizing Note shall have the right to re-create a Unit.

The Company and the Note Issuer agree, and by purchasing a Unit each Beneficial Holder agrees, for United States federal income tax purposes, to (1) treat each Unit as an investment unit composed of two separate instruments, an Amortizing Note and an Exchangeable Note, and (2) in the case of each Beneficial Holder acquiring the Units at original issuance, allocate the stated amount of each Unit between the Amortizing Note and the Exchangeable Note so

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that such Beneficial Holder’s initial tax basis in each Amortizing Note will be \$231.49 and such Beneficial Holder’s initial tax basis in each Exchangeable Note will be \$768.51.

The Units, and any claim, controversy or dispute arising under or related to the Units, shall be governed by, and construed in accordance with, the laws of the State of New York.

Capitalized terms used herein and not defined have the meanings given to such terms in the Units Agreement.

In the event of any inconsistency between the provisions of this Unit and the provisions of the Units Agreement, the Units Agreement shall prevail.

[SIGNATURES ON THE FOLLOWING PAGE]

* Include only if a Global Unit.

** Include only if not a Global Unit.

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IN WITNESS WHEREOF, the Company and the Note Issuer have caused this instrument to be duly executed.

Dated: _____

HOVNANIAN ENTERPRISES, INC.

By: _____
Name:
Title:

K. HOVNANIAN ENTERPRISES, INC.

By: _____
Name:
Title:

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UNIT CERTIFICATE OF AUTHENTICATION
OF UNITS AGENT

This is one of the Units referred to in the within mentioned Units Agreement.

Dated: _____

WILMINGTON TRUST COMPANY, as Units Agent

By: _____
Authorized Signatory

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[FORM OF REVERSE OF UNIT]

[Intentionally Blank]

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ATTACHMENT 1

[FORM OF SEPARATION NOTICE]

[UNITS AGENT
ADDRESS]

[AMORTIZING NOTES TRUSTEE
ADDRESS]

[EXCHANGEABLE NOTES TRUSTEE
ADDRESS]

Re: Separation of [Global]* Units

The undersigned [Beneficial Holder]* hereby notifies you that it wishes to separate _____ aggregate stated amount of Units [as to which it holds a Book-Entry Interest]* (such aggregate stated amount *divided by* \$1,000, the “**number of Relevant Units**”) into a number of Amortizing Notes equal to the number of Relevant Units and a number of Exchangeable Notes equal to the number of Relevant Units in accordance with the Units Agreement (the “**Units Agreement**”) dated October 2, 2012 among the Company, the Note Issuer and Wilmington Trust Company, as Units Agent, and the Indentures. Terms used and not defined herein have the meaning assigned to such terms in the Units Agreement.

The undersigned [includes herewith]** [Beneficial Holder has instructed the undersigned Depository Participant to transfer to you its Book-Entry Interests in]* the aggregate stated amount of Units specified in the immediately preceding paragraph. The undersigned [includes herewith]** [Beneficial Holder has furnished the undersigned Depository Participant with]* the appropriate endorsements and documents and paid all applicable transfer or similar taxes, if any, to the extent required by the Units Agreement and the Indentures.

Please [deliver to the undersigned’s address specified below]** [transfer to the account of the undersigned Beneficial Holder with the undersigned Depository Participant the beneficial interests in]* (i) a number of Separate Amortizing Notes and (ii) a number of Separate Exchangeable Notes equal to the number of Relevant Units.

[SIGNATURES ON THE FOLLOWING PAGE]

* Include only if a Global Unit.

IN WITNESS WHEREOF, the [undersigned has caused this instrument to be duly executed]** [Depository Participant has caused this instrument to be duly executed on behalf of itself and the undersigned Beneficial Holder]*.

Dated: _____

[NAME OF BENEFICIAL HOLDER]

By: _____
Name:
Title:
Address:

[NAME OF DEPOSITORY PARTICIPANT]*

By: _____
Name:
Address:

Attest By:

* Include only if a Global Unit.
** Include only if not a Global Unit.

ATTACHMENT 2

[FORM OF RECREATION NOTICE]

[UNITS AGENT
ADDRESS]

[AMORTIZING NOTES TRUSTEE
ADDRESS]

[EXCHANGEABLE NOTES TRUSTEE
ADDRESS]

Re: Recreation of [Global]* Units

The undersigned [Beneficial Holder]* hereby notifies you that it wishes to recreate _____ aggregate stated amount of Units [as to which it holds a Book-Entry Interest]* (such aggregate stated amount *divided by* \$1,000, the “**number of New Units**”) from a number of Separate Amortizing Notes equal to the number of New Units and a number of Separate Exchangeable Notes equal to the number of New Units in accordance with the Units Agreement (the “**Units Agreement**”) dated as of October 2, 2012 among the Company, the Note Issuer and Wilmington Trust Company, as Units Agent, and the Indentures. Terms used and not defined herein have the meaning assigned to such terms in the Units Agreement.

The undersigned [includes herewith]** [Beneficial Holder has instructed the undersigned Depository Participant to transfer to you its Book-Entry Interests in]* the applicable number of Separate Amortizing Notes and the applicable number of Separate Exchangeable Notes sufficient for the recreation of the aggregate stated amount of Units specified above. The undersigned [includes herewith]** [Beneficial Holder has furnished the undersigned Depository Participant with]* the appropriate endorsements and documents and paid all applicable transfer or similar taxes, if any, to the extent required by the Units Agreement and the Indentures.

Please [deliver to the undersigned’s address specified below]** [transfer to the account of the undersigned Beneficial Holder with the undersigned Depository Participant the beneficial interests in]* the aggregate stated amount of Units specified above.

[SIGNATURES ON THE FOLLOWING PAGE]

* Include only if a Global Unit.
** Include only if not a Global Unit.

IN WITNESS WHEREOF, the [undersigned has caused this instrument to be duly executed]** [Depository Participant has caused this instrument to be duly executed on behalf of itself and the undersigned Beneficial Holder]*.

Dated: _____

[NAME OF BENEFICIAL HOLDER]

By: _____
Name:
Title:
Address:

[NAME OF DEPOSITORY PARTICIPANT]*

By: _____
Name:
Address:

Attest By:

* Include only if a Global Unit.
** Include only if not a Global Unit.

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ATTACHMENT 3

COMPONENT EXCHANGEABLE NOTE

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K. HOVNIANIAN ENTERPRISES, INC.
Zero Coupon Senior Exchangeable Note due 2017

No. 1 Initial Principal Amount at Maturity: \$100,000,000
(equivalent to 100,000 Exchangeable Notes)

K. HOVNIANIAN ENTERPRISES, INC., a California corporation (the “**Issuer**,” which term includes any successor corporation or other entity under the Indenture referred to on the reverse hereof), for value received hereby promises to pay to CEDE & CO., or registered assigns, the principal sum of \$100,000,000, or such other amount reflected on the books and records of the Depository and the Trustee, in accordance with the Indenture (with respect to this Exchangeable Note, the “**Principal Amount at Maturity**”), which amount, taken together with the Principal Amount at Maturity of all other Outstanding Exchangeable Notes, shall not, unless permitted by the Indenture, exceed \$100,000,000 in aggregate at any time, in accordance with the rules and procedures of the Depository, on December 1, 2017.

The Exchangeable Notes shall not bear cash interest. The principal amount (as of any date of determination, the “**Accreted Principal Amount**”) of the Exchangeable Notes, with respect to each \$1,000 Principal Amount at Maturity, on the Issue Date shall be equal to the Initial Principal Amount, and following the Issue Date shall accrete daily at a rate of 5.17% *per annum*, calculated on a semi-annual bond equivalent yield basis, using a 360 day year composed of twelve 30 day months and compounding on June 1 and December 1 of each year, beginning June 1, 2013.

The Issuer shall pay the principal of this Exchangeable Note in immediately available funds to the Depository or its nominee, as the case may be, as the registered Holder of such Exchangeable Note. The Issuer has initially designated the Trustee as its paying agent and registrar in respect of the Exchangeable Notes and its agency at its Corporate Trust Office as a place where Exchangeable Notes may be presented for payment or for registration of transfer.

Reference is made to the further provisions of this Exchangeable Note set forth on the reverse hereof, including, without limitation, provisions giving the Holder of this Exchangeable Note the right to exchange this Exchangeable Note into shares of Class A Common Stock (together with cash in lieu of any fractional share, if applicable) on the terms and subject to the limitations set forth in the Indenture. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Exchangeable Note, and any claim, controversy or dispute arising under or related to this Exchangeable Note, shall be governed by and construed in accordance with the laws of the State of New York.

In the case of any conflict between this Exchangeable Note and the Indenture, the provisions of the Indenture shall control and govern.

This Exchangeable Note shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been manually signed by the Trustee or a duly authorized authenticating agent under the Indenture.

[Remainder of page intentionally left blank]

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IN WITNESS WHEREOF, the Issuer has caused this Exchangeable Note to be duly executed.

K. HOVNANIAN ENTERPRISES, INC.

By: _____

Name:

Title:

Dated:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

WILMINGTON TRUST COMPANY,
As Trustee

By: _____

Authorized Signatory

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REVERSE OF NOTE

K. HOVNANIAN ENTERPRISES, INC.
Zero Coupon Senior Exchangeable Note due 2017

This Exchangeable Note is one of a duly authorized issue of Securities of the Issuer, designated as its Zero Coupon Senior Exchangeable Notes due 2017 (the "**Exchangeable Notes**"), limited to the aggregate Principal Amount at Maturity of \$100,000,000 all issued or to be issued under and pursuant to a Senior Indenture dated as of February 14, 2011 (the "**Base Indenture**"), as amended and supplemented by the Fourth Supplemental Indenture dated as of October 2, 2012 (herein called the "**Supplemental Indenture**"; the Base Indenture, as amended and supplemented by the Supplemental Indenture, and as it may be further amended or supplemented from time to time, the "**Indenture**"), by and between the Issuer and Wilmington Trust Company (the "**Trustee**") to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Issuer and the Holders of the Exchangeable Notes.

In case an Event of Default, as defined in the Indenture, shall have occurred and be continuing, the Accreted Principal Amount, as of the date of acceleration, of all Exchangeable Notes may be declared, by either the Trustee or Holders of at least 25% in aggregate Principal Amount at Maturity of Exchangeable Notes then Outstanding, and upon said declaration shall become, due and payable, in the manner, with the effect and subject to the conditions and certain exceptions set forth in the Indenture. Notwithstanding the foregoing, if an Event of Default involving certain bankruptcy events with respect to the Issuer or Hovnanian, as specified in the Indenture, occurs, the Accreted Principal Amount, as of the date of acceleration, shall automatically become due and payable without any declaration, notice or other act on the part of the Trustee, the Issuer, any Guarantor or any Holder.

Subject to the terms and conditions of the Indenture, the Issuer will make all payments in respect of the Fundamental Change Repurchase Price and the principal amount on the Maturity Date, as the case may be, to the Holder who surrenders an Exchangeable Note to a paying agent to collect such payments in respect of the Exchangeable Note. The Issuer shall pay cash amounts in money of the United States that at the time of payment is legal tender for payment of public and private debts.

The Indenture contains provisions permitting the Issuer and the Trustee in certain circumstances, without the consent of the Holders of the Exchangeable Notes, and in certain other circumstances, with the consent of the Holders of not less than a majority in aggregate Principal Amount at Maturity of the Exchangeable Notes at the time Outstanding, evidenced as in the Indenture provided, to execute supplemental indentures modifying the terms of the Indenture and the Exchangeable Notes as described therein. It is also provided in

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the Indenture that, subject to certain exceptions, the Holders of a majority in aggregate Principal Amount at Maturity of the Exchangeable Notes at the time Outstanding may on behalf of the Holders of all of the Exchangeable Notes waive any past Default or Event of Default under the Indenture and its consequences.

No reference herein to the Indenture and no provision of this Exchangeable Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal (including the Fundamental Change Repurchase Price, if applicable) of this Exchangeable Note at the place, at the respective times, in the amounts and, if applicable, in the lawful money herein prescribed, or the obligation of the Issuer and Hovnanian to deliver the consideration due upon exchange of this Exchangeable Note.

The Exchangeable Notes are issuable in registered form without coupons in denominations of \$1,000 Principal Amount at Maturity and integral multiples thereof. At the office or agency of the Issuer referred to on the face hereof, and in the manner and subject to the limitations provided in the Indenture, Exchangeable Notes may be exchanged for a like aggregate Principal Amount at Maturity of Exchangeable Notes of other authorized denominations, without payment of any service charge but, if required by the Issuer or Trustee, with payment of a sum sufficient to cover any transfer tax or similar governmental charge required by law or that may be imposed in connection therewith as a result of the name of the Holder of the new Exchangeable Notes issued upon such exchange of Exchangeable Notes being different from the name of the Holder of the old Exchangeable Notes surrendered for such exchange.

The Exchangeable Notes shall not be redeemable at the Issuer's option.

Upon the occurrence of a Fundamental Change, the Holder has the right, at such Holder's option, to require the Issuer to repurchase for cash all of such Holder's Exchangeable Notes or any portion thereof (with a Principal Amount at Maturity of \$1,000 or integral multiple thereof) on the Fundamental Change Repurchase Date at a price equal to the Fundamental Change Repurchase Price.

This Exchangeable Note shall be subject to the Section 382 Exchange Blocker (as defined in the Indenture), and any purported violation of the Section 382 Exchange Blocker shall be subject to the consequences provided in the Indenture.

Subject to the provisions of the Indenture, the Holder hereof has the right, at its option, during certain periods and upon the occurrence of certain conditions specified in the Indenture, prior to the close of business on the Business Day immediately preceding the Maturity Date, to irrevocably exchange any Exchangeable Notes or portion thereof that is \$1,000 in Principal Amount at Maturity or an integral multiple thereof, into shares of Class A Common Stock (together with cash in lieu of any fractional share) at the Exchange Rate specified in the Indenture, as adjusted from time to time as provided in the Indenture.

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This Exchangeable Note has been issued with "original issue discount" (within the meaning of Section 1272 of the Internal Revenue Code of 1986, as amended). Upon written request to K. Hovnanian Enterprises, Inc. at the following address: 110 West Front Street, P.O. Box 500, Red Bank, New Jersey 07701, Attention: Secretary, the Issuer will promptly make available to any Holder of this Exchangeable Note the following information: (1) the issue price and issue date of the Exchangeable Note, (2) the amount of original issue discount on the Exchangeable Note and (3) the yield to maturity of the Exchangeable Note.

Terms used in this Exchangeable Note and defined in the Indenture are used herein as therein defined.

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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 the Indenture, the Exchangeable Notes or the obligations of the Issuer or Hovnanian hereunder or thereunder, that (i) the due and punctual payment of the principal of the Exchangeable Notes (including, without limitation, payment of the Fundamental Change Repurchase Price pursuant to Article 9 of the Supplemental Indenture, if applicable), and all other amounts owing with respect to the Exchangeable Notes, whether on the Maturity Date, by acceleration or otherwise, and all other obligations of the Issuer or Hovnanian to the Holders or the Trustee hereunder or thereunder, including, without limitation, the Exchange Obligation, shall be promptly paid in full when due or performed when required, as the case may be, in accordance with the terms of the Indenture and the Exchangeable Notes, and (ii) in case of any extension of time of payment or delivery or renewal of any Exchangeable Notes or any of such other obligations, the same shall be promptly paid in full when due or be performed when required, as the case may be, in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration, upon exchange pursuant to Article 8 of the Supplemental Indenture or otherwise (each such guarantee, a "Guarantee").

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 an Exchangeable Note by accepting an Exchangeable 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 an Exchangeable Note by accepting an Exchangeable 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 Exchangeable 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.

The Guarantee, and any claim, controversy or dispute arising under or related to the Guarantee, shall be governed by and construed in accordance with the laws of the State of New York.

In the event of any inconsistency between the provisions of this Guarantee and the provisions of the Indenture, the Indenture shall prevail.

IN WITNESS WHEREOF, the Guarantors have caused this instrument to be executed.

Dated: _____

ARBOR TRAILS, LLC
 AUDDIE ENTERPRISES, L.L.C.
 BUILDER SERVICES NJ, L.L.C.
 BUILDER SERVICES PA, L.L.C.
 DULLES COPPERMINE, L.L.C.
 EASTERN NATIONAL TITLE AGENCY, LLC
 EASTERN TITLE AGENCY, INC.
 F&W MECHANICAL SERVICES, L.L.C.
 FOUNDERS TITLE AGENCY OF MARYLAND, L.L.C.
 FOUNDERS TITLE AGENCY, INC.
 GOVERNOR'S ABSTRACT CO., INC.
 HOMEBUYERS FINANCIAL SERVICES, L.L.C.
 HOVNANIAN DEVELOPMENTS OF FLORIDA, INC.
 HOVNANIAN ENTERPRISES, INC. (PARENT COMPANY)
 HOVNANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.
 HOVNANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.
 HOVNANIAN LAND INVESTMENT GROUP, L.L.C.
 K. HOV IP, II, INC.
 K. HOV IP, INC.
 K. HOVNANIAN ACQUISITIONS, INC.
 K. HOVNANIAN AT 4S, LLC
 K. HOVNANIAN AT ACQUA VISTA, LLC
 K. HOVNANIAN AT ALISO, LLC
 K. HOVNANIAN AT ALLENTOWN, L.L.C.
 K. HOVNANIAN AT ANDALUSIA, LLC
 K. HOVNANIAN AT ARBOR HEIGHTS, LLC
 K. HOVNANIAN AT AVENUE ONE, L.L.C.
 K. HOVNANIAN AT BAKERSFIELD 463, L.L.C.
 K. HOVNANIAN AT BARNEGAT I, L.L.C.
 K. HOVNANIAN AT BARNEGAT II, L.L.C.
 K. HOVNANIAN AT BELLA LAGO, LLC
 K. HOVNANIAN AT BENSLEM, LLC
 K. HOVNANIAN AT BERKELEY, L.L.C.
 K. HOVNANIAN AT BLUE HERON PINES, L.L.C.
 K. HOVNANIAN AT BRANCHBURG, L.L.C.
 K. HOVNANIAN AT BRIDGEPORT, INC.
 K. HOVNANIAN AT BRIDGEWATER I, L.L.C.
 K. HOVNANIAN AT BROAD AND WALNUT, L.L.C.
 K. HOVNANIAN AT CAMERON CHASE, INC.
 K. HOVNANIAN AT CAMP HILL, L.L.C.
 K. HOVNANIAN AT CAPISTRANO, L.L.C.
 K. HOVNANIAN AT CARLSBAD, LLC
 K. HOVNANIAN AT CEDAR GROVE III, L.L.C.
 K. HOVNANIAN AT CEDAR GROVE V, L.L.C.
 K. HOVNANIAN AT CHARTER WAY, LLC
 K. HOVNANIAN AT CHESTER I, L.L.C.
 K. HOVNANIAN AT CHESTERFIELD, L.L.C.
 K. HOVNANIAN AT CIELO, L.L.C.
 K. HOVNANIAN AT CLIFTON, L.L.C.

K. HOVNANIAN AT COASTLINE, L.L.C.
 K. HOVNANIAN AT CORTEZ HILL, LLC
 K. HOVNANIAN AT CRANBURY, L.L.C.
 K. HOVNANIAN AT DENVERVILLE, L.L.C.
 K. HOVNANIAN AT DEPTFORD TOWNSHIP, L.L.C.
 K. HOVNANIAN AT DOMINGUEZ HILLS, INC.
 K. HOVNANIAN AT EAST BRANDYWINE, L.L.C.
 K. HOVNANIAN AT EASTLAKE, LLC
 K. HOVNANIAN AT EDGEWATER II, L.L.C.
 K. HOVNANIAN AT EDGEWATER, L.L.C.
 K. HOVNANIAN AT EGG HARBOR TOWNSHIP II, L.L.C.
 K. HOVNANIAN AT EGG HARBOR TOWNSHIP, L.L.C.
 K. HOVNANIAN AT EL DORADO RANCH II, L.L.C.

K. HOVNANIAN AT EL DORADO RANCH, L.L.C.
K. HOVNANIAN AT ENCINITAS RANCH, LLC
K. HOVNANIAN AT EVERGREEN, L.L.C.
K. HOVNANIAN AT FIDDYMENT RANCH, LLC
K. HOVNANIAN AT FIFTH AVENUE, L.L.C.
K. HOVNANIAN AT FLORENCE I, L.L.C.
K. HOVNANIAN AT FLORENCE II, L.L.C.
K. HOVNANIAN AT FOREST MEADOWS, L.L.C.
K. HOVNANIAN AT FRANKLIN II, L.L.C.
K. HOVNANIAN AT FRANKLIN, L.L.C.
K. HOVNANIAN AT FREEHOLD TOWNSHIP, L.L.C.
K. HOVNANIAN AT FRESNO, LLC
K. HOVNANIAN AT GASLAMP SQUARE, L.L.C.
K. HOVNANIAN AT GILROY, LLC
K. HOVNANIAN AT GREAT NOTCH, L.L.C.
K. HOVNANIAN AT GUTTENBERG, L.L.C.
K. HOVNANIAN AT HACKETTSTOWN II, L.L.C.
K. HOVNANIAN AT HAMBURG, L.L.C.
K. HOVNANIAN AT HAWTHORNE, L.L.C.
K. HOVNANIAN AT HERSHEY'S MILL, INC.
K. HOVNANIAN AT HIGHLAND SHORES, L.L.C.
K. HOVNANIAN AT HOWELL, LLC
K. HOVNANIAN AT HUDSON POINTE, L.L.C.
K. HOVNANIAN AT JACKSON I, L.L.C.
K. HOVNANIAN AT JACKSON, L.L.C.
K. HOVNANIAN AT JAEGER RANCH, LLC
K. HOVNANIAN AT JERSEY CITY IV, L.L.C.
K. HOVNANIAN AT JERSEY CITY V URBAN RENEWAL COMPANY, L.L.C.
K. HOVNANIAN AT KEYPORT, L.L.C.
K. HOVNANIAN AT LA COSTA GREENS, L.L.C.
K. HOVNANIAN AT LA COSTA, LLC
K. HOVNANIAN AT LA HABRA KNOLLS, LLC
K. HOVNANIAN AT LA LAGUNA, L.L.C.
K. HOVNANIAN AT LAKE RANCHO VIEJO, LLC
K. HOVNANIAN AT LAKE TERRAPIN, L.L.C.
K. HOVNANIAN AT LAWRENCE V, L.L.C.
K. HOVNANIAN AT LEE SQUARE, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR, L.L.C
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LOWER MAKEFIELD TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MORELAND I, L.L.C.

K. HOVNANIAN AT LOWER MORELAND II, L.L.C.
K. HOVNANIAN AT MAHWAH VI, INC.
K. HOVNANIAN AT MALAN PARK, L.L.C.
K. HOVNANIAN AT MANALAPAN III, L.L.C.
K. HOVNANIAN AT MANSFIELD I, L.L.C.
K. HOVNANIAN AT MANSFIELD II, L.L.C.
K. HOVNANIAN AT MANSFIELD III, L.L.C.
K. HOVNANIAN AT MANTECA, LLC
K. HOVNANIAN AT MAPLE AVENUE, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP IX, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP V, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP VIII, L.L.C.
K. HOVNANIAN AT MARLBORO VI, L.L.C.
K. HOVNANIAN AT MARLBORO VII, L.L.C.
K. HOVNANIAN AT MELANIE MEADOWS, LLC
K. HOVNANIAN AT MENDHAM TOWNSHIP, L.L.C.
K. HOVNANIAN AT MENIFEE, LLC
K. HOVNANIAN AT MIDDLE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT MIDDLE TOWNSHIP, L.L.C.
K. HOVNANIAN AT MIDDLETOWN II, L.L.C.
K. HOVNANIAN AT MILLVILLE I, L.L.C.
K. HOVNANIAN AT MILLVILLE II, L.L.C.
K. HOVNANIAN AT MONROE II, INC.
K. HOVNANIAN AT MONROE IV, L.L.C.
K. HOVNANIAN AT MONROE NJ, L.L.C.
K. HOVNANIAN AT MONTVALE II, LLC
K. HOVNANIAN AT MONTVALE, L.L.C.
K. HOVNANIAN AT MOSAIC, LLC

K. HOVNANIAN AT MUIRFIELD, LLC
K. HOVNANIAN AT NEW WINDSOR, L.L.C.
K. HOVNANIAN AT NORTH BERGEN, L.L.C.
K. HOVNANIAN AT NORTH BRUNSWICK VI, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL II, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL III, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL IV, L.L.C.
K. HOVNANIAN AT NORTH HALEDON, L.L.C.
K. HOVNANIAN AT NORTH WILDWOOD, L.L.C.
K. HOVNANIAN AT NORTHAMPTON, L.L.C.
K. HOVNANIAN AT NORTHERN WESTCHESTER, INC.
K. HOVNANIAN AT NORTHFIELD, L.L.C.
K. HOVNANIAN AT OCEAN TOWNSHIP, INC
K. HOVNANIAN AT OCEAN WALK, INC.
K. HOVNANIAN AT OCEANPORT, L.L.C.
K. HOVNANIAN AT OLD BRIDGE, L.L.C.
K. HOVNANIAN AT OLDE ORCHARD, LLC
K. HOVNANIAN AT PARAMUS, L.L.C.
K. HOVNANIAN AT PARK LANE, LLC
K. HOVNANIAN AT PARKSIDE, LLC
K. HOVNANIAN AT PARSIPPANY, L.L.C.
K. HOVNANIAN AT PARSIPPANY-TROY HILLS, L.L.C.
K. HOVNANIAN AT PIAZZA D'ORO, L.L.C.
K. HOVNANIAN AT PIAZZA SERENA, L.L.C
K. HOVNANIAN AT PITTSBORO, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL IV, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL V, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VI, L.L.C.

K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VII, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VIII, L.L.C.
K. HOVNANIAN AT POSITANO, LLC
K. HOVNANIAN AT PRADO, L.L.C.
K. HOVNANIAN AT RANCHO SANTA MARGARITA, LLC
K. HOVNANIAN AT RANDOLPH I, L.L.C.
K. HOVNANIAN AT RAPHO, L.L.C
K. HOVNANIAN AT RIDGEMONT, L.L.C.
K. HOVNANIAN AT RIVERBEND, LLC
K. HOVNANIAN AT RODERUCK, L.L.C.
K. HOVNANIAN AT ROSEMARY LANTANA, L.L.C.
K. HOVNANIAN AT SAGE, L.L.C.
K. HOVNANIAN AT SANTA NELLA, LLC
K. HOVNANIAN AT SAWMILL, INC.
K. HOVNANIAN AT SAYREVILLE, L.L.C.
K. HOVNANIAN AT SCOTCH PLAINS, L.L.C.
K. HOVNANIAN AT SEASONS LANDING, LLC
K. HOVNANIAN AT SHELDON GROVE, LLC
K. HOVNANIAN AT SHREWSBURY, LLC
K. HOVNANIAN AT SILVER SPRING, L.L.C.
K. HOVNANIAN AT SKYE ISLE, LLC
K. HOVNANIAN AT SMITHVILLE, INC.
K. HOVNANIAN AT SOMERS POINT, L.L.C.
K. HOVNANIAN AT SOUTH BRUNSWICK II, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK, L.L.C.
K. HOVNANIAN AT STANTON, LLC
K. HOVNANIAN AT STATION SQUARE, L.L.C.
K. HOVNANIAN AT SUNRIDGE PARK, LLC
K. HOVNANIAN AT SYCAMORE, INC.
K. HOVNANIAN AT THE CROSBY, LLC
K. HOVNANIAN AT THE GABLES, LLC
K. HOVNANIAN AT THE MONARCH, L.L.C.
K. HOVNANIAN AT THE PRESERVE, LLC
K. HOVNANIAN AT THOMPSON RANCH, LLC
K. HOVNANIAN AT THORNBURY, INC.
K. HOVNANIAN AT TRAIL RIDGE, LLC
K. HOVNANIAN AT UPPER FREEHOLD TOWNSHIP II, L.L.C.
K. HOVNANIAN AT UPPER FREEHOLD TOWNSHIP III, L.L.C.
K. HOVNANIAN AT UPPER MAKEFIELD I, INC.
K. HOVNANIAN AT UPPER PROVIDENCE, LLC
K. HOVNANIAN AT UPPER UWCHLAN II, L.L.C.
K. HOVNANIAN AT UPPER UWCHLAN, L.L.C.
K. HOVNANIAN AT VALLE DEL SOL, LLC

K. HOVNIANIAN AT VERONA URBAN RENEWAL, L.L.C.
K. HOVNIANIAN AT VICTORVILLE, L.L.C.
K. HOVNIANIAN AT VINELAND, L.L.C.
K. HOVNIANIAN AT VISTA DEL SOL, L.L.C.
K. HOVNIANIAN AT WARREN TOWNSHIP, L.L.C.
K. HOVNIANIAN AT WASHINGTON, L.L.C.
K. HOVNIANIAN AT WATERSTONE, LLC
K. HOVNIANIAN AT WAYNE IX, L.L.C.
K. HOVNIANIAN AT WAYNE, VIII, L.L.C.
K. HOVNIANIAN AT WEST VIEW ESTATES, L.L.C.
K. HOVNIANIAN AT WEST WINDSOR, L.L.C.
K. HOVNIANIAN AT WESTSHORE, LLC
K. HOVNIANIAN AT WHEELER RANCH, LLC

K. HOVNIANIAN AT WILDWOOD BAYSIDE, L.L.C.
K. HOVNIANIAN AT WILLOW BROOK, L.L.C.
K. HOVNIANIAN AT WINCHESTER, LLC
K. HOVNIANIAN AT WOODCREEK WEST, LLC
K. HOVNIANIAN AT WOOLWICH I, L.L.C.
K. HOVNIANIAN CAMBRIDGE HOMES, L.L.C.
K. HOVNIANIAN CENTRAL ACQUISITIONS, L.L.C.
K. HOVNIANIAN CLASSICS, L.L.C.
K. HOVNIANIAN COMMUNITIES, INC.
K. HOVNIANIAN COMPANIES OF CALIFORNIA, INC.
K. HOVNIANIAN COMPANIES OF MARYLAND, INC.
K. HOVNIANIAN COMPANIES OF NEW YORK, INC.
K. HOVNIANIAN COMPANIES OF PENNSYLVANIA, INC.
K. HOVNIANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.
K. HOVNIANIAN COMPANIES, LLC
K. HOVNIANIAN CONSTRUCTION II, INC
K. HOVNIANIAN CONSTRUCTION III, INC
K. HOVNIANIAN CONSTRUCTION MANAGEMENT, INC.
K. HOVNIANIAN CRAFTBUILT HOMES OF SOUTH CAROLINA, L.L.C.
K. HOVNIANIAN DEVELOPMENTS OF ARIZONA, INC.
K. HOVNIANIAN DEVELOPMENTS OF CALIFORNIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF D.C., INC.
K. HOVNIANIAN DEVELOPMENTS OF DELAWARE, INC.
K. HOVNIANIAN DEVELOPMENTS OF GEORGIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF ILLINOIS, INC.
K. HOVNIANIAN DEVELOPMENTS OF KENTUCKY, INC.
K. HOVNIANIAN DEVELOPMENTS OF MARYLAND, INC.
K. HOVNIANIAN DEVELOPMENTS OF MINNESOTA, INC.
K. HOVNIANIAN DEVELOPMENTS OF NEW JERSEY II, INC.
K. HOVNIANIAN DEVELOPMENTS OF NEW JERSEY, INC.
K. HOVNIANIAN DEVELOPMENTS OF NEW YORK, INC.
K. HOVNIANIAN DEVELOPMENTS OF NORTH CAROLINA, INC.
K. HOVNIANIAN DEVELOPMENTS OF OHIO, INC.
K. HOVNIANIAN DEVELOPMENTS OF PENNSYLVANIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.
K. HOVNIANIAN DEVELOPMENTS OF TEXAS, INC.
K. HOVNIANIAN DEVELOPMENTS OF VIRGINIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF WEST VIRGINIA, INC.
K. HOVNIANIAN EASTERN PENNSYLVANIA, L.L.C.
K. HOVNIANIAN ENTERPRISES, INC.
K. HOVNIANIAN FIRST HOMES, L.L.C.
K. HOVNIANIAN FLORIDA REALTY, L.L.C.
K. HOVNIANIAN FOUR SEASONS @ HISTORIC VIRGINIA, LLC
K. HOVNIANIAN FOUR SEASONS AT GOLD HILL, LLC
K. HOVNIANIAN GREAT WESTERN BUILDING COMPANY, LLC
K. HOVNIANIAN GREAT WESTERN HOMES, LLC
K. HOVNIANIAN HAMPTONS AT OAK CREEK II, L.L.C.
K. HOVNIANIAN HOLDINGS NJ, L.L.C.
K. HOVNIANIAN HOMES - DFW, L.L.C.
K. HOVNIANIAN HOMES AT CAMERON STATION, LLC
K. HOVNIANIAN HOMES AT CAMP SPRINGS, L.L.C.
K. HOVNIANIAN HOMES AT FAIRWOOD, L.L.C.
K. HOVNIANIAN HOMES AT FOREST RUN, L.L.C.
K. HOVNIANIAN HOMES AT GREENWAY FARM PARK TOWNS, L.L.C.
K. HOVNIANIAN HOMES AT GREENWAY FARM, L.L.C.
K. HOVNIANIAN HOMES AT JONES STATION 1, L.L.C.

K. HOVNANIAN HOMES AT MAXWELL PLACE, L.L.C.
K. HOVNANIAN HOMES AT RENAISSANCE PLAZA, L.L.C.
K. HOVNANIAN HOMES AT RUSSETT, L.L.C.
K. HOVNANIAN HOMES AT THE HIGHLANDS, LLC
K. HOVNANIAN HOMES NORTHERN CALIFORNIA, INC.
K. HOVNANIAN HOMES OF D.C., L.L.C.
K. HOVNANIAN HOMES OF DELAWARE, L.L.C.
K. HOVNANIAN HOMES OF GEORGIA, L.L.C.
K. HOVNANIAN HOMES OF HOUSTON, L.L.C.
K. HOVNANIAN HOMES OF MARYLAND, L.L.C.
K. HOVNANIAN HOMES OF MINNESOTA, L.L.C.
K. HOVNANIAN HOMES OF NORTH CAROLINA, INC.
K. HOVNANIAN HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN HOMES OF SOUTH CAROLINA, LLC
K. HOVNANIAN HOMES OF VIRGINIA, INC.
K. HOVNANIAN HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN LIBERTY ON BLUFF CREEK, LLC
K. HOVNANIAN NORTH CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTHEAST SERVICES, L.L.C.
K. HOVNANIAN OF HOUSTON II, L.L.C.
K. HOVNANIAN OHIO REALTY, L.L.C.
K. HOVNANIAN OSTER HOMES, L.L.C.
K. HOVNANIAN PA REAL ESTATE, INC.
K. HOVNANIAN PENNSYLVANIA ACQUISITIONS, L.L.C.
K. HOVNANIAN PORT IMPERIAL URBAN RENEWAL, INC.
K. HOVNANIAN PROPERTIES OF RED BANK, INC.
K. HOVNANIAN SHORE ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTHERN NEW JERSEY, L.L.C.
K. HOVNANIAN STANDING ENTITY, L.L.C.
K. HOVNANIAN SUMMIT HOLDINGS, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF KENTUCKY, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES, L.L.C.
K. HOVNANIAN T&C HOMES AT FLORIDA, L.L.C.
K. HOVNANIAN T&C HOMES AT ILLINOIS, L.L.C.
K. HOVNANIAN TIMBRES AT ELM CREEK, LLC
K. HOVNANIAN VENTURE I, L.L.C.
K. HOVNANIAN WINDWARD HOMES, LLC
K. HOVNANIAN'S FOUR SEASONS AT ASHBURN VILLAGE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT BAKERSFIELD, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT BEAUMONT, LLC
K. HOVNANIAN'S FOUR SEASONS AT CHARLOTTESVILLE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT HEMET, LLC
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND CONDOMINIUMS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT LOS BANOS, LLC
K. HOVNANIAN'S FOUR SEASONS AT MORENO VALLEY, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT NEW KENT VINEYARDS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT PALM SPRINGS, LLC
K. HOVNANIAN'S FOUR SEASONS AT RENAISSANCE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK II, LLC
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT ST. MARGARETS LANDING, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT VINT HILL, L.L.C.
K. HOVNANIAN'S FOUR SEASONS, LLC
K. HOVNANIAN'S PARKSIDE AT TOWNGATE, L.L.C.
KHIP, L.L.C.
LANDARAMA, INC.
M&M AT CHESTERFIELD, LLC
M&M AT CRESCENT COURT, L.L.C.
M&M AT WEST ORANGE, L.L.C.
M&M AT WHEATENA URBAN RENEWAL, L.L.C.
MATZEL & MUMFORD AT EGG HARBOR, L.L.C.
MATZEL & MUMFORD AT SOUTH BOUND BROOK URBAN RENEWAL, L.L.C.
MCNJ, INC.

MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF PENNSYLVANIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF WEST VIRGINIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES, L.L.C.
MMIP, L.L.C.
NEW LAND TITLE AGENCY, LLC
PADDOCKS, L.L.C.
PARK TITLE COMPANY, LLC
PINE AYR, LLC
RIDGEMORE UTILITY, L.L.C.
SEABROOK ACCUMULATION CORPORATION
STONEBROOK HOMES, INC.
TERRAPIN REALTY, L.L.C.
THE MATZEL & MUMFORD ORGANIZATION, INC
WASHINGTON HOMES AT COLUMBIA TOWN CENTER, L.L.C.
WASHINGTON HOMES, INC.
WESTMINSTER HOMES, INC.
WH PROPERTIES, INC.
WOODLAND LAKE CONDOMINIUMS AT BOWIE NEW TOWN, L.L.C.

By: _____
Name: _____
Title: _____

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ABBREVIATIONS

The following abbreviations, when used in the inscription of the face of this Exchangeable Note, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM = as tenants in common

UNIF GIFT MIN ACT = Uniform Gifts to Minors Act

CUST = Custodian

TEN ENT = as tenants by the entireties

JT TEN = joint tenants with right of survivorship and not as tenants in common

Additional abbreviations may also be used though not in the above list.

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ATTACHMENT 1

[FORM OF NOTICE OF EXCHANGE]

To: K. HOVNANIAN ENTERPRISES, INC.

The undersigned registered owner of this Exchangeable Note hereby exercises the option to exchange this Exchangeable Note, or the portion hereof (that is \$1,000 Principal Amount at Maturity or an integral multiple thereof) below designated, into shares of Class A Common Stock (together with cash in lieu of any fractional share) in accordance with the terms of the Indenture referred to in this Exchangeable Note, and directs that any shares of Class A Common Stock issuable and deliverable upon such exchange, together with any cash for any fractional share of Class A Common Stock, and any Exchangeable Notes representing any unexchanged Principal Amount at Maturity hereof, be issued and delivered to the registered Holder of the Exchangeable Notes hereof unless a different name has been indicated below. If any shares of Class A Common Stock or any portion of this Exchangeable Note not exchanged are to be issued in the name of a Person other than the undersigned, the undersigned will pay all transfer taxes or similar governmental charges in accordance with Section 8.02(d) or (e) of the Supplemental Indenture, as applicable.

Dated: _____

Signature(s)

Signature Guarantee

Signature(s) must be guaranteed by an eligible Guarantor Institution (banks, stock brokers, savings and loan associations and credit unions) with

membership in an approved signature guarantee medallion program pursuant to Securities and Exchange Commission Rule 17Ad-15 if shares of Class A Common Stock are to be issued, or Exchangeable Notes are to be delivered, other than to and in the name of the registered holder.

Fill in for registration of shares if to be issued, and Exchangeable Notes if to be delivered, other than to and in the name of the registered holder:

(Name)

(Street Address)

(City, State and Zip Code)

Please print name and address

Principal Amount at Maturity to be exchanged (if less than all):
\$ _____,000

NOTICE: The above signature(s) of the Holder(s) hereof must correspond with the name as written upon the face of the Exchangeable Note in every particular without alteration or enlargement or any change whatever.

Social Security or Other Taxpayer Identification Number

ATTACHMENT 2

[FORM OF FUNDAMENTAL CHANGE REPURCHASE NOTICE]

To: K. HOVNANIAN ENTERPRISES, INC.

The undersigned registered owner of this Exchangeable Note hereby acknowledges receipt of a notice from K. Hovnanian Enterprises, Inc. (the "Issuer") as to the occurrence of a Fundamental Change and specifying the Fundamental Change Repurchase Date and requests and instructs the Issuer to pay to the registered holder hereof in accordance with the applicable provisions of the Indenture referred to in this Exchangeable Note the Accreted Principal Amount, as of the calendar day immediately preceding such Fundamental Change Repurchase Date, corresponding to the entire Principal Amount at Maturity of this Exchangeable Note, or the portion thereof (that is \$1,000 or an integral multiple thereof) below designated.

In the case of Physical Exchangeable Notes, the certificate numbers of the Exchangeable Notes to be repurchased are as set forth below:

Dated: _____

Signature(s)

Social Security or Other Taxpayer Identification Number

Principal Amount at Maturity to be repurchased (if less than all):
\$ _____,000

NOTICE: The above signature(s) of the Holder(s) hereof must correspond with the name as written upon the face of the Exchangeable Note in every particular without alteration or enlargement or any change whatever.

ATTACHMENT 3

[FORM OF ASSIGNMENT AND TRANSFER]

For value received _____ hereby sell(s), assign(s) and transfer(s) unto _____ (Please insert Social Security or Taxpayer Identification Number of assignee) the within Exchangeable Note, and hereby irrevocably constitutes and appoints _____ attorney to transfer the said Exchangeable Note on the books of the Issuer, with full power of substitution in the premises.

Signature(s)

Signature(s) must be guaranteed by an institution which is a member of one of the following recognized signature Guarantee Programs:

(i) The Securities Transfer Agent Medallion Program (STAMP); (ii) The New York Stock Exchange Medallion Program (MNSP); (iii) The Stock Exchange Medallion Program (SEMP) or (iv) another guarantee program acceptable to the Trustee.

Signature Guarantee

ATTACHMENT 4

COMPONENT AMORTIZING NOTE

A-12

K. HOVNIANIAN ENTERPRISES, INC.

11.00% SENIOR AMORTIZING NOTES DUE 2017

No. 1

Initial Number of Amortizing Notes: 100,000

K. HOVNIANIAN ENTERPRISES, INC., a California corporation (the “**Issuer**”, which term includes any successor under the Indenture hereinafter referred to), for value received, hereby promises to pay to CEDE & CO., as nominee of The Depository Trust Company, or registered assigns (the “**Holder**”), the initial principal amount of \$231.49 for each of the number of Amortizing Notes set forth above, or such other number of Amortizing Notes reflected on the books and records of the Depository and the Trustee, in accordance with the terms of the Indenture, but which number of Amortizing Notes, taken together with the number of all other outstanding Amortizing Notes, shall not exceed 100,000 Amortizing Notes at any time, in equal semi-annual installments (except for the first such payment) (each such payment, an “**Installment Payment**,” constituting a payment of interest at the rate per year of 11.00% and a partial repayment of principal) payable on each June 1 and December 1, commencing on June 1, 2013 (each such date, an “**Installment Payment Date**” and the period from, and including, October 2, 2012 to, but excluding, the first Installment Payment Date and each subsequent full semi-annual period from, and including, an Installment Payment Date to, but excluding, the immediately succeeding Installment Payment Date, an “**Installment Payment Period**”), all as set forth on the reverse hereof, with the final Installment Payment due and payable on December 1, 2017.

The Installment Payment on any Installment Payment Date shall be computed on the basis of a 360-day year consisting of twelve 30-day months. If an Installment Payment is payable for any period shorter or longer than a full Installment Payment Period, such Installment Payment shall be computed on the basis of the actual number of days elapsed per 30-day month. In the event that any Installment Payment Date is not a Business Day, then payment of the Installment Payment on such date shall be made on the next succeeding day that is a Business Day, and without any interest or other payment in respect of any such delay. However, if such Business Day is in the next succeeding calendar year, then such Installment Payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on the date when such Installment Payment was originally due. Installment Payments shall be paid to the Person in whose name the Amortizing Note is registered at the close of business on May 15 or November 15, as applicable (each, a “**Regular Record Date**”). Installment Payments shall be payable at the office or agency of the Issuer maintained for that purpose in the Borough of Manhattan, The City of New York or in Delaware; *provided, however*, that payment of Installment Payments may be made at the option of the Issuer by check mailed to the registered Holder at such address as shall appear in the Security register or by wire transfer to an account appropriately designated by the Holder entitled to payment.

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This Amortizing Note shall not be entitled to any benefit under the Indenture hereinafter referred to or be valid or obligatory for any purpose until the Certificate of Authentication shall have been manually signed by or on behalf of the Trustee.

Reference is hereby made to the further provisions of this Amortizing Note set forth on the reverse hereof, which will for all purposes have the same effect as if set forth at this place.

[SIGNATURES ON THE FOLLOWING PAGE]

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IN WITNESS WHEREOF, the Issuer has caused this instrument to be duly executed.

Dated: _____

K. HOVNIANIAN ENTERPRISES, INC.

By: _____
Name:
Title:

CERTIFICATE OF AUTHENTICATION

Wilmington Trust Company, as Trustee, certifies that this is one of the Securities of the series designated herein referred to in the within mentioned Indenture.

Dated:

WILMINGTON TRUST COMPANY, as Trustee

By: _____
Authorized Signatory

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REVERSE OF AMORTIZING NOTE

K. HOVNIANIAN ENTERPRISES, INC.

11.00% Senior Amortizing Notes due 2017

This Amortizing Note is one of a duly authorized series of Securities of the Issuer designated as its 11.00% Senior Amortizing Notes due 2017 (herein sometimes referred to as the “**Amortizing Notes**”), issued under the Senior Indenture, dated as of February 14, 2011, among the Issuer, Hovnianian Enterprises, Inc. (“**Hovnianian**”), the other Guarantors from time to time party thereto and Wilmington Trust Company, as trustee (the “**Trustee**,” which term includes any successor trustee under the Indenture) (including any provisions of the TIA that are deemed incorporated therein) (the “**Base Indenture**”), as supplemented by the Fifth Supplemental Indenture, dated as of October 2, 2012 (the “**Fifth Supplemental Indenture**”), among the Issuer, Hovnianian, the other Guarantors from time to time party thereto, and the Trustee (the Base Indenture as supplemented by the Fifth Supplemental Indenture, the “**Indenture**”), to which Indenture reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Issuer and the Holders. The terms of other series of Securities issued under the Indenture may vary with respect to interest rates, issue dates, maturity, redemption, repayment, currency of payment and otherwise as provided in the Indenture. The Indenture further provides that Securities of a single series may be issued at various times, with different maturity dates and may bear interest at different rates. This series of Securities is limited in initial aggregate principal amount as specified in the Fifth Supplemental Indenture.

Each Installment Payment shall constitute a payment of interest (at a rate of 11.00% per annum) and a partial repayment of principal on the Amortizing Note, allocated as set forth in the schedule below:

<u>Scheduled Installment Payment Date</u>	<u>Amount of Principal</u>	<u>Amount of Interest</u>
June 1, 2013	\$ 22.92	\$ 16.91
December 1, 2013	\$ 18.53	\$ 11.47
June 1, 2014	\$ 19.55	\$ 10.45
December 1, 2014	\$ 20.62	\$ 9.38
June 1, 2015	\$ 21.76	\$ 8.24
December 1, 2015	\$ 22.95	\$ 7.05
June 1, 2016	\$ 24.22	\$ 5.78
December 1, 2016	\$ 25.55	\$ 4.45
June 1, 2017	\$ 26.95	\$ 3.05
December 1, 2017	\$ 28.44	\$ 1.56

The Amortizing Notes shall not be subject to redemption at the option of the Issuer. However, a Holder shall have the right to require the Issuer to repurchase some or

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all of its Amortizing Notes for cash at the Repurchase Price per Amortizing Note and on the Repurchase Date, upon the occurrence of certain events and subject to the conditions set forth in the Indenture.

This Amortizing Note is not entitled to the benefit of any sinking fund. The Indenture contains provisions for defeasance and covenant defeasance at any time of the indebtedness on this Amortizing Note upon compliance by the Issuer with certain conditions set forth therein, which provisions apply to this Amortizing Note.

If an Event of Default with respect to the Amortizing Notes shall have occurred and be continuing, then (unless no declaration of acceleration or notice is required for such Event of Default) either the Trustee or the Holders of not less than 25% in principal amount of the Amortizing Notes then outstanding may declare all future, scheduled Installment Payments on the Amortizing Notes to be due and payable immediately, in the manner, subject to the conditions and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the Issuer and the Trustee, with the consent of the Holders of not less than a majority in principal amount of the Securities at the time outstanding, to execute supplemental indentures for certain purposes as described therein.

No provision of this Amortizing Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay Installment Payments on this Amortizing Note at the time, place and rate, and in the coin or currency, herein and in the Indenture prescribed.

The Amortizing Notes are guaranteed, on a senior basis, by the Guarantors as set forth in the Indenture and the Guarantee endorsed hereon.

The Amortizing Notes are originally being issued as part of the 6.00% Exchangeable Note Units (the “Units”) issued by Hovnanian and the Issuer pursuant to that certain Units Agreement, dated as of October 2, 2012, among Hovnanian, the Issuer and Wilmington Trust Company, as Units Agent (the “Units Agreement”). Reference is hereby made to the Units Agreement for a description of the terms thereof applicable to the Units.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Amortizing Note shall be registered on the Security register of the Issuer, upon due presentation of this Amortizing Note for registration of transfer at the office or agency of the Issuer in the Borough of Manhattan, The City of New York or in Delaware, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Issuer and the Trustee duly executed by, the Holder hereof or by his attorney duly authorized in writing, and thereupon the Issuer shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new Amortizing Note or Notes in authorized denominations and for a like aggregate principal amount.

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The Amortizing Notes are initially issued in registered, global form without coupons in denominations initially equal to \$231.49 and integral multiples in excess thereof.

The Issuer or Trustee may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer of this Amortizing Note. No service charge shall be made for any such transfer or for any exchange of this Amortizing Note as contemplated by the Indenture.

The Issuer, the Trustee and any agent of the Issuer or the Trustee may deem and treat the Person in whose name this Amortizing Note is registered upon the Security register for the Amortizing Notes as the absolute owner of this Amortizing Note (whether or not this Amortizing Note shall be overdue and notwithstanding any notation of ownership or other writing thereon) for the purpose of receiving payment of or on account of the principal of and, subject to the provisions of the Indenture, interest, if any, on this Amortizing Note and for all other purposes; and neither the Issuer nor the Trustee nor any agent of the Issuer or the Trustee shall be affected by any notice to the contrary.

This Amortizing Note and the Indenture, and any claim, controversy or dispute arising under or related to the Indenture or this Amortizing Note, shall for all purposes be governed by, and construed in accordance with, the laws of the State of New York.

Capitalized terms used but not defined in this Amortizing Note shall have the meanings ascribed to such terms in the Indenture.

No recourse shall be had for the payment of any Installment Payment on this Amortizing Note, or for any claim based hereon, or upon any obligation, covenant or agreement of the Issuer in the Indenture, against any incorporator, stockholder, officer or director, past, present or future of the Issuer or of any predecessor or successor, either directly or through the Issuer or any successor, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment of penalty or otherwise; and all such personal liability is expressly released and waived as a condition of, and as part of the consideration for, the issuance of this Amortizing Note.

In the event of any inconsistency between the provisions of this Amortizing Note and the provisions of the Indenture, the Indenture shall prevail.

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GUARANTEE

The undersigned (the “Guarantors”) hereby unconditionally guarantee, jointly and severally, to each Holder and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of the Indenture, the Amortizing Notes or the obligations of the Issuer thereunder or under the Amortizing Notes, that (i) the due and punctual payment of the principal of, interest on (including, without limitation, Installment Payments and the Repurchase Price of any Amortizing Notes payable pursuant to Article 9 of the Fifth Supplemental Indenture, if applicable), and all other amounts owing with respect to the Amortizing Notes, whether on the Maturity Date, on any Repurchase Date or on any Installment Payment Date, by acceleration or otherwise, if lawful, and all other obligations of the Issuer to the Holders or the Trustee thereunder or under the Amortizing Notes shall be promptly paid in full when due or performed in accordance with the terms of the Indenture and the Amortizing Notes, including all amounts payable to the Trustee, and (ii) in case of any extension of time of payment or renewal of any Amortizing Notes or any of such other obligations, the same shall be promptly paid in full when due or shall be performed in accordance with the terms of the extension or renewal, whether on the applicable due dates, by acceleration or otherwise (each such guarantee, a “Guarantee”).

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 an Amortizing Note by accepting an Amortizing 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 an Amortizing Note by accepting an Amortizing 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 Amortizing 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.

The Guarantee, and any claim, controversy or dispute arising under or related to the Guarantee, shall be governed by and construed in accordance with the laws of the State of New York.

In the event of any inconsistency between the provisions of this Guarantee and the provisions of the Indenture, the Indenture shall prevail.

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IN WITNESS WHEREOF, the Guarantors have caused this instrument to be executed.

Dated: _____

ARBOR TRAILS, LLC
AUDDIE ENTERPRISES, L.L.C.
BUILDER SERVICES NJ, L.L.C.
BUILDER SERVICES PA, L.L.C.
DULLES COPPERMINE, L.L.C.
EASTERN NATIONAL TITLE AGENCY, LLC
EASTERN TITLE AGENCY, INC.
F&W MECHANICAL SERVICES, L.L.C.
FOUNDERS TITLE AGENCY OF MARYLAND, L.L.C.
FOUNDERS TITLE AGENCY, INC.
GOVERNOR'S ABSTRACT CO., INC.
HOMEBUYERS FINANCIAL SERVICES, L.L.C.
HOVNANIAN DEVELOPMENTS OF FLORIDA, INC.
HOVNANIAN ENTERPRISES, INC. (PARENT COMPANY)
HOVNANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP, L.L.C.
K. HOV IP, II, INC.
K. HOV IP, INC.
K. HOVNANIAN ACQUISITIONS, INC.
K. HOVNANIAN AT 4S, LLC
K. HOVNANIAN AT ACQUA VISTA, LLC
K. HOVNANIAN AT ALISO, LLC
K. HOVNANIAN AT ALLENTOWN, L.L.C.
K. HOVNANIAN AT ANDALUSIA, LLC
K. HOVNANIAN AT ARBOR HEIGHTS, LLC
K. HOVNANIAN AT AVENUE ONE, L.L.C.
K. HOVNANIAN AT BAKERSFIELD 463, L.L.C.
K. HOVNANIAN AT BARNEGAT I, L.L.C.
K. HOVNANIAN AT BARNEGAT II, L.L.C.
K. HOVNANIAN AT BELLA LAGO, LLC
K. HOVNANIAN AT BENSLEM, LLC
K. HOVNANIAN AT BERKELEY, L.L.C.
K. HOVNANIAN AT BLUE HERON PINES, L.L.C.
K. HOVNANIAN AT BRANCHBURG, L.L.C.
K. HOVNANIAN AT BRIDGEPORT, INC.
K. HOVNANIAN AT BRIDGEWATER I, L.L.C.
K. HOVNANIAN AT BROAD AND WALNUT, L.L.C.
K. HOVNANIAN AT CAMERON CHASE, INC.
K. HOVNANIAN AT CAMP HILL, L.L.C.
K. HOVNANIAN AT CAPISTRANO, L.L.C.
K. HOVNANIAN AT CARLSBAD, LLC
K. HOVNANIAN AT CEDAR GROVE III, L.L.C.
K. HOVNANIAN AT CEDAR GROVE V, L.L.C.
K. HOVNANIAN AT CHARTER WAY, LLC
K. HOVNANIAN AT CHESTER I, L.L.C.
K. HOVNANIAN AT CHESTERFIELD, L.L.C.
K. HOVNANIAN AT CIELO, L.L.C.

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K. HOVNANIAN AT CLIFTON, L.L.C.
K. HOVNANIAN AT COASTLINE, L.L.C.
K. HOVNANIAN AT CORTEZ HILL, LLC
K. HOVNANIAN AT CRANBURY, L.L.C.
K. HOVNANIAN AT DENVILLE, L.L.C.
K. HOVNANIAN AT DEPTFORD TOWNSHIP, L.L.C.
K. HOVNANIAN AT DOMINGUEZ HILLS, INC.
K. HOVNANIAN AT EAST BRANDYWINE, L.L.C.
K. HOVNANIAN AT EASTLAKE, LLC
K. HOVNANIAN AT EDGEWATER II, L.L.C.
K. HOVNANIAN AT EDGEWATER, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH II, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH, L.L.C.
K. HOVNANIAN AT ENCINITAS RANCH, LLC
K. HOVNANIAN AT EVERGREEN, L.L.C.
K. HOVNANIAN AT FIDDYMENT RANCH, LLC
K. HOVNANIAN AT FIFTH AVENUE, L.L.C.
K. HOVNANIAN AT FLORENCE I, L.L.C.
K. HOVNANIAN AT FLORENCE II, L.L.C.
K. HOVNANIAN AT FOREST MEADOWS, L.L.C.
K. HOVNANIAN AT FRANKLIN II, L.L.C.
K. HOVNANIAN AT FRANKLIN, L.L.C.
K. HOVNANIAN AT FREEHOLD TOWNSHIP, L.L.C.
K. HOVNANIAN AT FRESNO, LLC
K. HOVNANIAN AT GASLAMP SQUARE, L.L.C.
K. HOVNANIAN AT GILROY, LLC
K. HOVNANIAN AT GREAT NOTCH, L.L.C.
K. HOVNANIAN AT GUTTENBERG, L.L.C.
K. HOVNANIAN AT HACKETTSTOWN II, L.L.C.
K. HOVNANIAN AT HAMBURG, L.L.C.
K. HOVNANIAN AT HAWTHORNE, L.L.C.
K. HOVNANIAN AT HERSHEY'S MILL, INC.
K. HOVNANIAN AT HIGHLAND SHORES, L.L.C.
K. HOVNANIAN AT HOWELL, LLC
K. HOVNANIAN AT HUDSON POINTE, L.L.C.
K. HOVNANIAN AT JACKSON I, L.L.C.
K. HOVNANIAN AT JACKSON, L.L.C.
K. HOVNANIAN AT JAEGER RANCH, LLC
K. HOVNANIAN AT JERSEY CITY IV, L.L.C.
K. HOVNANIAN AT JERSEY CITY V URBAN RENEWAL COMPANY, L.L.C.
K. HOVNANIAN AT KEYPORT, L.L.C.
K. HOVNANIAN AT LA COSTA GREENS, L.L.C.
K. HOVNANIAN AT LA COSTA, LLC
K. HOVNANIAN AT LA HABRA KNOLLS, LLC
K. HOVNANIAN AT LA LAGUNA, L.L.C.
K. HOVNANIAN AT LAKE RANCHO VIEJO, LLC
K. HOVNANIAN AT LAKE TERRAPIN, L.L.C.
K. HOVNANIAN AT LAWRENCE V, L.L.C.
K. HOVNANIAN AT LEE SQUARE, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR, L.L.C.
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LOWER MAKEFIELD TOWNSHIP I, L.L.C.

K. HOVNANIAN AT LOWER MORELAND I, L.L.C.
K. HOVNANIAN AT LOWER MORELAND II, L.L.C.
K. HOVNANIAN AT MAHWAH VI, INC.
K. HOVNANIAN AT MALAN PARK, L.L.C.
K. HOVNANIAN AT MANALAPAN III, L.L.C.
K. HOVNANIAN AT MANSFIELD I, L.L.C.
K. HOVNANIAN AT MANSFIELD II, L.L.C.
K. HOVNANIAN AT MANSFIELD III, L.L.C.
K. HOVNANIAN AT MANTECA, LLC
K. HOVNANIAN AT MAPLE AVENUE, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP IX, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP V, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP VIII, L.L.C.
K. HOVNANIAN AT MARLBORO VI, L.L.C.
K. HOVNANIAN AT MARLBORO VII, L.L.C.

K. HOVNANIAN AT MELANIE MEADOWS, LLC
K. HOVNANIAN AT MENDHAM TOWNSHIP, L.L.C.
K. HOVNANIAN AT MENIFEE, LLC
K. HOVNANIAN AT MIDDLE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT MIDDLE TOWNSHIP, L.L.C.
K. HOVNANIAN AT MIDDLETOWN II, L.L.C.
K. HOVNANIAN AT MILLVILLE I, L.L.C.
K. HOVNANIAN AT MILLVILLE II, L.L.C.
K. HOVNANIAN AT MONROE II, INC.
K. HOVNANIAN AT MONROE IV, L.L.C.
K. HOVNANIAN AT MONROE NJ, L.L.C.
K. HOVNANIAN AT MONTVALE II, LLC
K. HOVNANIAN AT MONTVALE, L.L.C.
K. HOVNANIAN AT MOSAIC, LLC
K. HOVNANIAN AT MUIRFIELD, LLC
K. HOVNANIAN AT NEW WINDSOR, L.L.C.
K. HOVNANIAN AT NORTH BERGEN. L.L.C.
K. HOVNANIAN AT NORTH BRUNSWICK VI, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL II, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL III, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL IV, L.L.C.
K. HOVNANIAN AT NORTH HALEDON, L.L.C.
K. HOVNANIAN AT NORTH WILDWOOD, L.L.C.
K. HOVNANIAN AT NORTHAMPTON, L.L.C.
K. HOVNANIAN AT NORTHERN WESTCHESTER, INC.
K. HOVNANIAN AT NORTHFIELD, L.L.C.
K. HOVNANIAN AT OCEAN TOWNSHIP, INC
K. HOVNANIAN AT OCEAN WALK, INC.
K. HOVNANIAN AT OCEANPORT, L.L.C.
K. HOVNANIAN AT OLD BRIDGE, L.L.C.
K. HOVNANIAN AT OLDE ORCHARD, LLC
K. HOVNANIAN AT PARAMUS, L.L.C.
K. HOVNANIAN AT PARK LANE, LLC
K. HOVNANIAN AT PARKSIDE, LLC
K. HOVNANIAN AT PARSIPPANY, L.L.C.
K. HOVNANIAN AT PARSIPPANY-TROY HILLS, L.L.C.
K. HOVNANIAN AT PIAZZA D'ORO, L.L.C.
K. HOVNANIAN AT PIAZZA SERENA, L.L.C
K. HOVNANIAN AT PITTSBORO, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL IV, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL V, L.L.C.

K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VI, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VII, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VIII, L.L.C.
K. HOVNANIAN AT POSITANO, LLC
K. HOVNANIAN AT PRADO, L.L.C.
K. HOVNANIAN AT RANCHO SANTA MARGARITA, LLC
K. HOVNANIAN AT RANDOLPH I, L.L.C.
K. HOVNANIAN AT RAPHO, L.L.C
K. HOVNANIAN AT RIDGEMONT, L.L.C.
K. HOVNANIAN AT RIVERBEND, LLC
K. HOVNANIAN AT RODERUCK, L.L.C.
K. HOVNANIAN AT ROSEMARY LANTANA, L.L.C.
K. HOVNANIAN AT SAGE, L.L.C.
K. HOVNANIAN AT SANTA NELLA, LLC
K. HOVNANIAN AT SAWMILL, INC.
K. HOVNANIAN AT SAYREVILLE, L.L.C.
K. HOVNANIAN AT SCOTCH PLAINS, L.L.C.
K. HOVNANIAN AT SEASONS LANDING, LLC
K. HOVNANIAN AT SHELDON GROVE, LLC
K. HOVNANIAN AT SHREWSBURY, LLC
K. HOVNANIAN AT SILVER SPRING, L.L.C.
K. HOVNANIAN AT SKYE ISLE, LLC
K. HOVNANIAN AT SMITHVILLE, INC.
K. HOVNANIAN AT SOMERS POINT, L.L.C.
K. HOVNANIAN AT SOUTH BRUNSWICK II, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK, L.L.C.
K. HOVNANIAN AT STANTON, LLC
K. HOVNANIAN AT STATION SQUARE, L.L.C.
K. HOVNANIAN AT SUNRIDGE PARK, LLC

K. HOVNIANIAN AT SYCAMORE, INC.
K. HOVNIANIAN AT THE CROSBY, LLC
K. HOVNIANIAN AT THE GABLES, LLC
K. HOVNIANIAN AT THE MONARCH, L.L.C.
K. HOVNIANIAN AT THE PRESERVE, LLC
K. HOVNIANIAN AT THOMPSON RANCH, LLC
K. HOVNIANIAN AT THORNBURY, INC.
K. HOVNIANIAN AT TRAIL RIDGE, LLC
K. HOVNIANIAN AT UPPER FREEHOLD TOWNSHIP II, L.L.C.
K. HOVNIANIAN AT UPPER FREEHOLD TOWNSHIP III, L.L.C.
K. HOVNIANIAN AT UPPER MAKEFIELD I, INC.
K. HOVNIANIAN AT UPPER PROVIDENCE, LLC
K. HOVNIANIAN AT UPPER UWCHLAN II, L.L.C.
K. HOVNIANIAN AT UPPER UWCHLAN, L.L.C.
K. HOVNIANIAN AT VALLE DEL SOL, LLC
K. HOVNIANIAN AT VERONA URBAN RENEWAL, L.L.C.
K. HOVNIANIAN AT VICTORVILLE, L.L.C.
K. HOVNIANIAN AT VINELAND, L.L.C.
K. HOVNIANIAN AT VISTA DEL SOL, L.L.C.
K. HOVNIANIAN AT WARREN TOWNSHIP, L.L.C.
K. HOVNIANIAN AT WASHINGTON, L.L.C.
K. HOVNIANIAN AT WATERSTONE, LLC
K. HOVNIANIAN AT WAYNE IX, L.L.C.
K. HOVNIANIAN AT WAYNE, VIII, L.L.C.
K. HOVNIANIAN AT WEST VIEW ESTATES, L.L.C.
K. HOVNIANIAN AT WEST WINDSOR, L.L.C.
K. HOVNIANIAN AT WESTSHORE, LLC

K. HOVNIANIAN AT WHEELER RANCH, LLC
K. HOVNIANIAN AT WILDWOOD BAYSIDE, L.L.C.
K. HOVNIANIAN AT WILLOW BROOK, L.L.C.
K. HOVNIANIAN AT WINCHESTER, LLC
K. HOVNIANIAN AT WOODCREEK WEST, LLC
K. HOVNIANIAN AT WOOLWICH I, L.L.C.
K. HOVNIANIAN CAMBRIDGE HOMES, L.L.C.
K. HOVNIANIAN CENTRAL ACQUISITIONS, L.L.C.
K. HOVNIANIAN CLASSICS, L.L.C.
K. HOVNIANIAN COMMUNITIES, INC.
K. HOVNIANIAN COMPANIES OF CALIFORNIA, INC.
K. HOVNIANIAN COMPANIES OF MARYLAND, INC.
K. HOVNIANIAN COMPANIES OF NEW YORK, INC.
K. HOVNIANIAN COMPANIES OF PENNSYLVANIA, INC.
K. HOVNIANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.
K. HOVNIANIAN COMPANIES, LLC
K. HOVNIANIAN CONSTRUCTION II, INC
K. HOVNIANIAN CONSTRUCTION III, INC
K. HOVNIANIAN CONSTRUCTION MANAGEMENT, INC.
K. HOVNIANIAN CRAFTBUILT HOMES OF SOUTH CAROLINA, L.L.C.
K. HOVNIANIAN DEVELOPMENTS OF ARIZONA, INC.
K. HOVNIANIAN DEVELOPMENTS OF CALIFORNIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF D.C., INC.
K. HOVNIANIAN DEVELOPMENTS OF DELAWARE, INC.
K. HOVNIANIAN DEVELOPMENTS OF GEORGIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF ILLINOIS, INC.
K. HOVNIANIAN DEVELOPMENTS OF KENTUCKY, INC.
K. HOVNIANIAN DEVELOPMENTS OF MARYLAND, INC.
K. HOVNIANIAN DEVELOPMENTS OF MINNESOTA, INC.
K. HOVNIANIAN DEVELOPMENTS OF NEW JERSEY II, INC.
K. HOVNIANIAN DEVELOPMENTS OF NEW JERSEY, INC.
K. HOVNIANIAN DEVELOPMENTS OF NEW YORK, INC.
K. HOVNIANIAN DEVELOPMENTS OF NORTH CAROLINA, INC.
K. HOVNIANIAN DEVELOPMENTS OF OHIO, INC.
K. HOVNIANIAN DEVELOPMENTS OF PENNSYLVANIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.
K. HOVNIANIAN DEVELOPMENTS OF TEXAS, INC.
K. HOVNIANIAN DEVELOPMENTS OF VIRGINIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF WEST VIRGINIA, INC.
K. HOVNIANIAN EASTERN PENNSYLVANIA, L.L.C.
K. HOVNIANIAN ENTERPRISES, INC.
K. HOVNIANIAN FIRST HOMES, L.L.C.
K. HOVNIANIAN FLORIDA REALTY, L.L.C.
K. HOVNIANIAN FOUR SEASONS @ HISTORIC VIRGINIA, LLC

K. HOVNANIAN FOUR SEASONS AT GOLD HILL, LLC
K. HOVNANIAN GREAT WESTERN BUILDING COMPANY, LLC
K. HOVNANIAN GREAT WESTERN HOMES, LLC
K. HOVNANIAN HAMPTONS AT OAK CREEK II, L.L.C.
K. HOVNANIAN HOLDINGS NJ, L.L.C.
K. HOVNANIAN HOMES - DFW, L.L.C.
K. HOVNANIAN HOMES AT CAMERON STATION, LLC
K. HOVNANIAN HOMES AT CAMP SPRINGS, L.L.C.
K. HOVNANIAN HOMES AT FAIRWOOD, L.L.C.
K. HOVNANIAN HOMES AT FOREST RUN, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM PARK TOWNS, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM, L.L.C.

K. HOVNANIAN HOMES AT JONES STATION 1, L.L.C.
K. HOVNANIAN HOMES AT MAXWELL PLACE, L.L.C.
K. HOVNANIAN HOMES AT RENAISSANCE PLAZA, L.L.C.
K. HOVNANIAN HOMES AT RUSSETT, L.L.C.
K. HOVNANIAN HOMES AT THE HIGHLANDS, LLC
K. HOVNANIAN HOMES NORTHERN CALIFORNIA, INC.
K. HOVNANIAN HOMES OF D.C., L.L.C.
K. HOVNANIAN HOMES OF DELAWARE, L.L.C.
K. HOVNANIAN HOMES OF GEORGIA, L.L.C.
K. HOVNANIAN HOMES OF HOUSTON, L.L.C.
K. HOVNANIAN HOMES OF MARYLAND, L.L.C.
K. HOVNANIAN HOMES OF MINNESOTA, L.L.C.
K. HOVNANIAN HOMES OF NORTH CAROLINA, INC.
K. HOVNANIAN HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN HOMES OF SOUTH CAROLINA, LLC
K. HOVNANIAN HOMES OF VIRGINIA, INC.
K. HOVNANIAN HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN LIBERTY ON BLUFF CREEK, LLC
K. HOVNANIAN NORTH CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTHEAST SERVICES, L.L.C.
K. HOVNANIAN OF HOUSTON II, L.L.C.
K. HOVNANIAN OHIO REALTY, L.L.C.
K. HOVNANIAN OSTER HOMES, L.L.C.
K. HOVNANIAN PA REAL ESTATE, INC.
K. HOVNANIAN PENNSYLVANIA ACQUISITIONS, L.L.C.
K. HOVNANIAN PORT IMPERIAL URBAN RENEWAL, INC.
K. HOVNANIAN PROPERTIES OF RED BANK, INC.
K. HOVNANIAN SHORE ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTHERN NEW JERSEY, L.L.C.
K. HOVNANIAN STANDING ENTITY, L.L.C.
K. HOVNANIAN SUMMIT HOLDINGS, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF KENTUCKY, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES, L.L.C.
K. HOVNANIAN T&C HOMES AT FLORIDA, L.L.C.
K. HOVNANIAN T&C HOMES AT ILLINOIS, L.L.C.
K. HOVNANIAN TIMBRES AT ELM CREEK, LLC
K. HOVNANIAN VENTURE I, L.L.C.
K. HOVNANIAN WINDWARD HOMES, LLC
K. HOVNANIAN'S FOUR SEASONS AT ASHBURN VILLAGE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT BAKERSFIELD, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT BEAUMONT, LLC
K. HOVNANIAN'S FOUR SEASONS AT CHARLOTTESVILLE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT HEMET, LLC
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND CONDOMINIUMS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT LOS BANOS, LLC
K. HOVNANIAN'S FOUR SEASONS AT MORENO VALLEY, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT NEW KENT VINEYARDS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT PALM SPRINGS, LLC
K. HOVNANIAN'S FOUR SEASONS AT RENAISSANCE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK II, LLC
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT ST. MARGARETS LANDING, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT VINT HILL, L.L.C.
K. HOVNANIAN'S FOUR SEASONS, LLC
K. HOVNANIAN'S PARKSIDE AT TOWNGATE, L.L.C.
KHIP, L.L.C.
LANDARAMA, INC.
M&M AT CHESTERFIELD, LLC
M&M AT CRESCENT COURT, L.L.C.
M&M AT WEST ORANGE, L.L.C.
M&M AT WHEATENA URBAN RENEWAL, L.L.C.
MATZEL & MUMFORD AT EGG HARBOR, L.L.C.
MATZEL & MUMFORD AT SOUTH BOUND BROOK URBAN RENEWAL, L.L.C.
MCNJ, INC.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF PENNSYLVANIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF WEST VIRGINIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES, L.L.C.
MMIP, L.L.C.
NEW LAND TITLE AGENCY, LLC
PADDOCKS, L.L.C.
PARK TITLE COMPANY, LLC
PINE AYR, LLC
RIDGEMORE UTILITY, L.L.C.
SEABROOK ACCUMULATION CORPORATION
STONEBROOK HOMES, INC.
TERRAPIN REALTY, L.L.C.
THE MATZEL & MUMFORD ORGANIZATION, INC
WASHINGTON HOMES AT COLUMBIA TOWN CENTER, L.L.C.
WASHINGTON HOMES, INC.
WESTMINSTER HOMES, INC.
WH PROPERTIES, INC.
WOODLAND LAKE CONDOMINIUMS AT BOWIE NEW TOWN, L.L.C.

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By: _____

Name:

Title:

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ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers this Amortizing Note to:

(Insert assignee's social security or tax identification number)

(Insert address and zip code of assignee)
and irrevocably appoints

agent to transfer this Amortizing Note on the books of the Issuer. The agent may substitute another to act for him or her.

Date: _____

Signature:

Signature Guarantee:

(Sign exactly as your name appears on the other side of this Amortizing Note)

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SIGNATURE GUARANTEE

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Security registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Security registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

By: _____
Name:
Title:

as Trustee

By: _____
Name:
Title:

Attest

By: _____
Name:
Title:

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FORM OF REPURCHASE NOTICE

TO: K. HOVNANIAN ENTERPRISES, INC.
WILMINGTON TRUST COMPANY, as Trustee

The undersigned registered Holder hereby irrevocably acknowledges receipt of a notice from K. Hovnanian Enterprises, Inc. (the “**Issuer**”) regarding the right of Holders to elect to require the Issuer to repurchase the Amortizing Notes and requests and instructs the Issuer to pay, for each Amortizing Note designated below, the Repurchase Price for such Amortizing Notes (determined as set forth in the Indenture), in accordance with the terms of the Indenture and the Amortizing Notes, to the registered Holder hereof. Capitalized terms used herein but not defined shall have the meanings ascribed to such terms in the Indenture. The Amortizing Notes shall be repurchased by the Issuer as of the Repurchase Date pursuant to the terms and conditions specified in the Indenture.

Dated: _____

Signature: _____

NOTICE: The above signature of the Holder hereof must correspond with the name as written upon the face of the Amortizing Notes in every particular without alteration or enlargement or any change whatever.

Amortizing Notes Certificate Number (if applicable):

Number of Amortizing Notes to be repurchased (if less than all, must be one Amortizing Note or integral multiples in excess thereof):

Social Security or Other Taxpayer Identification Number:

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**K. HOVNANIAN ENTERPRISES, INC.
HOVNANIAN ENTERPRISES, INC.
AND THE OTHER GUARANTORS PARTY HERETO**

11.00% Senior Amortizing Notes due 2017

Fifth Supplemental Indenture

Dated as of October 2, 2012

Supplement to Senior Indenture Dated as of February 14, 2011

WILMINGTON TRUST COMPANY,

as Trustee

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SCHEDULE:

1. Guarantors

EXHIBIT:

- A. Form of Amortizing Note
B. Form of Supplemental Indenture

FIFTH SUPPLEMENTAL INDENTURE dated as of October 2, 2012 (“**Supplemental Indenture**”) by and among K. HOVNANIAN ENTERPRISES, INC., a California corporation (the “**Issuer**”), HOVNANIAN ENTERPRISES, INC., a Delaware corporation (“**Hovnanian**”), each of the Guarantors (as defined herein) and WILMINGTON TRUST COMPANY, a Delaware banking corporation, as trustee (the “**Trustee**”), supplementing the Senior Indenture dated as of February 14, 2011 by and among the Issuer, Hovnanian, the Guarantors and the Trustee (the “**Base Indenture**” and, as supplemented by this Supplemental Indenture, the “**Indenture**”).

RECITALS OF THE ISSUER:

WHEREAS, the Issuer has duly authorized the execution and delivery of the Base Indenture to provide for the issuance from time to time of the Issuer’s unsecured and unsubordinated debentures, notes or other evidences of indebtedness (the “**Securities**”) to be issued in one or more series;

WHEREAS, the Issuer, Hovnanian and the other Guarantors desire and have requested the Trustee to join them in the execution and delivery of this Supplemental Indenture in order to establish and provide for the issuance by the Issuer of a series of Securities designated as its 11.00% Senior Amortizing Notes due 2017 (the “**Amortizing Notes**,” and each \$231.49 of initial principal amount of such Securities, an “**Amortizing Note**”), substantially in the form attached hereto as Exhibit A and guaranteed by Hovnanian and the other Guarantors (as defined herein), on the terms set forth herein;

WHEREAS, each Guarantor desires to make the applicable Guarantee provided for in this Indenture;

WHEREAS, the Issuer now wishes to issue Amortizing Notes in an initial aggregate principal amount of \$23,149,000, each Amortizing Note initially to be issued as a component of the Units (as defined herein) being issued on the date hereof by Hovnanian and the Issuer pursuant to the Units Agreement, dated as of October 2, 2012, among Hovnanian, the Issuer and Wilmington Trust Company, as Units Agent (the “**Units Agreement**”);

WHEREAS, Section 8.1 of the Base Indenture provides that a supplemental indenture may be entered into without the consent of the holders of any Securities by the Issuer, Hovnanian and the other Guarantors, and the Trustee for such purpose provided certain conditions are met;

WHEREAS, the conditions set forth in the Base Indenture for the execution and delivery of this Supplemental Indenture have been complied with; and

WHEREAS, all things necessary to make this Supplemental Indenture a valid agreement of the Issuer, Hovnanian and the other Guarantors, and the Trustee, in accordance with its terms, and a valid amendment of, and supplement to, the Base Indenture have been done;

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE WITNESSETH:

In consideration of the premises and the purchase and acceptance of the Amortizing Notes by the Holders thereof, the Issuer, Hovnanian and the other Guarantors mutually covenant and agree with the Trustee, for the equal and ratable benefit of the Holders of the Amortizing Notes, that the Base Indenture is supplemented and amended, to the extent expressed herein, as follows:

ARTICLE 1 SCOPE OF SUPPLEMENTAL INDENTURE; GENERAL

Section 1.01. *Scope of Supplemental Indenture; General.* This Supplemental Indenture supplements, and to the extent inconsistent therewith, replaces the provisions of the Base Indenture, to which provisions reference is hereby made.

The changes, modifications and supplements to the Base Indenture effected by this Supplemental Indenture shall be applicable only with respect to, and govern the terms of, the Amortizing Notes (which shall be initially in the aggregate principal amount of \$23,149,000) and shall not apply to any other Securities that may be issued under the Indenture unless a supplemental indenture with respect to such other Securities specifically incorporates such changes, modifications and supplements. Pursuant to this Supplemental Indenture, there is hereby created and designated a series of Securities under the Indenture entitled “11.00% Senior Amortizing Notes due 2017.” The Amortizing Notes may be issued in accordance with the provisions of Article Two of the Base Indenture, as modified pursuant to the terms hereof. The Amortizing Notes shall be guaranteed by the Guarantors as provided in such form and the Indenture.

ARTICLE 2 CERTAIN DEFINITIONS

Section 2.01. *Certain Definitions.* Section 1.1 of the Base Indenture is hereby amended by adding the following definitions in their proper alphabetical order which, in the event of a conflict with the definition of terms in the Base Indenture, shall govern. Capitalized terms used but not defined herein have the meanings ascribed to such terms in the Base Indenture.

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

“**Amortizing Note**” and “**Amortizing Notes**” have the respective meanings ascribed to such terms in the preamble of the Amortizing Notes Supplemental Indenture

and includes, for the avoidance of doubt, both Separate Amortizing Notes and Amortizing Notes that constitute part of a Unit.

“**Amortizing Notes Supplemental Indenture**” means the Fifth Supplemental Indenture, dated as of October 2, 2012, among the Issuer, Hovnanian, certain of its Subsidiaries and the Trustee.

“**Applicable Debt**” means all Indebtedness of Hovnanian or the Issuer under the Issuer’s or Hovnanian’s senior notes and senior subordinated notes outstanding on the Issue Date.

“**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 foreign, federal or state law for the relief of debtors.

“**Base Indenture**” has the meaning ascribed to it in the preamble of the Amortizing Notes Supplemental Indenture.

“**Business Day**” means, with respect to the Amortizing Notes, any day other than a Saturday, Sunday or any day on which banking institutions in New York, New York are authorized or obligated by applicable law or executive order to close or be closed.

“**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.

“**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.

“**Certificated Amortizing Note**” means an Amortizing Note in definitive registered form without interest coupons.

“**Class A Common Stock**” means the Class A common stock, par value \$0.01 per share, of Hovnanian as it existed on the Issue Date (or, at any time following any Share Exchange Event, any common stock constituting Reference Property at such time).

“**close of business**” means 5:00 p.m. (New York City time).

“**Common Equity**” of any Person means Capital Stock of such Person that is generally entitled (a) to vote in the election of directors of such Person or (b) if such Person is not a corporation, to vote or otherwise participate in the selection of the

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governing body, partners, managers or others that will control the management or policies of such Person, and in each case, not entitled to any preference in respect of dividends or amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of such Person.

“**Component Amortizing Note**” means an Amortizing Note attached to a Global Unit that (a) shall evidence the number of Amortizing Notes specified therein that are components of the Units evidenced by such Global Unit, (b) shall be registered on the security register for the Amortizing Notes in the name of the Depositary or a nominee thereof, and (c) shall be held by the Units Agent, as custodian of such Global Unit for the Depositary.

“**Continuing Director**” means a director who either was a member of Hovnanian’s Board of Directors on September 19, 2012 or who becomes a member of Hovnanian’s Board of Directors subsequent to that date and whose election, appointment or nomination for election by Hovnanian’s stockholders is duly approved by a majority of the Continuing Directors on Hovnanian’s Board of Directors at the time of such approval, either by a specific vote or by approval of the proxy statement issued by Hovnanian on behalf of Hovnanian’s entire Board of Directors in which such individual is named as nominee for director. Solely for purposes of this definition, notwithstanding anything to the contrary in the Base Indenture, “Board of Directors” means the board of directors of Hovnanian and does not include any committee thereof or any director or officer to whom such board or any such committee shall have delegated its authority.

“**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.

“**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.

“**Definitive Unit**” has the meaning set forth in the Units Agreement.

“**DTC**” has the meaning ascribed to such term in Section 7.03 of the Amortizing Notes Supplemental Indenture.

“**Event of Default**” means any event specified as such in Section 4.02(a) of the Amortizing Notes Supplemental Indenture.

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

“**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 Hovnanian, as evidenced by a resolution of such Board of Directors.

A “**Fundamental Change**” shall be deemed to have occurred if any of the following occurs at any time after the Issue Date:

(a) a “person” or “group” within the meaning of Section 13(d) of the Exchange Act (other than Hovnanian, its wholly-owned Subsidiaries, its and their employee benefit plans and, solely with respect to sub-clause (i) below, any Permitted Hovnanian Holder) has become the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act) (i) of Hovnanian’s Common Equity representing more than 50% of the voting power of Hovnanian’s Common Equity or (ii) of more than 50% of the outstanding shares of Class A Common Stock;

(b) the consummation of (i) any recapitalization, reclassification or change of the Class A Common Stock (other than changes resulting from a subdivision or combination) as a result of which the Class A Common Stock would be converted into, or exchanged for, stock, other securities, other property or assets; (ii) any share exchange, consolidation or merger or similar transaction involving Hovnanian pursuant to which the Class A Common Stock will be converted into cash, securities or other property; or (iii) any sale, lease, conveyance or other transfer in one transaction or a series of transactions of all or substantially all of the consolidated assets of Hovnanian and its Subsidiaries, taken as a whole, to any Person other than one of Hovnanian’s Subsidiaries; *provided, however*, that a transaction described in clause (ii) in which the holders of all classes of Hovnanian’s Common Equity immediately prior to such transaction own, directly or indirectly, more than 50% of all classes of Common Equity of the continuing or surviving corporation or transferee or the parent thereof immediately after such transaction in substantially the same proportions as such ownership immediately prior to such transaction shall not be a Fundamental Change pursuant to this clause (b);

(c) Continuing Directors cease to constitute at least a majority of Hovnanian’s Board of Directors;

(d) Hovnanian’s stockholders approve any plan or proposal for the liquidation or dissolution of Hovnanian; or

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(e) the Class A Common Stock (or other common stock constituting Reference Property) ceases to be listed or quoted on any of The New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or any of their respective successors);

provided, however, that a transaction or transactions described in clause (a) or (b) above shall not constitute a Fundamental Change if at least 90% of the consideration received or to be received by the holders of Class A Common Stock, excluding cash payments for fractional shares, in connection with such transaction or transactions consists of shares of common stock that are listed or quoted on any of The New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or any of their respective successors) or will be so listed or quoted when issued or exchanged in connection with such transaction or transactions, and such transaction or transactions constitute a Share Exchange Event as a result of which such consideration will constitute Reference Property.

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

“**Global Amortizing Note**” means a Global Security evidencing Amortizing Notes in the form of Exhibit A hereto.

“**Global Amortizing Note Holder**” has the meaning ascribed to such term in Section 7.03 of the Amortizing Notes Supplemental Indenture.

“**Global Unit**” has the meaning ascribed to such term in the Units Agreement.

“**guarantee**” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person:

(a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise); or

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(b) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof, in whole or in part;

provided that the term “**guarantee**” does not include endorsements for collection or deposit in the ordinary course of business. The term “**guarantee**” used as a verb has a corresponding meaning.

“**Guarantee**” has the meaning ascribed to it in Section 5.02 of the Amortizing Notes Supplemental Indenture.

“**Guarantee Notation**” means a Guarantee Notation substantially in the form included in the form of Amortizing Note attached as Exhibit A to the Amortizing Notes Supplemental Indenture.

“**Guarantors**” means (a) initially, Hovnanian and each of the other Guarantors signatory hereto as set forth on Schedule 1 to the Amortizing Notes Supplemental Indenture, and (b) each of Hovnanian’s Subsidiaries that executes a supplemental indenture in the form of Exhibit B to the Amortizing Notes Supplemental Indenture providing for the guarantee of the payment of the Amortizing Notes, or any successor obligor under its Guarantee pursuant to Article Nine of the Base Indenture (as modified by Section 3.07 of the Amortizing Notes Supplemental Indenture), in each case, unless and until such Guarantor is released from its Guarantee pursuant to the Indenture.

“**Holder**”, “**Holder of Securities**”, “**Securityholder**” and similar terms mean in the case of an Amortizing Note, the Person in whose name such Amortizing Note is registered in the books of the security register for the Amortizing Notes.

“**Hovnanian**” has the meaning ascribed to it in the preamble of the Amortizing Notes Supplemental Indenture and shall also refer to any successor under the Indenture.

“**Indebtedness**” of any Person means, without duplication,

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

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(b) any Indebtedness of others that such Person has guaranteed to the extent of the guarantee, *provided, however*, that Indebtedness of such Person will not include the obligations of such Person under warehouse lines of credit of Mortgage Subsidiaries to repurchase mortgages at prices no greater than 98% of the principal amount thereof;

(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**” has the meaning ascribed to it in the preamble of the Amortizing Notes Supplemental Indenture.

“**Initial Principal Amount**” means \$231.49 per Amortizing Note.

“**Installment Payment**” has the meaning ascribed to it in Section 7.02(a) of the Amortizing Notes Supplemental Indenture.

“**Installment Payment Date**” means each June 1 and December 1, commencing on June 1, 2013 and ending on the Maturity Date.

“**Installment Payment Period**” means the period from, and including, the Issue Date to, but excluding, the first Installment Payment Date and each subsequent full six-month period from, and including, an Installment Payment Date to, but excluding, the immediately succeeding Installment Payment Date.

“**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)

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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 non-cash interest expense (other than interest and other charges amortized to cost of sales)), and (b) all interest actually paid by the Issuer or any Guarantor under any guarantee of Indebtedness (including, without limitation, a guarantee of principal, interest or any combination thereof) of any Person other than the Issuer or any Guarantor during such period; *provided* that Interest Expense shall exclude any expense associated with the complete write-off of financing fees and expenses in connection with the repayment of any Indebtedness.

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

“**Interest Protection Agreement**” of any Person means any interest rate swap agreement, interest rate collar agreement, option or futures contract or other similar agreement or arrangement designed to protect such Person or any of its Subsidiaries against fluctuations in interest rates with respect to Indebtedness permitted to be incurred under the indentures governing the Applicable Debt then outstanding.

“**Issue Date**” means October 2, 2012.

“**Issuer**” has the meaning ascribed to it in the preamble of the Amortizing Notes Supplemental Indenture and shall also refer to any successor obligor 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.

“**Maturity Date**” means December 1, 2017.

“**Mortgage Subsidiary**” means any Subsidiary of Hovnanian substantially all of whose operations consist of the mortgage lending business.

“**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 that is otherwise Non-Recourse Indebtedness will not lose its character as Non-Recourse Indebtedness because there is recourse to the borrower, any guarantor or any other Person for (i)

environmental warranties and indemnities, or (ii) indemnities for and liabilities arising from fraud, misrepresentation, misapplication or non-payment of rents, profits, insurance and condemnation proceeds and other sums actually received by the borrower from secured assets to be paid to the lender, waste and mechanics’ liens.

“**Paying Agent**” refers to a Person engaged to perform the obligations of the Trustee in respect of payments made or funds held under the Indenture in respect of the Amortizing Notes.

“**Permitted Hovnanian Holders**” means, collectively, Ara K. Hovnanian, the members of his immediate family and the members of the immediate family of the late Kevork S. Hovnanian, the respective estates, spouses, heirs, ancestors, lineal descendants, legatees and legal representatives of any of the foregoing and the trustee of any *bona fide* trust of which one or more of the foregoing are the sole beneficiaries or the grantors thereof, or any entity of which any of the foregoing, individually or collectively, beneficially own more than 50% of the Common Equity.

“**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.

“**Reference Property**” means any stock, other securities or other property or assets into which the Class A Common Stock is converted, or for which the Class A Common Stock is exchanged, as a result of a Share Exchange Event.

“**Registrar**” means a Person engaged to maintain the security register for the Amortizing Notes.

“**Regular Record Date**” means, with respect to any Installment Payment Date, the close of business on May 15 or November 15, as applicable.

“**Repayment Event**” has the meaning ascribed to it in Section 5.04 of the Amortizing Notes Supplemental Indenture.

“**Repurchase Date**” shall be a date specified by the Issuer in the Repurchase Right Notice, which date shall be at least 20 but not more than 45 Business Days following the date of the Repurchase Right Notice.

“**Repurchase Notice**” means a notice in the form entitled “Form of Repurchase Notice” on the reverse side of the Amortizing Notes.

“**Repurchase Price**” means, with respect to an Amortizing Note to be repurchased pursuant to Article 9 of the Amortizing Notes Supplemental Indenture, an amount equal to the principal amount of such Amortizing Note as of the Repurchase Date, *plus* accrued and unpaid interest, if any, on such principal amount from, and including, the immediately preceding Installment Payment Date (or, if none, from, and including,

the Issue Date) to, but excluding, such Repurchase Date, calculated at a rate of 11.00% *per annum*; *provided* that, if the Repurchase Date falls after a Regular Record Date and on or prior to the immediately succeeding Installment Payment Date, the Installment Payment payable on such Installment Payment Date shall be paid on such Installment Payment Date to the Holder as of such Regular Record Date and shall not be included in the Repurchase Price per Amortizing Note.

“**Repurchase Right**” has the meaning ascribed to it in Section 9.01 of the Amortizing Notes Supplemental Indenture.

“**Repurchase Right Notice**” has the meaning ascribed to it in Section 9.02 of the Amortizing Notes Supplemental Indenture.

“**Reverse Merger Fundamental Change**” means any Fundamental Change as defined above and determined after giving effect to any exceptions to or exclusions from such definition, but without regard to the *proviso* in clause (b) of the definition thereof.

“**Separate Amortizing Note**” means an Amortizing Note that is not included as a component of a Unit.

“**Share Exchange Event**” means (i) any recapitalization, reclassification or change of the Class A Common Stock (other than changes resulting from a subdivision or combination), (ii) any consolidation, merger or combination or similar transaction involving Hovnanian, (iii) any sale, lease or other transfer to a third party of all or substantially all of the consolidated assets of Hovnanian and its subsidiaries, or (iv) any statutory share exchange, in each case, as a result of which the Class A Common Stock would be converted into, or exchanged for, stock, other securities, other property or assets (including cash or any combination thereof).

“**Significant Subsidiary**” means any Subsidiary of Hovnanian which would constitute a “significant subsidiary” as defined in Rule 1-02(w)(1) or (2) of Regulation S-X under the Securities Act and the Exchange Act as in effect on the 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 of such corporation or other entity is at the time directly or indirectly owned or controlled by such Person.

“**Successor**” has the meaning ascribed to it in Section 3.07(b)(i) of the Amortizing Notes Supplemental Indenture.

“**Supplemental Indenture**” has the meaning ascribed to it in the preamble of the Amortizing Notes Supplemental Indenture.

“**TIA**” means the Trust Indenture Act of 1939, as amended from time to time.

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“**Trustee**” means the party named in the preamble of the Amortizing Notes Supplemental Indenture until a successor replaces such party in accordance with the applicable provisions of the Indenture and thereafter means the successor serving under the Indenture.

“**Unit**” and “**Units**” have the respective meanings ascribed to such terms in the Units Agreement.

“**Units Agent**” has the meaning ascribed to it in the Units Agreement.

“**Units Agreement**” has the meaning ascribed to it in the preamble of the Amortizing Notes Supplemental Indenture.

Section 2.02. *Rules of Construction.* Unless the context otherwise requires or except as otherwise expressly provided, an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP.

ARTICLE 3 COVENANTS

Section 3.01. *Existence.* Hovnanian and the Issuer shall 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 the other Guarantors in accordance with their respective organizational documents, and the material rights, licenses and franchises of Hovnanian, the Issuer and each other Guarantor; *provided* that Hovnanian and the Issuer are not required to preserve any such right, license or franchise, or the existence of any other Guarantor, if the maintenance or preservation thereof is no longer desirable in the conduct of the business of Hovnanian, the Issuer and the other Guarantors taken as a whole; and *provided further* that this Section 3.01 shall not prohibit any transaction otherwise permitted by Section 3.07.

Section 3.02. *Payment of Taxes.* Hovnanian shall pay or discharge, and cause each of its Significant Subsidiaries to pay or discharge before the same become delinquent all material taxes, assessments and governmental charges levied or imposed upon Hovnanian or any Significant Subsidiary or its income or profits or property, other than any such tax, assessment or charge the amount, applicability or validity of which is being contested in good faith by appropriate proceedings.

Section 3.03. *Reserved.*

Section 3.04. *Annual Reports to Trustee.* Hovnanian shall deliver to the Trustee, within 120 days after the end of each fiscal year of Hovnanian (which as of the Issue Date is October 31) ending after the date hereof, an Officers’ Certificate (one of the signers of which shall be the principal executive officer, principal financial officer or

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principal accounting officer of Hovnanian), stating whether or not the signers thereof are aware of any Default or Event of Default, and if so, specifying all such Defaults or Events of Default and the nature and status thereof and what action Hovnanian or the Issuer, as the case may be, is taking or proposes to take with respect thereto. In addition, Hovnanian shall promptly deliver to the Trustee written notice of the occurrence of any Default or Event of Default and the status thereof.

Section 3.05. *Commission Filings.*

(a) Section 3.05(b) shall supersede Section 4.3(a) of the Base Indenture in its entirety and all references in the Base Indenture to such Section 4.3(a) shall be deemed, for the purposes of the Amortizing Notes, to be references to Section 3.05(b).

(b) Hovnanian 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. Any documents or other reports that Hovnanian is required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act must be filed by Hovnanian with the Trustee within 15 calendar days after the same are filed with the Commission. In the event that Hovnanian is no longer subject to such periodic reporting requirements of the Exchange Act, Hovnanian shall nevertheless continue to file reports with the Commission and the Trustee and deliver such reports to each Holder of Amortizing Notes as if it were subject to such reporting requirements. Regardless of whether Hovnanian is required to furnish such reports to its stockholders pursuant to the Exchange Act, it shall 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 filed pursuant to the Exchange Act, to be delivered to Holders of Amortizing Notes. The posting of the reports, information and documents referred to in this Section 3.05(b) on Hovnanian’s website or one maintained on its behalf for such purpose shall be deemed to satisfy Hovnanian’s delivery obligations under this Section 3.05(b) to the Trustee and the Holders with respect thereto. Any such document that Hovnanian files with the Commission via the Commission’s EDGAR system shall be deemed to be filed with the Trustee for purposes of this Section 3.05(b) at the time such document is filed via the EDGAR system or posted on Hovnanian’s website or a site maintained on Hovnanian’s behalf. The

Trustee shall have no obligation to determine whether or not such information, documents or reports have been filed through the EDGAR filing system. Delivery of the reports and documents described in this Section 3.05(b) to the Trustee is for informational purposes only, and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including Hovnanian's or the Issuer's compliance with any of its covenants hereunder (as to which the Trustee is entitled to conclusively rely on an Officers' Certificate).

Section 3.06. *Guarantees.* Hovnanian and each Subsidiary set forth on Schedule 1 hereto shall provide a Guarantee. Hovnanian shall be permitted to cause any other

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Subsidiary of Hovnanian to provide a Guarantee. If any Subsidiary of Hovnanian that is not a Guarantor at any time after the date of this Supplemental Indenture guarantees the Issuer's obligations under any Applicable Debt then outstanding, such Subsidiary must provide a Guarantee.

A Subsidiary required to provide a Guarantee pursuant to Section 5.04 or the immediately preceding sentence shall execute a Guarantee Notation, execute a supplemental indenture in the form of Exhibit B hereto, and deliver an Opinion of Counsel to the Trustee to the effect that such supplemental indenture has been duly authorized, executed and delivered by such Subsidiary and constitutes a valid and binding obligation of such Subsidiary, enforceable against such Subsidiary in accordance with its terms (subject to customary exceptions).

Section 3.07. *Limitations on Mergers, Consolidations and Sales of Assets.*

(a) This Section 3.07 shall replace the provisions contained in Sections 9.1 and 9.2 of the Base Indenture in their entirety and all references to Sections 9.1 and 9.2 in the Base Indenture or any provision thereof shall be deemed, for the purposes of the Amortizing Notes, to be references to this Section 3.07.

(b) Neither the Issuer nor any Guarantor shall consolidate or merge with or into, or sell, lease, convey or otherwise transfer all or substantially all of its assets (including, without limitation, by way of liquidation or dissolution), or assign any of its obligations under the Amortizing Notes, the Guarantees 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 Hovnanian, the Issuer or a Guarantor is the survivor of such consolidation or merger, or the transferee in such sale, lease, conveyance or other disposition, as the case may be) unless:

(i) the Person formed by or surviving such consolidation or merger (if other than Hovnanian, 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 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 Hovnanian, the Issuer or the Guarantor, as the case may be, under the Amortizing Notes or the relevant Guarantee, as the case may be, and the Indenture; and

(ii) immediately after giving effect to such transaction, no Default or Event of Default has occurred and is continuing.

The foregoing provisions shall not apply to 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

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of a Guarantor, that in any such case results in such Guarantor being released from its Guarantee pursuant to Section 5.04.

Section 3.08. *Payments.* The Issuer covenants and agrees that it shall deposit with the Trustee (or paying agent) all amounts due and payable on each of the Amortizing Notes on or prior to noon, New York City time, on the respective payment dates.

ARTICLE 4 DEFAULTS AND REMEDIES

Section 4.01. *Amendments to Article Five of the Base Indenture.* Article Five of the Base Indenture is modified as set forth in this Article 4. All references in the Base Indenture to Article Five of the Base Indenture or any provision thereof shall be deemed, for the purposes of the Amortizing Notes, to be references to such provision of the Base Indenture as modified by this Article 4.

Section 4.02. *Events of Default.*

(a) "Event of Default" means any one or more of the following events (and shall not include any of the events set forth in the first paragraph of Section 5.1 of the Base Indenture):

- (i) the failure by the Issuer and the Guarantors to pay the Repurchase Price of any Amortizing Notes when the same shall become due and payable;
- (ii) the failure by the Issuer and the Guarantors to pay any Installment Payment on any Amortizing Notes as and when the same shall become due and payable and continuance of such failure for a period of 30 days;
- (iii) the failure by the Issuer to deliver a Repurchase Right Notice pursuant to Section 9.02 when due;
- (iv) the failure by the Issuer or any Guarantor to comply with its obligations under Section 3.07;
- (v) the failure by the Issuer or any Guarantor to comply with any of its other agreements or covenants in, or provisions of, the Amortizing Notes, the Guarantees or the Indenture and such failure continues for the period and after the notice specified in Section 4.02(b) below;

(vi) the acceleration of any Indebtedness (other than Non-Recourse Indebtedness) of the Issuer or any Guarantor that has an outstanding principal amount of \$25.0 million or more, individually or in the aggregate, and such acceleration does not cease to exist, or such Indebtedness is not satisfied, in either case within 30 days after such acceleration;

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(vii) the failure by the Issuer or any Guarantor to make any principal or interest payment in an amount of \$25.0 million or more, individually or in the aggregate, in respect of Indebtedness (other than Non-Recourse Indebtedness) of the Issuer or any Guarantor 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);

(viii) a final judgment or judgments that exceed \$25.0 million or more, individually or in the aggregate, for the payment of money having been entered by a court or courts of competent jurisdiction against the Issuer or any Guarantor and such judgment or judgments is not satisfied, stayed, annulled or rescinded within 60 days of being entered;

(ix) the Issuer, Hovnanian or any Guarantor 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;

(x) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

- (A) is for relief against the Issuer, Hovnanian or any Guarantor that is a Significant Subsidiary as debtor in an involuntary case;
- (B) appoints a Custodian of the Issuer, Hovnanian or any Guarantor that is a Significant Subsidiary or a Custodian for all or substantially all of the property of the Issuer, Hovnanian or any Guarantor that is a Significant Subsidiary; or
- (C) orders the liquidation of the Issuer, Hovnanian or any Guarantor that is a Significant Subsidiary,

and the order or decree remains unstayed and in effect for 60 days; or

(xi) any Guarantee of Hovnanian or a Guarantor that is a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Guarantee and the Indenture) or is declared null and void and

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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 such Guarantee).

(b) A Default as described in Section 4.02(a)(v) above shall not be deemed an Event of Default until the Trustee notifies the Issuer, or the Holders of at least 25% in principal amount of the then outstanding Amortizing Notes notify the Issuer and the Trustee, of the Default and the Issuer does not cure the Default within 60 days after receipt of the notice. The notice must specify the Default, demand that it be remedied and state that the notice is a "Notice of Default." If such a Default is cured within such time period, it ceases to be a Default.

(c) The second and third paragraphs of Section 5.1 of the Base Indenture shall be deemed to be replaced, with respect to the Amortizing Notes, in their entirety, with the following:

"If an Event of Default (other than an Event of Default with respect to Hovnanian or the Issuer set forth in Section 4.02(a)(ix) or (x) of the Amortizing Notes Supplemental Indenture), shall have occurred and be continuing under the Indenture, the Trustee by notice to the Issuer, or the Holders of at least 25% in principal amount of the Amortizing Notes then outstanding by notice to the Issuer and the Trustee, may declare all Amortizing Notes to be due and payable immediately. Upon such declaration of acceleration, all future, scheduled Installment Payments on the Amortizing Notes shall be due and payable immediately. If an Event of Default with respect to Hovnanian or the Issuer specified in Section 4.02(a)(ix) or (x) of the Amortizing Notes Supplemental Indenture occurs, such an amount shall automatically become and be immediately due and payable without any declaration, notice or other act on the part of the Trustee, the Issuer, any Guarantor or any Holder. This provision, however, is subject to the condition that, if at any time after the future, scheduled Installment Payments on the Amortizing Notes shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, the Issuer shall pay or shall deposit with the Trustee a sum sufficient to pay all matured Installment Payments, if any, upon all of the Amortizing Notes and the principal of any and all Amortizing Notes which shall have become due otherwise than by acceleration (with interest on overdue amounts, if any, to the extent that payment of such interest is enforceable under applicable law and on such principal at the rate borne by the Amortizing Notes to the date of such payment or deposit) and the reasonable compensation, disbursements, expenses and advances of the Trustee and all other amounts due the Trustee under Section 6.6 of the Base Indenture, and if (i) rescission would not conflict with any judgment or decree of a court of competent jurisdiction and (ii) any and all existing Events of Default, other than the nonpayment of any Installment Payments that shall have become due by acceleration, shall have been cured or shall have been waived in accordance with Section 5.7 of the Base Indenture, then and in every such case the Holders of a majority in aggregate principal amount of the Amortizing Notes then Outstanding, by written notice to the Issuer and to the Trustee, may rescind and

annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair any right consequent thereon.”

(d) The fifth paragraph of Section 5.1 of the Base Indenture shall be deemed to be replaced, with respect to the Amortizing Notes, in its entirety, with the following:

“Except with respect to an Event of Default pursuant to Section 4.02(a)(i) or (ii) of the Amortizing Notes Supplemental Indenture, the Trustee shall not be charged with knowledge of any Default or Event of Default or knowledge of any cure of any Default or Event of Default unless a Responsible Officer of the Trustee has actual knowledge of such Default or Event of Default, or written notice thereof shall have been given to a Responsible Officer by the Issuer, Hovnanian or any Holder of the Amortizing Notes.”

(e) Section 5.7 of the Base Indenture is hereby amended by inserting the following phrase at the end of the first sentence thereof: “or is in conflict with the terms of the Indenture”.

Section 4.03. *Notice of Defaults.* This Section 4.03 replaces Section 5.8 of the Base Indenture in its entirety. The Trustee shall, within 90 days after the occurrence of a default with respect to the Amortizing Notes, mail to all Holders of the Amortizing Notes, as the names and the addresses of such Holders appear upon the Securities register, at the Issuer’s expense, notice of all defaults known to the Trustee with respect to the Amortizing Notes, unless such defaults shall have been cured or waived before the giving of such notice (the term “defaults” for the purpose of this Section 4.03 being hereby defined to be any Event of Default defined in Section 4.02, not including periods of grace, if any, provided for therein and irrespective of the giving of the written notice specified in Section 4.02(a)(v) but in the case of any default of the character specified in Section 4.02(a)(v) no such notice to Holders shall be given until at least 60 days after the giving of written notice thereof to the Issuer pursuant to Section 4.02(a)(v)); *provided, however*, that, except in the case of default in the payment of any Installment Payment or any default resulting from a failure to comply with any obligation under Article 9, the Trustee shall be protected in withholding such notice if and so long as the Trustee determines that the withholding of such notice is in the Holders’ interests.

Section 4.04. *Additional Provisions Related to Events of Default.* The provisions of Sections 5.1, 5.2, 5.3, 5.4, 5.5, 5.6, 5.7, and 5.9 of the Base Indenture shall apply to the Amortizing Notes, in each case, except as provided above.

ARTICLE 5 GUARANTEES; RELEASE OF GUARANTOR

Section 5.01. *Base Indenture Guarantee.* Article Thirteen of the Base Indenture is hereby replaced in its entirety by this Article 5. All references in the Base Indenture to

Article Thirteen or any provision thereof shall be deemed, for the purposes of the Amortizing Notes, to be references to this Article 5, and all references in the Base Indenture to “Guarantees” shall be deemed, for the purposes of the Amortizing Notes, to be references to the Guarantees as defined herein.

Section 5.02. *Unconditional 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 the Indenture, the Amortizing Notes or the obligations of the Issuer hereunder or thereunder, that (i) the due and punctual payment of the principal of, interest on (including, without limitation, Installment Payments and the Repurchase Price of any Amortizing Notes payable pursuant to Article 9, if applicable), and all other amounts owing with respect to the Amortizing Notes, whether on the Maturity Date, on any Repurchase Date or on any Installment Payment Date, by acceleration or otherwise, 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, and (ii) in case of any extension of time of payment or renewal of any Amortizing Notes or any of such other obligations, the same shall be promptly paid in full when due or shall be performed in accordance with the terms of the extension or renewal, whether on the applicable due dates, by acceleration or otherwise (each such guarantee, a “**Guarantee**”).

If the Issuer fails to make any payment when due of any amount so guaranteed or any other obligation hereunder is not satisfied in full when required for whatever reason, each Guarantor shall be obligated to immediately pay the same or satisfy such obligation, as the case may be. Each Guarantor hereby agrees that its obligations hereunder shall be continuing, absolute and unconditional, irrespective of, and shall be unaffected by, the validity or enforceability of the Amortizing Notes, the 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 5, 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 and satisfaction in full of all obligations guaranteed hereby.

The Guarantee set forth in this Section 5.02 shall not be valid or become obligatory for any purpose with respect to an Amortizing Note until the certificate of authentication on such Amortizing Note shall have been signed by the Trustee or any duly appointed agent.

Section 5.03. *Obligations of Each Guarantor Unconditional.* Nothing contained in this Article 5 or elsewhere in the Indenture or in any Amortizing Note is intended to or shall impair, as between any Guarantor and the Holders, the obligations of such Guarantor, which are absolute and unconditional, to pay to the Holders the principal of and interest on the Amortizing Notes (including, without limitation, Installment Payments and the Repurchase Price of any

Amortizing Notes payable pursuant to Article 9, if applicable) as and when the same shall become due and payable and to satisfy all other obligations hereunder when the same shall be required to be satisfied, in each case, in accordance with the provisions of the Guarantee or is intended to or shall affect the relative rights of the Holders and creditors of such Guarantor, nor shall anything herein or therein prevent the Trustee or any Holder from exercising all remedies otherwise permitted by applicable law upon any Event of Default under the 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 5, the Trustee 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 5.

Section 5.04. *Release of a Guarantor.* Upon the release of the guarantee by a Guarantor of all then outstanding Applicable Debt, the Guarantee of such Guarantor under the Indenture shall be automatically and unconditionally released and discharged from all obligations in respect of the Amortizing Notes upon notice from Hovnanian to the Trustee to such effect, without any further action required on the part of the Trustee or any Holder of the Amortizing Notes. If any such released Guarantor thereafter guarantees any Applicable Debt (or if any released guarantee under any Applicable Debt is reinstated or renewed), then such released Guarantor shall guarantee the Amortizing Notes on the terms and conditions set forth in the Indenture. Notwithstanding the foregoing, if all Applicable Debt ceases to be outstanding (a “**Repayment Event**”), no Guarantee shall be released or provided on account of such Repayment Event; *provided* that if any event occurs thereafter that would have caused any Subsidiary of Hovnanian to be released from its Guarantee, or to provide a Guarantee, if the Applicable Debt were still outstanding (pursuant to the terms of the Applicable Debt on the Issue Date), such Subsidiary shall be released from, or shall provide, as the case may be, such Guarantee.

Section 5.05. *Execution and Delivery of Guarantee.* The execution by each Guarantor of the Indenture (or a supplemental indenture in the form of Exhibit B) together with an executed Guarantee Notation substantially in the form included in the form of Amortizing Note attached as Exhibit A hereto evidences the Guarantee of such

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Guarantor, whether or not the person signing as an officer of the Guarantor still holds that office at the time of authentication of any Amortizing Note. The delivery of any Amortizing Note by the Trustee after authentication constitutes due delivery of the Guarantee set forth in the Indenture on behalf of each Guarantor.

Section 5.06. *Limitation on Guarantor Liability.* Notwithstanding anything to the contrary in this Article, each Guarantor, and by its acceptance of Amortizing Notes, each Holder, hereby confirms that it is the intention of all such parties that the Guarantee of such Guarantor not constitute a fraudulent conveyance under applicable fraudulent conveyance provisions of the Bankruptcy Law or any comparable provision of state or foreign law. To effectuate that intention, the Trustee, the Holders and the Guarantors hereby irrevocably agree that the obligations of each Guarantor under its Guarantee are limited to the maximum amount that, 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 Guarantee or pursuant to its contribution obligations under the Indenture, will result in the obligations of such Guarantor under its Guarantee not constituting a fraudulent conveyance or fraudulent transfer under federal or state law. Each Guarantor other than Hovnanian that makes a payment or distribution under a 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.

Section 5.07. *Article 5 Not to Prevent Events of Default.* The failure by the Guarantors to make a payment on account of principal or interest (including, without limitation, Installment Payments and the Repurchase Price of any Amortizing Notes payable pursuant to Article 9, if applicable) on the Amortizing Notes, or to satisfy any other obligation hereunder, by reason of any provision in this Article 5 shall not be construed as preventing the occurrence of any Event of Default.

Section 5.08. *Waiver by the Guarantors.* Each Guarantor hereby irrevocably waives, to the extent permitted by applicable law, 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 Amortizing Notes, in the Indenture and in this Article 5.

Section 5.09. *Subrogation and Contribution.* Upon making any payment with respect to, or otherwise satisfying, any obligation of the Issuer under this Article 5, the Guarantor making such payment or otherwise satisfying such obligation shall be subrogated to the rights of the payee against the Issuer with respect to such obligation; *provided* that the Guarantor may not enforce either any right of subrogation, or any right to receive payment in the nature of contribution, or otherwise, from any other Guarantor, with respect to such payment so long as any amount payable by the Issuer hereunder or

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under the Amortizing Notes remains unpaid, or any other obligation of the Issuer hereunder has not been satisfied.

Section 5.10. *Stay of Acceleration.* If acceleration of the time for payment of any amount payable by the Issuer under the Indenture or the Amortizing 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.

Section 5.11. *Guarantors as “obligors” for Provisions Included in the Indenture Pursuant to the TIA.* Each provision included in the Indenture which is required to be included by any of Sections 310 to 317 of the TIA, inclusive, or is deemed applicable to the Indenture by virtue of the provisions of the TIA, and which applies to an “obligor,” as that term is defined under the TIA, shall apply to each of the Guarantors.

Section 6.01. *Defeasance.* Except as stated below, the provisions of Article Ten of the Base Indenture shall apply to the Amortizing Notes in their entirety; *provided* that the “obligations” referred to in each of Section 10.2 and Section 10.3 of the Base Indenture shall also apply to the “obligations” of the Guarantors with respect to their Guarantees in the case of Section 10.2 of the Base Indenture and with respect to the covenants and Events of Default specified herein in the case of Section 10.3 of the Base Indenture.

Section 6.02. *Additional Provisions to Survive Legal Defeasance and Discharge.* Section 10.2 of the Base Indenture is hereby amended to (x) replace the reference to “clauses (a) and (b) below” with a reference to “clauses (a), (b), (e) and (f) below”, (y) delete the “and” following clause (c) and before clause (d) of such section and to replace it with “;” and (z) add the following clauses (e) and (f) to the end of such section, “(e) the rights of registration of transfer and exchange of the Amortizing Notes; and (f) the rights of Holders of Amortizing Notes that are beneficiaries with respect to property so deposited with the Trustee payable to all or any of them”.

Section 6.03. *Provisions to Survive Covenant Defeasance and Discharge.* Notwithstanding the foregoing, no Covenant Defeasance or discharge pursuant Section 10.9 of the Base Indenture shall affect the following obligations to, or rights of, the Holders of the Amortizing Notes:

(a) the rights of Holders of Outstanding Amortizing Notes to receive payments in respect of the principal of, and interest on, the Amortizing Notes (including, without limitation, Installment Payments and the Repurchase Price payable with respect to any

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Amortizing Notes pursuant to Article 9, if applicable) when such payments are due from the trust referred to in Section 10.5 of the Base Indenture;

(b) the Issuer’s obligations with respect to the Amortizing Notes concerning mutilated, destroyed, lost or stolen Amortizing Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(c) the rights, powers, trusts, duties and immunities of the Trustee, and the Issuer’s obligations in connection therewith;

(d) the rights of registration of transfer and exchange of the Amortizing Notes; and

(e) the rights of Holders of Amortizing Notes that are beneficiaries with respect to property so deposited with the Trustee payable to all or any of them.

Section 6.04. *Additional Covenant Defeasance.* In addition to the “obligations” referred to in Section 10.3 of the Base Indenture, “Covenant Defeasance”, as defined in such Section, shall also apply to the release of obligations of the Guarantors set forth in Section 5.02 and each Guarantor’s obligations under its Guarantee, and clauses (v) (with respect to the covenants so defeased), (vi), (vii), (viii) and (xi) of Section 4.02(a) shall no longer constitute Events of Default.

Section 6.05. *Other Amendments.*

(a) Section 10.4(a) of the Base Indenture is hereby amended by replacing the words “on the stated maturity thereof” with the words “on the applicable due date therefor”.

(b) Section 10.4(b) of the Base Indenture is hereby amended by replacing the words “the date of this Indenture” with “October 2, 2012” and by replacing the word “Holders” with “beneficial owners”.

(c) Section 10.6 of the Base Indenture is hereby amended by inserting the words “and the Guarantors” immediately following the words “look only to the Issuer”.

ARTICLE 7 THE AMORTIZING NOTES

Section 7.01. *Form of Amortizing Notes.*

(a) The Amortizing Notes will initially be issued as Component Amortizing Notes in the form of Attachment 4 to the form of Global Unit attached as Exhibit A to the Units Agreement, and will be attached to the related Global Unit and registered in the name of the Depository or a nominee thereof and held by the Units Agent, as custodian of

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such Global Unit for the Depository. On the Issue Date, each of the following shall be issued and authenticated hereunder: (i) a Component Amortizing Note with an initial balance of 100,000 Amortizing Notes and (ii) a Global Amortizing Note with an initial balance of zero Amortizing Notes.

(b) Upon any separation or recreation of Global Units or any other event that would cause any Amortizing Notes included in a Unit to be issued as Separate Amortizing Notes, (x) in the case of a Global Unit, the Depository and the Trustee shall reflect on their books and records the appropriate increases and decreases in the number of Amortizing Notes represented by the Separate Amortizing Note in global form and the Amortizing Note included as a component of a Global Unit, or (y) in the case of a Definitive Unit, the Trustee shall exchange Separate Amortizing Notes for Amortizing Notes to be included as a component of a Unit, or *vice versa* as the case may be, in each case, in accordance with the Units Agreement.

(c) The terms of such Amortizing Notes are herein incorporated by reference and are part of this Supplemental Indenture.

(d) The Amortizing Notes shall be issuable in denominations initially equal to the Initial Principal Amount and integral multiples in excess thereof.

Section 7.02. *Installment Payments.*

(a) The Issuer shall pay installments on the Amortizing Notes (each such payment, an “**Installment Payment**”) in cash at the place, at the respective times and in the manner provided in the Amortizing Notes.

(b) On the first Installment Payment Date occurring on June 1, 2013, the Issuer shall pay, in cash, an Installment Payment with respect to each Amortizing Note in an amount equal to \$39.83 per Amortizing Note, and on each Installment Payment Date thereafter, the Issuer shall pay, in cash, equal semi-annual Installment Payments with respect to each Amortizing Note in an amount equal to \$30.00 per Amortizing Note; *provided* that, in respect of any Certificated Amortizing Note, the final Installment Payment shall be made only against surrender of such Certificated Amortizing Note to the Paying Agent.

(c) Each Installment Payment shall constitute a payment of interest (at a rate of 11.00% per annum) and a partial repayment of principal on the Amortizing Note, allocated as set forth in the schedule below:

<u>Scheduled Installment Payment Date</u>	<u>Amount of Principal</u>	<u>Amount of Interest</u>
June 1, 2013	\$ 22.92	\$ 16.91
December 1, 2013	\$ 18.53	\$ 11.47
June 1, 2014	\$ 19.55	\$ 10.45

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<u>Scheduled Installment Payment Date</u>	<u>Amount of Principal</u>	<u>Amount of Interest</u>
December 1, 2014	\$ 20.62	\$ 9.38
June 1, 2015	\$ 21.76	\$ 8.24
December 1, 2015	\$ 22.95	\$ 7.05
June 1, 2016	\$ 24.22	\$ 5.78
December 1, 2016	\$ 25.55	\$ 4.45
June 1, 2017	\$ 26.95	\$ 3.05
December 1, 2017	\$ 28.44	\$ 1.56

(d) Each Installment Payment for any Installment Payment Period shall be computed on the basis of a 360-day year of twelve 30-day months. If an Installment Payment is payable for any period shorter or longer than a full Installment Payment Period, such Installment Payment shall be computed on the basis of the actual number of days elapsed per 30-day month. Furthermore, if any date on which an Installment Payment is payable is not a Business Day, then payment of the Installment Payment on such date shall be made on the next succeeding day that is a Business Day, and without any interest or other payment in respect of any such delay. However, if such Business Day is in the next succeeding calendar year, then such Installment Payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on the date when such Installment Payment was originally due.

Section 7.03. *Depository.* The Depository for the Global Amortizing Note shall initially be The Depository Trust Company (“**DTC**”). The Global Amortizing Note (which shall initially have a balance of zero Amortizing Notes) shall be deposited on or about the Issue Date with, or on behalf of, DTC and registered in the name of Cede & Co., as nominee of DTC (such nominee being referred to herein as the “**Global Amortizing Note Holder**”).

Section 7.04. *Certificated Amortizing Notes.*

(a) The seventh paragraph of Section 2.8 of the Base Indenture shall be deemed, with respect to the Amortizing Notes, to be modified by inserting after “Section 2.8” in the first line thereof the parenthesis “(other than in accordance with the terms of the following paragraph)”.

(b) The eighth and ninth paragraphs of Section 2.8 of the Base Indenture shall be deemed, with respect to the Amortizing Notes, to be replaced in their entirety with the following:

“If:

- (i) the Depository is unwilling or unable to continue as Depository for such Global Amortizing Note and the Issuer is unable to find a qualified replacement for such Depository within 90 days;
- (ii) at any time the Depository ceases to be a clearing agency registered under the Exchange Act; or
- (iii) an Event of Default, or any failure on the part of the Issuer or Hovnanian to observe or perform any covenant or agreement in the Indenture has occurred and is continuing and the beneficial owner of any Amortizing Notes represented by a Global Amortizing Note requests that its Amortizing Notes be issued in physical, certificated form,

then, in each case, the Issuer shall execute, and the Trustee, upon receipt of an Issuer Order for the authentication and delivery of Certificated Amortizing Notes, shall authenticate and deliver Certificated Amortizing Notes in any authorized denominations, in an aggregate principal amount equal to the principal amount of the Global Amortizing Note or Notes representing such Amortizing Notes (or in an aggregate principal amount equal to the principal amount of the Amortizing Notes in respect of which a beneficial owner has requested the issuance of Amortizing Notes in physical, certificated form pursuant to clause (iii) above) in exchange for such Global Amortizing Note or Notes (or relevant portion thereof).”

(c) The terms of Section 2.8 of the Base Indenture shall apply to the Amortizing Notes except as modified by this Section 7.04.

Section 7.05. *Disclaimer.* None of the Issuer, the Trustee, the Security registrar or the paying agent shall have any responsibility or obligation to any beneficial owner in a Global Amortizing Note, an agent member or other Person with respect to the accuracy of the records of the Depository or its nominee

or of any agent member, with respect to any ownership interest in the Global Amortizing Note or with respect to the delivery to any agent member, beneficial owner or other Person (other than the Depository) of any notice or the payment of any amount, under or with respect to such Global Amortizing Note. All notices and communications to be given to the Holders and all payments to be made to Holders under the Amortizing Notes and this Indenture shall be given or made only to or upon the order of the registered Holders (which shall be the Depository or its nominee in the case of a Global Amortizing Note). The rights of beneficial owners in a Global Amortizing Note shall be exercised only through the Depository subject to the applicable procedures. The Issuer, the Trustee, the Security registrar and the paying agent shall be entitled to rely and shall be fully protected in relying upon information furnished by the Depository with respect to its members, participants and any beneficial owners. The Issuer, the Trustee, the paying agent and the Security registrar shall be entitled to deal with the Depository, and any nominee thereof, that is the registered Holder of any Global Amortizing Note for all purposes of this Agreement relating to such Global Amortizing Note (including the payment or delivery of amounts due hereunder

and the giving of instructions or directions by or to any beneficial owner) as the sole Holder of such Global Amortizing Note and shall have no obligations to the beneficial owners thereof. None of the Issuer, the Trustee, the paying agent and the Security registrar shall have any responsibility or liability for any acts or omissions of the Depository with respect to such Global Amortizing Note, for the records of any such Depository, including records in respect of the beneficial owners of any such Global Amortizing Note, for any transactions between the Depository and any agent member or between or among the Depository, any such agent member and/or any Holder or beneficial owner of such Global Amortizing Note, or for any transfers of beneficial interests in any such Global Amortizing Note.

Notwithstanding the foregoing, with respect to any Global Amortizing Note, nothing herein shall prevent the Issuer, the Trustee, or any agent of the Issuer or the Trustee from giving effect to any written certification, proxy or other authorization furnished by any depository (or its nominee), as a Holder, with respect to such Global Amortizing Note or shall impair, as between such Depository and beneficial owners of such Global Amortizing Note, the operation of customary practices governing the exercise of the rights of such depository (or its nominee) as Holder of such Global Amortizing Note.

None of the Issuer, the Trustee, the paying agent or the Security registrar shall have any obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Indenture or under applicable law with respect to any transfer of any interest in any Amortizing Note (including any transfers between or among participants of DTC, members or beneficial owners in any Global Amortizing Note) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by, the terms of this Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

ARTICLE 8 REDEMPTION

Section 8.01. *Article Twelve of the Base Indenture Inapplicable.* The Amortizing Notes shall not be redeemable and Article Twelve of the Base Indenture shall not apply to the Amortizing Notes.

ARTICLE 9 REPURCHASE OF AMORTIZING NOTES AT THE OPTION OF THE HOLDER

Section 9.01. *Right to Repurchase.* If a Fundamental Change or a Reverse Merger Fundamental Change occurs, then each Holder of Amortizing Notes (whether any

such Amortizing Note is a Separate Amortizing Note or a component of a Unit) shall have the right (the “**Repurchase Right**”) to require the Issuer to repurchase some or all of its Amortizing Notes for cash at the Repurchase Price per Amortizing Note to be repurchased on the Repurchase Date, pursuant to Section 9.03.

Section 9.02. *Repurchase Right Notice.* In connection with any Fundamental Change or Reverse Merger Fundamental Change, the Issuer shall provide to each Holder of Amortizing Notes (whether any such Amortizing Note is a Separate Amortizing Note or a component of a Unit) a notice (the “**Repurchase Right Notice**”) specifying:

- (a) the events causing the Fundamental Change or Reverse Merger Fundamental Change, as the case may be;
- (b) the date of the Fundamental Change or Reverse Merger Fundamental Change, as the case may be;
- (c) the name and address of the paying agent and any other applicable agent, if any;
- (d) the Repurchase Price;
- (e) the Repurchase Date;
- (f) the last date on which Holders of Amortizing Notes may exercise their Repurchase Right;
- (g) the procedures that Holders of Amortizing Notes must follow to require the Issuer to repurchase their Amortizing Notes; and
- (h) any other information that the Issuer determines is appropriate to include.

Such Repurchase Right Notice shall be delivered on or before the 20th calendar day after the occurrence of the relevant Fundamental Change or Reverse Merger Fundamental Change. In addition, within five Business Days of the occurrence of any Reverse Merger Fundamental Change, the Issuer shall deliver notice thereof to Holders.

Section 9.03. *Procedures for Exercise.*

(a) To exercise the Repurchase Right, a Holder must deliver, prior to the close of business on the Business Day immediately preceding the Repurchase Date, the Amortizing Notes to be repurchased to the Paying Agent (or, if the relevant Amortizing Notes are components of Units, to the Units Agent pursuant to the Units Agreement), together with a duly completed written Repurchase Notice, in each case in accordance with appropriate procedures of the Depository, unless the Amortizing Notes are not in the form of a Global Amortizing Note (or the Units are not in the form of a Global Unit, as the case may be), in which case such Holder must deliver the Amortizing Notes to be

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repurchased to the Paying Agent (or the Units that include the Amortizing Notes to be repurchased to the Units Agent pursuant to the Units Agreement, as the case may be), duly endorsed for transfer to the Issuer, together with a Repurchase Notice.

(b) The Repurchase Notice must state the following:

(i) if Certificated Amortizing Notes (or Definitive Units) have been issued, the certificate numbers of the Amortizing Notes (or Units), or if the Amortizing Notes (or Units) are in the form of a Global Amortizing Note (or a Global Unit, as the case may be), the Repurchase Notice must comply with appropriate procedures of the Depository;

(ii) the number of Amortizing Notes to be repurchased; and

(iii) that the Amortizing Notes are to be repurchased by the Issuer pursuant to the applicable provisions of the Amortizing Notes and this Article 9.

Section 9.04. *Withdrawal of Repurchase Notice.*

(a) A Holder may withdraw any Repurchase Notice (in whole or in part) by a written, irrevocable notice of withdrawal delivered to the Paying Agent, with a copy to the Trustee and the Issuer, prior to the close of business on the Business Day immediately preceding the Repurchase Date.

(b) The notice of withdrawal must state the following:

(i) the number of the withdrawn Amortizing Notes;

(ii) if Certificated Amortizing Notes (or Definitive Units) have been issued, the certificate numbers of the withdrawn Amortizing Notes (or Units, as applicable), or if the Amortizing Notes (or Units) are in the form of a Global Amortizing Note (or a Global Unit, as the case may be), the notice of withdrawal must comply with appropriate procedures of the Depository; and

(iii) the number of Amortizing Notes, if any, that remain subject to the Repurchase Notice.

Section 9.05. *Effect of Repurchase.*

(a) The Issuer shall be required to repurchase the Amortizing Notes with respect to which the Repurchase Right has been exercised on the Repurchase Date. To effectuate such repurchase, the Issuer shall deposit immediately available funds with the Paying Agent, on or prior to noon, New York City time, on the Repurchase Date, an amount or amounts sufficient to pay the Repurchase Price with respect to those Amortizing Notes for which the Repurchase Right has been exercised. A Holder electing to exercise the Repurchase Right shall receive payment of the Repurchase Price on the

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later of (i) the Repurchase Date and (ii) the time of book-entry transfer or the delivery of the Amortizing Notes (or Units, as applicable).

(b) If the Paying Agent holds money on the Repurchase Date sufficient to pay the Repurchase Price with respect to those Amortizing Notes for which the Repurchase Right has been exercised, then (i) such Amortizing Notes shall cease to be Outstanding and interest shall cease to accrue thereon (whether or not book-entry transfer of the Amortizing Notes or Units, as applicable, is made or whether or not the Amortizing Notes or Units, as applicable, are delivered as required herein), and (ii) all other rights of the Holder shall terminate (other than the right to receive the Repurchase Price); *provided* that if the Repurchase Date falls between a Regular Record Date and the corresponding Installment Payment Date, the Holder as of such Regular Record Date shall retain the right to receive the related Installment Payment.

(c) The Issuer shall, in connection with any repurchase offer pursuant to this Article 9, if required, (i) comply with the provisions of the tender offer rules under the Exchange Act that may then be applicable, (ii) file a Schedule TO or any other required schedule under the Exchange Act, and (iii) otherwise comply with all federal and state securities laws in connection with any repurchase offer pursuant to this Article 9, in each case, so as to permit the rights and obligations under this Article 9 to be exercised in the time and in the manner specified herein.

(d) Notwithstanding anything to the contrary herein, no Amortizing Notes may be repurchased at the option of Holders if the scheduled, future Installment Payments thereon have been accelerated, and such acceleration has not been rescinded, on or prior to the Repurchase Date (except in the case of an acceleration resulting from a Default by the Issuer in the payment of the Repurchase Price with respect to such Amortizing Notes).

Section 9.06. *No Sinking Fund.* The Amortizing Notes are not entitled to the benefit of any sinking fund.

ARTICLE 11
AMENDMENTS, SUPPLEMENTS AND WAIVERS

Section 11.01. *Amendments, Supplements and Waivers.* The Issuer, the Guarantors and the Trustee may amend, supplement or waive the Indenture, the Amortizing Notes or the Guarantees as provided in Article Eight of the Base Indenture; *provided* that, in addition to the limitations set forth in Section 8.2 of the Base Indenture, no amendment, supplement or waiver shall, without the consent of each Holder affected:

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(i) alter the provisions set forth in Article 9 hereof (or any related definitions); (ii) make any change adverse to the interests of the Holders in the terms and conditions of any Guarantee by Hovnanian or any other Guarantor; or (iii) release any Guarantor from any of its obligations under its Guarantee or the Indenture otherwise than in accordance with the Indenture; *provided further* that the language in clause (g) of Section 8.1 of the Base Indenture beginning with “, and to add to this Indenture....” through the end of such clause is hereby deleted.

ARTICLE 12
RELEASE OF ISSUER

Section 12.01. *Release of Issuer.* The Issuer may be released from its obligations under the Indenture and the Amortizing Notes in accordance with the provisions of Article Fourteen of the Base Indenture.

ARTICLE 13
MISCELLANEOUS

Section 13.01. *GOVERNING LAW.* THIS SUPPLEMENTAL INDENTURE, THE AMORTIZING NOTES AND EACH GUARANTEE, AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS SUPPLEMENTAL INDENTURE, THE AMORTIZING NOTES AND EACH GUARANTEE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Section 13.02. *No Adverse Interpretation of Other Agreements.* This Supplemental Indenture may not be used to interpret another indenture or loan or debt agreement of Hovnanian, the Issuer or any subsidiary of Hovnanian. Any such indenture or loan or debt agreement may not be used to interpret this Supplemental Indenture.

Section 13.03. *Successors and Assigns.* All covenants and agreements of the Issuer and the Guarantors in this Supplemental Indenture and the Amortizing Notes shall bind their respective successors and assigns and inure to the benefit of their respective successors and assigns. All agreements of the Trustee in this Supplemental Indenture shall bind its successors and assigns and inure to the benefit of their respective successors and assigns.

Section 13.04. *Counterparts.* The parties may sign any number of counterparts of this Supplemental Indenture. Each signed counterpart shall be an original, but all of them together represent the same agreement.

Section 13.05. *Severability.* To the extent permitted by applicable law, in case any one or more of the provisions contained in this Supplemental Indenture or in the

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Amortizing Notes or the Guarantees shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Supplemental Indenture or of the Amortizing Notes or the Guarantees.

Section 13.06. *Effect of Headings.* The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 13.07. *Conflict of Any Provision of Indenture with TIA.* If and to the extent that any provision of this Supplemental Indenture limits, qualifies or conflicts with another provision included in this Supplemental Indenture or in the Indenture which is required to be included herein by any of Sections 310 to 317 of the TIA, inclusive, or is deemed applicable to the Indenture by virtue of the provisions of the TIA, such required provision shall control.

Section 13.08. *Ratification of Indenture.* The Base Indenture, as supplemented by this Supplemental Indenture, is in all respects ratified and confirmed, and this Supplemental Indenture shall be deemed part of the Indenture in the manner and to the extent herein and therein provided.

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SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first above written.

K. HOVNANIAN ENTERPRISES, INC., as the Issuer

By: /s/ J. Larry Sorsby
Name: J. Larry Sorsby

HOVNANIAN ENTERPRISES, INC., as Guarantor

By: /s/ J. Larry Sorsby
Name: J. Larry Sorsby
Title: Executive Vice President and Chief Financial Officer

On behalf of each entity named in Schedule 1 hereto, as Guarantors

By: /s/ J. Larry Sorsby
Name: J. Larry Sorsby
Title: Executive Vice President and Chief Financial Officer

WILMINGTON TRUST COMPANY, as Trustee

By: /s/ Joshua C. Jones
Name: Joshua C. Jones
Title: Assistant Secretary and Financial Services Officer

SCHEDULE 1

Guarantors

- ARBOR TRAILS, LLC
- AUDDIE ENTERPRISES, L.L.C.
- BUILDER SERVICES NJ, L.L.C.
- BUILDER SERVICES PA, L.L.C.
- DULLES COPPERMINE, L.L.C.
- EASTERN NATIONAL TITLE AGENCY, LLC
- EASTERN TITLE AGENCY, INC.
- F&W MECHANICAL SERVICES, L.L.C.
- FOUNDERS TITLE AGENCY OF MARYLAND, L.L.C.
- FOUNDERS TITLE AGENCY, INC.
- GOVERNOR'S ABSTRACT CO., INC.
- HOMEBUYERS FINANCIAL SERVICES, L.L.C.
- HOVNANIAN DEVELOPMENTS OF FLORIDA, INC.
- HOVNANIAN ENTERPRISES, INC. (PARENT COMPANY)
- HOVNANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.
- HOVNANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.
- HOVNANIAN LAND INVESTMENT GROUP, L.L.C.
- K. HOV IP, II, INC.
- K. HOV IP, INC.
- K. HOVNANIAN ACQUISITIONS, INC.
- K. HOVNANIAN AT 4S, LLC
- K. HOVNANIAN AT ACQUA VISTA, LLC
- K. HOVNANIAN AT ALISO, LLC
- K. HOVNANIAN AT ALLENTOWN, L.L.C.
- K. HOVNANIAN AT ANDALUSIA, LLC
- K. HOVNANIAN AT ARBOR HEIGHTS, LLC
- K. HOVNANIAN AT AVENUE ONE, L.L.C.
- K. HOVNANIAN AT BAKERSFIELD 463, L.L.C.
- K. HOVNANIAN AT BARNEGAT I, L.L.C.
- K. HOVNANIAN AT BARNEGAT II, L.L.C.
- K. HOVNANIAN AT BELLA LAGO, LLC
- K. HOVNANIAN AT BENSLEM, LLC
- K. HOVNANIAN AT BERKELEY, L.L.C.
- K. HOVNANIAN AT BLUE HERON PINES, L.L.C.
- K. HOVNANIAN AT BRANCHBURG, L.L.C.
- K. HOVNANIAN AT BRIDGEPORT, INC.
- K. HOVNANIAN AT BRIDGEWATER I, L.L.C.
- K. HOVNANIAN AT BROAD AND WALNUT, L.L.C.
- K. HOVNANIAN AT CAMERON CHASE, INC.

K. HOVNANIAN AT CAMP HILL, L.L.C.
K. HOVNANIAN AT CAPISTRANO, L.L.C.
K. HOVNANIAN AT CARLSBAD, LLC
K. HOVNANIAN AT CEDAR GROVE III, L.L.C.
K. HOVNANIAN AT CEDAR GROVE V, L.L.C.
K. HOVNANIAN AT CHARTER WAY, LLC
K. HOVNANIAN AT CHESTER I, L.L.C.
K. HOVNANIAN AT CHESTERFIELD, L.L.C.
K. HOVNANIAN AT CIELO, L.L.C.
K. HOVNANIAN AT CLIFTON, L.L.C.

Schedule 1-1

K. HOVNANIAN AT COASTLINE, L.L.C.
K. HOVNANIAN AT CORTEZ HILL, LLC
K. HOVNANIAN AT CRANBURY, L.L.C.
K. HOVNANIAN AT DENVILLE, L.L.C.
K. HOVNANIAN AT DEPTFORD TOWNSHIP, L.L.C.
K. HOVNANIAN AT DOMINGUEZ HILLS, INC.
K. HOVNANIAN AT EAST BRANDYWINE, L.L.C.
K. HOVNANIAN AT EASTLAKE, LLC
K. HOVNANIAN AT EDGEWATER II, L.L.C.
K. HOVNANIAN AT EDGEWATER, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH II, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH, L.L.C.
K. HOVNANIAN AT ENCINITAS RANCH, LLC
K. HOVNANIAN AT EVERGREEN, L.L.C.
K. HOVNANIAN AT FIDDYMENT RANCH, LLC
K. HOVNANIAN AT FIFTH AVENUE, L.L.C.
K. HOVNANIAN AT FLORENCE I, L.L.C.
K. HOVNANIAN AT FLORENCE II, L.L.C.
K. HOVNANIAN AT FOREST MEADOWS, L.L.C.
K. HOVNANIAN AT FRANKLIN II, L.L.C.
K. HOVNANIAN AT FRANKLIN, L.L.C.
K. HOVNANIAN AT FREEHOLD TOWNSHIP, L.L.C.
K. HOVNANIAN AT FRESNO, LLC
K. HOVNANIAN AT GASLAMP SQUARE, L.L.C.
K. HOVNANIAN AT GILROY, LLC
K. HOVNANIAN AT GREAT NOTCH, L.L.C.
K. HOVNANIAN AT GUTTENBERG, L.L.C.
K. HOVNANIAN AT HACKETTSTOWN II, L.L.C.
K. HOVNANIAN AT HAMBURG, L.L.C.
K. HOVNANIAN AT HAWTHORNE, L.L.C.
K. HOVNANIAN AT HERSHEY'S MILL, INC.
K. HOVNANIAN AT HIGHLAND SHORES, L.L.C.
K. HOVNANIAN AT HOWELL, LLC
K. HOVNANIAN AT HUDSON POINTE, L.L.C.
K. HOVNANIAN AT JACKSON I, L.L.C.
K. HOVNANIAN AT JACKSON, L.L.C.
K. HOVNANIAN AT JAEGER RANCH, LLC
K. HOVNANIAN AT JERSEY CITY IV, L.L.C.
K. HOVNANIAN AT JERSEY CITY V URBAN RENEWAL COMPANY, L.L.C.
K. HOVNANIAN AT KEYPORT, L.L.C.
K. HOVNANIAN AT LA COSTA GREENS, L.L.C.
K. HOVNANIAN AT LA COSTA, LLC
K. HOVNANIAN AT LA HABRA KNOLLS, LLC
K. HOVNANIAN AT LA LAGUNA, L.L.C.
K. HOVNANIAN AT LAKE RANCHO VIEJO, LLC
K. HOVNANIAN AT LAKE TERRAPIN, L.L.C.
K. HOVNANIAN AT LAWRENCE V, L.L.C.
K. HOVNANIAN AT LEE SQUARE, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR, L.L.C
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP II, L.L.C.

Schedule 1-2

K. HOVNANIAN AT LOWER MAKEFIELD TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MORELAND I, L.L.C.

K. HOVNANIAN AT LOWER MORELAND II, L.L.C.
K. HOVNANIAN AT MAHWAH VI, INC.
K. HOVNANIAN AT MALAN PARK, L.L.C.
K. HOVNANIAN AT MANALAPAN III, L.L.C.
K. HOVNANIAN AT MANSFIELD I, L.L.C.
K. HOVNANIAN AT MANSFIELD II, L.L.C.
K. HOVNANIAN AT MANSFIELD III, L.L.C.
K. HOVNANIAN AT MANTECA, LLC
K. HOVNANIAN AT MAPLE AVENUE, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP IX, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP V, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP VIII, L.L.C.
K. HOVNANIAN AT MARLBORO VI, L.L.C.
K. HOVNANIAN AT MARLBORO VII, L.L.C.
K. HOVNANIAN AT MELANIE MEADOWS, LLC
K. HOVNANIAN AT MENDHAM TOWNSHIP, L.L.C.
K. HOVNANIAN AT MENIFEE, LLC
K. HOVNANIAN AT MIDDLE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT MIDDLE TOWNSHIP, L.L.C.
K. HOVNANIAN AT MIDDLETOWN II, L.L.C.
K. HOVNANIAN AT MILLVILLE I, L.L.C.
K. HOVNANIAN AT MILLVILLE II, L.L.C.
K. HOVNANIAN AT MONROE II, INC.
K. HOVNANIAN AT MONROE IV, L.L.C.
K. HOVNANIAN AT MONROE NJ, L.L.C.
K. HOVNANIAN AT MONTVALE II, LLC
K. HOVNANIAN AT MONTVALE, L.L.C.
K. HOVNANIAN AT MOSAIC, LLC
K. HOVNANIAN AT MUIRFIELD, LLC
K. HOVNANIAN AT NEW WINDSOR, L.L.C.
K. HOVNANIAN AT NORTH BERGEN. L.L.C.
K. HOVNANIAN AT NORTH BRUNSWICK VI, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL II, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL III, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL IV, L.L.C.
K. HOVNANIAN AT NORTH HALEDON, L.L.C.
K. HOVNANIAN AT NORTH WILDWOOD, L.L.C.
K. HOVNANIAN AT NORTHAMPTON, L.L.C.
K. HOVNANIAN AT NORTHERN WESTCHESTER, INC.
K. HOVNANIAN AT NORTHFIELD, L.L.C.
K. HOVNANIAN AT OCEAN TOWNSHIP, INC
K. HOVNANIAN AT OCEAN WALK, INC.
K. HOVNANIAN AT OCEANPORT, L.L.C.
K. HOVNANIAN AT OLD BRIDGE, L.L.C.
K. HOVNANIAN AT OLDE ORCHARD, LLC
K. HOVNANIAN AT PARAMUS, L.L.C.
K. HOVNANIAN AT PARK LANE, LLC
K. HOVNANIAN AT PARKSIDE, LLC
K. HOVNANIAN AT PARSIPPANY, L.L.C.
K. HOVNANIAN AT PARSIPPANY-TROY HILLS, L.L.C.
K. HOVNANIAN AT PIAZZA D'ORO, L.L.C.
K. HOVNANIAN AT PIAZZA SERENA, L.L.C

Schedule 1-3

K. HOVNANIAN AT PITTSBORO, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL IV, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL V, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VI, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VII, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VIII, L.L.C.
K. HOVNANIAN AT POSITANO, LLC
K. HOVNANIAN AT PRADO, L.L.C.
K. HOVNANIAN AT RANCHO SANTA MARGARITA, LLC
K. HOVNANIAN AT RANDOLPH I, L.L.C.
K. HOVNANIAN AT RAPHO, L.L.C
K. HOVNANIAN AT RIDGEMONT, L.L.C.
K. HOVNANIAN AT RIVERBEND, LLC
K. HOVNANIAN AT RODERUCK, L.L.C.
K. HOVNANIAN AT ROSEMARY LANTANA, L.L.C.
K. HOVNANIAN AT SAGE, L.L.C.
K. HOVNANIAN AT SANTA NELLA, LLC
K. HOVNANIAN AT SAWMILL, INC.
K. HOVNANIAN AT SAYREVILLE, L.L.C.

K. HOVNANIAN AT SCOTCH PLAINS, L.L.C.
K. HOVNANIAN AT SEASONS LANDING, LLC
K. HOVNANIAN AT SHELDON GROVE, LLC
K. HOVNANIAN AT SHREWSBURY, LLC
K. HOVNANIAN AT SILVER SPRING, L.L.C.
K. HOVNANIAN AT SKYE ISLE, LLC
K. HOVNANIAN AT SMITHVILLE, INC.
K. HOVNANIAN AT SOMERS POINT, L.L.C.
K. HOVNANIAN AT SOUTH BRUNSWICK II, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK, L.L.C.
K. HOVNANIAN AT STANTON, LLC
K. HOVNANIAN AT STATION SQUARE, L.L.C.
K. HOVNANIAN AT SUNRIDGE PARK, LLC
K. HOVNANIAN AT SYCAMORE, INC.
K. HOVNANIAN AT THE CROSBY, LLC
K. HOVNANIAN AT THE GABLES, LLC
K. HOVNANIAN AT THE MONARCH, L.L.C.
K. HOVNANIAN AT THE PRESERVE, LLC
K. HOVNANIAN AT THOMPSON RANCH, LLC
K. HOVNANIAN AT THORNBURY, INC.
K. HOVNANIAN AT TRAIL RIDGE, LLC
K. HOVNANIAN AT UPPER FREEHOLD TOWNSHIP II, L.L.C.
K. HOVNANIAN AT UPPER FREEHOLD TOWNSHIP III, L.L.C.
K. HOVNANIAN AT UPPER MAKEFIELD I, INC.
K. HOVNANIAN AT UPPER PROVIDENCE, LLC
K. HOVNANIAN AT UPPER UWCHLAN II, L.L.C.
K. HOVNANIAN AT UPPER UWCHLAN, L.L.C.
K. HOVNANIAN AT VALLE DEL SOL, LLC
K. HOVNANIAN AT VERONA URBAN RENEWAL, L.L.C.
K. HOVNANIAN AT VICTORVILLE, L.L.C.
K. HOVNANIAN AT VINELAND, L.L.C.
K. HOVNANIAN AT VISTA DEL SOL, L.L.C.
K. HOVNANIAN AT WARREN TOWNSHIP, L.L.C.
K. HOVNANIAN AT WASHINGTON, L.L.C.
K. HOVNANIAN AT WATERSTONE, LLC

Schedule 1-4

K. HOVNANIAN AT WAYNE IX, L.L.C.
K. HOVNANIAN AT WAYNE, VIII, L.L.C.
K. HOVNANIAN AT WEST VIEW ESTATES, L.L.C.
K. HOVNANIAN AT WEST WINDSOR, L.L.C.
K. HOVNANIAN AT WESTSHORE, LLC
K. HOVNANIAN AT WHEELER RANCH, LLC
K. HOVNANIAN AT WILDWOOD BAYSIDE, L.L.C.
K. HOVNANIAN AT WILLOW BROOK, L.L.C.
K. HOVNANIAN AT WINCHESTER, LLC
K. HOVNANIAN AT WOODCREEK WEST, LLC
K. HOVNANIAN AT WOOLWICH I, L.L.C.
K. HOVNANIAN CAMBRIDGE HOMES, L.L.C.
K. HOVNANIAN CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN CLASSICS, L.L.C.
K. HOVNANIAN COMMUNITIES, INC.
K. HOVNANIAN COMPANIES OF CALIFORNIA, INC.
K. HOVNANIAN COMPANIES OF MARYLAND, INC.
K. HOVNANIAN COMPANIES OF NEW YORK, INC.
K. HOVNANIAN COMPANIES OF PENNSYLVANIA, INC.
K. HOVNANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.
K. HOVNANIAN COMPANIES, LLC
K. HOVNANIAN CONSTRUCTION II, INC
K. HOVNANIAN CONSTRUCTION III, INC
K. HOVNANIAN CONSTRUCTION MANAGEMENT, INC.
K. HOVNANIAN CRAFTBUILT HOMES OF SOUTH CAROLINA, L.L.C.
K. HOVNANIAN DEVELOPMENTS OF ARIZONA, INC.
K. HOVNANIAN DEVELOPMENTS OF CALIFORNIA, INC.
K. HOVNANIAN DEVELOPMENTS OF D.C., INC.
K. HOVNANIAN DEVELOPMENTS OF DELAWARE, INC.
K. HOVNANIAN DEVELOPMENTS OF GEORGIA, INC.
K. HOVNANIAN DEVELOPMENTS OF ILLINOIS, INC.
K. HOVNANIAN DEVELOPMENTS OF KENTUCKY, INC.
K. HOVNANIAN DEVELOPMENTS OF MARYLAND, INC.
K. HOVNANIAN DEVELOPMENTS OF MINNESOTA, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY II, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY, INC.

K. HOVNANIAN DEVELOPMENTS OF NEW YORK, INC.
K. HOVNANIAN DEVELOPMENTS OF NORTH CAROLINA, INC.
K. HOVNANIAN DEVELOPMENTS OF OHIO, INC.
K. HOVNANIAN DEVELOPMENTS OF PENNSYLVANIA, INC.
K. HOVNANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.
K. HOVNANIAN DEVELOPMENTS OF TEXAS, INC.
K. HOVNANIAN DEVELOPMENTS OF VIRGINIA, INC.
K. HOVNANIAN DEVELOPMENTS OF WEST VIRGINIA, INC.
K. HOVNANIAN EASTERN PENNSYLVANIA, L.L.C.
K. HOVNANIAN ENTERPRISES, INC.
K. HOVNANIAN FIRST HOMES, L.L.C.
K. HOVNANIAN FLORIDA REALTY, L.L.C.
K. HOVNANIAN FOUR SEASONS @ HISTORIC VIRGINIA, LLC
K. HOVNANIAN FOUR SEASONS AT GOLD HILL, LLC
K. HOVNANIAN GREAT WESTERN BUILDING COMPANY, LLC
K. HOVNANIAN GREAT WESTERN HOMES, LLC
K. HOVNANIAN HAMPTONS AT OAK CREEK II, L.L.C.
K. HOVNANIAN HOLDINGS NJ, L.L.C.

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K. HOVNANIAN HOMES - DFW, L.L.C.
K. HOVNANIAN HOMES AT CAMERON STATION, LLC
K. HOVNANIAN HOMES AT CAMP SPRINGS, L.L.C.
K. HOVNANIAN HOMES AT FAIRWOOD, L.L.C.
K. HOVNANIAN HOMES AT FOREST RUN, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM PARK TOWNS, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM, L.L.C.
K. HOVNANIAN HOMES AT JONES STATION 1, L.L.C.
K. HOVNANIAN HOMES AT MAXWELL PLACE, L.L.C.
K. HOVNANIAN HOMES AT RENAISSANCE PLAZA, L.L.C.
K. HOVNANIAN HOMES AT RUSSETT, L.L.C.
K. HOVNANIAN HOMES AT THE HIGHLANDS, LLC
K. HOVNANIAN HOMES NORTHERN CALIFORNIA, INC.
K. HOVNANIAN HOMES OF D.C., L.L.C.
K. HOVNANIAN HOMES OF DELAWARE, L.L.C.
K. HOVNANIAN HOMES OF GEORGIA, L.L.C.
K. HOVNANIAN HOMES OF HOUSTON, L.L.C.
K. HOVNANIAN HOMES OF MARYLAND, L.L.C.
K. HOVNANIAN HOMES OF MINNESOTA, L.L.C.
K. HOVNANIAN HOMES OF NORTH CAROLINA, INC.
K. HOVNANIAN HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN HOMES OF SOUTH CAROLINA, LLC
K. HOVNANIAN HOMES OF VIRGINIA, INC.
K. HOVNANIAN HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN LIBERTY ON BLUFF CREEK, LLC
K. HOVNANIAN NORTH CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTHEAST SERVICES, L.L.C.
K. HOVNANIAN OF HOUSTON II, L.L.C.
K. HOVNANIAN OHIO REALTY, L.L.C.
K. HOVNANIAN OSTER HOMES, L.L.C.
K. HOVNANIAN PA REAL ESTATE, INC.
K. HOVNANIAN PENNSYLVANIA ACQUISITIONS, L.L.C.
K. HOVNANIAN PORT IMPERIAL URBAN RENEWAL, INC.
K. HOVNANIAN PROPERTIES OF RED BANK, INC.
K. HOVNANIAN SHORE ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTHERN NEW JERSEY, L.L.C.
K. HOVNANIAN STANDING ENTITY, L.L.C.
K. HOVNANIAN SUMMIT HOLDINGS, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF KENTUCKY, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES, L.L.C.
K. HOVNANIAN T&C HOMES AT FLORIDA, L.L.C.
K. HOVNANIAN T&C HOMES AT ILLINOIS, L.L.C.
K. HOVNANIAN TIMBRES AT ELM CREEK, LLC
K. HOVNANIAN VENTURE I, L.L.C.
K. HOVNANIAN WINDWARD HOMES, LLC
K. HOVNANIAN'S FOUR SEASONS AT ASHBURN VILLAGE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT BAKERSFIELD, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT BEAUMONT, LLC
K. HOVNANIAN'S FOUR SEASONS AT CHARLOTTESVILLE, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND CONDOMINIUMS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT LOS BANOS, LLC
K. HOVNANIAN'S FOUR SEASONS AT MORENO VALLEY, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT NEW KENT VINEYARDS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT PALM SPRINGS, LLC
K. HOVNANIAN'S FOUR SEASONS AT RENAISSANCE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK II, LLC
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT ST. MARGARETS LANDING, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT VINT HILL, L.L.C.
K. HOVNANIAN'S FOUR SEASONS, LLC
K. HOVNANIAN'S PARKSIDE AT TOWNGATE, L.L.C.
KHIP, L.L.C.
LANDARAMA, INC.
M&M AT CHESTERFIELD, LLC
M&M AT CRESCENT COURT, L.L.C.
M&M AT WEST ORANGE, L.L.C.
M&M AT WHEATENA URBAN RENEWAL, L.L.C.
MATZEL & MUMFORD AT EGG HARBOR, L.L.C.
MATZEL & MUMFORD AT SOUTH BOUND BROOK URBAN RENEWAL, L.L.C.
MCNJ, INC.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF PENNSYLVANIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF WEST VIRGINIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES, L.L.C.
MMIP, L.L.C.
NEW LAND TITLE AGENCY, LLC
PADDOCKS, L.L.C.
PARK TITLE COMPANY, LLC
PINE AYR, LLC
RIDGEMORE UTILITY, L.L.C.
SEABROOK ACCUMULATION CORPORATION
STONEBROOK HOMES, INC.
TERRAPIN REALTY, L.L.C.
THE MATZEL & MUMFORD ORGANIZATION, INC
WASHINGTON HOMES AT COLUMBIA TOWN CENTER, L.L.C.
WASHINGTON HOMES, INC.
WESTMINSTER HOMES, INC.
WH PROPERTIES, INC.
WOODLAND LAKE CONDOMINIUMS AT BOWIE NEW TOWN, L.L.C.

EXHIBIT A

[FORM OF FACE OF AMORTIZING NOTE]

[THIS SECURITY IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OF A DEPOSITARY OR A SUCCESSOR DEPOSITARY. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR SECURITIES IN CERTIFICATED FORM, THIS SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TRUST COMPANY, A NEW YORK CORPORATION (THE "DEPOSITARY") TO THE NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

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

* Include only if a Global Amortizing Note.

K. HOVNIANIAN ENTERPRISES, INC.

11.00% SENIOR AMORTIZING NOTES DUE 2017

CUSIP No.: 442488 BQ4
ISIN No.: US442488BQ46

No. [Initial]* Number of Amortizing Notes:

K. HOVNIANIAN ENTERPRISES, INC., a California corporation (the "Issuer", which term includes any successor under the Indenture hereinafter referred to), for value received, hereby promises to pay to [CEDE & CO., as nominee of The Depository Trust Company]* []**, or registered assigns (the "Holder"), the initial principal amount of \$231.49 for each of the number of Amortizing Notes set forth above[, or such other number of Amortizing Notes reflected on the books and records of the Depository and the Trustee, in accordance with the terms of the Indenture, but which number of Amortizing Notes, taken together with the number of all other outstanding Amortizing Notes, shall not exceed 100,000 Amortizing Notes at any time]*, in equal semi-annual installments (except for the first such payment) (each such payment, an "Installment Payment," constituting a payment of interest at the rate per year of 11.00% and a partial repayment of principal) payable on each June 1 and December 1, commencing on June 1, 2013 (each such date, an "Installment Payment Date" and the period from, and including, October 2, 2012 to, but excluding, the first Installment Payment Date and each subsequent full semi-annual period from, and including, an Installment Payment Date to, but excluding, the immediately succeeding Installment Payment Date, an "Installment Payment Period"), all as set forth on the reverse hereof, with the final Installment Payment due and payable on December 1, 2017.

The Installment Payment on any Installment Payment Date shall be computed on the basis of a 360-day year consisting of twelve 30-day months. If an Installment Payment is payable for any period shorter or longer than a full Installment Payment Period, such Installment Payment shall be computed on the basis of the actual number of days elapsed per 30-day month. In the event that any Installment Payment Date is not a Business Day, then payment of the Installment Payment on such date shall be made on the next succeeding day that is a Business Day, and without any interest or other payment in respect of any such delay. However, if such Business Day is in the next succeeding calendar year, then such Installment Payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on the date when such Installment Payment was originally due. Installment Payments shall be paid to the Person in whose name the Amortizing Note is registered at the close of business on May 15 or November 15, as applicable (each, a "Regular Record Date"). Installment Payments shall be payable at the office or agency of the Issuer maintained for that purpose in the Borough of Manhattan, The City of New York or in Delaware; *provided, however*, that payment of Installment Payments may be made at the option of

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the Issuer by check mailed to the registered Holder at such address as shall appear in the Security register or by wire transfer to an account appropriately designated by the Holder entitled to payment.

This Amortizing Note shall not be entitled to any benefit under the Indenture hereinafter referred to or be valid or obligatory for any purpose until the Certificate of Authentication shall have been manually signed by or on behalf of the Trustee.

Reference is hereby made to the further provisions of this Amortizing Note set forth on the reverse hereof, which will for all purposes have the same effect as if set forth at this place.

[SIGNATURES ON THE FOLLOWING PAGE]

* Include only if a Global Amortizing Note or a Component Amortizing Note.
** Include only if not a Global Amortizing Note or a Component Amortizing Note.

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IN WITNESS WHEREOF, the Issuer has caused this instrument to be duly executed.

Dated: _____

K. HOVNIANIAN ENTERPRISES, INC.

By: _____
Name:
Title:

CERTIFICATE OF AUTHENTICATION

Wilmington Trust Company, as Trustee, certifies that this is one of the Securities of the series designated herein referred to in the within mentioned Indenture.

Dated:

By: _____
 Authorized Signatory

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[REVERSE OF AMORTIZING NOTE]

K. HOVNIANIAN ENTERPRISES, INC.

11.00% Senior Amortizing Notes due 2017

This Amortizing Note is one of a duly authorized series of Securities of the Issuer designated as its 11.00% Senior Amortizing Notes due 2017 (herein sometimes referred to as the “**Amortizing Notes**”), issued under the Senior Indenture, dated as of February 14, 2011, among the Issuer, Hovnanian Enterprises, Inc. (“**Hovnanian**”), the other Guarantors from time to time party thereto and Wilmington Trust Company, as trustee (the “**Trustee**,” which term includes any successor trustee under the Indenture) (including any provisions of the TIA that are deemed incorporated therein) (the “**Base Indenture**”), as supplemented by the Fifth Supplemental Indenture, dated as of October 2, 2012 (the “**Fifth Supplemental Indenture**”), among the Issuer, Hovnanian, the other Guarantors from time to time party thereto, and the Trustee (the Base Indenture as supplemented by the Fifth Supplemental Indenture, the “**Indenture**”), to which Indenture reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Issuer and the Holders. The terms of other series of Securities issued under the Indenture may vary with respect to interest rates, issue dates, maturity, redemption, repayment, currency of payment and otherwise as provided in the Indenture. The Indenture further provides that Securities of a single series may be issued at various times, with different maturity dates and may bear interest at different rates. This series of Securities is limited in initial aggregate principal amount as specified in the Fifth Supplemental Indenture.

Each Installment Payment shall constitute a payment of interest (at a rate of 11.00% per annum) and a partial repayment of principal on the Amortizing Note, allocated as set forth in the schedule below:

<u>Scheduled Installment Payment Date</u>	<u>Amount of Principal</u>	<u>Amount of Interest</u>
June 1, 2013	\$ 22.92	\$ 16.91
December 1, 2013	\$ 18.53	\$ 11.47
June 1, 2014	\$ 19.55	\$ 10.45
December 1, 2014	\$ 20.62	\$ 9.38
June 1, 2015	\$ 21.76	\$ 8.24
December 1, 2015	\$ 22.95	\$ 7.05
June 1, 2016	\$ 24.22	\$ 5.78
December 1, 2016	\$ 25.55	\$ 4.45
June 1, 2017	\$ 26.95	\$ 3.05
December 1, 2017	\$ 28.44	\$ 1.56

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The Amortizing Notes shall not be subject to redemption at the option of the Issuer. However, a Holder shall have the right to require the Issuer to repurchase some or all of its Amortizing Notes for cash at the Repurchase Price per Amortizing Note and on the Repurchase Date, upon the occurrence of certain events and subject to the conditions set forth in the Indenture.

This Amortizing Note is not entitled to the benefit of any sinking fund. The Indenture contains provisions for defeasance and covenant defeasance at any time of the indebtedness on this Amortizing Note upon compliance by the Issuer with certain conditions set forth therein, which provisions apply to this Amortizing Note.

If an Event of Default with respect to the Amortizing Notes shall have occurred and be continuing, then (unless no declaration of acceleration or notice is required for such Event of Default) either the Trustee or the Holders of not less than 25% in principal amount of the Amortizing Notes then outstanding may declare all future, scheduled Installment Payments on the Amortizing Notes to be due and payable immediately, in the manner, subject to the conditions and with the effect provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the Issuer and the Trustee, with the consent of the Holders of not less than a majority in principal amount of the Securities at the time outstanding, to execute supplemental indentures for certain purposes as described therein.

No provision of this Amortizing Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay Installment Payments on this Amortizing Note at the time, place and rate, and in the coin or currency, herein and in the Indenture prescribed.

The Amortizing Notes are guaranteed, on a senior basis, by the Guarantors as set forth in the Indenture and the Guarantee endorsed hereon.

The Amortizing Notes are originally being issued as part of the 6.00% Exchangeable Note Units (the “**Units**”) issued by Hovnanian and the Issuer pursuant to that certain Units Agreement, dated as of October 2, 2012, among Hovnanian, the Issuer and Wilmington Trust Company, as Units Agent (the “**Units Agreement**”). Reference is hereby made to the Units Agreement for a description of the terms thereof applicable to the Units.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Amortizing Note shall be registered on the Security register of the Issuer, upon due presentation of this Amortizing Note for registration of transfer at the office or agency of the Issuer in the Borough of Manhattan, The City of New York or in Delaware, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Issuer and the Trustee duly executed by, the Holder hereof or by his attorney duly authorized in writing, and thereupon the Issuer shall execute and the Trustee shall authenticate and deliver in the name of the transferee or

transferees a new Amortizing Note or Notes in authorized denominations and for a like aggregate principal amount.

The Amortizing Notes are initially issued in registered, global form without coupons in denominations initially equal to \$231.49 and integral multiples in excess thereof.

The Issuer or Trustee may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer of this Amortizing Note. No service charge shall be made for any such transfer or for any exchange of this Amortizing Note as contemplated by the Indenture.

The Issuer, the Trustee and any agent of the Issuer or the Trustee may deem and treat the Person in whose name this Amortizing Note is registered upon the Security register for the Amortizing Notes as the absolute owner of this Amortizing Note (whether or not this Amortizing Note shall be overdue and notwithstanding any notation of ownership or other writing thereon) for the purpose of receiving payment of or on account of the principal of and, subject to the provisions of the Indenture, interest, if any, on this Amortizing Note and for all other purposes; and neither the Issuer nor the Trustee nor any agent of the Issuer or the Trustee shall be affected by any notice to the contrary.

This Amortizing Note and the Indenture, and any claim, controversy or dispute arising under or related to the Indenture or this Amortizing Note, shall for all purposes be governed by, and construed in accordance with, the laws of the State of New York.

Capitalized terms used but not defined in this Amortizing Note shall have the meanings ascribed to such terms in the Indenture.

No recourse shall be had for the payment of any Installment Payment on this Amortizing Note, or for any claim based hereon, or upon any obligation, covenant or agreement of the Issuer in the Indenture, against any incorporator, stockholder, officer or director, past, present or future of the Issuer or of any predecessor or successor, either directly or through the Issuer or any successor, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment of penalty or otherwise; and all such personal liability is expressly released and waived as a condition of, and as part of the consideration for, the issuance of this Amortizing Note.

In the event of any inconsistency between the provisions of this Amortizing Note and the provisions of the Indenture, the Indenture shall prevail.

[FORM OF NOTATION ON AMORTIZING NOTE RELATING TO GUARANTEE]

GUARANTEE

The undersigned (the “**Guarantors**”) hereby unconditionally guarantee, jointly and severally, to each Holder and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of the Indenture, the Amortizing Notes or the obligations of the Issuer thereunder or under the Amortizing Notes, that (i) the due and punctual payment of the principal of, interest on (including, without limitation, Installment Payments and the Repurchase Price of any Amortizing Notes payable pursuant to Article 9 of the Fifth Supplemental Indenture, if applicable), and all other amounts owing with respect to the Amortizing Notes, whether on the Maturity Date, on any Repurchase Date or on any Installment Payment Date, by acceleration or otherwise, if lawful, and all other obligations of the Issuer to the Holders or the Trustee thereunder or under the Amortizing Notes shall be promptly paid in full when due or performed in accordance with the terms of the Indenture and the Amortizing Notes, including all amounts payable to the Trustee, and (ii) in case of any extension of time of payment or renewal of any Amortizing Notes or any of such other obligations, the same shall be promptly paid in full when due or shall be performed in accordance with the terms of the extension or renewal, whether on the applicable due dates, by acceleration or otherwise (each such guarantee, a “**Guarantee**”).

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 an Amortizing Note by accepting an Amortizing 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 an Amortizing Note by accepting an Amortizing 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 Amortizing 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.

The Guarantee, and any claim, controversy or dispute arising under or related to the Guarantee, shall be governed by and construed in accordance with the laws of the State of New York.

In the event of any inconsistency between the provisions of this Guarantee and the provisions of the Indenture, the Indenture shall prevail.

IN WITNESS WHEREOF, the Guarantors have caused this instrument to be executed.

Dated: _____

By: _____
Name:
Title:

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Schedule A

ARBOR TRAILS, LLC
AUDDIE ENTERPRISES, L.L.C.
BUILDER SERVICES NJ, L.L.C.
BUILDER SERVICES PA, L.L.C.
DULLES COPPERMINE, L.L.C.
EASTERN NATIONAL TITLE AGENCY, LLC
EASTERN TITLE AGENCY, INC.
F&W MECHANICAL SERVICES, L.L.C.
FOUNDERS TITLE AGENCY OF MARYLAND, L.L.C.
FOUNDERS TITLE AGENCY, INC.
GOVERNOR'S ABSTRACT CO., INC.
HOMEBUYERS FINANCIAL SERVICES, L.L.C.
HOVNANIAN DEVELOPMENTS OF FLORIDA, INC.
HOVNANIAN ENTERPRISES, INC. (PARENT COMPANY)
HOVNANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP, L.L.C.
K. HOV IP, II, INC.
K. HOV IP, INC.
K. HOVNANIAN ACQUISITIONS, INC.
K. HOVNANIAN AT 4S, LLC
K. HOVNANIAN AT ACQUA VISTA, LLC
K. HOVNANIAN AT ALISO, LLC
K. HOVNANIAN AT ALLENTOWN, L.L.C.
K. HOVNANIAN AT ANDALUSIA, LLC
K. HOVNANIAN AT ARBOR HEIGHTS, LLC
K. HOVNANIAN AT AVENUE ONE, L.L.C.
K. HOVNANIAN AT BAKERSFIELD 463, L.L.C.
K. HOVNANIAN AT BARNEGAT I, L.L.C.
K. HOVNANIAN AT BARNEGAT II, L.L.C.
K. HOVNANIAN AT BELLA LAGO, LLC
K. HOVNANIAN AT BENSALEM, LLC
K. HOVNANIAN AT BERKELEY, L.L.C.
K. HOVNANIAN AT BLUE HERON PINES, L.L.C.
K. HOVNANIAN AT BRANCHBURG, L.L.C.
K. HOVNANIAN AT BRIDGEPORT, INC.
K. HOVNANIAN AT BRIDGEWATER I, L.L.C.
K. HOVNANIAN AT BROAD AND WALNUT, L.L.C.
K. HOVNANIAN AT CAMERON CHASE, INC.
K. HOVNANIAN AT CAMP HILL, L.L.C.
K. HOVNANIAN AT CAPISTRANO, L.L.C.
K. HOVNANIAN AT CARLSBAD, LLC
K. HOVNANIAN AT CEDAR GROVE III, L.L.C.
K. HOVNANIAN AT CEDAR GROVE V, L.L.C.
K. HOVNANIAN AT CHARTER WAY, LLC
K. HOVNANIAN AT CHESTER I, L.L.C.
K. HOVNANIAN AT CHESTERFIELD, L.L.C.
K. HOVNANIAN AT CIELO, L.L.C.
K. HOVNANIAN AT CLIFTON, L.L.C.
K. HOVNANIAN AT COASTLINE, L.L.C.
K. HOVNANIAN AT CORTEZ HILL, LLC
K. HOVNANIAN AT CRANBURY, L.L.C.
K. HOVNANIAN AT DENVILLE, L.L.C.
K. HOVNANIAN AT DEPTFORD TOWNSHIP, L.L.C.
K. HOVNANIAN AT DOMINGUEZ HILLS, INC.
K. HOVNANIAN AT EAST BRANDYWINE, L.L.C.
K. HOVNANIAN AT EASTLAKE, LLC
K. HOVNANIAN AT EDGEWATER II, L.L.C.
K. HOVNANIAN AT EDGEWATER, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH II, L.L.C.

K. HOVNANIAN AT EL DORADO RANCH, L.L.C.
K. HOVNANIAN AT ENCINITAS RANCH, LLC
K. HOVNANIAN AT EVERGREEN, L.L.C.
K. HOVNANIAN AT FIDDYMENT RANCH, LLC
K. HOVNANIAN AT FIFTH AVENUE, L.L.C.
K. HOVNANIAN AT FLORENCE I, L.L.C.
K. HOVNANIAN AT FLORENCE II, L.L.C.
K. HOVNANIAN AT FOREST MEADOWS, L.L.C.
K. HOVNANIAN AT FRANKLIN II, L.L.C.
K. HOVNANIAN AT FRANKLIN, L.L.C.
K. HOVNANIAN AT FREEHOLD TOWNSHIP, L.L.C.
K. HOVNANIAN AT FRESNO, LLC
K. HOVNANIAN AT GASLAMP SQUARE, L.L.C.
K. HOVNANIAN AT GILROY, LLC
K. HOVNANIAN AT GREAT NOTCH, L.L.C.
K. HOVNANIAN AT GUTTENBERG, L.L.C.
K. HOVNANIAN AT HACKETTSTOWN II, L.L.C.
K. HOVNANIAN AT HAMBURG, L.L.C.
K. HOVNANIAN AT HAWTHORNE, L.L.C.
K. HOVNANIAN AT HERSHEY'S MILL, INC.
K. HOVNANIAN AT HIGHLAND SHORES, L.L.C.
K. HOVNANIAN AT HOWELL, LLC
K. HOVNANIAN AT HUDSON POINTE, L.L.C.
K. HOVNANIAN AT JACKSON I, L.L.C.
K. HOVNANIAN AT JACKSON, L.L.C.
K. HOVNANIAN AT JAEGER RANCH, LLC
K. HOVNANIAN AT JERSEY CITY IV, L.L.C.
K. HOVNANIAN AT JERSEY CITY V URBAN RENEWAL COMPANY, L.L.C.
K. HOVNANIAN AT KEYPORT, L.L.C.
K. HOVNANIAN AT LA COSTA GREENS, L.L.C.
K. HOVNANIAN AT LA COSTA, LLC
K. HOVNANIAN AT LA HABRA KNOLLS, LLC
K. HOVNANIAN AT LA LAGUNA, L.L.C.
K. HOVNANIAN AT LAKE RANCHO VIEJO, LLC
K. HOVNANIAN AT LAKE TERRAPIN, L.L.C.
K. HOVNANIAN AT LAWRENCE V, L.L.C.
K. HOVNANIAN AT LEE SQUARE, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR TOWNSHIP II, L.L.C.

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K. HOVNANIAN AT LITTLE EGG HARBOR, L.L.C
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LOWER MAKEFIELD TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MORELAND I, L.L.C.
K. HOVNANIAN AT LOWER MORELAND II, L.L.C.
K. HOVNANIAN AT MAHWAH VI, INC.
K. HOVNANIAN AT MALAN PARK, L.L.C.
K. HOVNANIAN AT MANALAPAN III, L.L.C.
K. HOVNANIAN AT MANSFIELD I, L.L.C.
K. HOVNANIAN AT MANSFIELD II, L.L.C.
K. HOVNANIAN AT MANSFIELD III, L.L.C.
K. HOVNANIAN AT MANTECA, LLC
K. HOVNANIAN AT MAPLE AVENUE, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP IX, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP V, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP VIII, L.L.C.
K. HOVNANIAN AT MARLBORO VI, L.L.C.
K. HOVNANIAN AT MARLBORO VII, L.L.C.
K. HOVNANIAN AT MELANIE MEADOWS, LLC
K. HOVNANIAN AT MENDHAM TOWNSHIP, L.L.C.
K. HOVNANIAN AT MENIFEE, LLC
K. HOVNANIAN AT MIDDLE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT MIDDLE TOWNSHIP, L.L.C.
K. HOVNANIAN AT MIDDLETOWN II, L.L.C.
K. HOVNANIAN AT MILLVILLE I, L.L.C.
K. HOVNANIAN AT MILLVILLE II, L.L.C.
K. HOVNANIAN AT MONROE II, INC.
K. HOVNANIAN AT MONROE IV, L.L.C.
K. HOVNANIAN AT MONROE NJ, L.L.C.
K. HOVNANIAN AT MONTVALE II, LLC
K. HOVNANIAN AT MONTVALE, L.L.C.
K. HOVNANIAN AT MOSAIC, LLC

K. HOVNANIAN AT MUIRFIELD, LLC
K. HOVNANIAN AT NEW WINDSOR, L.L.C.
K. HOVNANIAN AT NORTH BERGEN, L.L.C.
K. HOVNANIAN AT NORTH BRUNSWICK VI, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL II, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL III, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL IV, L.L.C.
K. HOVNANIAN AT NORTH HALEDON, L.L.C.
K. HOVNANIAN AT NORTH WILDWOOD, L.L.C.
K. HOVNANIAN AT NORTHAMPTON, L.L.C.
K. HOVNANIAN AT NORTHERN WESTCHESTER, INC.
K. HOVNANIAN AT NORTHFIELD, L.L.C.
K. HOVNANIAN AT OCEAN TOWNSHIP, INC
K. HOVNANIAN AT OCEAN WALK, INC.
K. HOVNANIAN AT OCEANPORT, L.L.C.
K. HOVNANIAN AT OLD BRIDGE, L.L.C.
K. HOVNANIAN AT OLDE ORCHARD, LLC
K. HOVNANIAN AT PARAMUS, L.L.C.
K. HOVNANIAN AT PARK LANE, LLC
K. HOVNANIAN AT PARKSIDE, LLC
K. HOVNANIAN AT PARSIPPANY, L.L.C.

K. HOVNANIAN AT PARSIPPANY-TROY HILLS, L.L.C.
K. HOVNANIAN AT PIAZZA D'ORO, L.L.C.
K. HOVNANIAN AT PIAZZA SERENA, L.L.C
K. HOVNANIAN AT PITTSBORO, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL IV, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL V, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VI, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VII, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VIII, L.L.C.
K. HOVNANIAN AT POSITANO, LLC
K. HOVNANIAN AT PRADO, L.L.C.
K. HOVNANIAN AT RANCHO SANTA MARGARITA, LLC
K. HOVNANIAN AT RANDOLPH I, L.L.C.
K. HOVNANIAN AT RAPHO, L.L.C
K. HOVNANIAN AT RIDGEMONT, L.L.C.
K. HOVNANIAN AT RIVERBEND, LLC
K. HOVNANIAN AT RODERUCK, L.L.C.
K. HOVNANIAN AT ROSEMARY LANTANA, L.L.C.
K. HOVNANIAN AT SAGE, L.L.C.
K. HOVNANIAN AT SANTA NELLA, LLC
K. HOVNANIAN AT SAWMILL, INC.
K. HOVNANIAN AT SAYREVILLE, L.L.C.
K. HOVNANIAN AT SCOTCH PLAINS, L.L.C.
K. HOVNANIAN AT SEASONS LANDING, LLC
K. HOVNANIAN AT SHELDON GROVE, LLC
K. HOVNANIAN AT SHREWSBURY, LLC
K. HOVNANIAN AT SILVER SPRING, L.L.C.
K. HOVNANIAN AT SKYE ISLE, LLC
K. HOVNANIAN AT SMITHVILLE, INC.
K. HOVNANIAN AT SOMERS POINT, L.L.C.
K. HOVNANIAN AT SOUTH BRUNSWICK II, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK, L.L.C.
K. HOVNANIAN AT STANTON, LLC
K. HOVNANIAN AT STATION SQUARE, L.L.C.
K. HOVNANIAN AT SUNRIDGE PARK, LLC
K. HOVNANIAN AT SYCAMORE, INC.
K. HOVNANIAN AT THE CROSBY, LLC
K. HOVNANIAN AT THE GABLES, LLC
K. HOVNANIAN AT THE MONARCH, L.L.C.
K. HOVNANIAN AT THE PRESERVE, LLC
K. HOVNANIAN AT THOMPSON RANCH, LLC
K. HOVNANIAN AT THORNBURY, INC.
K. HOVNANIAN AT TRAIL RIDGE, LLC
K. HOVNANIAN AT UPPER FREEHOLD TOWNSHIP II, L.L.C.
K. HOVNANIAN AT UPPER FREEHOLD TOWNSHIP III, L.L.C.
K. HOVNANIAN AT UPPER MAKEFIELD I, INC.
K. HOVNANIAN AT UPPER PROVIDENCE, LLC
K. HOVNANIAN AT UPPER UWCHLAN II, L.L.C.
K. HOVNANIAN AT UPPER UWCHLAN, L.L.C.
K. HOVNANIAN AT VALLE DEL SOL, LLC

K. HOVNIANIAN AT VERONA URBAN RENEWAL, L.L.C.
K. HOVNIANIAN AT VICTORVILLE, L.L.C.
K. HOVNIANIAN AT VINELAND, L.L.C.
K. HOVNIANIAN AT VISTA DEL SOL, L.L.C.

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K. HOVNIANIAN AT WARREN TOWNSHIP, L.L.C.
K. HOVNIANIAN AT WASHINGTON, L.L.C.
K. HOVNIANIAN AT WATERSTONE, LLC
K. HOVNIANIAN AT WAYNE IX, L.L.C.
K. HOVNIANIAN AT WAYNE, VIII, L.L.C.
K. HOVNIANIAN AT WEST VIEW ESTATES, L.L.C.
K. HOVNIANIAN AT WEST WINDSOR, L.L.C.
K. HOVNIANIAN AT WESTSHORE, LLC
K. HOVNIANIAN AT WHEELER RANCH, LLC
K. HOVNIANIAN AT WILDWOOD BAYSIDE, L.L.C.
K. HOVNIANIAN AT WILLOW BROOK, L.L.C.
K. HOVNIANIAN AT WINCHESTER, LLC
K. HOVNIANIAN AT WOODCREEK WEST, LLC
K. HOVNIANIAN AT WOOLWICH I, L.L.C.
K. HOVNIANIAN CAMBRIDGE HOMES, L.L.C.
K. HOVNIANIAN CENTRAL ACQUISITIONS, L.L.C.
K. HOVNIANIAN CLASSICS, L.L.C.
K. HOVNIANIAN COMMUNITIES, INC.
K. HOVNIANIAN COMPANIES OF CALIFORNIA, INC.
K. HOVNIANIAN COMPANIES OF MARYLAND, INC.
K. HOVNIANIAN COMPANIES OF NEW YORK, INC.
K. HOVNIANIAN COMPANIES OF PENNSYLVANIA, INC.
K. HOVNIANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.
K. HOVNIANIAN COMPANIES, LLC
K. HOVNIANIAN CONSTRUCTION II, INC
K. HOVNIANIAN CONSTRUCTION III, INC
K. HOVNIANIAN CONSTRUCTION MANAGEMENT, INC.
K. HOVNIANIAN CRAFTBUILT HOMES OF SOUTH CAROLINA, L.L.C.
K. HOVNIANIAN DEVELOPMENTS OF ARIZONA, INC.
K. HOVNIANIAN DEVELOPMENTS OF CALIFORNIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF D.C., INC.
K. HOVNIANIAN DEVELOPMENTS OF DELAWARE, INC.
K. HOVNIANIAN DEVELOPMENTS OF GEORGIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF ILLINOIS, INC.
K. HOVNIANIAN DEVELOPMENTS OF KENTUCKY, INC.
K. HOVNIANIAN DEVELOPMENTS OF MARYLAND, INC.
K. HOVNIANIAN DEVELOPMENTS OF MINNESOTA, INC.
K. HOVNIANIAN DEVELOPMENTS OF NEW JERSEY II, INC.
K. HOVNIANIAN DEVELOPMENTS OF NEW JERSEY, INC.
K. HOVNIANIAN DEVELOPMENTS OF NEW YORK, INC.
K. HOVNIANIAN DEVELOPMENTS OF NORTH CAROLINA, INC.
K. HOVNIANIAN DEVELOPMENTS OF OHIO, INC.
K. HOVNIANIAN DEVELOPMENTS OF PENNSYLVANIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.
K. HOVNIANIAN DEVELOPMENTS OF TEXAS, INC.
K. HOVNIANIAN DEVELOPMENTS OF VIRGINIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF WEST VIRGINIA, INC.
K. HOVNIANIAN EASTERN PENNSYLVANIA, L.L.C.
K. HOVNIANIAN ENTERPRISES, INC.
K. HOVNIANIAN FIRST HOMES, L.L.C.
K. HOVNIANIAN FLORIDA REALTY, L.L.C.
K. HOVNIANIAN FOUR SEASONS @ HISTORIC VIRGINIA, LLC
K. HOVNIANIAN FOUR SEASONS AT GOLD HILL, LLC
K. HOVNIANIAN GREAT WESTERN BUILDING COMPANY, LLC

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K. HOVNIANIAN GREAT WESTERN HOMES, LLC
K. HOVNIANIAN HAMPTONS AT OAK CREEK II, L.L.C.
K. HOVNIANIAN HOLDINGS NJ, L.L.C.
K. HOVNIANIAN HOMES - DFW, L.L.C.
K. HOVNIANIAN HOMES AT CAMERON STATION, LLC
K. HOVNIANIAN HOMES AT CAMP SPRINGS, L.L.C.
K. HOVNIANIAN HOMES AT FAIRWOOD, L.L.C.
K. HOVNIANIAN HOMES AT FOREST RUN, L.L.C.

K. HOVNANIAN HOMES AT GREENWAY FARM PARK TOWNS, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM, L.L.C.
K. HOVNANIAN HOMES AT JONES STATION 1, L.L.C.
K. HOVNANIAN HOMES AT MAXWELL PLACE, L.L.C.
K. HOVNANIAN HOMES AT RENAISSANCE PLAZA, L.L.C.
K. HOVNANIAN HOMES AT RUSSETT, L.L.C.
K. HOVNANIAN HOMES AT THE HIGHLANDS, LLC
K. HOVNANIAN HOMES NORTHERN CALIFORNIA, INC.
K. HOVNANIAN HOMES OF D.C., L.L.C.
K. HOVNANIAN HOMES OF DELAWARE, L.L.C.
K. HOVNANIAN HOMES OF GEORGIA, L.L.C.
K. HOVNANIAN HOMES OF HOUSTON, L.L.C.
K. HOVNANIAN HOMES OF MARYLAND, L.L.C.
K. HOVNANIAN HOMES OF MINNESOTA, L.L.C.
K. HOVNANIAN HOMES OF NORTH CAROLINA, INC.
K. HOVNANIAN HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN HOMES OF SOUTH CAROLINA, LLC
K. HOVNANIAN HOMES OF VIRGINIA, INC.
K. HOVNANIAN HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN LIBERTY ON BLUFF CREEK, LLC
K. HOVNANIAN NORTH CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTHEAST SERVICES, L.L.C.
K. HOVNANIAN OF HOUSTON II, L.L.C.
K. HOVNANIAN OHIO REALTY, L.L.C.
K. HOVNANIAN OSTER HOMES, L.L.C.
K. HOVNANIAN PA REAL ESTATE, INC.
K. HOVNANIAN PENNSYLVANIA ACQUISITIONS, L.L.C.
K. HOVNANIAN PORT IMPERIAL URBAN RENEWAL, INC.
K. HOVNANIAN PROPERTIES OF RED BANK, INC.
K. HOVNANIAN SHORE ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTHERN NEW JERSEY, L.L.C.
K. HOVNANIAN STANDING ENTITY, L.L.C.
K. HOVNANIAN SUMMIT HOLDINGS, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF KENTUCKY, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES, L.L.C.
K. HOVNANIAN T&C HOMES AT FLORIDA, L.L.C.
K. HOVNANIAN T&C HOMES AT ILLINOIS, L.L.C.
K. HOVNANIAN TIMBRES AT ELM CREEK, LLC
K. HOVNANIAN VENTURE I, L.L.C.
K. HOVNANIAN WINDWARD HOMES, LLC
K. HOVNANIAN'S FOUR SEASONS AT ASHBURN VILLAGE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT BAKERSFIELD, L.L.C.

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K. HOVNANIAN'S FOUR SEASONS AT BEAUMONT, LLC
K. HOVNANIAN'S FOUR SEASONS AT CHARLOTTESVILLE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT HEMET, LLC
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND CONDOMINIUMS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT LOS BANOS, LLC
K. HOVNANIAN'S FOUR SEASONS AT MORENO VALLEY, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT NEW KENT VINEYARDS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT PALM SPRINGS, LLC
K. HOVNANIAN'S FOUR SEASONS AT RENAISSANCE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK II, LLC
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT ST. MARGARETS LANDING, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT VINT HILL, L.L.C.
K. HOVNANIAN'S FOUR SEASONS, LLC
K. HOVNANIAN'S PARKSIDE AT TOWNGATE, L.L.C.
KHIP, L.L.C.
LANDARAMA, INC.
M&M AT CHESTERFIELD, LLC
M&M AT CRESCENT COURT, L.L.C.
M&M AT WEST ORANGE, L.L.C.
M&M AT WHEATENA URBAN RENEWAL, L.L.C.
MATZEL & MUMFORD AT EGG HARBOR, L.L.C.
MATZEL & MUMFORD AT SOUTH BOUND BROOK URBAN RENEWAL, L.L.C.
MCNJ, INC.

MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF PENNSYLVANIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF WEST VIRGINIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES, L.L.C.
MMIP, L.L.C.
NEW LAND TITLE AGENCY, LLC
PADDOCKS, L.L.C.
PARK TITLE COMPANY, LLC
PINE AYR, LLC
RIDGEMORE UTILITY, L.L.C.
SEABROOK ACCUMULATION CORPORATION
STONEBROOK HOMES, INC.
TERRAPIN REALTY, L.L.C.
THE MATZEL & MUMFORD ORGANIZATION, INC
WASHINGTON HOMES AT COLUMBIA TOWN CENTER, L.L.C.
WASHINGTON HOMES, INC.
WESTMINSTER HOMES, INC.
WH PROPERTIES, INC.
WOODLAND LAKE CONDOMINIUMS AT BOWIE NEW TOWN, L.L.C.

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ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers this Amortizing Note to:

(Insert assignee's social security or tax identification number)

(Insert address and zip code of assignee) and irrevocably appoints

agent to transfer this Amortizing Note on the books of the Issuer. The agent may substitute another to act for him or her.

Date: _____

Signature:

Signature Guarantee:

(Sign exactly as your name appears on the other side of this Amortizing Note)

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SIGNATURE GUARANTEE

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Security registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Security registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

By: _____

Name:

Title:

_____ as Trustee

By: _____

Name:

Title:

Attest

By: _____

Name:

Title:

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FORM OF REPURCHASE NOTICE

TO: K. HOVNIANIAN ENTERPRISES, INC.
WILMINGTON TRUST COMPANY, as Trustee

The undersigned registered Holder hereby irrevocably acknowledges receipt of a notice from K. Hovnianian Enterprises, Inc. (the “**Issuer**”) regarding the right of Holders to elect to require the Issuer to repurchase the Amortizing Notes and requests and instructs the Issuer to pay, for each Amortizing Note designated below, the Repurchase Price for such Amortizing Notes (determined as set forth in the Indenture), in accordance with the terms of the Indenture and the Amortizing Notes, to the registered Holder hereof. Capitalized terms used herein but not defined shall have the meanings ascribed to such terms in the Indenture. The Amortizing Notes shall be repurchased by the Issuer as of the Repurchase Date pursuant to the terms and conditions specified in the Indenture.

Dated: _____

Signature: _____

NOTICE: The above signature of the Holder hereof must correspond with the name as written upon the face of the Amortizing Notes in every particular without alteration or enlargement or any change whatever.

Amortizing Notes Certificate Number (if applicable): _____

Number of Amortizing Notes to be repurchased (if less than all, must be one Amortizing Note or integral multiples in excess thereof):

Social Security or Other Taxpayer Identification Number: _____

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EXHIBIT B

SUPPLEMENTAL INDENTURE

dated as of _____,

among

K. HOVNIANIAN ENTERPRISES, INC.

HOVNIANIAN ENTERPRISES, INC.

The Other Guarantors Party Hereto

and

WILMINGTON TRUST COMPANY,
as Trustee

11.00% Senior Amortizing Notes due 2017

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THIS [] SUPPLEMENTAL INDENTURE (this “[] **Supplemental Indenture**”), entered into as of _____, among K. Hovnianian Enterprises, Inc., a California corporation (the “**Issuer**”), Hovnianian Enterprises, Inc., a Delaware corporation (“**Hovnianian**”), [list each new guarantor and its jurisdiction of incorporation] (each an “**Undersigned**”) and Wilmington Trust Company, as trustee (the “**Trustee**”).

RECITALS

WHEREAS, the Issuer, Hovnianian, the other Guarantors party thereto and the Trustee entered into the Senior Indenture dated as of February 14, 2011 (as supplemented, the “**Indenture**”) as supplemented by the Fifth Supplemental Indenture dated as of October 2, 2012 (the “**Fifth Supplemental Indenture**”), relating to the Issuer’s 11.00% Senior Amortizing Notes due 2017 (the “**Amortizing Notes**”);

WHEREAS, as a condition to the purchase of the Amortizing Notes by the Holders, Hovnianian agreed pursuant to the Indenture to cause any newly acquired or created Subsidiaries guaranteeing Applicable Debt (or any Subsidiaries that did not originally guarantee the Amortizing Notes but subsequently guarantee Applicable Debt) or, if the Applicable Debt is no longer outstanding any Subsidiaries that would have subsequently been required to guarantee Applicable Debt pursuant to the terms thereof as of the Issue Date, to provide Guarantees of the Amortizing Notes, subject to certain limitations.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained and intending to be legally bound, the parties hereto hereby agree as follows:

SECTION 1. Capitalized terms used herein and not otherwise defined herein are used as defined in the Indenture.

SECTION 2. Each Undersigned, by its execution of this [] Supplemental Indenture, agrees to be a Guarantor under the Indenture and to be bound by the terms of the Indenture applicable to Guarantors, including, but not limited to Article 5 of the Fifth Supplemental Indenture. Each Undersigned shall also execute a Guarantee Notation in respect of the Amortizing Notes.

SECTION 3. This [] Supplemental Indenture, and any claim, controversy or dispute arising under or related to 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.

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SECTION 5. This [] Supplemental Indenture is an amendment supplemental to the Indenture, and the Indenture and this [] Supplemental Indenture will henceforth be read together.

SECTION 6. The recitals herein contained are made solely by the Issuer, Hovnanian and the Guarantors and not by the Trustee, and the Trustee assumes no responsibility for the validity or accuracy thereof.

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IN WITNESS WHEREOF, the parties hereto have caused this [] Supplemental Indenture to be duly executed as of the date first above written.

K. HOVNANIAN ENTERPRISES, INC., as Issuer

By: _____
Name:
Title:

HOVNANIAN ENTERPRISES, INC., as Guarantor

By: _____
Name:
Title:

On behalf of each entity named in Schedule 1 hereto, as Guarantors

By: _____
Name:
Title:

WILMINGTON TRUST COMPANY, as Trustee

By: _____
Name:
Title:

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K. HOVNIANIAN ENTERPRISES, INC.

Issuer

and

HOVNIANIAN ENTERPRISES, INC.

Guarantor

and

SUBSIDIARY GUARANTORS OF HOVNIANIAN THAT ARE PARTIES HERETO FROM TIME TO TIME

WILMINGTON TRUST COMPANY,

as Trustee

Fourth Supplemental Indenture

Dated as of October 2, 2012

Supplement to Senior Indenture Dated as of February 14, 2011

Zero Coupon Senior Exchangeable Notes due 2017

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FOURTH SUPPLEMENTAL INDENTURE dated as of October 2, 2012 (this “**Supplemental Indenture**”) among K. HOVNANIAN ENTERPRISES, INC., a California corporation (the “**Issuer**”, as more fully set forth in Section 1.01), HOVNANIAN ENTERPRISES, INC., a Delaware corporation (“**Hovnanian**”), each of the Guarantors (as defined herein) and WILMINGTON TRUST COMPANY, a Delaware banking corporation, as trustee (the “**Trustee**”, as more fully set forth in Section 1.01), supplementing the Senior Indenture dated as of February 14, 2011, among the Issuer, Hovnanian, the Guarantors and the Trustee (the “**Base Indenture**” and, as amended and supplemented by this Supplemental Indenture, and as it may be further amended or supplemented from time to time with respect to the Exchangeable Notes, the “**Indenture**”).

RECITALS

WHEREAS, the Issuer has duly authorized the execution and delivery of the Base Indenture to provide for the issuance from time to time of the Issuer’s unsecured and unsubordinated debentures, notes or other evidences of indebtedness (the “**Securities**”) to be issued in one or more series;

WHEREAS, the Issuer, Hovnanian and the other Guarantors desire and have requested the Trustee to join them in the execution and delivery of this Supplemental Indenture in order to establish and provide for the issuance by the Issuer of a series of Securities designated as its Zero Coupon Senior Exchangeable Notes due 2017 (the “**Exchangeable Notes**,” and, unless the context otherwise requires, each \$1,000 of Principal Amount at Maturity of such Securities, an “**Exchangeable Note**”), substantially in the form attached hereto as Exhibit A and guaranteed by Hovnanian and the other Guarantors, on the terms set forth herein;

WHEREAS, each Guarantor desires to make the Guarantees provided for in this Indenture;

WHEREAS, the Issuer now wishes to issue Exchangeable Notes in an initial aggregate Principal Amount at Maturity of \$100,000,000, each Exchangeable Note initially to be issued as a component of the Units being issued on the date hereof by Hovnanian and the Issuer pursuant to the Units Agreement, dated as of October 2, 2012, among Hovnanian, the Issuer and Wilmington Trust Company, as Units Agent (the “**Units Agreement**”);

WHEREAS, Section 8.1 of the Base Indenture provides that a supplemental indenture may be entered into without the consent of the holders of any Securities by the Issuer, Hovnanian and the other Guarantors, and the Trustee for such purpose provided certain conditions are met;

WHEREAS, the conditions set forth in the Base Indenture for the execution and delivery of this Supplemental Indenture have been complied with; and

WHEREAS, all things necessary to make this Supplemental Indenture a valid agreement of the Issuer, Hovnanian, the other Guarantors and the Trustee, in accordance with its terms, and a valid amendment of, and supplement to, the Base Indenture have been done;

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NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE WITNESSETH:

In consideration of the premises and the purchase and acceptance of the Exchangeable Notes by the Holders thereof, the Issuer, Hovnanian and the other Guarantors mutually covenant and agree with the Trustee, for the equal and ratable benefit of the Holders of the Exchangeable Notes, that the Base Indenture is supplemented and amended, to the extent expressed herein, as follows:

ARTICLE 1

DEFINITIONS

Section 1.01. *Definitions.* For all purposes of the Indenture, except as otherwise expressly provided or unless the context otherwise requires:

- (a) the terms defined in this Supplemental Indenture shall have the respective meanings assigned to them in this Supplemental Indenture and include the plural as well as the singular and, to the extent applicable, supersede the definitions thereof in the Base Indenture;
- (b) the terms “includes” and “including” shall be deemed to be followed by the phrase “without limitation”;
- (c) “will” shall have the same meaning as “shall”;
- (d) all words, terms and phrases defined in the Base Indenture (but not otherwise defined herein) shall have the same meanings as in the Base Indenture; and
- (e) the words “herein,” “hereof” and “hereunder” and other words of similar import refer to the Indenture as a whole and not to any particular Article, Section or other subdivision.

“**Accreted Principal Amount**” shall have the meaning specified in Section 2.088.

“**Accretion Rate**” shall have the meaning specified in Section 2.088.

“**Acquiring Person**” has the meaning set forth in the Rights Plan (for the avoidance of doubt, regardless of whether the Rights Plan is then in effect).

“**Additional Shares**” shall have the meaning specified in Section 8.03(a).

“**Applicable Debt**” means all Indebtedness of Hovnanian or the Issuer under the Issuer’s or Hovnanian’s senior notes and senior subordinated notes outstanding on the Issue Date.

“**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 foreign, federal or state law for the relief of debtors.

“**Base Indenture**” has the meaning specified in the first paragraph of this Supplemental Indenture.

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“**Beneficial Owner**” shall have the meaning set forth in the Rights Plan (regardless of whether the Rights Plan is then in effect). For the avoidance of doubt, for the purposes of administering the Section 382 Exchange Blocker, a Person shall not be deemed to beneficially own any shares of another Person (and the first Person shall not be treated as an “Affiliate” or an “Associate” (as such terms are defined in the Rights Plan) of the second Person) solely by reason of the shares of such Persons being aggregated and treated as owned by the same public group as defined under Treasury Regulation section 1.382-2T(f)(13).

“**Business Day**” means, with respect to the Exchangeable Notes, any day other than a Saturday, a Sunday or a day on which banking institutions in New York, New York are authorized or obligated by applicable law or executive order to close or be closed.

“**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.

“**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.

“**Clause A Distribution**” shall have the meaning specified in Section 8.04(c).

“**Clause B Distribution**” shall have the meaning specified in Section 8.04(c).

“**Clause C Distribution**” shall have the meaning specified in Section 8.04(c).

“**Class A Common Stock**” mean the Class A common stock of Hovnanian, par value \$0.01 per share, subject to Section 8.07.

“**close of business**” means 5:00 p.m. (New York City time).

“**Common Equity**” of any Person means Capital Stock of such Person that is generally entitled (a) to vote in the election of directors of such Person or (b) if such Person is not a corporation, to 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, and in each case, not entitled to any preference in respect of dividends or amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of such Person.

“**Consolidation Transaction**” shall have the meaning specified in Section 7.02.

“**Continuing Director**” means a director who either was a member of Hovnanian’s Board of Directors on September 19, 2012 or who becomes a member of Hovnanian’s Board of Directors subsequent to that date and whose election, appointment or nomination for election by Hovnanian’s stockholders

Directors in which such individual is named as nominee for director. Solely for purposes of this definition, notwithstanding anything to the contrary in the Base Indenture, "Board of Directors" means the board of directors of Hovnanian and does not include any committee thereof or any director or officer to whom such board or any such committee shall have delegated its authority.

"**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.

"**Distributed Property**" shall have the meaning specified in Section 8.04(c).

"**DTC**" shall have the meaning specified in Section 2.04(a).

"**Effective Date**" means (a) for purposes of Section 8.04, with respect to a share split or share combination, the first date on which the shares of Class A Common Stock trade on the applicable exchange or in the applicable market, regular way, reflecting the relevant share split or share combination, as applicable and (b) with respect to a Make-whole Fundamental Change, as specified in Section 8.03(c).

"**Event of Default**" shall have the meaning specified in Section 5.01.

"**Exchange Agent**" shall have the meaning specified in Section 4.04.

"**Exchange Date**" shall have the meaning specified in Section 8.02(c).

"**Exchange Obligation**" shall have the meaning specified in Section 8.02(a).

"**Exchange Rate**" means, initially, 185.5288 shares of Class A Common Stock per \$1,000 Principal Amount at Maturity of Exchangeable Notes, subject to adjustment from time to time pursuant to Section 8.03, Section 8.04 and Section 8.11.

"**Exchangeable Note**" or "**Exchangeable Notes**" shall have the meaning specified in the recitals of this Supplemental Indenture and includes, for the avoidance of doubt, both Separate Exchangeable Notes and Exchangeable Notes that constitute part of a Unit.

"**Exchangeable Notes Successor**" shall have the meaning specified in Section 7.02.

"**Expiration Date**" shall have the meaning specified in Section 8.04(e).

"**Ex-Dividend Date**" means the first date on which the shares of Class A Common Stock trade on the applicable exchange or in the applicable market, regular way, without the right to receive the issuance, dividend or distribution in question, from Hovnanian or, if applicable, from

the seller of shares of Class A Common Stock on such exchange or market (in the form of due bills or otherwise) as determined by such exchange or market.

"**Form of Notice of Exchange**" shall mean the "Form of Notice of Exchange" attached as Attachment 1 to the Form of Exchangeable Note attached hereto as Exhibit A.

A "**Fundamental Change**" shall be deemed to have occurred if any of the following occurs at any time after the Issue Date:

(a) a "person" or "group" within the meaning of Section 13(d) of the Exchange Act (other than Hovnanian, its wholly-owned Subsidiaries, its and their employee benefit plans and, solely with respect to sub-clause (A) below, any Permitted Hovnanian Holder) has become the "beneficial owner," as defined in Rule 13d-3 under the Exchange Act, (A) of Hovnanian's Common Equity representing more than 50% of the voting power of Hovnanian's Common Equity or (B) of more than 50% of the outstanding shares of Class A Common Stock;

(b) the consummation of (A) any recapitalization, reclassification or change of the Class A Common Stock (other than changes resulting from a subdivision or combination) as a result of which the Class A Common Stock would be converted into, or exchanged for, stock, other securities, other property or assets; (B) any share exchange, consolidation or merger or similar transaction involving Hovnanian pursuant to which the Class A Common Stock will be converted into cash, securities or other property; or (C) any sale, lease, conveyance or other transfer in one transaction or a series of transactions of all or substantially all of the consolidated assets of Hovnanian and its Subsidiaries, taken as a whole, to any Person other than one of Hovnanian's Subsidiaries; *provided, however*, that a transaction described in clause (B) in which the holders of all classes of Hovnanian's Common Equity immediately prior to such transaction own, directly or indirectly, more than 50% of all classes of Common Equity of the continuing or surviving corporation or transferee or the parent thereof immediately after such transaction in substantially the same proportions as such ownership immediately prior to such transaction shall not be a Fundamental Change pursuant to this clause (b);

(c) Continuing Directors cease to constitute at least a majority of Hovnanian's Board of Directors;

(d) Hovnanian's stockholders approve any plan or proposal for the liquidation or dissolution of Hovnanian; *provided, however*, that a liquidation or dissolution of Hovnanian which is part of a transaction that (x) complies with the Indenture, including Section 8.07 and Article 7, and (y) does not constitute a Fundamental Change pursuant to the *proviso* contained in clause (b) above shall not constitute a Fundamental Change pursuant to this clause (d); or

(e) the Class A Common Stock (or other common stock underlying the Exchangeable Notes) ceases to be listed or quoted on any of The New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or any of their respective successors);

provided, however, that a transaction or transactions described in clause (a) or (b) above shall not constitute a Fundamental Change if at least 90% of the consideration received or to be received by the holders of Class A Common Stock, excluding cash payments for fractional shares, in connection with such transaction or transactions consists of shares of common stock that are listed or quoted on any of The New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or any of their respective successors) or will be so listed or quoted when issued or exchanged in connection with such transaction or transactions, and as a result of such transaction or transactions the Exchangeable Notes become convertible into or exchangeable for such consideration, excluding cash payments for fractional shares, pursuant to Section 8.07.

"Fundamental Change Company Notice" shall have the meaning specified in Section 9.01(b).

"Fundamental Change Repurchase Date" shall have the meaning specified in Section 9.01(a).

"Fundamental Change Repurchase Notice" shall have the meaning specified in Section 9.01(d).

"Fundamental Change Repurchase Price" shall have the meaning specified in Section 9.01(a).

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

"Global Exchangeable Note" means a Global Security evidencing Exchangeable Notes.

"Global Unit" shall have the meaning specified in the Units Agreement.

"Guarantee" shall have the meaning specified in Section 10.02.

"Guarantors" means (a) initially, Hovnanian and each of the other Guarantors signatory hereto, and (b) each of Hovnanian's Subsidiaries that executes a supplemental indenture in the form of Exhibit B to this Supplemental Indenture providing for the guarantee of the payment of the Notes, or any successor obligor under its Guarantee pursuant to Article 7, in each case, unless and until such Guarantor is released from its Guarantee pursuant to the Indenture.

"Hovnanian" has the meaning specified in the first paragraph of this Supplemental Indenture.

"Indebtedness" of any Person means, without duplication,

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

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

(b) any Indebtedness of others that such Person has guaranteed to the extent of the guarantee, *provided, however*, that Indebtedness of the Issuer or such Person will not include the obligations of such Person under warehouse lines of credit of Mortgage Subsidiaries to repurchase mortgages at prices no greater than 98% of the principal amount thereof;

(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**” has the meaning specified in the first paragraph of this Supplemental Indenture.

“**Initial Principal Amount**” means, with respect to each Exchangeable Note, \$768.51.

“**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

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premium, if any, and all other non-cash interest expense (other than interest and other charges amortized to cost of sales)), and (b) all interest actually paid by the Issuer or any Guarantor under any guarantee of Indebtedness (including, without limitation, a guarantee of principal, interest or any combination thereof) of any Person other than the Issuer or any Guarantor during such period; *provided* that Interest Expense shall exclude any expense associated with the complete write-off of financing fees and expenses in connection with the repayment of any Indebtedness.

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

“**Interest Protection Agreement**” of any Person means any interest rate swap agreement, interest rate collar agreement, option or futures contract or other similar agreement or arrangement designed to protect such Person or any of its Subsidiaries against fluctuations in interest rates with respect to Indebtedness permitted to be incurred under the indentures governing the Applicable Debt then outstanding.

“**Issue Date**” means October 2, 2012.

“**Issuer**” shall have the meaning specified in the first paragraph of this Supplemental Indenture, and subject to the provisions of Article 7, shall include its successors and assigns.

“**Last Reported Sale Price**” of the Class A Common Stock on any date means:

(a) the closing sale price per share (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on that date as reported in composite transactions for the principal U.S. national or regional securities exchange on which the Class A Common Stock is traded;

(b) if the Class A Common Stock is not listed for trading on a U.S. national or regional securities exchange on the relevant date, the average of the last quoted bid and ask prices for the Class A Common Stock in the over-the-counter market on the relevant date as reported by OTC Markets Group Inc. or a similar organization; and

(c) if the Class A Common Stock is not so quoted, the average of the mid-point of the last bid and ask prices for the Class A Common Stock on the relevant date from each of at least three nationally recognized independent investment banking firms selected by Hovnanian for this purpose.

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

“**Make-Whole Fundamental Change**” means any Fundamental Change (as defined above and determined after giving effect to any exceptions to or exclusions from such definition, but without regard to the *proviso* in clause (b) of the definition thereof).

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“**Maturity Date**” means December 1, 2017.

“**Mortgage Subsidiary**” means any Subsidiary of Hovnanian substantially all of whose operations consist of the mortgage lending business.

“**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 that is otherwise Non-Recourse Indebtedness will not lose its character as Non-Recourse Indebtedness because there is recourse to the borrower, any guarantor or any other Person for (i) environmental warranties and indemnities, or (ii) indemnities for and liabilities arising from fraud, misrepresentation, misapplication or non-payment of rents, profits, insurance and condemnation proceeds and other sums actually received by the borrower from secured assets to be paid to the lender, waste and mechanics’ liens.

“**Notice of Exchange**” shall have the meaning specified in Section 8.02(b).

“**open of business**” means 9:00 a.m. (New York City time).

“**Outstanding**” shall have the meaning set forth in the Base Indenture, except that, with respect to the Exchangeable Notes, (x) clause (b) of the definition thereof in the Base Indenture shall be deemed deleted, (y) any reference in the Base Indenture to the principal amount of Securities with respect to

the making or giving of any request, demand, authorization, direction, notice, consent or waiver by Holders of the Exchangeable Notes shall be deemed to refer to the Principal Amount at Maturity thereof and (z) the following Exchangeable Notes shall also be deemed to be no longer “Outstanding”:

(i) Exchangeable Notes that have been exchanged pursuant to Article 8; and

(ii) Exchangeable Notes that have been surrendered for repurchase in accordance with Article 9 for which the paying agent holds money sufficient to pay the Fundamental Change Repurchase Price, in accordance with Section 9.03(c).

“**Permitted Hovnanian Holder**” means, collectively, Ara K. Hovnanian, the members of his immediate family and the members of the immediate family of the late Kevork S. Hovnanian, the respective estates, spouses, heirs, ancestors, lineal descendants, legatees and legal representatives of any of the foregoing and the trustee of any *bona fide* trust of which one or more of the foregoing are the sole beneficiaries or the grantors thereof, or any entity of which any of the foregoing, individually or collectively, beneficially own more than 50% of the Common Equity.

“**Physical Exchangeable Notes**” means certificated Exchangeable Notes in registered form issued in denominations of \$1,000 Principal Amount at Maturity and integral multiples thereof.

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“**Principal Amount at Maturity**” means, with respect to any Exchangeable Note, the principal sum that the Issuer must pay on the Maturity Date, as set forth on the face of such Exchangeable Note.

“**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.

“**Record Date**” means, with respect to any dividend, distribution or other transaction or event in which the holders of Class A Common Stock (or other applicable security) have the right to receive any cash, securities or other property or in which the shares of Class A Common Stock (or such other security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of holders of Class A Common Stock (or such other security) entitled to receive such cash, securities or other property (whether such date is fixed by Hovnanian’s Board of Directors, statute, contract or otherwise).

“**Reference Property**” shall have the meaning specified in Section 8.07(a).

“**Repayment Event**” has the meaning specified in Section 10.04.

“**Rights Plan**” means the Rights Agreement, dated as of August 14, 2008, between Hovnanian and National City Bank, as Rights Agent.

“**Scheduled Trading Day**” means a day that is scheduled to be a Trading Day on the principal U.S. national or regional securities exchange or market on which the Class A Common Stock is listed or admitted for trading; *provided* that if the Class A Common Stock is not so listed or traded, “**Scheduled Trading Day**” means a Business Day.

“**Section 382 Exchange Blocker**” has the meaning specified in Section 8.12.

“**Securities**” shall have the meaning specified in the recitals hereto.

“**Separate Exchangeable Note**” means an Exchangeable Note that is not included as a component of a Unit.

“**Settlement Amount**” has the meaning specified in Section 8.02(a).

“**Share Exchange Event**” shall have the meaning specified in Section 8.07(a).

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

“**Spin-Off**” shall have the meaning specified in Section 8.04(c).

“**Stock Price**” shall have the meaning specified in Section 8.03(c).

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“**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 of such corporation or other entity is at the time directly or indirectly owned or controlled by such Person.

“**Supplemental Indenture**” has the meaning specified in the first paragraph of this Supplemental Indenture.

“**Trading Day**” means a day on which:

(a) trading in the Class A Common Stock generally occurs on The New York Stock Exchange or, if the Class A Common Stock is not then listed on The New York Stock Exchange, on the principal other U.S. national or regional securities exchange on which the Class A Common Stock is then listed or, if the Class A Common Stock is not then listed on a U.S. national or regional securities exchange, on the principal other market on which the Class A Common Stock is then traded; and

(b) a Last Reported Sale Price for the Class A Common Stock is available on such securities exchange or market; *provided* that if the Class A Common Stock is not so listed or traded, “**Trading Day**” means a Business Day.

“**Trigger Event**” shall have the meaning specified in Section 8.04(c).

“**Trustee**” means the Person named as the “**Trustee**” in the first paragraph of this Supplemental Indenture until a successor Trustee shall have become such pursuant to the applicable provisions of the Indenture, and thereafter “**Trustee**” shall mean or include each Person who is then a Trustee hereunder.

“**Unit of Reference Property**” shall have the meaning specified in Section 8.07(a).

“**Units**” shall have the meaning specified in the Units Agreement.

“**Units Agreement**” shall have the meaning specified in the recitals hereto.

“**Valuation Period**” shall have the meaning specified in Section 8.04(c).

ARTICLE 2

ISSUE, DESCRIPTION, EXECUTION, REGISTRATION AND EXCHANGE OF EXCHANGEABLE NOTES

Section 2.01. *Scope of Supplemental Indenture.* This Supplemental Indenture modifies and supplements the provisions of the Base Indenture, to which provisions reference is hereby made. The changes, modifications and supplements to the Base Indenture effected by this Supplemental Indenture shall be applicable only with respect to, and shall only govern the terms of, the Exchangeable Notes, which may be issued from time to time, and shall not apply to any other Securities that may be issued under the Base Indenture unless a supplemental indenture with respect to such other Securities specifically incorporates such changes, modifications and supplements. For all purposes under the Base Indenture, the Exchangeable Notes shall constitute

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a single series of Securities, and with regard to any matter requiring the consent under the Base Indenture of Holders of multiple series of Securities voting together as a single class, the consent of Holders of the Exchangeable Notes voting as a separate class shall also be required and the same threshold shall apply. The provisions of this Supplemental Indenture shall supersede any conflicting provisions in the Base Indenture.

Section 2.02. *Designation and Amount.*

(a) The Exchangeable Notes are hereby created and authorized as a single series of Securities under the Base Indenture. The Exchangeable Notes shall be designated as the “Zero Coupon Senior Exchangeable Notes due 2017.” The aggregate Principal Amount at Maturity of Exchangeable Notes that may be authenticated and delivered under the Indenture is initially limited to \$100,000,000, except for Exchangeable Notes authenticated and delivered upon registration or transfer of, or in exchange for, or in lieu of other Exchangeable Notes in accordance with the Indenture.

(b) On the Issue Date, each of the following shall be issued and authenticated hereunder: (i) an Exchangeable Note with an initial balance of \$100,000,000 Principal Amount at Maturity, which shall be a component of a Unit in global form, and (ii) a Global Exchangeable Note with an initial balance of \$0 Principal Amount at Maturity.

(c) Exchangeable Notes are issuable in denominations of \$1,000 Principal Amount at Maturity and integral multiples thereof.

Section 2.03. *Certificated Notes.*

(a) The seventh paragraph of Section 2.8 of the Base Indenture shall be deemed, with respect to the Notes, to be modified by inserting after “Section 2.8” in the first line thereof the parenthesis “(other than in accordance with the terms of the following paragraph)”.

(b) This Section 2.03(b) shall, with respect to the Exchangeable Notes, supersede in their entirety the eighth and ninth paragraphs of Section 2.8 of the Base Indenture, and any reference in the Base Indenture to such paragraphs shall be deemed, with respect to the Exchangeable Notes, to refer to this Section 2.03(b). A beneficial owner of book-entry Exchangeable Notes represented by a Global Exchangeable Note may exchange its beneficial interest in such Global Exchangeable Notes for Physical Exchangeable Notes only if:

(i) the Depository is unwilling or unable to continue as Depository for such Global Exchangeable Note and the Issuer is unable to find a qualified replacement for such Depository within 90 days;

(ii) at any time the Depository ceases to be a clearing agency registered under the Exchange Act; or

(iii) an Event of Default, or any failure on the part of the Issuer or Hovnanian to observe or perform any covenant or agreement under the Exchangeable Notes or this Indenture, has occurred and is continuing and the beneficial owner of any Exchangeable

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Notes represented by a Global Exchangeable Note requests that its Exchangeable Notes be issued in physical, certificated form,

and, in each such case, the Issuer shall execute, and the Trustee, upon receipt of an Issuer Order for the authentication and delivery of Physical Exchangeable Notes, shall authenticate and deliver Physical Exchangeable Notes in any authorized denominations, in an aggregate Principal Amount at Maturity equal to the Principal Amount at Maturity of the Global Exchangeable Note representing such Exchangeable Notes (or in an aggregate Principal Amount at Maturity

equal to the Principal Amount at Maturity of the Exchangeable Notes in respect of which a beneficial owner has requested the issuance of Exchangeable Notes in physical, certificated form pursuant to clause (iii) above) in exchange for such Global Exchangeable Note (or the relevant portion thereof).

(c) Notwithstanding anything to the contrary in the Indenture or the Exchangeable Notes, following the occurrence and during the continuance of an Event of Default or any failure on the part of the Issuer or Hovnanian to observe or perform any covenant or agreement under the Exchangeable Notes or this Indenture, any beneficial owner of a Global Exchangeable Note may directly enforce against the Issuer, without the consent, solicitation, proxy, authorization or any other action of the Depository or any other Person, such beneficial owner's right to exchange its beneficial interest in such Global Exchangeable Note for a Physical Exchangeable Note in accordance with Section 2.03(b).

(d) For the avoidance of doubt, the terms of Section 2.8 of the Base Indenture shall apply to the Notes except as modified by this Section 2.03.

Section 2.04. *Depository.*

(a) The Issuer initially appoints The Depository Trust Company ("**DTC**") to act as Depository with respect to each Global Exchangeable Note.

(b) If any interest in a Global Exchangeable Note is exchanged for Physical Exchangeable Notes, exchanged for shares of Class A Common Stock pursuant to Article 8, canceled, repurchased or transferred to a transferee who receives Physical Exchangeable Notes therefor or any Physical Exchangeable Note is exchanged or transferred for part of such Global Exchangeable Note, the Principal Amount at Maturity of such Global Exchangeable Note shall, in accordance with the standing procedures and instructions existing between the Depository and the Trustee, be appropriately reduced or increased, as the case may be.

Section 2.05. *Units.* Upon any separation or recreation of Units or any other event that would cause any Exchangeable Notes included in a Unit to be issued as Separate Exchangeable Notes, (x) in the case of a Global Unit, the Depository and the Trustee shall reflect on their books and records the appropriate increases and decreases in the number of Exchangeable Notes represented by the Separate Exchangeable Note in global form and the Exchangeable Note included as a component of the Global Unit or (y) in the case of a Unit in definitive form, the Trustee shall exchange Separate Exchangeable Notes for Exchangeable Notes to be included as a component of Units, or *vice versa* as the case may be, in each case, in accordance with the Units Agreement.

Section 2.06. *Notice of Defaults.*

(a) Any Officers' Certificate furnished to the Trustee pursuant to Section 4.3 of the Base Indenture, which contains notice of any Default or Event of Default with respect to the Exchangeable Notes shall also describe the status thereof and what action the Issuer is taking or proposes to take in respect thereof, and shall make express reference to the Issuer, the Indenture and the Exchangeable Notes.

(b) Section 4.3 of the Base Indenture is hereby deemed amended, with respect to the Exchangeable Notes, by inserting a new clause (e) immediately following clause (d) thereof, as follows: "(e) to furnish to the Trustee, promptly following the occurrence thereof, notice of any default or Event of Default."

Section 2.07. *Transfer and Exchange.*

(a) The sixth paragraph of Section 2.8 of the Base Indenture shall be superseded in its entirety by Section 2.07(b), and any reference in the Base Indenture to such paragraph shall be deemed to refer to Section 2.07(b).

(b) The Issuer shall not be required to register a transfer of any Exchangeable Note (x) surrendered for exchange for other Exchangeable Notes or (y) surrendered for repurchase (and not withdrawn) pursuant to Section 9.01.

Section 2.08. *Accretion of Principal Amount.* The principal amount (as of any date of determination, the "**Accreted Principal Amount**") of the Exchangeable Notes, with respect to each \$1,000 Principal Amount at Maturity, on the Issue Date shall be equal to the Initial Principal Amount, and following the Issue Date shall accrete daily at a rate of 5.17% *per annum* (the "**Accretion Rate**"), calculated on a semi-annual bond equivalent yield basis, using a 360 day year composed of twelve 30 day months and compounding on June 1 and December 1 of each year, beginning June 1, 2013.

Section 2.09. *Disclaimer.* None of the Issuer, the Trustee, the Security registrar or the paying agent shall have any responsibility or obligation to any beneficial owner in a Global Exchangeable Note, an agent member or other Person with respect to the accuracy of the records of the Depository or its nominee or of any agent member, with respect to any ownership interest in the Global Exchangeable Note or with respect to the delivery to any agent member, beneficial owner or other Person (other than the Depository) of any notice or the payment of any amount, under or with respect to such Global Exchangeable Note. All notices and communications to be given to the Holders and all payments to be made to Holders under the Exchangeable Notes and this Indenture shall be given or made only to or upon the order of the registered Holders (which shall be the Depository or its nominee in the case of a Global Exchangeable Note). The rights of beneficial owners in a Global Exchangeable Note shall be exercised only through the Depository subject to the applicable procedures. The Issuer, the Trustee, the Security registrar and the paying agent shall be entitled to rely and shall be fully protected in relying upon information furnished by the Depository with respect to its members, participants and any beneficial owners. The Issuer, the Trustee, the paying agent and the security registrar shall be entitled to deal with the Depository, and any nominee thereof, that is the registered Holder of any Global

Exchangeable Note for all purposes of this Agreement relating to such Global Exchangeable Note (including the payment or delivery of amounts due hereunder and the giving of instructions or directions by or to any beneficial owner) as the sole Holder of such Global Exchangeable Note and shall have no obligations to the beneficial owners thereof. None of the Issuer, the Trustee, the paying agent and the Security registrar shall have any responsibility or liability for any acts or omissions of the Depository with respect to such Global Exchangeable Note, for the records of any such Depository, including records in respect of the beneficial owners of any such Global Exchangeable Note, for any transactions between the Depository and any agent member or between or

among the Depository, any such agent member and/or any Holder or beneficial owner of such Global Exchangeable Note, or for any transfers of beneficial interests in any such Global Exchangeable Note.

Notwithstanding the foregoing, with respect to any Global Exchangeable Note, nothing herein shall prevent the Issuer, the Trustee, or any agent of the Issuer or the Trustee from giving effect to any written certification, proxy or other authorization furnished by any depository (or its nominee), as a Holder, with respect to such Global Exchangeable Note or shall impair, as between such Depository and beneficial owners of such Global Exchangeable Note, the operation of customary practices governing the exercise of the rights of such Depository (or its nominee) as Holder of such Global Exchangeable Note.

None of the Issuer, the Trustee, the paying agent or the Security registrar shall have any obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Indenture or under applicable law with respect to any transfer of any interest in any Exchangeable Note (including any transfers between or among participants of DTC, members or beneficial owners in any Global Exchangeable Note) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by, the terms of this Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

ARTICLE 3 SATISFACTION AND DISCHARGE

Section 3.01. *Applicability of the Base Indenture.* Article Ten of the Base Indenture shall not apply to the Exchangeable Notes.

Section 3.02. *Satisfaction and Discharge.* The Indenture shall upon request of the Issuer contained in an Officers' Certificate cease to be of further effect, and the Trustee, at the expense of the Issuer, shall execute proper instruments acknowledging satisfaction and discharge of the Indenture, when (a) (i) all Exchangeable Notes theretofore authenticated and delivered (other than Exchangeable Notes which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.9 of the Base Indenture) have been delivered to the Trustee for cancellation; or (ii) the Issuer has deposited with the Trustee or delivered to Holders of the Exchangeable Notes, as applicable, after the Exchangeable Notes have become due and payable, whether at the Maturity Date, at any Fundamental Change Repurchase Date, upon

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exchange or otherwise, cash or, solely to satisfy the Exchange Obligation, shares of Class A Common Stock (together with cash in lieu of any fractional share) sufficient to pay all of the Outstanding Exchangeable Notes or, in the case of exchange, satisfy the Exchange Obligation, and pay all other sums due and payable under the Indenture by the Issuer; and (b) the Issuer has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of the Indenture have been complied with. Notwithstanding the satisfaction and discharge of this Supplemental Indenture, the obligations of the Issuer to the Trustee under Section 6.6 of the Base Indenture shall survive.

Section 2.9 of the Base Indenture is hereby amended, with respect to the Exchangeable Notes, by deleting the words "or is about to mature" in the second sentence of the second paragraph thereof.

ARTICLE 4 PARTICULAR COVENANTS OF THE ISSUER

Section 4.01. *Reports.*

(a) Section 4.01(b) shall supersede Section 4.3(a) of the Base Indenture in its entirety and all references in the Base Indenture to such Section 4.3(a) shall be deemed, for the purposes of the Exchangeable Notes, to be references to Section 4.01(b).

(b) Hovnanian 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. Any documents or other reports that Hovnanian is required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act shall be filed by Hovnanian with the Trustee within 15 calendar days after the same are filed with the Commission. In the event that Hovnanian is no longer subject to such periodic reporting requirements of the Exchange Act, Hovnanian shall nevertheless continue to file reports with the Commission and the Trustee and deliver such reports to each Holder of Exchangeable Notes as if it were subject to such reporting requirements. Regardless of whether Hovnanian is required to furnish such reports to its stockholders pursuant to the Exchange Act, it shall 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 filed pursuant to the Exchange Act, to be delivered to Holders of Exchangeable Notes. The posting of the reports, information and documents referred to in this Section 4.01(b) on Hovnanian's website or one maintained on its behalf for such purpose shall be deemed to satisfy Hovnanian's delivery obligations under this Section 4.01(b) to the Trustee and the Holders with respect thereto. Any such document or report that Hovnanian files with the Commission via the Commission's EDGAR system shall be deemed to be filed with the Trustee and the Holders for purposes of this Section 4.01 at the time such documents are filed via the EDGAR system. The Trustee shall have no obligation to determine whether or not such information, documents or reports have been filed through the EDGAR filing system or posted on Hovnanian's website or a site maintained on Hovnanian's behalf. Delivery of the reports and documents described in this Section 4.01 to the Trustee is for informational purposes only, and

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the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including Hovnanian's or the Issuer's compliance with any of its covenants hereunder (as to which the Trustee is entitled to conclusively rely on an Officers' Certificate).

Section 4.02. *Stay, Extension and Usury Laws.* The Issuer and each Guarantor covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law that would prohibit or forgive the Issuer or any Guarantor from paying all or any portion of the principal (including the Fundamental Change Repurchase Price, if applicable) of the Exchangeable 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; and the Issuer and each Guarantor (to the extent it may lawfully do so) hereby expressly waives all benefit or advantage of any

such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 4.03. *Guarantees.* Hovnanian and each Subsidiary set forth on Schedule 1 hereto shall provide a Guarantee. Hovnanian shall be permitted to cause any other Subsidiary of Hovnanian to provide a Guarantee. If any Subsidiary of Hovnanian that is not a Guarantor at any time after the date of this Supplemental Indenture guarantees the Issuer's obligations under any Applicable Debt then outstanding, such Subsidiary must provide a Guarantee.

A Subsidiary required to provide a Guarantee pursuant to Section 10.04 or the immediately preceding sentence shall execute a Guarantee Notation substantially in the form included in the form of Exchangeable Note attached as Exhibit A hereto, execute a supplemental indenture in the form of Exhibit B hereto, and deliver an Opinion of Counsel to the Trustee to the effect that such supplemental indenture has been duly authorized, executed and delivered by such Subsidiary and constitutes a valid and binding obligation of such Subsidiary, enforceable against such Subsidiary in accordance with its terms (subject to customary exceptions).

Section 4.04. *Exchange Agent.* The Issuer shall maintain in the Place of Payment an office or agency where the Exchangeable Notes may be presented for exchange pursuant to Article 8 (the "Exchange Agent"). The Issuer hereby designates the Corporate Trust Office of the Trustee as the Exchange Agent.

Section 4.05. *Existence.* Hovnanian and the Issuer shall 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 the other Guarantors in accordance with their respective organizational documents, and the material rights, licenses and franchises of Hovnanian, the Issuer and each other Guarantor; *provided* that Hovnanian and the Issuer are not required to preserve any such right, license or franchise, or the existence of any other Guarantor, if the maintenance or preservation thereof is no longer desirable in the conduct of the business of Hovnanian, the Issuer and the other Guarantors taken as a whole; and *provided further* that this Section 4.05 shall not prohibit any transaction otherwise permitted by Section 7.02.

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Section 4.06. *Payment of Taxes.* Hovnanian shall pay or discharge, and cause each of its Significant Subsidiaries to pay or discharge before the same become delinquent all material taxes, assessments and governmental charges levied or imposed upon Hovnanian or any Significant Subsidiary or its income or profits or property, other than any such tax, assessment or charge the amount, applicability or validity of which is being contested in good faith by appropriate proceedings.

Section 4.07. *Reserved.*

Section 4.08. *Payments.* The Issuer covenants and agrees that it shall deposit with the Trustee (or paying agent) all amounts due and payable on each of the Exchangeable Notes on or prior to noon, New York City time, on the respective payment dates.

ARTICLE 5 DEFAULTS AND REMEDIES

Section 5.01. *Events of Default.* Each of the Events of Default set forth in the Base Indenture shall apply with respect to the Exchangeable Notes; *provided* that (x) the reference in clause (d) of Section 5.1 of the Base Indenture to "90 days" shall be deemed replaced with "60 days", (y) clauses (e), (f) and (g) of Section 5.1 of the Base Indenture shall be superseded in their entirety by clauses (g), (h) and (i) below, respectively and (z) for the avoidance of doubt, any failure to pay the Fundamental Change Repurchase Price when due shall constitute an Event of Default under Section 5.1(c) of the Base Indenture. In addition, each of the following shall be an "Event of Default" with respect to the Exchangeable Notes:

- (a) Hovnanian's failure to comply with the Exchange Obligation upon exercise of a Holder's exchange right pursuant to Article 8;
- (b) failure by the Issuer to provide a Fundamental Change Company Notice pursuant to Section 9.01(b) or to give notice of a Make-Whole Fundamental Change pursuant to Section 8.03(b), in each case, when due;
- (c) failure by the Issuer or any Guarantor to comply with its obligations under Article 7 of this Supplemental Indenture;
- (d) the acceleration of any Indebtedness (other than Non-Recourse Indebtedness) of the Issuer or any Guarantor that has an outstanding principal amount of \$25.0 million or more, individually or in the aggregate, and such acceleration does not cease to exist, or such Indebtedness is not satisfied, in either case within 30 days after such acceleration;
- (e) the failure by the Issuer or any Guarantor to make any principal or interest payment in an amount of \$25.0 million or more, individually or in the aggregate, in respect of Indebtedness (other than Non-Recourse Indebtedness) of the Issuer or any Guarantor 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);

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(f) a final judgment or judgments that exceed \$25.0 million or more, individually or in the aggregate, for the payment of money having been entered by a court or courts of competent jurisdiction against the Issuer or any Guarantor and such judgment or judgments is not satisfied, stayed, annulled or rescinded within 60 days of being entered;

(g) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(i) is for relief against Hovnanian, the Issuer or any other Guarantor that is a Significant Subsidiary as debtor in an involuntary case;

(ii) appoints a Custodian of Hovnanian, the Issuer or any other Guarantor that is a Significant Subsidiary or a Custodian for all or substantially all of the property of Hovnanian, the Issuer or any other Guarantor that is a Significant Subsidiary; or

(iii) orders the liquidation of Hovnanian, the Issuer or any other Guarantor that is a Significant Subsidiary,

and the order or decree remains unstayed and in effect for 60 days;

(h) Hovnanian, the Issuer or any other Guarantor that is a Significant Subsidiary pursuant to or within the meaning of any Bankruptcy Law:

(i) commences a voluntary case;

(ii) consents to the entry of an order for relief against it in an involuntary case;

(iii) consents to the appointment of a Custodian of it or for all or substantially all of its property; or

(iv) makes a general assignment for the benefit of creditors; or

(i) Hovnanian's Guarantee or any Guarantee of a Guarantor that is a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Guarantee and 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 such Guarantee).

Section 5.02. *Acceleration of Maturity.*

(a) The first sentence of the second paragraph and the entire third paragraph of Section 5.1 of the Base Indenture shall be superseded in their entirety by this Section 5.02, and all references in the Base Indenture to such provisions shall be deemed to refer to this Section 5.02.

(b) If an Event of Default (other than an Event of Default with respect to Hovnanian or the Issuer specified in Section 5.01(g) or Section 5.01(h)) shall have occurred and be continuing, either the Trustee by notice to the Issuer, or the Holders of at least 25% in aggregate Principal

Amount at Maturity of the Exchangeable Notes then Outstanding by notice in writing to the Issuer and the Trustee, may declare the Exchangeable Notes to be immediately due and payable, and upon any such declaration the Accreted Principal Amount, as of the date of acceleration, shall be due and payable immediately. If an Event of Default with respect to Hovnanian or the Issuer specified in Section 5.01(g) or Section 5.01(h) occurs, the Accreted Principal Amount, as of the date of acceleration, shall automatically become due and payable without any declaration, notice or other act on the part of the Trustee, the Issuer, any Guarantor or any Holder.

Section 5.03. *Rescission and Annulment.*

(a) The second and third sentences of the second paragraph under Section 5.1 of the Base Indenture shall be superseded in their entirety by this Section 5.03, and all references in the Base Indenture to such provisions shall be deemed to refer to this Section 5.03.

(b) Holders of a majority in Principal Amount at Maturity of the Outstanding Exchangeable Notes, by written notice to the Issuer and to the Trustee, may rescind any acceleration under Section 5.02 with respect to the Exchangeable Notes and its consequences (except with respect to non-payment of principal or any Fundamental Change Repurchase Price, the failure to deliver the consideration due upon exchange or any other provision that requires the consent of each affected Holder to amend) if:

(i) such rescission would not conflict with any judgment or decree of a court of competent jurisdiction;

(ii) all existing Events of Default, other than the nonpayment of the Accreted Principal Amount of the Exchangeable Notes that has become due solely by such declaration of acceleration, have been cured or waived; and

(iii) there has been deposited with the Trustee a sum sufficient to pay its fees and expenses in connection with the relevant Event of Default.

No such rescission and annulment shall extend to or shall affect any subsequent Default or Event of Default, or shall impair any right consequent thereon.

Section 5.04. *Payments of Exchangeable Notes on Default; Suit Therefor.* Section 5.2 of the Base Indenture shall apply to the Exchangeable Notes; provided that:

(a) the references therein to "principal" shall, with respect to the Exchangeable Notes, be deemed to include, if applicable, the Accreted Principal Amount thereof or the Fundamental Change Repurchase Price therefor;

(b) the reference therein to "the rate borne by the Securities" shall, with respect to the Exchangeable Notes, be deemed to refer to the Accretion Rate; and

(c) neither such Section nor any other provision of the Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder of the Exchangeable Notes any plan of reorganization, arrangement, adjustment or composition

affecting the Holder or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder of the Exchangeable Notes in any such proceeding.

Section 5.05. *Application of Monies Collected by Trustee.* Each reference in Section 5.3 of the Base Indenture to the “rate borne by the Securities of such series” shall, with respect to the Exchangeable Notes, be deemed to refer to the Accretion Rate.

Section 5.06. *Proceedings by Holders of the Exchangeable Notes.*

(a) Section 5.4 of the Base Indenture shall be superseded in its entirety by this Section 5.06, and all references in the Base Indenture to such Section 5.4 shall be deemed to refer to this Section 5.06.

(b) No Holder of any Exchangeable Note shall have any right by virtue of or by availing of any provision of the Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to the Indenture, or for the appointment of a receiver, trustee, liquidator, Custodian or other similar official, or for any other remedy hereunder, except to enforce the right to receive payment of principal of the Exchangeable Notes when due (including, if applicable, any Fundamental Change Repurchase Price) or the right to receive delivery of the consideration due upon exchange of the Exchangeable Notes, unless:

(i) such Holder shall have given to the Trustee written notice of an Event of Default and of the continuance thereof;

(ii) the Holders of at least 25% in Principal Amount at Maturity of the Exchangeable Notes then Outstanding shall have made written request upon the Trustee to institute such action, suit or proceeding;

(iii) such Holders shall have offered to the Trustee security or indemnity reasonably satisfactory to the Trustee against any loss, liability or expense;

(iv) the Trustee shall not have complied with such request within 60 calendar days after the receipt of the request and the offer of security or indemnity; and

(v) the Holders of a majority in Principal Amount at Maturity of the Outstanding Exchangeable Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period pursuant to Section 5.7 of the Base Indenture;

it being understood and intended, and being expressly covenanted by the taker and Holder of every Exchangeable Note with every other taker and Holder of the Exchangeable Notes and the Trustee that no one or more Holders of the Exchangeable Notes shall have any right in any manner whatever by virtue of or by availing of any provision of the Indenture to affect, disturb or prejudice the rights of any other Holder of the Exchangeable Notes, or to obtain or seek to obtain priority over or preference to any other such Holder of the Exchangeable Notes, or to enforce any right under the Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all Holders of the Exchangeable Notes (except as otherwise provided herein). For the protection and enforcement of this Section 5.06, each and every Holder of the

Exchangeable Notes and the Trustee shall be entitled to such relief as can be given either at law or in equity.

Notwithstanding any other provision of the Indenture and any provision of the Exchangeable Notes, the right of the Holder of any Exchangeable Note to receive payment or delivery, as the case may be, of (x) the principal (including the Fundamental Change Repurchase Price, if applicable) of, and (y) the consideration due upon exchange of, such Exchangeable Note, on or after the respective due dates expressed or provided for in such Exchangeable Note or in the Indenture, or to institute suit for the enforcement of any such payment or delivery, as the case may be, on or after such respective dates against the Issuer shall not be impaired or affected without the consent of such Holder.

Section 5.07. *Waiver of Defaults by Majority of Holders of the Exchangeable Notes.* The Holders of a majority in aggregate Principal Amount at Maturity of the Exchangeable Notes may waive any Default or Event of Default pursuant to Section 5.7 of the Base Indenture, subject to the limitations set forth therein; *provided* that no such waiver shall extend to any Default or Event of Default with respect to a failure (x) to deliver the consideration due upon exchange of the Exchangeable Notes, (y) to pay the principal (including the Fundamental Change Repurchase Price, if applicable) of the Exchangeable Notes or (z) to comply with any other provision that requires the consent of each affected Holder to amend.

Section 5.08. *Notice of Defaults.* Section 5.8 of the Base Indenture shall apply, without regard to the *proviso* set forth therein, to any Default or Event of Default (x) in the payment of the Fundamental Change Repurchase Price (if applicable) or (y) in the delivery of the consideration due upon exchange of the Exchangeable Notes.

Section 5.09. *Undertaking to Pay Costs.* Notwithstanding anything to the contrary in the Base Indenture, Section 5.9 thereof shall not apply to any suit instituted by any Holder (x) to enforce such Holder’s right to receive the Fundamental Change Repurchase Price (if applicable) or (y) for the enforcement of the right to exchange any Exchangeable Note in accordance with the provisions of Article 8.

Section 5.10. *Direction by Majority Holders.* Section 5.7 of the Base Indenture is hereby amended by inserting the following phrase at the end of the first sentence thereof: “or is in conflict with the terms of the Indenture”.

ARTICLE 6 SUPPLEMENTAL INDENTURES

Section 6.01. *Supplemental Indentures Without Consent of Holders.* The Issuer, when authorized by a Board Resolution (which resolution may provide general terms or parameters for such action and may provide that the specific terms of such action may be determined in accordance with or pursuant

provisions of the Trust Indenture Act of 1939 as in force at the date of the execution thereof) for one or more of the following purposes, in addition to the purposes set forth in Section 8.1 of the Base Indenture:

(a) Upon the occurrence of a Share Exchange Event, solely (x) to provide that the Exchangeable Notes are convertible or exchangeable, as the case may be, into Reference Property and (y) effect the related changes to the terms of the Exchangeable Notes, in each case, in accordance with Section 8.07; or

(b) conform the text of the Indenture, the Exchangeable Notes or the Guarantees to the to the “Description of Debt Securities” section of the prospectus dated April 18, 2011, as supplemented and/or amended by the “Description of the Exchangeable Notes” and “Limitation on Beneficial Ownership of Class A Common Stock and Exchange of the Units and Separate Exchangeable Notes” sections of the preliminary prospectus supplement dated September 18, 2012, relating to the offering and sale of the Units, and the related pricing term sheet dated September 19, 2012 (except with respect to clauses (g), (h) and (i) of Section 5.01).

For purposes of the Exchangeable Notes, the language in clause (g) of Section 8.1 of the Base Indenture beginning “, and to add to this Indenture...” through the end of such clause shall be deemed to have been deleted.

Section 6.02. *Supplemental Indentures With Consent of Holders.* Subject to the last paragraph of Section 5.06, the Indenture may be modified or supplemented in accordance with Section 8.2 of the Base Indenture; *provided* that, in addition to the restrictions set forth in the first paragraph of Section 8.2 of the Base Indenture, without the written consent of each Holder of an Outstanding Exchangeable Note affected thereby, no such supplemental indenture may:

- (a) make any change adverse to the interests of the Holders in the terms and conditions of any Guarantee by Hovnanian or any other Guarantor;
- (b) release any Guarantee otherwise than in accordance with the Indenture;
- (c) change Section 2.088 or any other provision herein or in the Exchangeable Notes relating to the accretion of principal of the Exchangeable Notes;
- (d) make any change that affects the exchange rights of any Exchangeable Notes in a manner adverse to the Holders thereof; or
- (e) reduce the Fundamental Change Repurchase Price of any Exchangeable Note or amend or modify in any manner adverse to the Holders of Exchangeable Notes the Issuer’s obligation to make such payment, whether through an amendment or waiver of provisions in the covenants, definitions or otherwise.

Section 6.03. *Evidence of Compliance of Supplemental Indenture to be Furnished to Trustee.* For the avoidance of doubt, Section 8.4 of the Base Indenture shall apply to any supplemental indenture entered into pursuant to this Article 6 as if it had been entered into pursuant to Article Eight of the Base Indenture.

ARTICLE 7 CONSOLIDATION, MERGER, SALE, CONVEYANCE AND LEASE

Section 7.01. *Applicability of Article Nine of the Base Indenture.* Article Nine of the Base Indenture shall not apply to the Exchangeable Notes. The provisions set forth in this Article 7 shall, with respect to the Exchangeable Notes, supersede in their entirety Article Nine of the Base Indenture, and all references in the Base Indenture to such Article Nine shall, with respect to the Exchangeable Notes, be deemed to be references to this Article 7.

Section 7.02. *Consolidation Transactions.* Neither the Issuer nor any Guarantor shall consolidate or merge with or into, or sell, lease, convey or otherwise transfer all or substantially all of its assets (including, without limitation, by way of liquidation or dissolution), or assign any of its obligations under the Exchangeable Notes, the Guarantees 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 Hovnanian, the Issuer or a Guarantor is the survivor of a consolidation or merger, or the transferee in a sale, lease, conveyance or other transfer) (any such transaction, a “**Consolidation Transaction**”) unless:

(a) the Person formed by or surviving such consolidation or merger (if other than Hovnanian, 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 “**Exchangeable Notes Successor**”), is a corporation organized and existing under the laws of the United States or any state thereof or the District of Columbia, and the Exchangeable Notes Successor assumes by supplemental indenture in a form reasonably satisfactory to the Trustee all of the obligations of Hovnanian, the Issuer or the Guarantor, as the case may be, under the Exchangeable Notes or the applicable Guarantee, as the case may be, and the Indenture; and

(b) immediately after giving effect to such transaction, no Default or Event of Default has occurred and is continuing.

The foregoing provisions shall not apply to 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 transfer of all or substantially all of the assets of a Guarantor, that in any such case results in such Guarantor being released from its Guarantee pursuant to Section 10.04.

Section 7.03. *Exchangeable Notes Successor to be Substituted.* Upon any such Consolidation Transaction, the Exchangeable Notes Successor (if not Hovnanian, the Issuer or the applicable Guarantor, as the case may be) shall succeed to, and may exercise every right and power of, Hovnanian, the Issuer or

the applicable Guarantor, as the case may be, under the Indenture and the Exchangeable Notes or the applicable Guarantee, as the case may be, with the same effect as if such successor had been named as such party herein and therein; and thereafter the Issuer or such Guarantor, as the case may be, shall be discharged from its obligations hereunder and thereunder, except in the case of any such lease.

In case of any such Consolidation Transaction, such changes in phraseology and form (but not in substance) may be made in the Exchangeable Notes thereafter to be issued as may be appropriate.

Section 7.04. *Opinion of Counsel to be Given to Trustee.* The Issuer shall not enter into any such Consolidation Transaction unless the Trustee has received an Officers' Certificate and an Opinion of Counsel as conclusive evidence that such Consolidation Transaction and any such assumption and, if a supplemental indenture is required in connection with such Consolidation Transaction, such supplemental indenture, complies with the provisions of this Article 7.

ARTICLE 8 EXCHANGE OF EXCHANGEABLE NOTES

Section 8.01. *Exchange Right.* Subject to and upon compliance with the provisions of this Article 8, each Holder of an Exchangeable Note shall have the right, at such Holder's option, to exchange all or any portion (if the portion to be exchanged is \$1,000 Principal Amount at Maturity or an integral multiple thereof) of such Exchangeable Note at any time prior to the close of business on the Business Day immediately preceding the Maturity Date at the Exchange Rate.

Section 8.02. *Exchange Procedure; Settlement Upon Exchange.*

(a) Upon exchange of any Exchangeable Note, the Issuer agrees to deliver to the exchanging Holder, in respect of each \$1,000 Principal Amount at Maturity of Exchangeable Notes being exchanged, a number of shares of Class A Common Stock equal to the Exchange Rate on the Exchange Date, together with a cash payment, if applicable, in lieu of any fractional share of Class A Common Stock in accordance with Section 8.02(i) (such shares and cash, collectively, the "**Settlement Amount**"), on the third Business Day immediately following the relevant Exchange Date (such obligation, the "**Exchange Obligation**"). Hovnanian agrees with each Holder and the Issuer that upon any exchange of an Exchangeable Note, Hovnanian shall deliver the Settlement Amount on behalf of the Issuer, and in satisfaction of the Issuer's obligation, to the exchanging Holder on the third Business Day immediately following the relevant Exchange Date.

(b) The holder of a beneficial interest in a Global Exchangeable Note (whether or not such Exchangeable Note is a component of a Unit), to effect an exchange, must comply with applicable procedures of the Depository therefor. Subject to Section 8.02(e), before any Holder of a Physical Exchangeable Note (whether or not such Exchangeable Note is a component of a Unit) shall be entitled to exchange an Exchangeable Note as set forth above, such Holder shall (1) complete, manually sign and deliver an irrevocable notice to the Exchange Agent as set forth in the Form of Notice of Exchange (or a facsimile thereof) (a "**Notice of Exchange**") at the office of the Exchange Agent and state in writing therein the Principal Amount at Maturity of Exchangeable Notes to be exchanged and the name or names (with addresses) in which such Holder wishes the certificate or certificates for any shares of Class A Common Stock to be delivered upon settlement of the Exchange Obligation to be registered, (2) (i) if such Exchangeable Notes are Separate Exchangeable Notes, surrender such Exchangeable Notes, duly endorsed to the Issuer or in blank (and accompanied by appropriate endorsement and transfer documents), at the office of the Exchange Agent or (ii) if such Exchangeable Notes are components of Units, surrender such Units to the Units Agent as specified in the Units Agreement and (3) if required, furnish appropriate endorsements and transfer documents. The Trustee (and, if different, the Exchange Agent) shall notify the Issuer of any exchange pursuant

to this Article 8 no later than the Business Day following the Exchange Date for such exchange. No Holder may surrender Exchangeable Notes for exchange if such Holder has also delivered a Fundamental Change Repurchase Notice to the Issuer in respect of such Exchangeable Notes and not validly withdrawn such Fundamental Change Repurchase Notice in accordance with Section 9.02. Hovnanian agrees with each Holder and the Issuer that upon any exchange of an Exchangeable Note, Hovnanian shall deliver the Settlement Amount on behalf of the Issuer, and in satisfaction of the Issuer's obligation, to the exchanging Holder on the third Business Day immediately following the relevant Exchange Date.

If more than one Exchangeable Note shall be surrendered for exchange at one time by the same Holder of the Exchangeable Notes, the Exchange Obligation with respect to such Exchangeable Notes shall be computed on the basis of the aggregate Principal Amount at Maturity of the Exchangeable Notes (or specified portions thereof to the extent permitted thereby) so surrendered.

(c) An Exchangeable Note shall be deemed to have been exchanged immediately prior to the close of business on the date (the "**Exchange Date**") that the Holder of the Exchangeable Note has complied with the requirements set forth in subsection (b) above. The Issuer agrees to deliver the Settlement Amount due upon exchange on the third Business Day immediately following the relevant Exchange Date. Hovnanian agrees with each Holder and the Issuer that upon any exchange of an Exchangeable Note, Hovnanian shall deliver the Settlement Amount on behalf of the Issuer, and in satisfaction of the Issuer's obligation, to the exchanging Holder on the third Business Day immediately following the relevant Exchange Date. If any shares of Class A Common Stock are due to exchanging Holders of the Exchangeable Notes, Hovnanian or the Issuer shall deliver to such Holder, or such Holder's nominee or nominees, certificates or a book-entry transfer through the Depository for the full number of shares of Class A Common Stock to which such Holder shall be entitled in satisfaction of the Exchange Obligation.

(d) In case any Exchangeable Note shall be surrendered for partial exchange, in \$1,000 Principal Amount at Maturity or an integral multiple thereof, the Issuer shall execute and the Trustee shall authenticate and deliver to or upon the written order of the Holder of the Exchangeable Note so surrendered a new Exchangeable Note or Exchangeable Notes in authorized denominations in an aggregate Principal Amount at Maturity equal to the unexchanged portion of the surrendered Exchangeable Note, without payment of any service charge by the exchanging Holder of the Exchangeable Notes but, if required by the Issuer or Trustee, with payment of a sum sufficient to cover any transfer tax or similar governmental charge required by law or that may be imposed in connection therewith as a result of the name of the Holder of the new Exchangeable Notes issued upon such exchange being different from the name of the Holder of the old Exchangeable Notes surrendered for such exchange.

(e) If a Holder of the Exchangeable Notes submits an Exchangeable Note for exchange, the Issuer shall pay any documentary, stamp or similar issue or transfer tax due on the issuance of any shares of Class A Common Stock upon exchange of such Exchangeable Note, unless the tax is due because the Holder requests such shares of Class A Common Stock to be issued in a name other than such Holder's name, in which case such Holder shall pay that tax. Hovnanian and the Issuer may refuse to deliver the certificates representing the shares of Class A Common Stock being issued in a name other than such Holder's name until the Holder pays a sum

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sufficient to pay any tax that is due by such Holder in accordance with the immediately preceding sentence.

(f) Hovnanian shall notify the Trustee in writing of any exchange of Exchangeable Notes effected through any Exchange Agent other than the Trustee.

(g) Hovnanian's or the Issuer's delivery of the Settlement Amount upon exchange of any Exchangeable Note shall be deemed to satisfy in full the Issuer's obligation to pay the principal amount of the Exchangeable Note.

(h) The Person in whose name the certificate for any shares of Class A Common Stock delivered upon exchange is registered shall become the holder of record of such shares as of the close of business on the relevant Exchange Date. Upon exchange of an Exchangeable Note, the Holder thereof shall surrender all of its rights with respect to such Exchangeable Note, other than the right to receive the Settlement Amount due upon exchange.

(i) Hovnanian shall not issue any fractional share of Class A Common Stock upon exchange of the Exchangeable Notes and shall instead pay cash in lieu of any fractional share of Class A Common Stock issuable upon exchange based on the Last Reported Sale Price of the Class A Common Stock on the relevant Exchange Date.

Section 8.03. *Adjustment to Exchange Rate upon Exchange upon a Make-Whole Fundamental Change.* (a) If the Effective Date of a Make-Whole Fundamental Change occurs prior to the Maturity Date and a Holder of the Exchangeable Notes elects to exchange its Exchangeable Notes in connection with such Make-Whole Fundamental Change, the Issuer shall, under the circumstances described below, increase the Exchange Rate for the Exchangeable Notes so surrendered for exchange by a number of additional shares of Class A Common Stock (the "**Additional Shares**"), as described below. An exchange of Exchangeable Notes shall be deemed for these purposes to be "in connection with" such Make-Whole Fundamental Change if the relevant Notice of Exchange is received by the Exchange Agent (or, in the case of a Global Exchangeable Note, notice of exchange is delivered in accordance with the procedures of the Depositary) from, and including, the Effective Date of the Make-Whole Fundamental Change up to, and including, the Business Day immediately prior to the related Fundamental Change Repurchase Date (or, in the case of a Make-Whole Fundamental Change that would have been a Fundamental Change but for the *proviso* in clause (b) of the definition thereof, the 35th Trading Day immediately following the Effective Date of such Make-Whole Fundamental Change).

(b) Upon surrender of Exchangeable Notes for exchange in connection with a Make-Whole Fundamental Change, Hovnanian or the Issuer shall, pay or deliver, as the case may be, the consideration due in respect of such exchanged Exchangeable Notes in accordance with Section 8.02 and, if applicable, Section 8.07, based on the Exchange Rate as increased to reflect the Additional Shares determined pursuant to the table set forth in Section 8.03(e). The Issuer shall notify the Holders of Exchangeable Notes, the Trustee and the Exchange Agent in writing of the Effective Date of any Make-Whole Fundamental Change and issue a press release announcing such Effective Date no later than five Business Days after such Effective Date.

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(c) The number of Additional Shares, if any, by which the Exchange Rate shall be increased for exchange in connection with a Make-Whole Fundamental Change shall be determined by reference to the table set forth in Section 8.03(e), based on the date on which the Make-Whole Fundamental Change occurs or becomes effective (the "**Effective Date**") and the price (the "**Stock Price**") paid (or deemed to be paid) per share of Class A Common Stock in the Make-Whole Fundamental Change. If the holders of Class A Common Stock receive in exchange for their Class A Common Stock only cash in a Make-Whole Fundamental Change described in clause (b) of the definition of Fundamental Change, the Stock Price shall be the cash amount paid per share. Otherwise, the Stock Price shall be the average of the Last Reported Sale Prices of the Class A Common Stock over the five Trading Day period ending on, and including, the Trading Day immediately preceding the Effective Date of the Make-Whole Fundamental Change.

(d) The Stock Prices set forth in the column headings of the table below shall be adjusted as of any date on which the Exchange Rate of the Exchangeable Notes is otherwise adjusted. Each adjusted Stock Price shall equal the Stock Price applicable immediately prior to such adjustment, *multiplied* by a fraction, the numerator of which is the Exchange Rate immediately prior to such adjustment giving rise to the Stock Price adjustment and the denominator of which is the Exchange Rate as so adjusted. The number of Additional Shares set forth in the table in Section 8.03(e) shall be adjusted in the same manner and at the same time as the Exchange Rate as set forth in Section 8.04.

(e) The following table sets forth the number of Additional Shares to be received per \$1,000 Principal Amount at Maturity of Exchangeable Notes pursuant to this Section 8.03 for each Stock Price and Effective Date set forth below:

Effective Date	Stock Price											
	\$3.85	\$4.25	\$4.50	\$4.75	\$5.00	\$5.25	\$5.50	\$5.75	\$6.00	\$6.50	\$7.00	\$8.00
October 2, 2012	14.0842	11.7127	8.9061	6.6653	4.8852	3.4823	2.3905	1.5565	0.9369	0.2105	0.0000	0.0000
December 1, 2013	26.2660	17.0736	13.3877	10.4018	7.9858	6.0371	4.4736	3.2293	2.2511	0.9259	0.2362	0.0000
December 1, 2014	37.3518	23.2976	18.5617	14.6995	11.5502	8.9853	6.9016	5.2163	3.8614	1.9339	0.7870	0.0000
December 1, 2015	49.0167	30.0298	23.9841	19.0544	15.0382	11.7714	9.1205	6.9770	5.2526	2.7836	1.2762	0.0601
December 1, 2016	61.2920	37.4204	29.3928	22.8900	17.6548	13.4676	10.1422	7.5210	5.4729	2.6791	1.1032	0.0189
December 1, 2017	74.2114	49.7654	36.6935	24.9976	14.4712	4.9474	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

The exact Stock Prices and Effective Dates may not be set forth in the table above, in which case:

(i) If the Stock Price is between two Stock Prices in the table or the Effective Date is between two Effective Dates in the table, the number of Additional Shares shall be determined by a straight-line interpolation between the number of Additional Shares set forth for the higher

and lower Stock Prices and the earlier and later Effective Dates based on a 365-day year, as applicable.

(ii) If the Stock Price is greater than \$8.00 per share (subject to adjustment in the same manner as the Stock Prices set forth in the column headings of the table above

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pursuant to subsection (d) above), no Additional Shares shall be added to the Exchange Rate.

(iii) If the Stock Price is less than \$3.85 per share (subject to adjustment in the same manner as the Stock Prices set forth in the column headings of the table above pursuant to subsection (d) above), no Additional Shares shall be added to the Exchange Rate.

Notwithstanding the foregoing, in no event shall the Exchange Rate per \$1,000 Principal Amount at Maturity of Exchangeable Notes exceed 259.7402, subject to adjustment in the same manner as the Exchange Rate pursuant to Section 8.04.

(f) Nothing in this Section 8.03 shall prevent an adjustment to the Exchange Rate pursuant to Section 8.04 in respect of a Make-Whole Fundamental Change.

Section 8.04. *Adjustment of Exchange Rate.* The Exchange Rate shall be adjusted from time to time by the Issuer if any of the following events occurs, except that the Issuer shall not make any adjustments to the Exchange Rate if Holders of the Exchangeable Notes participate (other than in the case of a share split or share combination), at the same time and upon the same terms as holders of the Class A Common Stock and solely as a result of holding the Exchangeable Notes, in any of the transactions described in this Section 8.04, without having to exchange their Exchangeable Notes, as if they held a number of shares of Class A Common Stock equal to the Exchange Rate, multiplied by the number of Exchangeable Notes held by such Holder of the Exchangeable Notes.

(a) If Hovnanian exclusively issues shares of Class A Common Stock as a dividend or distribution on all or substantially all of the shares of Class A Common Stock, or if Hovnanian effects a share split or share combination, the Exchange Rate shall be adjusted based on the following formula:

$$ER_1 = ER_0 \times \frac{OS_1}{OS_0}$$

where,

ER₀ = the Exchange Rate in effect immediately prior to the close of business on the Record Date of such dividend or distribution, or immediately prior to the open of business on the Effective Date of such share split or share combination, as applicable;

ER₁ = the Exchange Rate in effect immediately after the close of business on such Record Date or immediately after the open of business on such Effective Date, as applicable;

OS₀ = the number of shares of Class A Common Stock outstanding immediately prior to the close of business on the Record Date or immediately prior to the open of business on such Effective Date, as applicable; and

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OS₁ = the number of shares of Class A Common Stock outstanding immediately after giving effect to such dividend, distribution, share split or share combination.

Any adjustment made under this Section 8.04(a) shall become effective immediately after the close of business on the Record Date for such dividend or distribution, or immediately after the open of business on the Effective Date for such share split or share combination, as applicable. If any dividend or distribution of the type described in this Section 8.04(a) is declared but not so paid or made, the Exchange Rate shall be immediately readjusted, effective as of the date Hovnanian's Board of Directors determines not to pay such dividend or distribution, to the Exchange Rate that would then be in effect if such dividend or distribution had not been declared.

(b) If Hovnanian issues to all or substantially all holders of its shares of Class A Common Stock any rights, options or warrants entitling them, for a period of not more than 45 calendar days after the announcement date of such issuance, to subscribe for or purchase shares of Class A Common Stock at a price per share that is less than the average of the Last Reported Sale Prices of the Class A Common Stock for the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement of such issuance, the Exchange Rate shall be increased based on the following formula:

$$ER_1 = ER_0 \times \frac{OS_0 + X}{OS_0 + Y}$$

where,

ER₀ = the Exchange Rate in effect immediately prior to the close of business on the Record Date for such issuance;

ER₁ = the Exchange Rate in effect immediately after the close of business on such Record Date;

OS₀ = the number of shares of Class A Common Stock outstanding immediately prior to the close of business on such Record Date;

- X = the total number of shares of Class A Common Stock issuable pursuant to such rights, options or warrants; and
- Y = the number of shares of Class A Common Stock equal to the aggregate price payable to exercise such rights, options or warrants, *divided by* the average of the Last Reported Sale Prices of the Class A Common Stock over the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement of the issuance of such rights, options or warrants.

Any increase made under this Section 8.04(b) shall be made successively whenever any such rights, options or warrants are issued and shall become effective immediately after the close of business on the Record Date for such issuance. To the extent that shares of Class A Common Stock are not delivered after the expiration of such rights, options or warrants, the Exchange Rate shall be decreased to the Exchange Rate that would then be in effect had the increase with

respect to the issuance of such rights, options or warrants been made on the basis of delivery of only the number of shares of Class A Common Stock actually delivered. If such rights, options or warrants are not so issued, the Exchange Rate shall be decreased to the Exchange Rate that would then be in effect if such Record Date for such issuance had not occurred.

For purposes of this Section 8.04(b), in determining whether any rights, options or warrants entitle the holders to subscribe for or purchase shares of Class A Common Stock at less than such average of the Last Reported Sale Prices of the Class A Common Stock for the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement of such issuance, and in determining the aggregate offering price of such shares of Class A Common Stock, there shall be taken into account any consideration received by Hovnanian for such rights, options or warrants and any amount payable on exercise or exchange thereof, the value of such consideration, if other than cash, to be determined by Hovnanian's Board of Directors.

(c) If Hovnanian distributes shares of its Capital Stock, evidences of its indebtedness, other assets or property or rights, options or warrants to acquire its Capital Stock or other securities, to all or substantially all holders of the Class A Common Stock, excluding (i) dividends, distributions or issuances (including share splits) as to which an adjustment was effected pursuant to Section 8.04(a) or Section 8.04(b), (ii) dividends or distributions paid exclusively in cash as to which an adjustment was effected pursuant to Section 8.04(d), (iii) Spin-Offs as to which the provisions set forth below in this Section 8.04(c) shall apply and (iv) any cash, securities or other property that is distributed in, and will constitute Reference Property as a result of, a Share Exchange Event pursuant to Section 8.07 (any of such shares of Capital Stock, evidences of indebtedness, other assets or property or rights, options or warrants to acquire Capital Stock or other securities of the Issuer, the "**Distributed Property**"), then the Exchange Rate shall be increased based on the following formula:

$$ER_1 = ER_0 \times \frac{SP_0}{SP_0 - FMV}$$

where,

- ER₀ = the Exchange Rate in effect immediately prior to the close of business on the Record Date for such distribution;
- ER₁ = the Exchange Rate in effect immediately after the close of business on such Record Date;
- SP₀ = the average of the Last Reported Sale Prices of the Class A Common Stock over the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the Ex-Dividend Date for such distribution; and
- FMV = the fair market value (as determined by Hovnanian's Board of Directors) of the Distributed Property with respect to each outstanding share of Class A Common Stock on the Record Date for such distribution.

Any increase made under the portion of this Section 8.04(c) above shall become effective immediately after the close of business on the Record Date for such distribution. If such distribution is not so paid or made, the Exchange Rate shall be decreased to the Exchange Rate that would then be in effect if such distribution had not been declared. Notwithstanding the foregoing, if "FMV" (as defined above) is equal to or greater than "SP₀" (as defined above), in lieu of the foregoing increase, each Holder of an Exchangeable Note shall receive, in respect of each \$1,000 Principal Amount at Maturity thereof, at the same time and upon the same terms as holders of the Class A Common Stock receive the Distributed Property, the amount and kind of Distributed Property such Holder would have received if such Holder owned a number of shares of Class A Common Stock equal to the Exchange Rate in effect on the Record Date for the distribution. If Hovnanian's Board of Directors determines the "FMV" (as defined above) of any distribution for purposes of this Section 8.04(c) by reference to the actual or when-issued trading market for any securities, it shall in doing so consider the prices in such market over the same period used in computing SP₀.

With respect to an adjustment pursuant to this Section 8.04(c) where there has been a payment of a dividend or other distribution on the Class A Common Stock of shares of Capital Stock of any class or series, or similar equity interest, of or relating to a Subsidiary or other business unit of Hovnanian, that are, or, when issued, will be, listed or admitted for trading on a U.S. national securities exchange (a "**Spin-Off**"), the Exchange Rate shall be increased based on the following formula:

$$ER_1 = ER_0 \times \frac{FMV_0 + MP_0}{MP_0}$$

where,

- ER₀ = the Exchange Rate in effect immediately prior to the close of business on the last Trading Day of the Valuation Period;

- ER₁ = the Exchange Rate in effect immediately after the close of business on the last Trading Day of the Valuation Period;
- FMV₀ = the average of the Last Reported Sale Prices of the Capital Stock or similar equity interest distributed to holders of the Class A Common Stock applicable to one share of Class A Common Stock (determined by reference to the definition of Last Reported Sale Price as set forth in Section 1.01 as if references therein to Class A Common Stock were to such Capital Stock or similar equity interest) over the first 10 consecutive Trading Day period after, and including, the effective date of the Spin-Off (the “**Valuation Period**”); and
- MP₀ = the average of the Last Reported Sale Prices of the Class A Common Stock over the Valuation Period.

The adjustment to the Exchange Rate under the preceding paragraph shall occur on the last Trading Day of the Valuation Period; *provided* that in respect of any exchange during the Valuation Period, references in the portion of this Section 8.04(c) related to Spin-Offs to 10

consecutive Trading Days shall be deemed to be replaced with such lesser number of Trading Days as have elapsed between the effective date of such Spin-Off and the Exchange Date in determining the Exchange Rate.

For purposes of this Section 8.04(c) (and subject in all respects to Section 8.11), rights, options or warrants distributed by Hovnanian to all holders of its shares of Class A Common Stock entitling them to subscribe for or purchase shares of Hovnanian’s Capital Stock, including shares of Class A Common Stock (either initially or under certain circumstances), which rights, options or warrants, until the occurrence of a specified event or events (“**Trigger Event**”): (i) are deemed to be transferred with such shares of Class A Common Stock; (ii) are not exercisable; and (iii) are also issued in respect of future issuances of the shares of Class A Common Stock, shall be deemed not to have been distributed for purposes of this Section 8.04(c) (and no adjustment to the Exchange Rate under this Section 8.04(c) will be required) until the occurrence of the earliest Trigger Event, whereupon such rights, options or warrants shall be deemed to have been distributed and an appropriate adjustment (if any is required) to the Exchange Rate shall be made under this Section 8.04(c). If any such right, option or warrant, including any such existing rights, options or warrants distributed prior to the Issue Date, are subject to events, upon the occurrence of which such rights, options or warrants become exercisable to purchase different securities, evidences of indebtedness or other assets, then the date of the occurrence of any and each such event shall be deemed to be the date of distribution and Record Date with respect to new rights, options or warrants with such rights (in which case the existing rights, options or warrants shall be deemed to terminate and expire on such date without exercise by any of the holders thereof). In addition, in the event of any distribution (or deemed distribution) of rights, options or warrants, or any Trigger Event or other event (of the type described in the immediately preceding sentence) with respect thereto that was counted for purposes of calculating a distribution amount for which an adjustment to the Exchange Rate under this Section 8.04(c) was made, (1) in the case of any such rights, options or warrants that shall all have been redeemed or purchased without exercise by any holders thereof, upon such final redemption or purchase (x) the Exchange Rate shall be readjusted as if such rights, options or warrants had not been issued and (y) the Exchange Rate shall then again be readjusted to give effect to such distribution, deemed distribution or Trigger Event, as the case may be, as though it were a cash distribution, equal to the per share redemption or purchase price received by a holder or holders of shares of Class A Common Stock with respect to such rights, options or warrants (assuming such holder had retained such rights, options or warrants), made to all holders of shares of Class A Common Stock as of the date of such redemption or purchase, and (2) in the case of such rights, options or warrants that shall have expired or been terminated without exercise by any holders thereof, the Exchange Rate shall be readjusted as if such rights, options and warrants had not been issued.

For purposes of Section 8.04(a), Section 8.04(b) and this Section 8.04(c), if any dividend or distribution to which this Section 8.04(c) is applicable also includes one or both of:

- (A) a dividend or distribution of shares of Class A Common Stock to which Section 8.04(a) is applicable (the “**Clause A Distribution**”); or
- (B) a dividend or distribution of rights, options or warrants to which Section 8.04(b) is applicable (the “**Clause B Distribution**”),

then (1) such dividend or distribution, other than the Clause A Distribution and the Clause B Distribution, shall be deemed to be a dividend or distribution to which this Section 8.04(c) is applicable (the “**Clause C Distribution**”) and any Exchange Rate adjustment required by this Section 8.04(c) with respect to such Clause C Distribution shall then be made, and (2) the Clause A Distribution and Clause B Distribution shall be deemed to immediately follow the Clause C Distribution and any Exchange Rate adjustment required by Section 8.04(a) and Section 8.04(b) with respect thereto shall then be made, except that, if determined by the Issuer (I) the “Record Date” of the Clause A Distribution and the Clause B Distribution shall be deemed to be the Record Date of the Clause C Distribution and (II) any shares of Class A Common Stock included in the Clause A Distribution or Clause B Distribution shall be deemed not to be “outstanding immediately prior to the close of business on the Record Date or immediately prior to the open of business on such Effective Date, as applicable” within the meaning of Section 8.04(a) or “outstanding immediately prior to the close of business on such Record Date” within the meaning of Section 8.04(b).

(d) If any cash dividend or distribution is made to all or substantially all holders of the shares of Class A Common Stock, excluding, for the avoidance of doubt:

- (i) any cash that is distributed in, and will constitute Reference Property as a result of, a Share Exchange Event pursuant to Section 8.07; and
- (ii) any dividend or distribution in connection with Hovnanian’s liquidation, dissolution or winding up,

the Exchange Rate shall be adjusted based on the following formula:

$$ER_1 = ER_0 \times \frac{SP_0}{SP_0 - C}$$

where,

- ER₀ = the Exchange Rate in effect immediately prior to the close of business on the Record Date for such dividend or distribution;
- ER₁ = the Exchange Rate in effect immediately after the close of business on the Record Date for such dividend or distribution;
- SP₀ = the average of the Last Reported Sale Prices of the Class A Common Stock over the five consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the Ex-Dividend Date for such dividend or distribution; and
- C = the amount of cash per share of Class A Common Stock Hovnanian distributes to all or substantially all holders of Class A Common Stock.

Any increase pursuant to this Section 8.04(d) shall become effective immediately after the close of business on the Record Date for such dividend or distribution. If such dividend or distribution is not so paid, the Exchange Rate shall be decreased, effective as of the date Hovnanian's Board

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of Directors determines not to make or pay such dividend or distribution, to be the Exchange Rate that would then be in effect if such dividend or distribution had not been declared.

Notwithstanding the foregoing, if "C" (as defined above) is equal to or greater than "SP₀" (as defined above), in lieu of the foregoing increase, each Holder of an Exchangeable Note shall receive, for each \$1,000 Principal Amount at Maturity of Exchangeable Notes, at the same time and upon the same terms as holders of shares of Class A Common Stock, the amount of cash that such Holder would have received if such Holder owned a number of shares of Class A Common Stock equal to the Exchange Rate on the Record Date for such cash dividend or distribution.

(e) If Hovnanian or any of its Subsidiaries makes a payment in respect of a tender or exchange offer for the Class A Common Stock, to the extent that the cash and value of any other consideration included in the payment per share of Class A Common Stock exceeds the average Last Reported Sale Price of the Class A Common Stock over the 10 consecutive Trading Day period commencing on, and including, the Trading Day immediately succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer, the Exchange Rate shall be increased based on the following formula:

$$ER_1 = ER_0 \times \frac{AC + (SP_1 \times OS_1)}{OS_0 \times SP_1}$$

where,

- ER₀ = the Exchange Rate in effect immediately prior to the close of business on the 10th Trading Day immediately following, and including, the Trading Day next succeeding the date such tender or exchange offer expires (the "Expiration Date");
- ER₁ = the Exchange Rate in effect immediately after the close of business on the 10th Trading Day immediately following, and including, the Trading Day next succeeding the Expiration Date;
- AC = the aggregate value of all cash and any other consideration (as determined by Hovnanian's Board of Directors) paid or payable for shares of Class A Common Stock purchased in such tender or exchange offer;
- OS₀ = the number of shares of Class A Common Stock outstanding immediately prior to the Expiration Date (prior to giving effect to the purchase of all shares of Class A Common Stock accepted for purchase or exchange in such tender or exchange offer);
- OS₁ = the number of shares of Class A Common Stock outstanding immediately after the Expiration Date (after giving effect to the purchase of all shares of Class A Common Stock accepted for purchase or exchange in such tender or exchange offer); and
- SP₁ = the average of the Last Reported Sale Prices of the Class A Common Stock over the 10 consecutive Trading Day period commencing on, and including, the Trading Day next succeeding the Expiration Date.

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The adjustment to the Exchange Rate under this Section 8.04(e) shall occur at the close of business on the 10th Trading Day immediately following, and including, the Trading Day next succeeding the Expiration Date; *provided* that in respect of any exchange within the 10 Trading Days immediately following, and including, the Trading Day next succeeding any Expiration Date, references in this Section 8.04(e) with respect to 10 Trading Days shall be deemed replaced with such lesser number of Trading Days as have elapsed between such Expiration Date and the Exchange Date in determining the Exchange Rate. For the avoidance of doubt, no adjustment under this Section 8.04(e) shall be made if such adjustment would result in a decrease in the Exchange Rate.

(f) Except as stated herein, the Issuer shall not adjust the Exchange Rate for the issuance of shares of Class A Common Stock or any securities convertible into or exchangeable for shares of Class A Common Stock or the right to purchase shares of Class A Common Stock or such convertible or exchangeable securities.

(g) In addition to those adjustments required by clauses (a), (b), (c), (d) and (e) of this Section 8.04, and to the extent permitted by applicable law and subject to the rules of The New York Stock Exchange and any other exchange on which Hovnanian's or the Issuer's securities are then listed, (i) the Issuer may increase the Exchange Rate of the Exchangeable Notes by any amount for a period of at least 20 Business Days if the Issuer's Board of Directors determines that such increase would be in the Issuer's best interests and (ii) the Issuer may (but is not required to) increase the Exchange Rate to avoid or diminish any income tax to holders of Class A Common Stock or rights to purchase shares of Class A Common Stock in connection with a dividend or

distribution of shares (or rights to acquire shares) or similar event. Whenever the Exchange Rate is increased pursuant to the preceding sentence, the Issuer shall mail to the Holder of each Exchangeable Note at its last address appearing on the Exchangeable Note register (or, if all Outstanding Exchangeable Notes are Global Exchangeable Notes, deliver to the Depository, in accordance with standing arrangements between the Issuer and the Depository) a notice of the increase at least 15 calendar days prior to the date the increased Exchange Rate takes effect, and such notice shall state the increased Exchange Rate and the period during which it will be in effect.

- (h) Notwithstanding anything to the contrary in Section 8.04, the Exchange Rate shall not be adjusted:
- (i) upon the issuance of any shares of Class A Common Stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on Hovnanian's securities and the investment of additional optional amounts in shares of Class A Common Stock under any plan;
 - (ii) upon the issuance of any shares of Class A Common Stock or options or rights to purchase shares of Class A Common Stock pursuant to any present or future employee, director or consultant benefit plan or program of or assumed by Hovnanian or any of its Subsidiaries;
 - (iii) upon the issuance of any shares of Class A Common Stock pursuant to any option, warrant, right or exercisable, exchangeable or convertible security not

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described in clause (ii) of this subsection and outstanding as of the Issue Date (other than any adjustment upon the separation of rights under a rights plan, pursuant to Section 8.11); or

- (iv) solely for a change in the par value of the Class A Common Stock.

(i) All calculations and other determinations under this Article 8 shall be made by the Issuer and all calculations of the Exchange Rate shall be made to the nearest one-ten thousandth (1/10,000) of a share. The Issuer shall not be required to make an adjustment in the Exchange Rate unless such adjustment would require a change of at least 1% in the Exchange Rate. However, the Issuer shall carry forward any adjustments that are less than 1% of the Exchange Rate and make such carried forward adjustment, regardless of whether the aggregate adjustment is less than 1%, upon any exchange of Exchangeable Notes.

(j) Whenever the Exchange Rate is adjusted as herein provided, the Issuer shall promptly file with the Trustee (and the Exchange Agent if not the Trustee) an Officers' Certificate setting forth the Exchange Rate after such adjustment and setting forth a brief statement of the facts requiring such adjustment. Unless and until a Responsible Officer shall have received such Officers' Certificate, the Trustee shall not be deemed to have knowledge of any adjustment of the Exchange Rate and may assume without inquiry that the last Exchange Rate of which it has knowledge is still in effect. Promptly after delivery of such certificate, the Issuer shall prepare a notice of such adjustment of the Exchange Rate setting forth the adjusted Exchange Rate and the date on which each adjustment becomes effective and shall mail such notice of such adjustment of the Exchange Rate to each Holder of the Exchangeable Notes at its last address appearing on the Exchangeable Notes register. Failure to deliver such notice shall not affect the legality or validity of any such adjustment.

(k) For purposes of this Section 8.04, the number of shares of Class A Common Stock at any time outstanding shall not include shares held in the treasury of Hovnanian so long as Hovnanian does not pay any dividend or make any distribution on shares of Class A Common Stock held in its treasury, but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Class A Common Stock.

(l) If the Issuer is required by applicable law to pay, and pays, withholding tax on behalf of a Holder as a result of an adjustment or the nonoccurrence of an adjustment to the Exchange Rate, the Issuer may, at its option, set off such withholding tax against cash payments of interest (if any) or any other amounts (including, for the avoidance of doubt, shares of Class A Common Stock) payable under the Exchangeable Notes.

Section 8.05. *Adjustments of Prices.* Whenever any provision of the Indenture requires the Issuer to calculate the Last Reported Sale Prices or the Stock Price for purposes of a Make-whole Fundamental Change over a span of multiple days, the Issuer's Board of Directors shall make appropriate adjustments to each to account for any adjustment to the Exchange Rate that becomes effective, or any event requiring an adjustment to the Exchange Rate where the Ex-Dividend Date, Effective Date or Expiration Date, as the case may be, of the event occurs, at any time during the period when the Last Reported Sale Prices or the Stock Price are to be calculated.

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Section 8.06. *Shares to be Fully Paid.* Hovnanian shall provide, free from preemptive rights, out of its authorized but unissued shares that are not reserved for other purposes or shares held in treasury, sufficient shares of Class A Common Stock to provide for exchange of the Exchangeable Notes from time to time as such Exchangeable Notes are presented for exchange (assuming that at the time of computation of such number of shares, all such Exchangeable Notes would be exchanged by a single Holder of the Exchangeable Notes, and including the maximum number of Additional Shares that could be included in the Exchange Rate for an exchange in connection with a Make-Whole Fundamental Change).

Section 8.07. *Effect of Recapitalizations, Reclassifications and Changes of the Shares of Class A Common Stock.*

- (a) In the case of:
- (i) any recapitalization, reclassification or change of the Class A Common Stock (other than changes resulting from a subdivision or combination),
 - (ii) any consolidation, merger or combination or similar transaction involving Hovnanian,
 - (iii) any sale, lease or other transfer to a third party of all or substantially all of the consolidated assets of Hovnanian and its subsidiaries, or

- (iv) any statutory share exchange,

in each case, as a result of which the Class A Common Stock would be converted into, or exchanged for, stock, other securities, other property or assets (including cash or any combination thereof) (any such event, a “**Share Exchange Event**” and any such stock, other securities or other property or assets, “**Reference Property**,” and the kind and amount of Reference Property that a holder of one share of Class A Common Stock immediately prior to such transaction would have been entitled to receive upon the occurrence of such transaction, a “**Unit of Reference Property**”), then the parties to the Indenture shall execute a supplemental indenture providing that, at and after the effective time of the Share Exchange Event, a Holder’s right to exchange an Exchangeable Note for shares of Class A Common Stock shall be changed into the right to convert or exchange, as the case may be, an Exchangeable Note into Units of Reference Property; *provided* that, at and after the effective time of the Share Exchange Event, the number of shares of Class A Common Stock otherwise deliverable upon exchange of the Exchangeable Notes pursuant to Section 8.02(a), and, if applicable, Section 8.03, shall instead be deliverable in the kind and amount of Reference Property that a holder of that number of shares of Class A Common Stock would have received in such Share Exchange Event.

Such supplemental indenture described in the immediately preceding paragraph shall provide for adjustments that shall be as nearly equivalent as is possible to the adjustments provided for in this Article 8. If, in the case of any Share Exchange Event, the Reference Property includes shares of stock, securities or other property or assets (including cash or any combination thereof) of a Person other than Hovnanian or the successor or purchasing corporation, as the case may be, in such Share Exchange Event, then such other Person shall also execute such supplemental indenture, and such supplemental indenture shall contain such

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additional provisions to protect the interests of the Holders of the Exchangeable Notes, including the provisions providing for the repurchase rights set forth in Article 9, as the Issuer’s Board of Directors shall reasonably consider necessary by reason of the foregoing.

If the Share Exchange Event causes the Class A Common Stock to be converted into, or exchanged for, the right to receive more than a single type of consideration (determined based in part upon any form of stockholder election), then the Reference Property into which the Exchangeable Notes will be exchangeable shall be deemed to be (A) the weighted average of the kinds and amounts of consideration received by the holders of Class A Common Stock that affirmatively make such an election or (B) if no holders of the shares of Class A Common Stock affirmatively make such an election, the kinds and amounts of consideration actually received by the holders of Class A Common Stock. The Issuer shall notify Holders, the Trustee and the Exchange Agent (if other than the Trustee) of such weighted average as soon as practicable after such determination is made.

(b) If the Exchangeable Notes become convertible into, or exchangeable for, Reference Property pursuant to Section 8.07(a), the Issuer shall promptly file with the Trustee an Officers’ Certificate briefly describing the Share Exchange Event and the provisions of the relevant supplemental indenture, including, without limitation, the kind or amount of cash, securities or property or asset that will comprise the Reference Property after any such Share Exchange Event, any modification, in accordance with Section 8.07(a), to the provisions set forth in Article 9, the definition of Fundamental Change in Section 1.01 or the provisions set forth in Section 8.03 and Section 8.04 and that all conditions precedent have been complied with. In addition, the Issuer shall promptly cause a notice containing the information set forth in such Officers’ Certificate to be mailed to each Holder of the Exchangeable Notes at its address appearing on the Exchangeable Note register (or, in the case of a Global Exchangeable Note, to be delivered to the Depositary in accordance with standing arrangements between the Issuer and the Depositary). The Issuer or Hovnanian shall also issue a press release containing the information set forth in such Officers’ Certificate, and Hovnanian shall make such press release available on its website. Failure to deliver such notice shall not affect the legality or validity of the relevant supplemental indenture.

(c) Neither the Issuer nor any Guarantor shall become a party to any Share Exchange Event unless its terms are consistent with this Section 8.07.

(d) The above provisions of this Section shall similarly apply to successive Share Exchange Events.

Section 8.08. *Certain Covenants.* (a) Hovnanian and the Issuer covenant that all shares of Class A Common Stock issued upon exchange of Exchangeable Notes will be fully paid and non-assessable by Hovnanian and free from all taxes, liens and charges with respect to the issue thereof.

(b) Hovnanian agrees that each Guarantor (other than Hovnanian) shall at all times be a wholly-owned Subsidiary of Hovnanian. Hovnanian and the Issuer shall comply with all securities laws regulating the offer and delivery of shares of Class A Common Stock upon exchange of the Exchangeable Notes.

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(c) Hovnanian and the Issuer further covenant that if at any time the shares of Class A Common Stock shall be listed on any national securities exchange or automated quotation system Hovnanian will list and keep listed, so long as the shares of Class A Common Stock shall be so listed on such exchange or automated quotation system, any share of Class A Common Stock issuable upon exchange of the Exchangeable Notes.

Section 8.09. *Responsibility of Trustee.* The Trustee and any Exchange Agent shall not at any time be under any duty or responsibility to any Holder of the Exchangeable Notes to determine the Exchange Rate (or any adjustment thereto) or whether any facts exist that may require any adjustment (including any increase) of the Exchange Rate, or with respect to the nature or extent or calculation of any such adjustment when made, or with respect to the method employed, or herein or in any supplemental indenture provided to be employed, in making the same. The Trustee and any Exchange Agent shall not be accountable with respect to the validity or value (or the kind or amount) of any shares of Class A Common Stock, or of any securities, property or cash that may at any time be issued or delivered upon the exchange of any Exchangeable Note; and the Trustee and any Exchange Agent make no representations with respect thereto. Neither the Trustee nor any Exchange Agent shall be responsible for any failure of the Issuer or Hovnanian to issue, transfer or deliver any shares of Class A Common Stock or stock certificates or other securities or property or cash upon the surrender of any Exchangeable Note for the purpose of exchange or to comply with any of the duties, responsibilities or covenants of the Issuer or Hovnanian contained in this Article. Without limiting the generality of the foregoing, neither the Trustee nor any Exchange Agent shall be under any responsibility to determine the correctness of any provisions contained in any supplemental indenture entered into pursuant to Section 8.07 relating either to the kind or amount of shares of stock or securities or property

(including cash) receivable by Holders of the Exchangeable Notes upon the exchange of their Exchangeable Notes after any event referred to in such Section 8.07 or to any adjustment to be made with respect thereto, but may accept (without any independent investigation) as conclusive evidence of the correctness of any such provisions, and shall be protected in relying upon, the Officers' Certificate (which the Issuer shall be obligated to file with the Trustee prior to the execution of any such supplemental indenture) with respect thereto.

Section 8.10. *Notice to Holders of the Exchangeable Notes Prior to Certain Actions.* In case of any:

- (a) action by Hovnanian or one of its Subsidiaries that would require an adjustment in the Exchange Rate pursuant to Section 8.04 or Section 8.11;
- (b) Share Exchange Event or Consolidation Transaction; or
- (c) voluntary or involuntary dissolution, liquidation or winding-up of Hovnanian or any of its Subsidiaries;

then, in each case (unless notice of such event is otherwise required pursuant to another provision of the Indenture, excluding for the avoidance of doubt Section 8.04(j)), the Issuer shall cause to be filed with the Trustee and the Exchange Agent (if other than the Trustee) and to be mailed to each Holder of the Exchangeable Notes at its address appearing on the Exchangeable Notes register, as promptly as possible and at least 20 calendar days prior to the applicable date

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hereinafter specified, a notice stating (i) the date on which a record is to be taken for the purpose of such action by Hovnanian or one of its Subsidiaries or, if a record is not to be taken, the date as of which the holders of shares of Class A Common Stock of record are to be determined for the purposes of such action by Hovnanian or one of its Subsidiaries, or (ii) the date on which such Share Exchange Event, Consolidation Transaction, dissolution, liquidation or winding-up is expected to become effective or occur, and, if applicable, the date as of which it is expected that holders of shares of Class A Common Stock of record shall be entitled to exchange their shares of Class A Common Stock for securities or other property deliverable upon such Share Exchange Event, Consolidation Transaction, dissolution, liquidation or winding-up. Failure to give such notice, or any defect therein, shall not affect the legality or validity of such action by Hovnanian or any of its Subsidiaries or such Share Exchange Event, Consolidation Transaction, dissolution, liquidation or winding-up.

Section 8.11. *Shareholder Rights Plans.* If Hovnanian has a rights plan in effect upon exchange of the Exchangeable Notes into Class A Common Stock, each share of Class A Common Stock, if any, issued upon such exchange shall be entitled to receive the appropriate number of rights, if any, and any certificate representing the share of Class A Common Stock issued upon such exchange shall bear such legends, if any, in each case as may be provided by the terms of any such shareholder rights plan, as the same may be amended from time to time. If however, prior to any exchange, the rights have separated from the shares of Class A Common Stock in accordance with the provisions of the applicable shareholder rights plan, the Exchange Rate shall be adjusted at the time of separation as if Hovnanian distributed to all or substantially all holders of shares of Class A Common Stock shares of Capital Stock of Hovnanian, evidences of its indebtedness, assets, property, rights, options or warrants to acquire its Capital Stock or other securities as provided in Section 8.04(c), subject to readjustment in the event of the expiration, termination or redemption of such rights.

Section 8.12. *Section 382 Exchange Blocker.*

(a) Notwithstanding anything to the contrary in this Indenture, no Beneficial Owner of Exchangeable Notes (whether or not such Exchangeable Notes are a component of Units) shall be entitled to receive shares of Class A Common Stock upon exchange of the Exchangeable Notes, and any delivery of shares of Class A Common Stock upon exchange of such Exchangeable Notes shall be void and of no effect, to the extent (but only to the extent) that such receipt or delivery would cause such Beneficial Owner to become an Acquiring Person, unless such Beneficial Owner has received prior approval of the Board of Directors (the "**Section 382 Exchange Blocker**"). If any delivery of shares of Class A Common Stock owed to a Beneficial Owner upon exchange of any Exchangeable Notes is not made, in whole or in part, as a result of the Section 382 Exchange Blocker, Hovnanian's and the Issuer's obligation to make such delivery shall not be extinguished and Hovnanian or the Issuer shall deliver such shares as promptly as practicable after such delivery would not result in such Beneficial Owner being an Acquiring Person and such Beneficial Holder gives notice thereof to Hovnanian.

(b) The Board of Directors may, in its discretion, approve delivery of any shares of Class A Common Stock that would otherwise be restricted by the Section 382 Exchange Blocker.

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(c) If the Section 382 Exchange Blocker is applicable to any delivery of shares of Class A Common Stock upon exchange of any Exchangeable Notes, Hovnanian or the Issuer shall promptly deliver written notice thereof to the Trustee. The Trustee shall not be charged with knowledge that any such exchange of any Exchangeable Notes is subject to the Section 382 Exchange Blocker unless written notice thereof has been provided to a Responsible Officer of the Trustee by Hovnanian or the Issuer. The Trustee may, for purposes of this Indenture, conclusively rely on any such notice from Hovnanian or the Issuer.

(d) Each Holder, by its acceptance of its Exchangeable Notes, agrees to the Section 382 Exchange Blocker.

ARTICLE 9 REPURCHASE OF EXCHANGEABLE NOTES AT OPTION OF HOLDERS

Section 9.01. *Repurchase at Option of Holders of the Exchangeable Notes Upon a Fundamental Change.* (a) If a Fundamental Change occurs at any time, each Holder of the Exchangeable Notes shall have the right, at such Holder's option, to require the Issuer to repurchase for cash all of such Holder's Exchangeable Notes, or any portion of the Principal Amount at Maturity of such Holder's Exchangeable Notes that is equal to \$1,000 or an integral multiple thereof, on the date (the "**Fundamental Change Repurchase Date**") specified by the Issuer that is not less than 20 calendar days or more than 35 calendar days following the date of the Fundamental Change Company Notice at a repurchase price equal to the Accreted Principal Amount, as of the calendar day

immediately preceding the Fundamental Change Repurchase Date, of the Exchangeable Notes to be repurchased pursuant to this Article 9 (the “**Fundamental Change Repurchase Price**”).

(b) On or before the 20th calendar day after the occurrence of a Fundamental Change, the Issuer shall provide to all Holders of the Exchangeable Notes and the Trustee and the paying agent (in the case of a paying agent other than the Trustee) a notice (the “**Fundamental Change Company Notice**”) of the occurrence of the Fundamental Change and of the repurchase right at the option of the Holders of the Exchangeable Notes arising as a result thereof. Each Fundamental Change Company Notice shall specify:

- (i) the events causing the Fundamental Change;
- (ii) the date of the Fundamental Change;
- (iii) the last date on which a Holder of the Exchangeable Notes may exercise the repurchase right pursuant to this Article 9;
- (iv) the Fundamental Change Repurchase Price;
- (v) the Fundamental Change Repurchase Date;
- (vi) the name and address of the paying agent and the Exchange Agent, if applicable;

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(vii) the Exchange Rate and, if applicable, any adjustments to the Exchange Rate;

(viii) that the Exchangeable Notes with respect to which a Fundamental Change Repurchase Notice has been delivered by a Holder of the Exchangeable Notes may be exchanged only if such Holder withdraws the Fundamental Change Repurchase Notice in accordance with the terms of the Indenture; and

(ix) the procedures that Holders of the Exchangeable Notes must follow to require the Issuer to repurchase their Exchangeable Notes.

At the Issuer’s request, the Trustee shall give such notice in the Issuer’s name and at the Issuer’s expense; *provided, however*, that, in all cases, the text of such Fundamental Change Company Notice shall be prepared by the Issuer and the Issuer shall have provided such notice to the Trustee no later than the 15th calendar day after the occurrence of the Fundamental Change.

Such notice shall be by first class mail to the Trustee, to the paying agent and to each Holder of the Exchangeable Notes at its address shown in the Exchangeable Note register (and to beneficial owners as required by applicable law) or, in the case of Global Exchangeable Notes, in accordance with applicable procedures of the Depository. Simultaneously with providing such notice, the Issuer shall publish a notice containing the information set forth in the Fundamental Change Company Notice in a newspaper of general circulation in The City of New York or publish such information on Hovnanian’s website or through such other public medium as Hovnanian may use at that time.

No failure of the Issuer to give the foregoing notices and no defect therein shall limit the repurchase rights of the Holders of the Exchangeable Notes or affect the validity of the proceedings for the repurchase of the Exchangeable Notes pursuant to this Section 9.01.

(c) Repurchases of Exchangeable Notes under this Section 9.01 shall be made, at the option of the Holder of the Exchangeable Notes thereof, upon:

(i) delivery to the paying agent by a Holder of the Exchangeable Notes of a duly completed Fundamental Change Repurchase Notice in the form set forth in Attachment 2 to the Form of Exchangeable Note attached hereto as Exhibit A, if the Exchangeable Notes are Physical Exchangeable Notes, or delivery to the paying agent of a Fundamental Change Repurchase Notice in compliance with applicable procedures of the Depository, if the Exchangeable Notes are Global Exchangeable Notes, in each case on or before the close of business on the Business Day immediately preceding the Fundamental Change Repurchase Date; and

(ii) delivery of the Exchangeable Notes, if the Exchangeable Notes are Physical Exchangeable Notes, to the paying agent at any time after delivery of the Fundamental Change Repurchase Notice (together with all necessary endorsements for transfer) at the Corporate Trust Office, or book-entry transfer of beneficial interests in the Exchangeable Notes, if the Exchangeable Notes are Global Exchangeable Notes, in compliance with the procedures of the Depository, in each case such delivery being a

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condition to receipt by the Holder of the Exchangeable Notes of the Fundamental Change Repurchase Price therefor.

(d) The “**Fundamental Change Repurchase Notice**” in respect of any Exchangeable Notes to be repurchased shall state:

(i) in the case of Physical Exchangeable Notes, the certificate numbers of the Exchangeable Notes to be delivered for repurchase;

(ii) the portion of the Principal Amount at Maturity of the Exchangeable Notes to be repurchased, which must be \$1,000 or an integral multiple thereof; and

(iii) that the Exchangeable Notes are to be repurchased by the Issuer pursuant to the applicable provisions of the Exchangeable Notes and the Indenture;

provided, however, that if the Exchangeable Notes are Global Exchangeable Notes, the Fundamental Change Repurchase Notice must comply with applicable procedures of the Depository.

Notwithstanding anything herein to the contrary, any Holder of the Exchangeable Notes delivering to the paying agent the Fundamental Change Repurchase Notice contemplated by this Section 9.01 shall have the right to withdraw, in whole or in part, such Fundamental Change Repurchase Notice at any time prior to the close of business on the Business Day immediately preceding the Fundamental Change Repurchase Date by delivery of a written notice of withdrawal to the paying agent in accordance with Section 9.02.

The paying agent shall promptly notify the Issuer of the receipt by it of any Fundamental Change Repurchase Notice or written notice of withdrawal thereof.

(e) Notwithstanding anything to the contrary in this Article 9, no Exchangeable Notes may be repurchased by the Issuer on any date at the option of the Holders of the Exchangeable Notes upon a Fundamental Change if the Accreted Principal Amount of the Exchangeable Notes has been accelerated, and such acceleration has not been rescinded, on or prior to such date (except in the case of an acceleration resulting from a default by the Issuer in the payment of the Fundamental Change Repurchase Price with respect to such Exchangeable Notes). The paying agent will promptly return to the respective Holders of the Exchangeable Notes thereof any Physical Exchangeable Notes held by it during the acceleration of the Exchangeable Notes (except in the case of an acceleration resulting from a default by the Issuer in the payment of the Fundamental Change Repurchase Price with respect to such Exchangeable Notes), or any instructions for book-entry transfer of the Exchangeable Notes in compliance with the procedures of the Depository shall be deemed to have been canceled, and, upon such return or cancellation, as the case may be, the Fundamental Change Repurchase Notice with respect thereto shall be deemed to have been withdrawn.

Section 9.02. *Withdrawal of Fundamental Change Repurchase Notice.* A Fundamental Change Repurchase Notice may be withdrawn (in whole or in part) by means of a written notice of withdrawal delivered to the paying agent in accordance with this Section 9.02 at any time

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prior to the close of business on the Business Day immediately preceding the Fundamental Change Repurchase Date, specifying:

- (i) the Principal Amount at Maturity of the Exchangeable Notes with respect to which such notice of withdrawal is being submitted;
- (ii) in the case of a Physical Exchangeable Note, the certificate number of the Exchangeable Note in respect of which such notice of withdrawal is being submitted; and
- (iii) the Principal Amount at Maturity, if any, of such Exchangeable Note that remains subject to the original Fundamental Change Repurchase Notice, which must be equal to \$1,000 or an integral multiple of \$1,000;

provided, however, that, in the case of a Global Exchangeable Note, the notice must comply with applicable procedures of the Depository.

Section 9.03. *Deposit of Fundamental Change Repurchase Price.* (a) The Issuer shall deposit with the Trustee (or other paying agent appointed by the Issuer, or if the Issuer is acting as its own paying agent, set aside, segregate and hold in trust as provided in Section 3.5(b) of the Base Indenture) on or prior to noon, New York City time, on the Fundamental Change Repurchase Date an amount of money sufficient to repurchase all of the Exchangeable Notes to be repurchased at the appropriate Fundamental Change Repurchase Price. Subject to receipt of funds and/or Exchangeable Notes by the Trustee (or other paying agent appointed by the Issuer), payment for Exchangeable Notes surrendered for repurchase (and not withdrawn prior to the close of business on the Business Day immediately preceding the Fundamental Change Repurchase Date) will be made on the later of (i) the Fundamental Change Repurchase Date with respect to such Exchangeable Note (*provided* the Holder of the Exchangeable Notes has satisfied the conditions in Section 9.01) and (ii) the time of book-entry transfer or the delivery of such Exchangeable Note (or beneficial interest therein, if applicable) to the Trustee (or other paying agent appointed by the Issuer) by the Holder thereof in the manner required by Section 9.01 by mailing checks for the amount payable to the Holders of such Exchangeable Notes entitled thereto as they shall appear in the Exchangeable Notes register; *provided, however*, that payments to the Depository shall be made by wire transfer of immediately available funds to the account of the Depository or its nominee. The Trustee shall, promptly after such payment and upon written demand by the Issuer, return to the Issuer any funds in excess of the Fundamental Change Repurchase Price.

(c) If by noon, New York City time, on the Fundamental Change Repurchase Date the Trustee (or other paying agent appointed by the Issuer) holds money sufficient to make payment on all the Exchangeable Notes or portions thereof that have been properly surrendered for repurchase and not withdrawn, then:

- (i) such Exchangeable Notes shall cease to be Outstanding (whether or not book-entry transfer of the beneficial interests has been made or whether or not the Exchangeable Notes have been delivered to the paying agent, as the case may be), and
- (ii) all other rights of the Holders of such Exchangeable Notes will terminate (other than the right to receive the Fundamental Change Repurchase Price).

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(d) Upon surrender of an Exchangeable Note that is to be repurchased in part pursuant to Section 9.01, the Issuer shall execute and the Trustee shall authenticate and deliver to the Holder a new Exchangeable Note in an authorized denomination equal in Principal Amount at Maturity to the unreurchased portion of the Exchangeable Note surrendered, without payment of any service charge.

Section 9.04. *Covenant to Comply with Applicable Laws Upon Repurchase of Exchangeable Notes.* In connection with any repurchase offer pursuant to a Fundamental Change Company Notice, the Issuer shall, if required:

- (a) comply with the provisions of the tender offer rules under the Exchange Act that may then be applicable;

- (b) file a Schedule TO or any other required schedule under the Exchange Act; and
- (c) otherwise comply with all federal and state securities laws in connection with any offer by the Issuer to repurchase the Exchangeable Notes;

in each case, so as to permit the rights and obligations under this Article 9 to be exercised in the time and in the manner specified in this Article 9.

ARTICLE 10 GUARANTEES; RELEASE OF GUARANTOR

Section 10.01. *Base Indenture Guarantee.* Article Thirteen of the Base Indenture is hereby replaced in its entirety by this Article 10. All references in the Base Indenture to Article Thirteen or any provision thereof shall be deemed, for the purposes of the Exchangeable Notes, to be references to this Article 10, and all references in the Base Indenture to “Guarantees” shall be deemed, for the purposes of the Exchangeable Notes, to be references to the Guarantees as defined herein.

Section 10.02. *Unconditional 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 the Indenture, the Exchangeable Notes or the obligations of the Issuer or Hovnanian hereunder or thereunder, that (i) the due and punctual payment of the principal of the Exchangeable Notes (including, without limitation, payment of the Fundamental Change Repurchase Price pursuant to Article 9, if applicable), and all other amounts owing with respect to the Exchangeable Notes, whether on the Maturity Date, by acceleration or otherwise, and all other obligations of the Issuer or Hovnanian to the Holders or the Trustee hereunder or thereunder, including, without limitation, the Exchange Obligation, shall be promptly paid in full when due or performed when required, as the case may be, in accordance with the terms of the Indenture and the Exchangeable Notes, and (ii) in case of any extension of time of payment or delivery or renewal of any Exchangeable Notes or any of such other obligations, the same shall be promptly paid in full when due or be performed when required, as the case may be, in accordance with the terms of the extension or

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renewal, whether at stated maturity, by acceleration, upon exchange pursuant to Article 8 or otherwise (each such guarantee, a “**Guarantee**”).

If the Issuer fails to make any payment when due of any amount so guaranteed or the Exchange Obligation or any other obligation hereunder is not satisfied in full when required for whatever reason, each Guarantor shall be obligated to immediately pay the same or satisfy such obligation, as the case may be. Each Guarantor hereby agrees that its obligations hereunder shall be continuing, absolute and unconditional, irrespective of, and shall be unaffected by, the validity or enforceability of the Exchangeable Notes, the 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 or Hovnanian, 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 10, 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 and satisfaction in full of all obligations guaranteed hereby.

The Guarantee set forth in this Section 10.02 shall not be valid or become obligatory for any purpose with respect to an Exchangeable Note until the certificate of authentication on such Exchangeable Note shall have been signed by the Trustee or any duly appointed agent.

Section 10.03. *Obligations of Each Guarantor Unconditional.* Nothing contained in this Article 10 or elsewhere in the Indenture or in any Exchangeable Note is intended to or shall impair, as between any Guarantor and the Holders, the obligations of such Guarantor, which are absolute and unconditional, to pay to the Holders the principal of the Notes (including, without limitation, the Fundamental Change Repurchase Price of any Exchangeable Notes payable pursuant to Article 9, if applicable), as and when the same shall become due and payable and to satisfy the Exchange Obligation and other obligations hereunder when the same shall be required to be satisfied, in each case, in accordance with the provisions of the Guarantee or is intended to or shall affect the relative rights of the Holders and creditors of such Guarantor, nor shall anything herein or therein prevent the Trustee or any Holder from exercising all remedies otherwise permitted by applicable law upon any Event of Default under the 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 10, the Trustee 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 10.

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Section 10.04. *Release of a Guarantor.* Upon the release of the guarantee by a Guarantor under all then outstanding Applicable Debt, the Guarantee of such Guarantor under the Indenture shall be automatically and unconditionally released and discharged from all obligations in respect of the Exchangeable Notes upon notice from Hovnanian or the Issuer to the Trustee to such effect, without any further action required on the part of the Trustee or any Holder of the Exchangeable Notes. If any such released Guarantor thereafter guarantees any Applicable Debt (or if any released guarantee under any Applicable Debt is reinstated or renewed), then such released Guarantor shall guarantee the Exchangeable Notes on the terms and conditions set forth in the Indenture. Notwithstanding the foregoing, if all Applicable Debt ceases to be outstanding (a “**Repayment Event**”), no Guarantee shall be released or provided on account of such Repayment Event; *provided* that if any event occurs thereafter that would have caused any Subsidiary of Hovnanian to be released from its Guarantee, or to provide a Guarantee, if the Applicable Debt were still outstanding (pursuant to the terms of the Applicable Debt on the Issue Date), such Subsidiary shall be released from, or shall provide, as the case may be, such Guarantee.

Section 10.05. *Execution and Delivery of Guarantee.* The execution by each Guarantor of the Indenture (or a supplemental indenture in the form of Exhibit B) together with an executed Guarantee Notation substantially in the form included in the form of Exchangeable Note attached as Exhibit A hereto evidences the Guarantee of such Guarantor, whether or not the person signing as an officer of the Guarantor still holds that office at the time of authentication

of any Exchangeable Note. The delivery of any Exchangeable Note by the Trustee after authentication constitutes due delivery of the Guarantee set forth in the Indenture on behalf of each Guarantor.

Section 10.06. *Limitation on Guarantor Liability.* Notwithstanding anything to the contrary in this Article, each Guarantor, and by its acceptance of Exchangeable Notes, each Holder, hereby confirms that it is the intention of all such parties that the Guarantee of such Guarantor not constitute a fraudulent conveyance under applicable fraudulent conveyance provisions (or, in the case of state or foreign law, provisions comparable thereto) of the Bankruptcy Law. To effectuate that intention, the Trustee, the Holders and the Guarantors hereby irrevocably agree that the obligations of each Guarantor under its Guarantee are limited to the maximum amount that, 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 Guarantee or pursuant to its contribution obligations under the Indenture, will result in the obligations of such Guarantor under its Guarantee not constituting a fraudulent conveyance or fraudulent transfer under federal or state law. Each Guarantor other than Hovnanian that makes a payment or distribution under a 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.

Section 10.07. *Article 10 Not to Prevent Events of Default.* The failure by the Guarantors to make a payment on account of principal (including, without limitation, the Fundamental Change Repurchase Price of any Exchangeable Notes payable pursuant to Article 9, if applicable) on the Exchangeable Notes, or to satisfy the Exchange Obligation or any other obligation hereunder, by reason of any provision in this Article 10 shall not be construed as preventing the occurrence of any Event of Default.

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Section 10.08. *Waiver by the Guarantors.* Each Guarantor hereby irrevocably waives, to the extent permitted by applicable law, diligence, presentment, demand of payment, demand of performance, filing of claims with a court in the event of insolvency of bankruptcy of the Issuer or Hovnanian, any right to require a proceeding first against the Issuer or Hovnanian, 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 Exchangeable Notes, in the Indenture and in this Article 10.

Section 10.09. *Subrogation and Contribution.* Upon making any payment with respect to, or otherwise satisfying, any obligation of the Issuer or Hovnanian under this Article 10, the Guarantor making such payment or otherwise satisfying such obligation shall be subrogated to the rights of the payee against the Issuer or Hovnanian, as the case may be, 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 Exchangeable Notes remains unpaid, or any other obligation of the Issuer or Hovnanian hereunder has not been satisfied.

Section 10.10. *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.

Section 10.11. *Guarantors as "obligors" for Provisions Included in the Indenture Pursuant to the Trust Indenture Act of 1939.* Each provision included in the Indenture which is required to be included by any of Sections 310 to 317 of the Trust Indenture Act of 1939, inclusive, or is deemed applicable to the Indenture by virtue of the provisions of the Trust Indenture Act of 1939, and which applies to an "obligor," as that term is defined under the Trust Indenture Act of 1939, shall apply to each of the Guarantors.

ARTICLE 11 MISCELLANEOUS PROVISIONS

Section 11.01. *Governing Law.* THE INDENTURE, EACH EXCHANGEABLE NOTE AND EACH GUARANTEE, AND ANY CLAIM CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THE INDENTURE, THE EXCHANGEABLE NOTES OR THE GUARANTEES, SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

Section 11.02. *No Security Interest Created.* Nothing in the Indenture, any Guarantee or the Exchangeable Notes, expressed or implied, shall be construed to constitute a security interest under the Uniform Commercial Code or similar legislation, as now or hereafter enacted and in effect, in any jurisdiction.

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Section 11.03. *Benefits of Indenture.* Nothing in the Indenture, any Guarantee or the Exchangeable Notes, expressed or implied, shall give to any Person, other than the parties hereto or thereto, any paying agent, any Exchange Agent, any authenticating agent, any registrar and their successors hereunder or thereunder or the Holders of the Exchangeable Notes, any benefit or any legal or equitable right, remedy or claim hereunder or thereunder.

Section 11.04. *Effect of Headings.* The article and section headings herein and in the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 11.05. *Supplemental Indenture May be Executed in Counterparts.* This Supplemental Indenture may be executed in any number of counterparts, each of which shall be an original; but such counterparts shall together constitute but one and the same instrument. The exchange of copies of this Supplemental Indenture and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of this Supplemental Indenture as to the parties hereto and may be used in lieu of the original Supplemental Indenture for all purposes. Signatures of the parties hereto transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes.

Section 11.06. *Severability.* In case any provision in the Indenture, any Guarantee or the Exchangeable Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 11.07. *No Redemption or Sinking Fund.* The Exchangeable Notes shall not be redeemable by the Issuer, and no sinking fund is provided for the Exchangeable Notes. Article Twelve of the Base Indenture shall not apply to the Exchangeable Notes.

Section 11.08. *Ratification of Base Indenture.* Except as amended hereby with respect to the Exchangeable Notes, the Base Indenture, as amended and supplemented by this Supplemental Indenture, is in all respects ratified and confirmed, and this Supplemental Indenture shall be deemed part of the Base Indenture in the manner and to the extent herein and therein provided. For the avoidance of doubt, each of the Issuer and each Holder of the Exchangeable Notes, by its acceptance of such Exchangeable Notes, acknowledges and agrees that all of the rights, privileges, protections, immunities and benefits afforded to the Trustee under the Base Indenture are deemed to be incorporated herein, and shall be enforceable by the Trustee, whether acting as Trustee, paying agent, registrar or Exchange Agent hereunder, as if set forth herein in full.

Section 11.09. *Calculations.* The Issuer shall be responsible for making all calculations called for under the Exchangeable Notes. These calculations include, but are not limited to, determinations of the Last Reported Sale Prices of the Class A Common Stock, the accretion of principal of the Exchangeable Notes and the Exchange Rate of the Exchangeable Notes. The Issuer shall make all these calculations in good faith and, absent manifest error, the Issuer's calculations shall be final and binding on Holders of the Exchangeable Notes. The Issuer shall provide a schedule of its calculations to each of the Trustee and the Exchange Agent, and each of the Trustee and Exchange Agent is entitled to rely conclusively upon the accuracy of the Issuer's calculations without independent verification. The Trustee shall forward the Issuer's calculations to any Holder of Exchangeable Notes upon the request of such Holder at the sole

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cost and expense of the Issuer. None of the Trustee, Exchange Agent or paying agent shall be responsible or liable for the calculations of the Issuer.

Section 11.10. *Notices to Hovnanian.* Any notice which by any provision of this Indenture is required or permitted to be given or served to or on Hovnanian may be given or served by being deposited postage prepaid, first-class mail (except as otherwise specifically provided herein) addressed (until another address of Hovnanian is filed by Hovnanian with the Trustee) to Hovnanian Enterprises, Inc., c/o K. Hovnanian Enterprises, Inc., 110 West Front Street, P.O. Box 500, Red Bank, New Jersey 07701. In case, by reason of the suspension of or irregularities in regular mail service, it shall be impracticable to mail notice to Hovnanian when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be reasonably satisfactory to the Trustee shall be deemed to be sufficient notice.

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IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed as of the date first written above.

K. HOVNIANIAN ENTERPRISES, INC., as
the Issuer

By: /s/ J. Larry Sorsby
Name: J. Larry Sorsby
Title: Executive Vice President and
Chief Financial Officer

HOVNIANIAN ENTERPRISES, INC., as
Guarantor

By: /s/ J. Larry Sorsby
Name: J. Larry Sorsby
Title: Executive Vice President and
Chief Financial Officer

On behalf of each entity named in Schedule 1
hereto, as Guarantors

By: /s/ J. Larry Sorsby
Name: J. Larry Sorsby
Title: Executive Vice President and
Chief Financial Officer

WILMINGTON TRUST COMPANY, as Trustee

By: /s/ Joshua C. Jones
Name: Joshua C. Jones
Title: Assistant Secretary and Financial Services Officer

Guarantors

ARBOR TRAILS, LLC
 AUDDIE ENTERPRISES, L.L.C.
 BUILDER SERVICES NJ, L.L.C.
 BUILDER SERVICES PA, L.L.C.
 DULLES COPPERMINE, L.L.C.
 EASTERN NATIONAL TITLE AGENCY, LLC
 EASTERN TITLE AGENCY, INC.
 F&W MECHANICAL SERVICES, L.L.C.
 FOUNDERS TITLE AGENCY OF MARYLAND, L.L.C.
 FOUNDERS TITLE AGENCY, INC.
 GOVERNOR'S ABSTRACT CO., INC.
 HOMEBUYERS FINANCIAL SERVICES, L.L.C.
 HOVNANIAN DEVELOPMENTS OF FLORIDA, INC.
 HOVNANIAN ENTERPRISES, INC. (PARENT COMPANY)
 HOVNANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.
 HOVNANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.
 HOVNANIAN LAND INVESTMENT GROUP, L.L.C.
 K. HOV IP, II, INC.
 K. HOV IP, INC.
 K. HOVNANIAN ACQUISITIONS, INC.
 K. HOVNANIAN AT 4S, LLC
 K. HOVNANIAN AT ACQUA VISTA, LLC
 K. HOVNANIAN AT ALISO, LLC
 K. HOVNANIAN AT ALLENTOWN, L.L.C.
 K. HOVNANIAN AT ANDALUSIA, LLC
 K. HOVNANIAN AT ARBOR HEIGHTS, LLC
 K. HOVNANIAN AT AVENUE ONE, L.L.C.
 K. HOVNANIAN AT BAKERSFIELD 463, L.L.C.
 K. HOVNANIAN AT BARNEGAT I, L.L.C.
 K. HOVNANIAN AT BARNEGAT II, L.L.C.
 K. HOVNANIAN AT BELLA LAGO, LLC
 K. HOVNANIAN AT BENSLEM, LLC
 K. HOVNANIAN AT BERKELEY, L.L.C.
 K. HOVNANIAN AT BLUE HERON PINES, L.L.C.
 K. HOVNANIAN AT BRANCHBURG, L.L.C.
 K. HOVNANIAN AT BRIDGEPORT, INC.
 K. HOVNANIAN AT BRIDGEWATER I, L.L.C.
 K. HOVNANIAN AT BROAD AND WALNUT, L.L.C.
 K. HOVNANIAN AT CAMERON CHASE, INC.
 K. HOVNANIAN AT CAMP HILL, L.L.C.
 K. HOVNANIAN AT CAPISTRANO, L.L.C.
 K. HOVNANIAN AT CARLSBAD, LLC
 K. HOVNANIAN AT CEDAR GROVE III, L.L.C.
 K. HOVNANIAN AT CEDAR GROVE V, L.L.C.
 K. HOVNANIAN AT CHARTER WAY, LLC
 K. HOVNANIAN AT CHESTER I, L.L.C.
 K. HOVNANIAN AT CHESTERFIELD, L.L.C.
 K. HOVNANIAN AT CIELO, L.L.C.
 K. HOVNANIAN AT CLIFTON, L.L.C.
 K. HOVNANIAN AT COASTLINE, L.L.C.

K. HOVNANIAN AT CORTEZ HILL, LLC
 K. HOVNANIAN AT CRANBURY, L.L.C.
 K. HOVNANIAN AT DENVILLE, L.L.C.
 K. HOVNANIAN AT DEPTFORD TOWNSHIP, L.L.C.
 K. HOVNANIAN AT DOMINGUEZ HILLS, INC.
 K. HOVNANIAN AT EAST BRANDYWINE, L.L.C.
 K. HOVNANIAN AT EASTLAKE, LLC
 K. HOVNANIAN AT EDGEWATER II, L.L.C.
 K. HOVNANIAN AT EDGEWATER, L.L.C.
 K. HOVNANIAN AT EGG HARBOR TOWNSHIP II, L.L.C.
 K. HOVNANIAN AT EGG HARBOR TOWNSHIP, L.L.C.
 K. HOVNANIAN AT EL DORADO RANCH II, L.L.C.
 K. HOVNANIAN AT EL DORADO RANCH, L.L.C.
 K. HOVNANIAN AT ENCINITAS RANCH, LLC
 K. HOVNANIAN AT EVERGREEN, L.L.C.

K. HOVNANIAN AT FIDDYMENT RANCH, LLC
K. HOVNANIAN AT FIFTH AVENUE, L.L.C.
K. HOVNANIAN AT FLORENCE I, L.L.C.
K. HOVNANIAN AT FLORENCE II, L.L.C.
K. HOVNANIAN AT FOREST MEADOWS, L.L.C.
K. HOVNANIAN AT FRANKLIN II, L.L.C.
K. HOVNANIAN AT FRANKLIN, L.L.C.
K. HOVNANIAN AT FREEHOLD TOWNSHIP, L.L.C.
K. HOVNANIAN AT FRESNO, LLC
K. HOVNANIAN AT GASLAMP SQUARE, L.L.C.
K. HOVNANIAN AT GILROY, LLC
K. HOVNANIAN AT GREAT NOTCH, L.L.C.
K. HOVNANIAN AT GUTTENBERG, L.L.C.
K. HOVNANIAN AT HACKETTSTOWN II, L.L.C.
K. HOVNANIAN AT HAMBURG, L.L.C.
K. HOVNANIAN AT HAWTHORNE, L.L.C.
K. HOVNANIAN AT HERSHEY'S MILL, INC.
K. HOVNANIAN AT HIGHLAND SHORES, L.L.C.
K. HOVNANIAN AT HOWELL, LLC
K. HOVNANIAN AT HUDSON POINTE, L.L.C.
K. HOVNANIAN AT JACKSON I, L.L.C.
K. HOVNANIAN AT JACKSON, L.L.C.
K. HOVNANIAN AT JAEGER RANCH, LLC
K. HOVNANIAN AT JERSEY CITY IV, L.L.C.
K. HOVNANIAN AT JERSEY CITY V URBAN RENEWAL COMPANY, L.L.C.
K. HOVNANIAN AT KEYPORT, L.L.C.
K. HOVNANIAN AT LA COSTA GREENS, L.L.C.
K. HOVNANIAN AT LA COSTA, LLC
K. HOVNANIAN AT LA HABRA KNOLLS, LLC
K. HOVNANIAN AT LA LAGUNA, L.L.C.
K. HOVNANIAN AT LAKE RANCHO VIEJO, LLC
K. HOVNANIAN AT LAKE TERRAPIN, L.L.C.
K. HOVNANIAN AT LAWRENCE V, L.L.C.
K. HOVNANIAN AT LEE SQUARE, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR, L.L.C
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LOWER MAKEFIELD TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MORELAND I, L.L.C.
K. HOVNANIAN AT LOWER MORELAND II, L.L.C.

K. HOVNANIAN AT MAHWAH VI, INC.
K. HOVNANIAN AT MALAN PARK, L.L.C.
K. HOVNANIAN AT MANALAPAN III, L.L.C.
K. HOVNANIAN AT MANSFIELD I, L.L.C.
K. HOVNANIAN AT MANSFIELD II, L.L.C.
K. HOVNANIAN AT MANSFIELD III, L.L.C.
K. HOVNANIAN AT MANTECA, LLC
K. HOVNANIAN AT MAPLE AVENUE, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP IX, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP V, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP VIII, L.L.C.
K. HOVNANIAN AT MARLBORO VI, L.L.C.
K. HOVNANIAN AT MARLBORO VII, L.L.C.
K. HOVNANIAN AT MELANIE MEADOWS, LLC
K. HOVNANIAN AT MENDHAM TOWNSHIP, L.L.C.
K. HOVNANIAN AT MENIFEE, LLC
K. HOVNANIAN AT MIDDLE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT MIDDLE TOWNSHIP, L.L.C.
K. HOVNANIAN AT MIDDLETOWN II, L.L.C.
K. HOVNANIAN AT MILLVILLE I, L.L.C.
K. HOVNANIAN AT MILLVILLE II, L.L.C.
K. HOVNANIAN AT MONROE II, INC.
K. HOVNANIAN AT MONROE IV, L.L.C.
K. HOVNANIAN AT MONROE NJ, L.L.C.
K. HOVNANIAN AT MONTVALE II, LLC
K. HOVNANIAN AT MONTVALE, L.L.C.
K. HOVNANIAN AT MOSAIC, LLC
K. HOVNANIAN AT MUIRFIELD, LLC
K. HOVNANIAN AT NEW WINDSOR, L.L.C.
K. HOVNANIAN AT NORTH BERGEN, L.L.C.
K. HOVNANIAN AT NORTH BRUNSWICK VI, L.L.C.

K. HOVNANIAN AT NORTH CALDWELL II, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL III, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL IV, L.L.C.
K. HOVNANIAN AT NORTH HALEDON, L.L.C.
K. HOVNANIAN AT NORTH WILDWOOD, L.L.C.
K. HOVNANIAN AT NORTHAMPTON, L.L.C.
K. HOVNANIAN AT NORTHERN WESTCHESTER, INC.
K. HOVNANIAN AT NORTHFIELD, L.L.C.
K. HOVNANIAN AT OCEAN TOWNSHIP, INC
K. HOVNANIAN AT OCEAN WALK, INC.
K. HOVNANIAN AT OCEANPORT, L.L.C.
K. HOVNANIAN AT OLD BRIDGE, L.L.C.
K. HOVNANIAN AT OLDE ORCHARD, LLC
K. HOVNANIAN AT PARAMUS, L.L.C.
K. HOVNANIAN AT PARK LANE, LLC
K. HOVNANIAN AT PARKSIDE, LLC
K. HOVNANIAN AT PARSIPPANY, L.L.C.
K. HOVNANIAN AT PARSIPPANY-TROY HILLS, L.L.C.
K. HOVNANIAN AT PIAZZA D'ORO, L.L.C.
K. HOVNANIAN AT PIAZZA SERENA, L.L.C.
K. HOVNANIAN AT PITTSBORO, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL IV, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL V, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VI, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VII, L.L.C.

K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VIII, L.L.C.
K. HOVNANIAN AT POSITANO, LLC
K. HOVNANIAN AT PRADO, L.L.C.
K. HOVNANIAN AT RANCHO SANTA MARGARITA, LLC
K. HOVNANIAN AT RANDOLPH I, L.L.C.
K. HOVNANIAN AT RAPHO, L.L.C
K. HOVNANIAN AT RIDGEMONT, L.L.C.
K. HOVNANIAN AT RIVERBEND, LLC
K. HOVNANIAN AT RODERUCK, L.L.C.
K. HOVNANIAN AT ROSEMARY LANTANA, L.L.C.
K. HOVNANIAN AT SAGE, L.L.C.
K. HOVNANIAN AT SANTA NELLA, LLC
K. HOVNANIAN AT SAWMILL, INC.
K. HOVNANIAN AT SAYREVILLE, L.L.C.
K. HOVNANIAN AT SCOTCH PLAINS, L.L.C.
K. HOVNANIAN AT SEASONS LANDING, LLC
K. HOVNANIAN AT SHELDON GROVE, LLC
K. HOVNANIAN AT SHREWSBURY, LLC
K. HOVNANIAN AT SILVER SPRING, L.L.C.
K. HOVNANIAN AT SKYE ISLE, LLC
K. HOVNANIAN AT SMITHVILLE, INC.
K. HOVNANIAN AT SOMERS POINT, L.L.C.
K. HOVNANIAN AT SOUTH BRUNSWICK II, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK, L.L.C.
K. HOVNANIAN AT STANTON, LLC
K. HOVNANIAN AT STATION SQUARE, L.L.C.
K. HOVNANIAN AT SUNRIDGE PARK, LLC
K. HOVNANIAN AT SYCAMORE, INC.
K. HOVNANIAN AT THE CROSBY, LLC
K. HOVNANIAN AT THE GABLES, LLC
K. HOVNANIAN AT THE MONARCH, L.L.C.
K. HOVNANIAN AT THE PRESERVE, LLC
K. HOVNANIAN AT THOMPSON RANCH, LLC
K. HOVNANIAN AT THORNBURY, INC.
K. HOVNANIAN AT TRAIL RIDGE, LLC
K. HOVNANIAN AT UPPER FREEHOLD TOWNSHIP II, L.L.C.
K. HOVNANIAN AT UPPER FREEHOLD TOWNSHIP III, L.L.C.
K. HOVNANIAN AT UPPER MAKEFIELD I, INC.
K. HOVNANIAN AT UPPER PROVIDENCE, LLC
K. HOVNANIAN AT UPPER UWCHLAN II, L.L.C.
K. HOVNANIAN AT UPPER UWCHLAN, L.L.C.
K. HOVNANIAN AT VALLE DEL SOL, LLC
K. HOVNANIAN AT VERONA URBAN RENEWAL, L.L.C.
K. HOVNANIAN AT VICTORVILLE, L.L.C.
K. HOVNANIAN AT VINELAND, L.L.C.
K. HOVNANIAN AT VISTA DEL SOL, L.L.C.
K. HOVNANIAN AT WARREN TOWNSHIP, L.L.C.

K. HOVNANIAN AT WASHINGTON, L.L.C.
K. HOVNANIAN AT WATERSTONE, LLC
K. HOVNANIAN AT WAYNE IX, L.L.C.
K. HOVNANIAN AT WAYNE, VIII, L.L.C.
K. HOVNANIAN AT WEST VIEW ESTATES, L.L.C.
K. HOVNANIAN AT WEST WINDSOR, L.L.C.
K. HOVNANIAN AT WESTSHORE, LLC
K. HOVNANIAN AT WHEELER RANCH, LLC
K. HOVNANIAN AT WILDWOOD BAYSIDE, L.L.C.

K. HOVNANIAN AT WILLOW BROOK, L.L.C.
K. HOVNANIAN AT WINCHESTER, LLC
K. HOVNANIAN AT WOODCREEK WEST, LLC
K. HOVNANIAN AT WOOLWICH I, L.L.C.
K. HOVNANIAN CAMBRIDGE HOMES, L.L.C.
K. HOVNANIAN CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN CLASSICS, L.L.C.
K. HOVNANIAN COMMUNITIES, INC.
K. HOVNANIAN COMPANIES OF CALIFORNIA, INC.
K. HOVNANIAN COMPANIES OF MARYLAND, INC.
K. HOVNANIAN COMPANIES OF NEW YORK, INC.
K. HOVNANIAN COMPANIES OF PENNSYLVANIA, INC.
K. HOVNANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.
K. HOVNANIAN COMPANIES, LLC
K. HOVNANIAN CONSTRUCTION II, INC
K. HOVNANIAN CONSTRUCTION III, INC
K. HOVNANIAN CONSTRUCTION MANAGEMENT, INC.
K. HOVNANIAN CRAFTBUILT HOMES OF SOUTH CAROLINA, L.L.C.
K. HOVNANIAN DEVELOPMENTS OF ARIZONA, INC.
K. HOVNANIAN DEVELOPMENTS OF CALIFORNIA, INC.
K. HOVNANIAN DEVELOPMENTS OF D.C., INC.
K. HOVNANIAN DEVELOPMENTS OF DELAWARE, INC.
K. HOVNANIAN DEVELOPMENTS OF GEORGIA, INC.
K. HOVNANIAN DEVELOPMENTS OF ILLINOIS, INC.
K. HOVNANIAN DEVELOPMENTS OF KENTUCKY, INC.
K. HOVNANIAN DEVELOPMENTS OF MARYLAND, INC.
K. HOVNANIAN DEVELOPMENTS OF MINNESOTA, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY II, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW YORK, INC.
K. HOVNANIAN DEVELOPMENTS OF NORTH CAROLINA, INC.
K. HOVNANIAN DEVELOPMENTS OF OHIO, INC.
K. HOVNANIAN DEVELOPMENTS OF PENNSYLVANIA, INC.
K. HOVNANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.
K. HOVNANIAN DEVELOPMENTS OF TEXAS, INC.
K. HOVNANIAN DEVELOPMENTS OF VIRGINIA, INC.
K. HOVNANIAN DEVELOPMENTS OF WEST VIRGINIA, INC.
K. HOVNANIAN EASTERN PENNSYLVANIA, L.L.C.
K. HOVNANIAN ENTERPRISES, INC.
K. HOVNANIAN FIRST HOMES, L.L.C.
K. HOVNANIAN FLORIDA REALTY, L.L.C.
K. HOVNANIAN FOUR SEASONS @ HISTORIC VIRGINIA, LLC
K. HOVNANIAN FOUR SEASONS AT GOLD HILL, LLC
K. HOVNANIAN GREAT WESTERN BUILDING COMPANY, LLC
K. HOVNANIAN GREAT WESTERN HOMES, LLC
K. HOVNANIAN HAMPTONS AT OAK CREEK II, L.L.C.
K. HOVNANIAN HOLDINGS NJ, L.L.C.
K. HOVNANIAN HOMES - DFW, L.L.C.
K. HOVNANIAN HOMES AT CAMERON STATION, LLC
K. HOVNANIAN HOMES AT CAMP SPRINGS, L.L.C.
K. HOVNANIAN HOMES AT FAIRWOOD, L.L.C.
K. HOVNANIAN HOMES AT FOREST RUN, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM PARK TOWNS, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM, L.L.C.
K. HOVNANIAN HOMES AT JONES STATION 1, L.L.C.
K. HOVNANIAN HOMES AT MAXWELL PLACE, L.L.C.

K. HOVNANIAN HOMES AT RENAISSANCE PLAZA, L.L.C.
K. HOVNANIAN HOMES AT RUSSETT, L.L.C.
K. HOVNANIAN HOMES AT THE HIGHLANDS, LLC

K. HOVNANIAN HOMES NORTHERN CALIFORNIA, INC.
K. HOVNANIAN HOMES OF D.C., L.L.C.
K. HOVNANIAN HOMES OF DELAWARE, L.L.C.
K. HOVNANIAN HOMES OF GEORGIA, L.L.C.
K. HOVNANIAN HOMES OF HOUSTON, L.L.C.
K. HOVNANIAN HOMES OF MARYLAND, L.L.C.
K. HOVNANIAN HOMES OF MINNESOTA, L.L.C.
K. HOVNANIAN HOMES OF NORTH CAROLINA, INC.
K. HOVNANIAN HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN HOMES OF SOUTH CAROLINA, LLC
K. HOVNANIAN HOMES OF VIRGINIA, INC.
K. HOVNANIAN HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN LIBERTY ON BLUFF CREEK, LLC
K. HOVNANIAN NORTH CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTHEAST SERVICES, L.L.C.
K. HOVNANIAN OF HOUSTON II, L.L.C.
K. HOVNANIAN OHIO REALTY, L.L.C.
K. HOVNANIAN OSTER HOMES, L.L.C.
K. HOVNANIAN PA REAL ESTATE, INC.
K. HOVNANIAN PENNSYLVANIA ACQUISITIONS, L.L.C.
K. HOVNANIAN PORT IMPERIAL URBAN RENEWAL, INC.
K. HOVNANIAN PROPERTIES OF RED BANK, INC.
K. HOVNANIAN SHORE ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTHERN NEW JERSEY, L.L.C.
K. HOVNANIAN STANDING ENTITY, L.L.C.
K. HOVNANIAN SUMMIT HOLDINGS, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF KENTUCKY, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES, L.L.C.
K. HOVNANIAN T&C HOMES AT FLORIDA, L.L.C.
K. HOVNANIAN T&C HOMES AT ILLINOIS, L.L.C.
K. HOVNANIAN TIMBRES AT ELM CREEK, LLC
K. HOVNANIAN VENTURE I, L.L.C.
K. HOVNANIAN WINDWARD HOMES, LLC
K. HOVNANIAN'S FOUR SEASONS AT ASHBURN VILLAGE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT BAKERSFIELD, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT BEAUMONT, LLC
K. HOVNANIAN'S FOUR SEASONS AT CHARLOTTESVILLE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT HEMET, LLC
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND CONDOMINIUMS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT LOS BANOS, LLC
K. HOVNANIAN'S FOUR SEASONS AT MORENO VALLEY, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT NEW KENT VINEYARDS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT PALM SPRINGS, LLC
K. HOVNANIAN'S FOUR SEASONS AT RENAISSANCE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK II, LLC
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT ST. MARGARETS LANDING, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT VINT HILL, L.L.C.

K. HOVNANIAN'S FOUR SEASONS, LLC
K. HOVNANIAN'S PARKSIDE AT TOWNGATE, L.L.C.
KHIP, L.L.C.
LANDARAMA, INC.
M&M AT CHESTERFIELD, LLC
M&M AT CRESCENT COURT, L.L.C.
M&M AT WEST ORANGE, L.L.C.
M&M AT WHEATENA URBAN RENEWAL, L.L.C.
MATZEL & MUMFORD AT EGG HARBOR, L.L.C.
MATZEL & MUMFORD AT SOUTH BOUND BROOK URBAN RENEWAL, L.L.C.
MCNJ, INC.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF PENNSYLVANIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF WEST VIRGINIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES, L.L.C.
MMIP, L.L.C.
NEW LAND TITLE AGENCY, LLC
PADDOCKS, L.L.C.
PARK TITLE COMPANY, LLC
PINE AYR, LLC

RIDGEMORE UTILITY, L.L.C.
SEABROOK ACCUMULATION CORPORATION
STONEBROOK HOMES, INC.
TERRAPIN REALTY, L.L.C.
THE MATZEL & MUMFORD ORGANIZATION, INC
WASHINGTON HOMES AT COLUMBIA TOWN CENTER, L.L.C.
WASHINGTON HOMES, INC.
WESTMINSTER HOMES, INC.
WH PROPERTIES, INC.
WOODLAND LAKE CONDOMINIUMS AT BOWIE NEW TOWN, L.L.C.

EXHIBIT A

[FORM OF FACE OF NOTE]

[INCLUDE FOLLOWING LEGEND IF A GLOBAL NOTE]

[THIS SECURITY IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OF A DEPOSITARY OR A SUCCESSOR DEPOSITARY. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR SECURITIES IN CERTIFICATED FORM, THIS SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TRUST COMPANY, A NEW YORK CORPORATION (THE "DEPOSITARY") TO THE NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

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

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K. HOVNANIAN ENTERPRISES, INC.
Zero Coupon Senior Exchangeable Note due 2017

No. [] [Initial] Principal Amount at Maturity: \$[]
(equivalent to [] Exchangeable Notes)

CUSIP No. 442488 BP6

K. HOVNANIAN ENTERPRISES, INC., a California corporation (the "Issuer," which term includes any successor corporation or other entity under the Indenture referred to on the reverse hereof), for value received hereby promises to pay to [](1)[CEDE & CO.](2), or registered assigns, the principal sum of \$[] [(with respect to this Exchangeable Note, the "Principal Amount at Maturity")](3)[, or such other amount reflected on the books and records of the Depositary and the Trustee, in accordance with the Indenture (with respect to this Exchangeable Note, the "Principal Amount at Maturity"), which amount, taken together with the Principal Amount at Maturity of all other Outstanding Exchangeable Notes, shall not, unless permitted by the Indenture, exceed \$100,000,000 in aggregate at any time,] [in accordance with the rules and procedures of the Depositary,](4) on December 1, 2017.

The Exchangeable Notes shall not bear cash interest. The principal amount (as of any date of determination, the "Accreted Principal Amount") of the Exchangeable Notes, with respect to each \$1,000 Principal Amount at Maturity, on the Issue Date shall be equal to the Initial Principal Amount, and following the Issue Date shall accrete daily at a rate of 5.17% *per annum*, calculated on a semi-annual bond equivalent yield basis, using a 360 day year composed of twelve 30 day months and compounding on June 1 and December 1 of each year, beginning June 1, 2013.

[The Issuer shall pay the principal of this Exchangeable Note in immediately available funds to the Depositary or its nominee, as the case may be,

- (1) Include for Physical Exchangeable Note (unless included as a component of a Global Unit).
- (2) Include for Global Exchangeable Note (or Exchangeable Note that is a component of a Global Unit).
- (3) Include for Physical Exchangeable Note (unless included as a component of a Global Unit).
- (4) Include for Global Exchangeable Note (or Exchangeable Note that is a component of a Global Unit).

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as the registered Holder of such Exchangeable Note.)(5) [As provided in and subject to the provisions of the Indenture, the Issuer shall pay the principal of any Exchangeable Notes at the office or agency designated by the Issuer for that purpose.](6) The Issuer has initially designated the Trustee as its paying agent and registrar in respect of the Exchangeable Notes and its agency at its Corporate Trust Office as a place where Exchangeable Notes may be presented for payment or for registration of transfer.

Reference is made to the further provisions of this Exchangeable Note set forth on the reverse hereof, including, without limitation, provisions giving the Holder of this Exchangeable Note the right to exchange this Exchangeable Note into shares of Class A Common Stock (together with cash in lieu of any fractional share, if applicable) on the terms and subject to the limitations set forth in the Indenture. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Exchangeable Note, and any claim, controversy or dispute arising under or related to this Exchangeable Note, shall be governed by and construed in accordance with the laws of the State of New York.

In the case of any conflict between this Exchangeable Note and the Indenture, the provisions of the Indenture shall control and govern.

This Exchangeable Note shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been manually signed by the Trustee or a duly authorized authenticating agent under the Indenture.

[Remainder of page intentionally left blank]

(5) Include for Global Exchangeable Note (or Exchangeable Note that is a component of a Global Unit).

(6) Delete for Global Exchangeable Note (or Exchangeable Note that is a component of a Global Unit).

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IN WITNESS WHEREOF, the Issuer has caused this Exchangeable Note to be duly executed.

K. HOVNANIAN ENTERPRISES, INC.

By:

Name:

Title:

Dated:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

WILMINGTON TRUST COMPANY,
As Trustee

By:

Authorized Signatory

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[FORM OF REVERSE OF NOTE]

K. HOVNANIAN ENTERPRISES, INC.
Zero Coupon Senior Exchangeable Note due 2017

This Exchangeable Note is one of a duly authorized issue of Securities of the Issuer, designated as its Zero Coupon Senior Exchangeable Notes due 2017 (the "**Exchangeable Notes**"), limited to the aggregate Principal Amount at Maturity of \$100,000,000 all issued or to be issued under and pursuant to a Senior Indenture dated as of February 14, 2011 (the "**Base Indenture**"), as amended and supplemented by the Fourth Supplemental Indenture dated as of October 2, 2012 (herein called the "**Supplemental Indenture**"; the Base Indenture, as amended and supplemented by the Supplemental Indenture, and as it may be further amended or supplemented from time to time, the "**Indenture**"), by and between the Issuer and Wilmington Trust Company (the "**Trustee**") to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Issuer and the Holders of the Exchangeable Notes.

In case an Event of Default, as defined in the Indenture, shall have occurred and be continuing, the Accreted Principal Amount, as of the date of acceleration, of all Exchangeable Notes may be declared, by either the Trustee or Holders of at least 25% in aggregate Principal Amount at Maturity of Exchangeable Notes then Outstanding, and upon said declaration shall become, due and payable, in the manner, with the effect and subject to the conditions and certain exceptions set forth in the Indenture. Notwithstanding the foregoing, if an Event of Default involving certain bankruptcy events with respect to the Issuer or Hovnanian, as specified in the Indenture, occurs, the Accreted Principal Amount, as of the date of acceleration, shall automatically become due and payable without any declaration, notice or other act on the part of the Trustee, the Issuer, any Guarantor or any Holder.

Subject to the terms and conditions of the Indenture, the Issuer will make all payments in respect of the Fundamental Change Repurchase Price and the principal amount on the Maturity Date, as the case may be, to the Holder who surrenders an Exchangeable Note to a paying agent to collect such payments in respect of the Exchangeable Note. The Issuer shall pay cash amounts in money of the United States that at the time of payment is legal tender for payment of public and private debts.

The Indenture contains provisions permitting the Issuer and the Trustee in certain circumstances, without the consent of the Holders of the Exchangeable Notes, and in certain other circumstances, with the consent of the Holders of not less than a majority in aggregate Principal Amount at Maturity of the Exchangeable Notes at the time Outstanding, evidenced as in the Indenture

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provided, to execute supplemental indentures modifying the terms of the Indenture and the Exchangeable Notes as described therein. It is also provided in the Indenture that, subject to certain exceptions, the Holders of a majority in aggregate Principal Amount at Maturity of the Exchangeable Notes at the time Outstanding may on behalf of the Holders of all of the Exchangeable Notes waive any past Default or Event of Default under the Indenture and its consequences.

No reference herein to the Indenture and no provision of this Exchangeable Note or of the Indenture shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal (including the Fundamental Change Repurchase Price, if applicable) of this Exchangeable Note at the place, at the respective times, in the amounts and, if applicable, in the lawful money herein prescribed, or the obligation of the Issuer and Hovnanian to deliver the consideration due upon exchange of this Exchangeable Note.

The Exchangeable Notes are issuable in registered form without coupons in denominations of \$1,000 Principal Amount at Maturity and integral multiples thereof. At the office or agency of the Issuer referred to on the face hereof, and in the manner and subject to the limitations provided in the Indenture, Exchangeable Notes may be exchanged for a like aggregate Principal Amount at Maturity of Exchangeable Notes of other authorized denominations, without payment of any service charge but, if required by the Issuer or Trustee, with payment of a sum sufficient to cover any transfer tax or similar governmental charge required by law or that may be imposed in connection therewith as a result of the name of the Holder of the new Exchangeable Notes issued upon such exchange of Exchangeable Notes being different from the name of the Holder of the old Exchangeable Notes surrendered for such exchange.

The Exchangeable Notes shall not be redeemable at the Issuer's option.

Upon the occurrence of a Fundamental Change, the Holder has the right, at such Holder's option, to require the Issuer to repurchase for cash all of such Holder's Exchangeable Notes or any portion thereof (with a Principal Amount at Maturity of \$1,000 or integral multiple thereof) on the Fundamental Change Repurchase Date at a price equal to the Fundamental Change Repurchase Price.

This Exchangeable Note shall be subject to the Section 382 Exchange Blocker (as defined in the Indenture), and any purported violation of the Section 382 Exchange Blocker shall be subject to the consequences provided in the Indenture.

Subject to the provisions of the Indenture, the Holder hereof has the right, at its option, during certain periods and upon the occurrence of certain conditions specified in the Indenture, prior to the close of business on the Business Day immediately preceding the Maturity Date, to irrevocably exchange any

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Exchangeable Notes or portion thereof that is \$1,000 in Principal Amount at Maturity or an integral multiple thereof, into shares of Class A Common Stock (together with cash in lieu of any fractional share) at the Exchange Rate specified in the Indenture, as adjusted from time to time as provided in the Indenture.

This Exchangeable Note has been issued with "original issue discount" (within the meaning of Section 1272 of the Internal Revenue Code of 1986, as amended). Upon written request to K. Hovnanian Enterprises, Inc. at the following address: 110 West Front Street, P.O. Box 500, Red Bank, New Jersey 07701, Attention: Secretary, the Issuer will promptly make available to any Holder of this Exchangeable Note the following information: (1) the issue price and issue date of the Exchangeable Note, (2) the amount of original issue discount on the Exchangeable Note and (3) the yield to maturity of the Exchangeable Note.

Terms used in this Exchangeable Note and defined in the Indenture are used herein as therein defined.

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[FORM OF NOTATION ON NOTE RELATING TO GUARANTEE]

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 the Indenture, the Exchangeable Notes or the obligations of the Issuer or Hovnanian hereunder or thereunder, that (i) the due and punctual payment of the principal of the Exchangeable Notes (including, without limitation, payment of the Fundamental Change Repurchase Price pursuant to Article 9 of the Supplemental Indenture, if applicable), and all other amounts owing with respect to the Exchangeable Notes, whether on the Maturity Date, by acceleration or otherwise, and all other obligations of the Issuer or Hovnanian to the Holders or the Trustee hereunder or thereunder, including, without limitation, the Exchange Obligation, shall be promptly paid in full when due or performed when required, as the case may be, in accordance with the terms of the Indenture and the Exchangeable Notes, and (ii) in case of any extension of time of payment or delivery or renewal of any Exchangeable Notes or any of such other obligations, the same shall be promptly paid in full when due or be performed when required, as the case may be, in

accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration, upon exchange pursuant to Article 8 of the Supplemental Indenture or otherwise (each such guarantee, a “**Guarantee**”).

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 an Exchangeable Note by accepting an Exchangeable 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 an Exchangeable Note by accepting an Exchangeable 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 Exchangeable 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.

The Guarantee, and any claim, controversy or dispute arising under or related to the Guarantee, shall be governed by and construed in accordance with the laws of the State of New York.

A-8

In the event of any inconsistency between the provisions of this Guarantee and the provisions of the Indenture, the Indenture shall prevail.

A-9

IN WITNESS WHEREOF, the Guarantors have caused this instrument to be executed.

Dated: _____

On behalf of each of the entities listed a Schedule A hereto

By: _____
Name:
Title

Schedule A

ARBOR TRAILS, LLC
AUDDIE ENTERPRISES, L.L.C.
BUILDER SERVICES NJ, L.L.C.
BUILDER SERVICES PA, L.L.C.
DULLES COPPERMINE, L.L.C.
EASTERN NATIONAL TITLE AGENCY, LLC
EASTERN TITLE AGENCY, INC.
F&W MECHANICAL SERVICES, L.L.C.
FOUNDERS TITLE AGENCY OF MARYLAND, L.L.C.
FOUNDERS TITLE AGENCY, INC.
GOVERNOR’S ABSTRACT CO., INC.
HOMEBUYERS FINANCIAL SERVICES, L.L.C.
HOVNANIAN DEVELOPMENTS OF FLORIDA, INC.
HOVNANIAN ENTERPRISES, INC. (PARENT COMPANY)
HOVNANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP, L.L.C.
K. HOV IP, II, INC.
K. HOV IP, INC.
K. HOVNANIAN ACQUISITIONS, INC.
K. HOVNANIAN AT 4S, LLC
K. HOVNANIAN AT ACQUA VISTA, LLC
K. HOVNANIAN AT ALISO, LLC
K. HOVNANIAN AT ALLENTOWN, L.L.C.
K. HOVNANIAN AT ANDALUSIA, LLC
K. HOVNANIAN AT ARBOR HEIGHTS, LLC
K. HOVNANIAN AT AVENUE ONE, L.L.C.
K. HOVNANIAN AT BAKERSFIELD 463, L.L.C.
K. HOVNANIAN AT BARNEGAT I, L.L.C.
K. HOVNANIAN AT BARNEGAT II, L.L.C.
K. HOVNANIAN AT BELLA LAGO, LLC
K. HOVNANIAN AT BENSLEM, LLC
K. HOVNANIAN AT BERKELEY, L.L.C.

K. HOVNANIAN AT BLUE HERON PINES, L.L.C.
K. HOVNANIAN AT BRANCHBURG, L.L.C.
K. HOVNANIAN AT BRIDGEPORT, INC.
K. HOVNANIAN AT BRIDGEWATER I, L.L.C.
K. HOVNANIAN AT BROAD AND WALNUT, L.L.C.
K. HOVNANIAN AT CAMERON CHASE, INC.
K. HOVNANIAN AT CAMP HILL, L.L.C.
K. HOVNANIAN AT CAPISTRANO, L.L.C.
K. HOVNANIAN AT CARLSBAD, LLC
K. HOVNANIAN AT CEDAR GROVE III, L.L.C.
K. HOVNANIAN AT CEDAR GROVE V, L.L.C.
K. HOVNANIAN AT CHARTER WAY, LLC
K. HOVNANIAN AT CHESTER I, L.L.C.
K. HOVNANIAN AT CHESTERFIELD, L.L.C.
K. HOVNANIAN AT CIELO, L.L.C.
K. HOVNANIAN AT CLIFTON, L.L.C.
K. HOVNANIAN AT COASTLINE, L.L.C.
K. HOVNANIAN AT CORTEZ HILL, LLC
K. HOVNANIAN AT CRANBURY, L.L.C.
K. HOVNANIAN AT DENVILLE, L.L.C.
K. HOVNANIAN AT DEPTFORD TOWNSHIP, L.L.C.
K. HOVNANIAN AT DOMINGUEZ HILLS, INC.
K. HOVNANIAN AT EAST BRANDYWINE, L.L.C.
K. HOVNANIAN AT EASTLAKE, LLC
K. HOVNANIAN AT EDGEWATER II, L.L.C.
K. HOVNANIAN AT EDGEWATER, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH II, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH, L.L.C.
K. HOVNANIAN AT ENCINITAS RANCH, LLC
K. HOVNANIAN AT EVERGREEN, L.L.C.
K. HOVNANIAN AT FIDDYMENT RANCH, LLC
K. HOVNANIAN AT FIFTH AVENUE, L.L.C.
K. HOVNANIAN AT FLORENCE I, L.L.C.
K. HOVNANIAN AT FLORENCE II, L.L.C.
K. HOVNANIAN AT FOREST MEADOWS, L.L.C.
K. HOVNANIAN AT FRANKLIN II, L.L.C.
K. HOVNANIAN AT FRANKLIN, L.L.C.
K. HOVNANIAN AT FREEHOLD TOWNSHIP, L.L.C.
K. HOVNANIAN AT FRESNO, LLC
K. HOVNANIAN AT GASLAMP SQUARE, L.L.C.
K. HOVNANIAN AT GILROY, LLC
K. HOVNANIAN AT GREAT NOTCH, L.L.C.
K. HOVNANIAN AT GUTTENBERG, L.L.C.
K. HOVNANIAN AT HACKETTSTOWN II, L.L.C.
K. HOVNANIAN AT HAMBURG, L.L.C.
K. HOVNANIAN AT HAWTHORNE, L.L.C.
K. HOVNANIAN AT HERSHEY'S MILL, INC.
K. HOVNANIAN AT HIGHLAND SHORES, L.L.C.
K. HOVNANIAN AT HOWELL, LLC
K. HOVNANIAN AT HUDSON POINTE, L.L.C.
K. HOVNANIAN AT JACKSON I, L.L.C.
K. HOVNANIAN AT JACKSON, L.L.C.
K. HOVNANIAN AT JAEGER RANCH, LLC
K. HOVNANIAN AT JERSEY CITY IV, L.L.C.
K. HOVNANIAN AT JERSEY CITY V URBAN RENEWAL COMPANY, L.L.C.
K. HOVNANIAN AT KEYPORT, L.L.C.
K. HOVNANIAN AT LA COSTA GREENS, L.L.C.
K. HOVNANIAN AT LA COSTA, LLC
K. HOVNANIAN AT LA HABRA KNOLLS, LLC
K. HOVNANIAN AT LA LAGUNA, L.L.C.
K. HOVNANIAN AT LAKE RANCHO VIEJO, LLC
K. HOVNANIAN AT LAKE TERRAPIN, L.L.C.
K. HOVNANIAN AT LAWRENCE V, L.L.C.
K. HOVNANIAN AT LEE SQUARE, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR, L.L.C
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LOWER MAKEFIELD TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MORELAND I, L.L.C.

K. HOVNANIAN AT LOWER MORELAND II, L.L.C.
K. HOVNANIAN AT MAHWAH VI, INC.
K. HOVNANIAN AT MALAN PARK, L.L.C.
K. HOVNANIAN AT MANALAPAN III, L.L.C.
K. HOVNANIAN AT MANSFIELD I, L.L.C.
K. HOVNANIAN AT MANSFIELD II, L.L.C.
K. HOVNANIAN AT MANSFIELD III, L.L.C.
K. HOVNANIAN AT MANTECA, LLC
K. HOVNANIAN AT MAPLE AVENUE, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP IX, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP V, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP VIII, L.L.C.
K. HOVNANIAN AT MARLBORO VI, L.L.C.
K. HOVNANIAN AT MARLBORO VII, L.L.C.
K. HOVNANIAN AT MELANIE MEADOWS, LLC
K. HOVNANIAN AT MENDHAM TOWNSHIP, L.L.C.
K. HOVNANIAN AT MENIFEE, LLC
K. HOVNANIAN AT MIDDLE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT MIDDLE TOWNSHIP, L.L.C.
K. HOVNANIAN AT MIDDLETOWN II, L.L.C.
K. HOVNANIAN AT MILLVILLE I, L.L.C.
K. HOVNANIAN AT MILLVILLE II, L.L.C.
K. HOVNANIAN AT MONROE II, INC.
K. HOVNANIAN AT MONROE IV, L.L.C.
K. HOVNANIAN AT MONROE NJ, L.L.C.
K. HOVNANIAN AT MONTVALE II, LLC
K. HOVNANIAN AT MONTVALE, L.L.C.
K. HOVNANIAN AT MOSAIC, LLC
K. HOVNANIAN AT MUIRFIELD, LLC
K. HOVNANIAN AT NEW WINDSOR, L.L.C.
K. HOVNANIAN AT NORTH BERGEN. L.L.C.
K. HOVNANIAN AT NORTH BRUNSWICK VI, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL II, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL III, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL IV, L.L.C.
K. HOVNANIAN AT NORTH HALEDON, L.L.C.
K. HOVNANIAN AT NORTH WILDWOOD, L.L.C.
K. HOVNANIAN AT NORTHAMPTON, L.L.C.
K. HOVNANIAN AT NORTHERN WESTCHESTER, INC.
K. HOVNANIAN AT NORTHFIELD, L.L.C.
K. HOVNANIAN AT OCEAN TOWNSHIP, INC
K. HOVNANIAN AT OCEAN WALK, INC.
K. HOVNANIAN AT OCEANPORT, L.L.C.
K. HOVNANIAN AT OLD BRIDGE, L.L.C.
K. HOVNANIAN AT OLDE ORCHARD, LLC
K. HOVNANIAN AT PARAMUS, L.L.C.
K. HOVNANIAN AT PARK LANE, LLC
K. HOVNANIAN AT PARKSIDE, LLC
K. HOVNANIAN AT PARSIPPANY, L.L.C.
K. HOVNANIAN AT PARSIPPANY-TROY HILLS, L.L.C.
K. HOVNANIAN AT PIAZZA D'ORO, L.L.C.
K. HOVNANIAN AT PIAZZA SERENA, L.L.C
K. HOVNANIAN AT PITTSBORO, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL IV, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL V, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VI, L.L.C.

K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VII, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VIII, L.L.C.
K. HOVNANIAN AT POSITANO, LLC
K. HOVNANIAN AT PRADO, L.L.C.
K. HOVNANIAN AT RANCHO SANTA MARGARITA, LLC
K. HOVNANIAN AT RANDOLPH I, L.L.C.
K. HOVNANIAN AT RAPHO, L.L.C
K. HOVNANIAN AT RIDGEMONT, L.L.C.
K. HOVNANIAN AT RIVERBEND, LLC
K. HOVNANIAN AT RODERUCK, L.L.C.
K. HOVNANIAN AT ROSEMARY LANTANA, L.L.C.
K. HOVNANIAN AT SAGE, L.L.C.
K. HOVNANIAN AT SANTA NELLA, LLC
K. HOVNANIAN AT SAWMILL, INC.
K. HOVNANIAN AT SAYREVILLE, L.L.C.
K. HOVNANIAN AT SCOTCH PLAINS, L.L.C.

K. HOVNANIAN AT SEASONS LANDING, LLC
K. HOVNANIAN AT SHELDON GROVE, LLC
K. HOVNANIAN AT SHREWSBURY, LLC
K. HOVNANIAN AT SILVER SPRING, L.L.C.
K. HOVNANIAN AT SKYE ISLE, LLC
K. HOVNANIAN AT SMITHVILLE, INC.
K. HOVNANIAN AT SOMERS POINT, L.L.C.
K. HOVNANIAN AT SOUTH BRUNSWICK II, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK, L.L.C.
K. HOVNANIAN AT STANTON, LLC
K. HOVNANIAN AT STATION SQUARE, L.L.C.
K. HOVNANIAN AT SUNRIDGE PARK, LLC
K. HOVNANIAN AT SYCAMORE, INC.
K. HOVNANIAN AT THE CROSBY, LLC
K. HOVNANIAN AT THE GABLES, LLC
K. HOVNANIAN AT THE MONARCH, L.L.C.
K. HOVNANIAN AT THE PRESERVE, LLC
K. HOVNANIAN AT THOMPSON RANCH, LLC
K. HOVNANIAN AT THORNBURY, INC.
K. HOVNANIAN AT TRAIL RIDGE, LLC
K. HOVNANIAN AT UPPER FREEHOLD TOWNSHIP II, L.L.C.
K. HOVNANIAN AT UPPER FREEHOLD TOWNSHIP III, L.L.C.
K. HOVNANIAN AT UPPER MAKEFIELD I, INC.
K. HOVNANIAN AT UPPER PROVIDENCE, LLC
K. HOVNANIAN AT UPPER UWCHLAN II, L.L.C.
K. HOVNANIAN AT UPPER UWCHLAN, L.L.C.
K. HOVNANIAN AT VALLE DEL SOL, LLC
K. HOVNANIAN AT VERONA URBAN RENEWAL, L.L.C.
K. HOVNANIAN AT VICTORVILLE, L.L.C.
K. HOVNANIAN AT VINELAND, L.L.C.
K. HOVNANIAN AT VISTA DEL SOL, L.L.C.
K. HOVNANIAN AT WARREN TOWNSHIP, L.L.C.
K. HOVNANIAN AT WASHINGTON, L.L.C.
K. HOVNANIAN AT WATERSTONE, LLC
K. HOVNANIAN AT WAYNE IX, L.L.C.
K. HOVNANIAN AT WAYNE, VIII, L.L.C.
K. HOVNANIAN AT WEST VIEW ESTATES, L.L.C.
K. HOVNANIAN AT WEST WINDSOR, L.L.C.
K. HOVNANIAN AT WESTSHORE, LLC
K. HOVNANIAN AT WHEELER RANCH, LLC

K. HOVNANIAN AT WILDWOOD BAYSIDE, L.L.C.
K. HOVNANIAN AT WILLOW BROOK, L.L.C.
K. HOVNANIAN AT WINCHESTER, LLC
K. HOVNANIAN AT WOODCREEK WEST, LLC
K. HOVNANIAN AT WOOLWICH I, L.L.C.
K. HOVNANIAN CAMBRIDGE HOMES, L.L.C.
K. HOVNANIAN CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN CLASSICS, L.L.C.
K. HOVNANIAN COMMUNITIES, INC.
K. HOVNANIAN COMPANIES OF CALIFORNIA, INC.
K. HOVNANIAN COMPANIES OF MARYLAND, INC.
K. HOVNANIAN COMPANIES OF NEW YORK, INC.
K. HOVNANIAN COMPANIES OF PENNSYLVANIA, INC.
K. HOVNANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.
K. HOVNANIAN COMPANIES, LLC
K. HOVNANIAN CONSTRUCTION II, INC
K. HOVNANIAN CONSTRUCTION III, INC
K. HOVNANIAN CONSTRUCTION MANAGEMENT, INC.
K. HOVNANIAN CRAFTBUILT HOMES OF SOUTH CAROLINA, L.L.C.
K. HOVNANIAN DEVELOPMENTS OF ARIZONA, INC.
K. HOVNANIAN DEVELOPMENTS OF CALIFORNIA, INC.
K. HOVNANIAN DEVELOPMENTS OF D.C., INC.
K. HOVNANIAN DEVELOPMENTS OF DELAWARE, INC.
K. HOVNANIAN DEVELOPMENTS OF GEORGIA, INC.
K. HOVNANIAN DEVELOPMENTS OF ILLINOIS, INC.
K. HOVNANIAN DEVELOPMENTS OF KENTUCKY, INC.
K. HOVNANIAN DEVELOPMENTS OF MARYLAND, INC.
K. HOVNANIAN DEVELOPMENTS OF MINNESOTA, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY II, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW YORK, INC.
K. HOVNANIAN DEVELOPMENTS OF NORTH CAROLINA, INC.

K. HOVNANIAN DEVELOPMENTS OF OHIO, INC.
K. HOVNANIAN DEVELOPMENTS OF PENNSYLVANIA, INC.
K. HOVNANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.
K. HOVNANIAN DEVELOPMENTS OF TEXAS, INC.
K. HOVNANIAN DEVELOPMENTS OF VIRGINIA, INC.
K. HOVNANIAN DEVELOPMENTS OF WEST VIRGINIA, INC.
K. HOVNANIAN EASTERN PENNSYLVANIA, L.L.C.
K. HOVNANIAN ENTERPRISES, INC.
K. HOVNANIAN FIRST HOMES, L.L.C.
K. HOVNANIAN FLORIDA REALTY, L.L.C.
K. HOVNANIAN FOUR SEASONS @ HISTORIC VIRGINIA, LLC
K. HOVNANIAN FOUR SEASONS AT GOLD HILL, LLC
K. HOVNANIAN GREAT WESTERN BUILDING COMPANY, LLC
K. HOVNANIAN GREAT WESTERN HOMES, LLC
K. HOVNANIAN HAMPTONS AT OAK CREEK II, L.L.C.
K. HOVNANIAN HOLDINGS NJ, L.L.C.
K. HOVNANIAN HOMES - DFW, L.L.C.
K. HOVNANIAN HOMES AT CAMERON STATION, LLC
K. HOVNANIAN HOMES AT CAMP SPRINGS, L.L.C.
K. HOVNANIAN HOMES AT FAIRWOOD, L.L.C.
K. HOVNANIAN HOMES AT FOREST RUN, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM PARK TOWNS, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM, L.L.C.
K. HOVNANIAN HOMES AT JONES STATION 1, L.L.C.

K. HOVNANIAN HOMES AT MAXWELL PLACE, L.L.C.
K. HOVNANIAN HOMES AT RENAISSANCE PLAZA, L.L.C.
K. HOVNANIAN HOMES AT RUSSETT, L.L.C.
K. HOVNANIAN HOMES AT THE HIGHLANDS, LLC
K. HOVNANIAN HOMES NORTHERN CALIFORNIA, INC.
K. HOVNANIAN HOMES OF D.C., L.L.C.
K. HOVNANIAN HOMES OF DELAWARE, L.L.C.
K. HOVNANIAN HOMES OF GEORGIA, L.L.C.
K. HOVNANIAN HOMES OF HOUSTON, L.L.C.
K. HOVNANIAN HOMES OF MARYLAND, L.L.C.
K. HOVNANIAN HOMES OF MINNESOTA, L.L.C.
K. HOVNANIAN HOMES OF NORTH CAROLINA, INC.
K. HOVNANIAN HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN HOMES OF SOUTH CAROLINA, LLC
K. HOVNANIAN HOMES OF VIRGINIA, INC.
K. HOVNANIAN HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN LIBERTY ON BLUFF CREEK, LLC
K. HOVNANIAN NORTH CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTHEAST SERVICES, L.L.C.
K. HOVNANIAN OF HOUSTON II, L.L.C.
K. HOVNANIAN OHIO REALTY, L.L.C.
K. HOVNANIAN OSTER HOMES, L.L.C.
K. HOVNANIAN PA REAL ESTATE, INC.
K. HOVNANIAN PENNSYLVANIA ACQUISITIONS, L.L.C.
K. HOVNANIAN PORT IMPERIAL URBAN RENEWAL, INC.
K. HOVNANIAN PROPERTIES OF RED BANK, INC.
K. HOVNANIAN SHORE ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTHERN NEW JERSEY, L.L.C.
K. HOVNANIAN STANDING ENTITY, L.L.C.
K. HOVNANIAN SUMMIT HOLDINGS, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF KENTUCKY, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES, L.L.C.
K. HOVNANIAN T&C HOMES AT FLORIDA, L.L.C.
K. HOVNANIAN T&C HOMES AT ILLINOIS, L.L.C.
K. HOVNANIAN TIMBRES AT ELM CREEK, LLC
K. HOVNANIAN VENTURE I, L.L.C.
K. HOVNANIAN WINDWARD HOMES, LLC
K. HOVNANIAN'S FOUR SEASONS AT ASHBURN VILLAGE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT BAKERSFIELD, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT BEAUMONT, LLC
K. HOVNANIAN'S FOUR SEASONS AT CHARLOTTESVILLE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT HEMET, LLC
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND CONDOMINIUMS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT LOS BANOS, LLC
K. HOVNANIAN'S FOUR SEASONS AT MORENO VALLEY, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT NEW KENT VINEYARDS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT PALM SPRINGS, LLC
K. HOVNANIAN'S FOUR SEASONS AT RENAISSANCE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK II, LLC
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT ST. MARGARETS LANDING, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT VINT HILL, L.L.C.
K. HOVNANIAN'S FOUR SEASONS, LLC
K. HOVNANIAN'S PARKSIDE AT TOWNGATE, L.L.C.
KHIP, L.L.C.
LANDARAMA, INC.
M&M AT CHESTERFIELD, LLC
M&M AT CRESCENT COURT, L.L.C.
M&M AT WEST ORANGE, L.L.C.
M&M AT WHEATENA URBAN RENEWAL, L.L.C.
MATZEL & MUMFORD AT EGG HARBOR, L.L.C.
MATZEL & MUMFORD AT SOUTH BOUND BROOK URBAN RENEWAL, L.L.C.
MCNJ, INC.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF PENNSYLVANIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF WEST VIRGINIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES, L.L.C.
MMIP, L.L.C.
NEW LAND TITLE AGENCY, LLC
PADDOCKS, L.L.C.
PARK TITLE COMPANY, LLC
PINE AYR, LLC
RIDGEMORE UTILITY, L.L.C.
SEABROOK ACCUMULATION CORPORATION
STONEBROOK HOMES, INC.
TERRAPIN REALTY, L.L.C.
THE MATZEL & MUMFORD ORGANIZATION, INC
WASHINGTON HOMES AT COLUMBIA TOWN CENTER, L.L.C.
WASHINGTON HOMES, INC.
WESTMINSTER HOMES, INC.
WH PROPERTIES, INC.
WOODLAND LAKE CONDOMINIUMS AT BOWIE NEW TOWN, L.L.C.

ABBREVIATIONS

The following abbreviations, when used in the inscription of the face of this Exchangeable Note, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM = as tenants in common

UNIF GIFT MIN ACT = Uniform Gifts to Minors Act

CUST = Custodian

TEN ENT = as tenants by the entireties

JT TEN = joint tenants with right of survivorship and not as tenants in common

Additional abbreviations may also be used though not in the above list.

ATTACHMENT 1

[FORM OF NOTICE OF EXCHANGE]

To: K. HOVNANIAN ENTERPRISES, INC.

The undersigned registered owner of this Exchangeable Note hereby exercises the option to exchange this Exchangeable Note, or the portion hereof (that is \$1,000 Principal Amount at Maturity or an integral multiple thereof) below designated, into shares of Class A Common Stock (together with cash in lieu of any fractional share) in accordance with the terms of the Indenture referred to in this Exchangeable Note, and directs that any shares of Class A

Common Stock issuable and deliverable upon such exchange, together with any cash for any fractional share of Class A Common Stock, and any Exchangeable Notes representing any unexchanged Principal Amount at Maturity hereof, be issued and delivered to the registered Holder of the Exchangeable Notes hereof unless a different name has been indicated below. If any shares of Class A Common Stock or any portion of this Exchangeable Note not exchanged are to be issued in the name of a Person other than the undersigned, the undersigned will pay all transfer taxes or similar governmental charges in accordance with Section 8.02(d) or (e) of the Supplemental Indenture, as applicable.

Dated: _____

Signature(s)

Signature Guarantee

Signature(s) must be guaranteed by an eligible Guarantor Institution (banks, stock brokers, savings and loan associations and credit unions) with membership in an approved signature guarantee medallion program pursuant to Securities and Exchange Commission Rule 17Ad-15 if shares of Class A Common Stock are to be issued, or Exchangeable Notes are to be delivered, other than to and in the name of the registered holder.

Fill in for registration of shares if to be issued, and Exchangeable Notes if to be delivered, other than to and in the name of the registered holder:

(Name)

(Street Address)

(City, State and Zip Code)

Please print name and address

Principal Amount at Maturity to be exchanged (if less than all):
\$ _____,000

NOTICE: The above signature(s) of the Holder(s) hereof must correspond with the name as written upon the face of the Exchangeable Note in every particular without alteration or enlargement or any change whatever.

Social Security or Other Taxpayer Identification Number

ATTACHMENT 2

[FORM OF FUNDAMENTAL CHANGE REPURCHASE NOTICE]

To: K. HOVNANIAN ENTERPRISES, INC.

The undersigned registered owner of this Exchangeable Note hereby acknowledges receipt of a notice from K. Hovnanian Enterprises, Inc. (the "Issuer") as to the occurrence of a Fundamental Change and specifying the Fundamental Change Repurchase Date and requests and instructs the Issuer to pay to the registered holder hereof in accordance with the applicable provisions of the Indenture referred to in this Exchangeable Note the Accreted Principal Amount, as of the calendar day immediately preceding such Fundamental Change Repurchase Date, corresponding to the entire Principal Amount at Maturity of this Exchangeable Note, or the portion thereof (that is \$1,000 or an integral multiple thereof) below designated.

In the case of Physical Exchangeable Notes, the certificate numbers of the Exchangeable Notes to be repurchased are as set forth below:

Dated: _____

Signature(s)

Social Security or Other Taxpayer
Identification Number

Principal Amount at Maturity to be repurchased (if less than all):
\$ _____,000

NOTICE: The above signature(s) of the Holder(s) hereof must correspond with the name as written upon the face of the Exchangeable Note in every particular without alteration or enlargement or any change whatever.

ATTACHMENT 3

[FORM OF ASSIGNMENT AND TRANSFER]

For value received _____ hereby sell(s), assign(s) and transfer(s) unto _____ (Please insert Social Security or Taxpayer Identification Number of assignee) the within Exchangeable Note, and hereby irrevocably constitutes and appoints _____ attorney to transfer the said Exchangeable Note on the books of the Issuer, with full power of substitution in the premises.

Signature(s)

Signature(s) must be guaranteed by an institution which is a member of one of the following recognized signature Guarantee Programs:

(i) The Securities Transfer Agent Medallion Program (STAMP); (ii) The New York Stock Exchange Medallion Program (MNSP); (iii) The Stock Exchange Medallion Program (SEMP) or (iv) another guarantee program acceptable to the Trustee.

Signature Guarantee

EXHIBIT B

[] **SUPPLEMENTAL INDENTURE**

dated as of _____,

among

K. HOVNANIAN ENTERPRISES, INC.

HOVNANIAN ENTERPRISES, INC.

The Other Guarantors Party Hereto

and

WILMINGTON TRUST COMPANY,
as Trustee

Zero Coupon Exchangeable Notes due 2017

of incorporation] (each an “Undersigned”) and Wilmington Trust Company, as trustee (the “Trustee”).

RECITALS

WHEREAS, the Issuer, Hovnanian, the other Guarantors party thereto and the Trustee entered into the Senior Indenture dated as of February 14, 2011 (as supplemented, the “**Indenture**”) as supplemented by the Fourth Supplemental Indenture dated as of October 2, 2012 (the “**Fourth Supplemental Indenture**”), relating to the Issuer’s Zero Coupon Senior Exchangeable Notes due 2017 (the “**Exchangeable Notes**”);

WHEREAS, as a condition to the purchase of the Exchangeable Notes by the Holders, Hovnanian agreed pursuant to the Indenture to cause any newly acquired or created Subsidiaries guaranteeing Applicable Debt (or any Subsidiaries that did not originally guarantee the Exchangeable Notes but subsequently guarantee Applicable Debt) or, if the Applicable Debt is no longer outstanding any Subsidiaries that would have subsequently been required to guarantee Applicable Debt pursuant to the terms thereof as of the Issue Date, to provide Guarantees of the Exchangeable Notes, subject to certain limitations.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained and intending to be legally bound, the parties hereto hereby agree as follows:

SECTION 1. Capitalized terms used herein and not otherwise defined herein are used as defined in the Indenture.

SECTION 2. Each Undersigned, by its execution of this [] Supplemental Indenture, agrees to be a Guarantor under the Indenture and to be bound by the terms of the Indenture applicable to Guarantors, including, but not limited to Article 10 of the Fourth Supplemental Indenture. Each Undersigned shall also execute a Guarantee Notation in respect of the Notes.

SECTION 3. This [] Supplemental Indenture, and any claim, controversy or dispute arising under or related to 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.

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SECTION 6. The recitals herein contained are made solely by the Issuer, Hovnanian and the Guarantors and not by the Trustee, and the Trustee assumes no responsibility for the validity or accuracy thereof.

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IN WITNESS WHEREOF, the parties hereto have caused this [] Supplemental Indenture to be duly executed as of the date first above written.

K. HOVNANIAN ENTERPRISES, INC.,
as Issuer

By: _____
Name:
Title:

HOVNANIAN ENTERPRISES, INC., as
Guarantor

By: _____
Name:
Title:

On behalf of each entity named in
Schedule 1 hereto, as Guarantors

By: _____
Name:
Title:

By: _____
Name:
Title:

[Simpson Thacher & Bartlett Letterhead]

October 2, 2012

Hovnanian Enterprises, Inc.
 110 West Front Street
 P.O. Box 500
 Red Bank, New Jersey 07701

K. Hovnanian Enterprises, Inc.
 110 West Front Street
 P.O. Box 500
 Red Bank, New Jersey 07701

Ladies and Gentlemen:

We have acted as counsel to K. Hovnanian Enterprises, Inc., a California corporation (“K. Hovnanian”), and Hovnanian Enterprises, Inc., a Delaware corporation and the parent of K. Hovnanian (the “Company”), in connection with the Registration Statement on Form S-3 (File No. 333-173365) (the “Registration Statement”) filed by K. Hovnanian, the Company and the other Guarantors (as defined below) with the Securities and Exchange Commission (the “Commission”) under the Securities Act of 1933, as amended (the “Securities Act”), and the issuance thereunder by K. Hovnanian of \$100,000,000 aggregate stated amount of 6.00% Exchangeable Note Units (the “Units”), each with a stated amount of \$1,000.00 per Unit, including 10,000 Units issued by K. Hovnanian pursuant to the over-allotment option granted to the underwriters, pursuant to the Underwriting Agreement, dated September 19, 2012 (the “Underwriting Agreement”), among K. Hovnanian, the Company and the subsidiary guarantors named in Schedule B to the Underwriting Agreement (such subsidiary guarantors, and together with the Company, the “Guarantors” and each, a “Guarantor”) and the underwriters named therein. Each Unit initially consists of (i) an exchangeable senior note bearing no cash interest, (each, an “Exchangeable Note,” and collectively, the “Exchangeable Notes”) issued by K.

Hovnanian and unconditionally guaranteed on a senior basis by the Guarantors, which has an initial principal amount of \$768.51 per Exchangeable Note (and an initial aggregate principal amount of \$76,851,000) that will accrete to \$1,000.00 at the maturity date of December 1, 2017 and will be exchangeable, at the holder’s option, into the Company’s Class A common stock, par value \$0.01 per share (the “Common Stock”), and (ii) a senior amortizing note (each, an “Amortizing Note,” and collectively, the “Amortizing Notes”) issued by K. Hovnanian and unconditionally guaranteed on a senior basis by the Guarantors, which has an initial principal amount of \$231.49 per Amortizing Note (and an initial aggregate principal amount of \$23,149,000), bears interest at a rate of 11.00% per annum and has a final installment payment date of December 1, 2017.

We have examined the Registration Statement as it became effective under the Securities Act; K. Hovnanian’s and the Company’s prospectus dated April 18, 2011 (the “Base Prospectus”), as supplemented by the prospectus supplement dated September 19, 2012 (the “Final Prospectus Supplement” and, together with the Base Prospectus, the “Prospectus”), filed by K. Hovnanian and the Company pursuant to Rule 424(b) of the rules and regulations of the Commission under the Securities Act; the Units Agreement, dated as of October 2, 2012 (the “Units Agreement”), by and among K. Hovnanian, the Company, and Wilmington Trust Company, as units agent (the “Units Agent”); a copy of the global certificate representing the Units; the indenture, dated as of February 14, 2011 (the “Base Indenture”), by and among K. Hovnanian, the Company, as guarantor, and Wilmington Trust Company, as trustee (the “Trustee”); the Fourth Supplemental Indenture, dated as of October 2, 2012, by and among K. Hovnanian, the Guarantors, and the Trustee (the “Fourth Supplemental Indenture” and, together with the Base Indenture, the “Exchangeable Notes Indenture”); a copy of the registered certificate representing the Exchangeable Notes and the guarantees of the Guarantors annexed

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thereto (the “Exchangeable Notes Guarantees”) initially annexed to the Units; the Fifth Supplemental Indenture, dated as of October 2, 2012, by and among K. Hovnanian, the Guarantors, and the Trustee (the “Fifth Supplemental Indenture” and, together with the Base Indenture, the “Amortizing Notes Indenture”, together with the Exchangeable Notes Indenture, the “Indentures”); a copy of the registered certificate representing the Amortizing Notes and the guarantees of the Guarantors annexed thereto (the “Amortizing Notes Guarantees”, and together with the Exchangeable Notes Guarantees, the “Guarantees”) initially annexed to the Units; a copy of a specimen certificate representing the Common Stock; and the Underwriting Agreement. In addition, we have examined, and have relied as to matters of fact upon, the originals, or duplicates or certified or conformed copies, of such records, agreements, documents and other instruments and such certificates or comparable documents or statements of public officials and of officers and representatives of K. Hovnanian and the Guarantors and have made such other investigations as we have deemed relevant and necessary in connection with the opinions hereinafter set forth.

In rendering the opinions set forth below, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as duplicates or certified or conformed copies and the authenticity of the originals of such latter documents.

We have also assumed that (i) each of the Guarantors listed on Schedule II hereto, none of which are corporations incorporated or limited liability companies organized in the State of Delaware or the State of New York (the “Schedule II Guarantors”), is validly existing and in good standing under the law of the jurisdiction in which it was organized and has duly authorized, executed and delivered or issued, as applicable, each of the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Exchangeable Notes Guarantees and the

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Amortizing Notes Guarantees in accordance with its charter, by-laws, limited liability company agreements or other organizational documents, as applicable, and the law of the jurisdiction in which it was organized; (ii) the execution, delivery or issuance, as applicable, and performance by each of the Schedule II Guarantors of each of the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Exchangeable Notes Guarantees and the Amortizing Notes Guarantees do not constitute a violation or breach of any agreement or instrument which is binding upon such Schedule II Guarantor (other than any indenture listed in the exhibits to the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2011 relating to securities of the Company outstanding on the date hereof) or its charter or by-laws or similar organizational documents; and (iii) the execution, delivery or issuance, as applicable, and performance by each of the Schedule II Guarantors of each of the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Exchangeable Notes Guarantees and the Amortizing Notes Guarantees do not violate the laws of the jurisdiction in which it was organized or the laws of any other jurisdiction (except that no such assumption is made with respect to the federal law of the United States and the law of the State of New York).

Based upon the foregoing, and subject to the qualifications, assumptions and limitations stated herein, we are of the opinion that:

1. Assuming the due execution, authentication, issuance and delivery of the Exchangeable Notes, upon payment of the consideration for the Units provided for in the Underwriting Agreement, the Exchangeable Notes will constitute valid and legally binding obligations of K. Hovnanian, enforceable against K. Hovnanian in accordance with their terms.
2. Assuming the due execution, authentication, issuance and delivery of the Exchangeable Notes, upon payment of the consideration for the Units provided for in the Underwriting Agreement, the Exchangeable Notes Guarantees will constitute valid and legally binding obligations of each of the Guarantors enforceable against each of the Guarantors in accordance with their terms.
3. Assuming the due execution, authentication, issuance and delivery of the Amortizing Notes, upon payment of the consideration for the Units provided for

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in the Underwriting Agreement, the Amortizing Notes will constitute valid and legally binding obligations of K. Hovnanian, enforceable against K. Hovnanian in accordance with their terms.

4. Assuming the due execution, authentication, issuance and delivery of the Amortizing Notes, upon payment of the consideration for the Units provided for in the Underwriting Agreement, the Amortizing Notes Guarantees will constitute valid and legally binding obligations of each of the Guarantors, enforceable against each of the Guarantors in accordance with their terms.
5. Assuming the due execution, authentication, issuance and delivery of the Units, upon payment of the consideration therefor provided for in the Underwriting Agreement, the Units will constitute valid and legally binding obligations of each of K. Hovnanian and the Company enforceable against each of K. Hovnanian and the Company in accordance with their terms.
6. When the shares of Common Stock initially issuable by the Company upon exchange of the Exchangeable Notes have been issued and/or delivered in accordance with the terms of the Exchangeable Notes Indenture, such shares of Common Stock will be validly issued, fully paid and non-assessable.

Our opinions set forth in paragraphs 1, 2, 3, 4 and 5 above are subject to (i) the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, (ii) general equitable principles (whether considered in a proceeding in equity or at law) and (iii) an implied covenant of good faith and fair dealing.

For purposes of our opinions set forth in paragraphs 1 and 5 above, we assume that the increase in the exchange rate upon the occurrence of a make-whole fundamental change pursuant to the provisions of the Exchangeable Notes Indenture and any related provisions of Exchangeable Notes (whether a component of Units or Separate Exchangeable Notes) represents reasonable compensation of the lost option value of the Exchangeable Notes (whether a component of Units or Separate Exchangeable Notes) as a result of the make-whole fundamental change.

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.

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We hereby consent to the filing of this opinion letter as Exhibit 5.3 to the Current Report on Form 8-K of the Company filed with the Commission in connection with the offer and sale of the Units and incorporated by reference in the Registration Statement and to the use of our name under the caption "Legal Matters" in the Prospectus.

Very truly yours,

/s/ Simpson Thacher & Bartlett LLP

SIMPSON THACHER & BARTLETT LLP

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Schedule I

Guarantors Incorporated or Formed in the States of Delaware or New York

HOVNANIAN ENTERPRISES, INC.
K. HOVNANIAN AT CHESTER I, L.L.C.
K. HOVNANIAN AT LAWRENCE V, L.L.C.
K. HOVNANIAN AT MANSFIELD I, L.L.C.
K. HOVNANIAN AT MANSFIELD II, L.L.C.
K. HOVNANIAN AT NORTH BRUNSWICK VI, L.L.C.
K. HOVNANIAN AT WAYNE, VIII, L.L.C.
K. HOVNANIAN AT WEST WINDSOR, L.L.C.
K. HOVNANIAN CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN DEVELOPMENTS OF DELAWARE, INC.
K. HOVNANIAN HAMPTONS AT OAK CREEK II, L.L.C.
K. HOVNANIAN HOMES OF DELAWARE, 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 ACQUISITIONS, L.L.C.
WASHINGTON HOMES, INC.
K. HOVNANIAN AT MONROE II, INC.
K. HOVNANIAN AT NEW WINDSOR, L.L.C.
K. HOVNANIAN AT NORTHERN WESTCHESTER, INC.
K. HOVNANIAN COMPANIES OF NEW YORK, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW YORK, INC.

Schedule II

ARBOR TRAILS, LLC
AUDDIE ENTERPRISES, L.L.C.
BUILDER SERVICES NJ, L.L.C.
BUILDER SERVICES PA, L.L.C.
DULLES COPPERMINE, L.L.C.
EASTERN NATIONAL TITLE AGENCY, LLC
EASTERN TITLE AGENCY, INC.
F&W MECHANICAL SERVICES, L.L.C.
FOUNDERS TITLE AGENCY OF MARYLAND, L.L.C.
FOUNDERS TITLE AGENCY, INC.
GOVERNOR'S ABSTRACT CO., INC.
HOMEBUYERS FINANCIAL SERVICES, L.L.C.
HOVNANIAN DEVELOPMENTS OF FLORIDA, INC.
HOVNANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP, L.L.C.
K. HOV IP, II, INC.
K. HOV IP, INC.
K. HOVNANIAN ACQUISITIONS, INC.
K. HOVNANIAN AT 4S, LLC
K. HOVNANIAN AT ACQUA VISTA, LLC
K. HOVNANIAN AT ALISO, LLC
K. HOVNANIAN AT ALLENTOWN, L.L.C.

K. HOVNANIAN AT ANDALUSIA, LLC
K. HOVNANIAN AT ARBOR HEIGHTS, LLC
K. HOVNANIAN AT AVENUE ONE, L.L.C.
K. HOVNANIAN AT BAKERSFIELD 463, L.L.C.
K. HOVNANIAN AT BARNEGAT I, L.L.C.
K. HOVNANIAN AT BARNEGAT II, L.L.C.
K. HOVNANIAN AT BELLA LAGO, LLC
K. HOVNANIAN AT BENSLEM, LLC
K. HOVNANIAN AT BERKELEY, L.L.C.
K. HOVNANIAN AT BLUE HERON PINES, L.L.C.
K. HOVNANIAN AT BRANCBURG, L.L.C.
K. HOVNANIAN AT BRIDGEPORT, INC.
K. HOVNANIAN AT BRIDGEWATER I, L.L.C.
K. HOVNANIAN AT BROAD AND WALNUT, L.L.C.
K. HOVNANIAN AT CAMERON CHASE, INC.
K. HOVNANIAN AT CAMP HILL, L.L.C.
K. HOVNANIAN AT CAPISTRANO, L.L.C.
K. HOVNANIAN AT CARLSBAD, LLC
K. HOVNANIAN AT CEDAR GROVE III, L.L.C.
K. HOVNANIAN AT CEDAR GROVE V, L.L.C.
K. HOVNANIAN AT CHARTER WAY, LLC
K. HOVNANIAN AT CHESTERFIELD, L.L.C.
K. HOVNANIAN AT CIELO, L.L.C.
K. HOVNANIAN AT CLIFTON, L.L.C.
K. HOVNANIAN AT COASTLINE, L.L.C.
K. HOVNANIAN AT CORTEZ HILL, LLC
K. HOVNANIAN AT CRANBURY, L.L.C.
K. HOVNANIAN AT DENVILLE, L.L.C.

K. HOVNANIAN AT DEPTFORD TOWNSHIP, L.L.C.
K. HOVNANIAN AT DOMINGUEZ HILLS, INC.
K. HOVNANIAN AT EAST BRANDYWINE, L.L.C.
K. HOVNANIAN AT EASTLAKE, LLC
K. HOVNANIAN AT EDGEWATER II, L.L.C.
K. HOVNANIAN AT EDGEWATER, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH II, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH, L.L.C.
K. HOVNANIAN AT ENCINITAS RANCH, LLC
K. HOVNANIAN AT EVERGREEN, L.L.C.
K. HOVNANIAN AT FIDDYMENT RANCH, LLC
K. HOVNANIAN AT FIFTH AVENUE, L.L.C.
K. HOVNANIAN AT FLORENCE I, L.L.C.
K. HOVNANIAN AT FLORENCE II, L.L.C.
K. HOVNANIAN AT FOREST MEADOWS, L.L.C.
K. HOVNANIAN AT FRANKLIN II, L.L.C.
K. HOVNANIAN AT FRANKLIN, L.L.C.
K. HOVNANIAN AT FREEHOLD TOWNSHIP, L.L.C.
K. HOVNANIAN AT FRESNO, LLC
K. HOVNANIAN AT GASLAMP SQUARE, L.L.C.
K. HOVNANIAN AT GILROY, LLC
K. HOVNANIAN AT GREAT NOTCH, L.L.C.
K. HOVNANIAN AT GUTTENBERG, L.L.C.
K. HOVNANIAN AT HACKETTSTOWN II, L.L.C.
K. HOVNANIAN AT HAMBURG, L.L.C.
K. HOVNANIAN AT HAWTHORNE, L.L.C.
K. HOVNANIAN AT HERSHEY'S MILL, INC.
K. HOVNANIAN AT HIGHLAND SHORES, L.L.C.
K. HOVNANIAN AT HOWELL, LLC
K. HOVNANIAN AT HUDSON POINTE, L.L.C.
K. HOVNANIAN AT JACKSON I, L.L.C.
K. HOVNANIAN AT JACKSON, L.L.C.
K. HOVNANIAN AT JAEGER RANCH, LLC
K. HOVNANIAN AT JERSEY CITY IV, L.L.C.
K. HOVNANIAN AT JERSEY CITY V URBAN RENEWAL COMPANY, L.L.C.
K. HOVNANIAN AT KEYPORT, L.L.C.
K. HOVNANIAN AT LA COSTA GREENS, L.L.C.
K. HOVNANIAN AT LA COSTA, LLC
K. HOVNANIAN AT LA HABRA KNOLLS, LLC
K. HOVNANIAN AT LA LAGUNA, L.L.C.
K. HOVNANIAN AT LAKE RANCHO VIEJO, LLC
K. HOVNANIAN AT LAKE TERRAPIN, L.L.C.

K. HOVNANIAN AT LEE SQUARE, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR, L.L.C
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LOWER MAKEFIELD TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MORELAND I, L.L.C.
K. HOVNANIAN AT LOWER MORELAND II, L.L.C.
K. HOVNANIAN AT MAHWAH VI, INC.

K. HOVNANIAN AT MALAN PARK, L.L.C.
K. HOVNANIAN AT MANALAPAN III, L.L.C.
K. HOVNANIAN AT MANSFIELD III, L.L.C.
K. HOVNANIAN AT MANTECA, LLC
K. HOVNANIAN AT MAPLE AVENUE, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP IX, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP V, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP VIII, L.L.C.
K. HOVNANIAN AT MARLBORO VI, L.L.C.
K. HOVNANIAN AT MARLBORO VII, L.L.C.
K. HOVNANIAN AT MELANIE MEADOWS, LLC
K. HOVNANIAN AT MENDHAM TOWNSHIP, L.L.C.
K. HOVNANIAN AT MENIFEE, LLC
K. HOVNANIAN AT MIDDLE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT MIDDLE TOWNSHIP, L.L.C.
K. HOVNANIAN AT MIDDLETOWN II, L.L.C.
K. HOVNANIAN AT MILLVILLE I, L.L.C.
K. HOVNANIAN AT MILLVILLE II, L.L.C.
K. HOVNANIAN AT MONROE IV, L.L.C.
K. HOVNANIAN AT MONROE NJ, L.L.C.
K. HOVNANIAN AT MONTVALE II, LLC
K. HOVNANIAN AT MONTVALE, L.L.C.
K. HOVNANIAN AT MOSAIC, LLC
K. HOVNANIAN AT MUIRFIELD, LLC
K. HOVNANIAN AT NORTH BERGEN. L.L.C.
K. HOVNANIAN AT NORTH CALDWELL II, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL III, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL IV, L.L.C.
K. HOVNANIAN AT NORTH HALEDON, L.L.C.
K. HOVNANIAN AT NORTH WILDWOOD, L.L.C.
K. HOVNANIAN AT NORTHAMPTON, L.L.C.
K. HOVNANIAN AT NORTHFIELD, L.L.C.
K. HOVNANIAN AT OCEAN TOWNSHIP, INC
K. HOVNANIAN AT OCEAN WALK, INC.
K. HOVNANIAN AT OCEANPORT, L.L.C.
K. HOVNANIAN AT OLD BRIDGE, L.L.C.
K. HOVNANIAN AT OLDE ORCHARD, LLC
K. HOVNANIAN AT PARAMUS, L.L.C.
K. HOVNANIAN AT PARK LANE, LLC
K. HOVNANIAN AT PARKSIDE, LLC
K. HOVNANIAN AT PARSIPPANY, L.L.C.
K. HOVNANIAN AT PARSIPPANY-TROY HILLS, L.L.C.
K. HOVNANIAN AT PIAZZA D'ORO, L.L.C.
K. HOVNANIAN AT PIAZZA SERENA, L.L.C
K. HOVNANIAN AT PITTSBORO, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL IV, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL V, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VI, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VII, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VIII, L.L.C.
K. HOVNANIAN AT POSITANO, LLC
K. HOVNANIAN AT PRADO, L.L.C.
K. HOVNANIAN AT RANCHO SANTA MARGARITA, LLC

K. HOVNANIAN AT RANDOLPH I, L.L.C.
K. HOVNANIAN AT RAPHO, L.L.C
K. HOVNANIAN AT RIDGEMONT, L.L.C.
K. HOVNANIAN AT RIVERBEND, LLC

K. HOVNANIAN AT RODERUCK, L.L.C.
K. HOVNANIAN AT ROSEMARY LANTANA, L.L.C.
K. HOVNANIAN AT SAGE, L.L.C.
K. HOVNANIAN AT SANTA NELLA, LLC
K. HOVNANIAN AT SAWMILL, INC.
K. HOVNANIAN AT SAYREVILLE, L.L.C.
K. HOVNANIAN AT SCOTCH PLAINS, L.L.C.
K. HOVNANIAN AT SEASONS LANDING, LLC
K. HOVNANIAN AT SHELDON GROVE, LLC
K. HOVNANIAN AT SHREWSBURY, LLC
K. HOVNANIAN AT SILVER SPRING, L.L.C.
K. HOVNANIAN AT SKYE ISLE, LLC
K. HOVNANIAN AT SMITHVILLE, INC.
K. HOVNANIAN AT SOMERS POINT, L.L.C.
K. HOVNANIAN AT SOUTH BRUNSWICK II, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK, L.L.C.
K. HOVNANIAN AT STANTON, LLC
K. HOVNANIAN AT STATION SQUARE, L.L.C.
K. HOVNANIAN AT SUNRIDGE PARK, LLC
K. HOVNANIAN AT SYCAMORE, INC.
K. HOVNANIAN AT THE CROSBY, LLC
K. HOVNANIAN AT THE GABLES, LLC
K. HOVNANIAN AT THE MONARCH, L.L.C.
K. HOVNANIAN AT THE PRESERVE, LLC
K. HOVNANIAN AT THOMPSON RANCH, LLC
K. HOVNANIAN AT THORNBURY, INC.
K. HOVNANIAN AT TRAIL RIDGE, LLC
K. HOVNANIAN AT UPPER FREEHOLD TOWNSHIP II, L.L.C.
K. HOVNANIAN AT UPPER FREEHOLD TOWNSHIP III, L.L.C.
K. HOVNANIAN AT UPPER MAKEFIELD I, INC.
K. HOVNANIAN AT UPPER PROVIDENCE, LLC
K. HOVNANIAN AT UPPER UWCHLAN II, L.L.C.
K. HOVNANIAN AT UPPER UWCHLAN, L.L.C.
K. HOVNANIAN AT VALLE DEL SOL, LLC
K. HOVNANIAN AT VERONA URBAN RENEWAL, L.L.C.
K. HOVNANIAN AT VICTORVILLE, L.L.C.
K. HOVNANIAN AT VINELAND, L.L.C.
K. HOVNANIAN AT VISTA DEL SOL, L.L.C.
K. HOVNANIAN AT WARREN TOWNSHIP, L.L.C.
K. HOVNANIAN AT WASHINGTON, L.L.C.
K. HOVNANIAN AT WATERSTONE, LLC
K. HOVNANIAN AT WAYNE IX, L.L.C.
K. HOVNANIAN AT WEST VIEW ESTATES, L.L.C.
K. HOVNANIAN AT WESTSHORE, LLC
K. HOVNANIAN AT WHEELER RANCH, LLC
K. HOVNANIAN AT WILDWOOD BAYSIDE, L.L.C.
K. HOVNANIAN AT WILLOW BROOK, L.L.C.
K. HOVNANIAN AT WINCHESTER, LLC
K. HOVNANIAN AT WOODCREEK WEST, LLC

K. HOVNANIAN AT WOOLWICH I, L.L.C.
K. HOVNANIAN CAMBRIDGE HOMES, L.L.C.
K. HOVNANIAN CLASSICS, L.L.C.
K. HOVNANIAN COMMUNITIES, INC.
K. HOVNANIAN COMPANIES OF CALIFORNIA, INC.
K. HOVNANIAN COMPANIES OF MARYLAND, INC.
K. HOVNANIAN COMPANIES OF PENNSYLVANIA, INC.
K. HOVNANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.
K. HOVNANIAN COMPANIES, LLC
K. HOVNANIAN CONSTRUCTION II, INC
K. HOVNANIAN CONSTRUCTION III, INC
K. HOVNANIAN CONSTRUCTION MANAGEMENT, INC.
K. HOVNANIAN CRAFTBUILT HOMES OF SOUTH CAROLINA, L.L.C.
K. HOVNANIAN DEVELOPMENTS OF ARIZONA, INC.
K. HOVNANIAN DEVELOPMENTS OF CALIFORNIA, INC.
K. HOVNANIAN DEVELOPMENTS OF D.C., INC.
K. HOVNANIAN DEVELOPMENTS OF GEORGIA, INC.
K. HOVNANIAN DEVELOPMENTS OF ILLINOIS, INC.
K. HOVNANIAN DEVELOPMENTS OF KENTUCKY, INC.
K. HOVNANIAN DEVELOPMENTS OF MARYLAND, INC.
K. HOVNANIAN DEVELOPMENTS OF MINNESOTA, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY II, INC.

K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY, INC.
K. HOVNANIAN DEVELOPMENTS OF NORTH CAROLINA, INC.
K. HOVNANIAN DEVELOPMENTS OF OHIO, INC.
K. HOVNANIAN DEVELOPMENTS OF PENNSYLVANIA, INC.
K. HOVNANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.
K. HOVNANIAN DEVELOPMENTS OF TEXAS, INC.
K. HOVNANIAN DEVELOPMENTS OF VIRGINIA, INC.
K. HOVNANIAN DEVELOPMENTS OF WEST VIRGINIA, INC.
K. HOVNANIAN EASTERN PENNSYLVANIA, L.L.C.
K. HOVNANIAN ENTERPRISES, INC.
K. HOVNANIAN FIRST HOMES, L.L.C.
K. HOVNANIAN FLORIDA REALTY, L.L.C.
K. HOVNANIAN FOUR SEASONS @ HISTORIC VIRGINIA, LLC
K. HOVNANIAN FOUR SEASONS AT GOLD HILL, LLC
K. HOVNANIAN GREAT WESTERN BUILDING COMPANY, LLC
K. HOVNANIAN GREAT WESTERN HOMES, LLC
K. HOVNANIAN HOLDINGS NJ, L.L.C.
K. HOVNANIAN HOMES - DFW, L.L.C.
K. HOVNANIAN HOMES AT CAMERON STATION, LLC
K. HOVNANIAN HOMES AT CAMP SPRINGS, L.L.C.
K. HOVNANIAN HOMES AT FAIRWOOD, L.L.C.
K. HOVNANIAN HOMES AT FOREST RUN, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM PARK TOWNS, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM, L.L.C.
K. HOVNANIAN HOMES AT JONES STATION 1, L.L.C.
K. HOVNANIAN HOMES AT MAXWELL PLACE, L.L.C.
K. HOVNANIAN HOMES AT RENAISSANCE PLAZA, L.L.C.
K. HOVNANIAN HOMES AT RUSSETT, L.L.C.
K. HOVNANIAN HOMES AT THE HIGHLANDS, LLC
K. HOVNANIAN HOMES NORTHERN CALIFORNIA, INC.
K. HOVNANIAN HOMES OF D.C., L.L.C.

K. HOVNANIAN HOMES OF GEORGIA, L.L.C.
K. HOVNANIAN HOMES OF HOUSTON, L.L.C.
K. HOVNANIAN HOMES OF MARYLAND, L.L.C.
K. HOVNANIAN HOMES OF MINNESOTA, L.L.C.
K. HOVNANIAN HOMES OF NORTH CAROLINA, INC.
K. HOVNANIAN HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN HOMES OF SOUTH CAROLINA, LLC
K. HOVNANIAN HOMES OF VIRGINIA, INC.
K. HOVNANIAN HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN LIBERTY ON BLUFF CREEK, LLC
K. HOVNANIAN NORTHEAST SERVICES, L.L.C.
K. HOVNANIAN OF HOUSTON II, L.L.C.
K. HOVNANIAN OHIO REALTY, L.L.C.
K. HOVNANIAN OSTER HOMES, L.L.C.
K. HOVNANIAN PA REAL ESTATE, INC.
K. HOVNANIAN PENNSYLVANIA ACQUISITIONS, L.L.C.
K. HOVNANIAN PORT IMPERIAL URBAN RENEWAL, INC.
K. HOVNANIAN PROPERTIES OF RED BANK, INC.
K. HOVNANIAN SOUTHERN NEW JERSEY, L.L.C.
K. HOVNANIAN STANDING ENTITY, L.L.C.
K. HOVNANIAN SUMMIT HOLDINGS, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF KENTUCKY, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES, L.L.C.
K. HOVNANIAN T&C HOMES AT FLORIDA, L.L.C.
K. HOVNANIAN T&C HOMES AT ILLINOIS, L.L.C.
K. HOVNANIAN TIMBRES AT ELM CREEK, LLC
K. HOVNANIAN VENTURE I, L.L.C.
K. HOVNANIAN WINDWARD HOMES, LLC
K. HOVNANIAN'S FOUR SEASONS AT ASHBURN VILLAGE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT BAKERSFIELD, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT BEAUMONT, LLC
K. HOVNANIAN'S FOUR SEASONS AT CHARLOTTESVILLE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT HEMET, LLC
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND CONDOMINIUMS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT LOS BANOS, LLC
K. HOVNANIAN'S FOUR SEASONS AT MORENO VALLEY, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT NEW KENT VINEYARDS, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT PALM SPRINGS, LLC
K. HOVNANIAN'S FOUR SEASONS AT RENAISSANCE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK II, LLC
K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT ST. MARGARETS LANDING, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT VINT HILL, L.L.C.
K. HOVNANIAN'S FOUR SEASONS, LLC
K. HOVNANIAN'S PARKSIDE AT TOWNGATE, L.L.C.
KHIP, L.L.C.
LANDARAMA, INC.
M&M AT CHESTERFIELD, LLC
M&M AT CRESCENT COURT, L.L.C.
M&M AT WEST ORANGE, L.L.C.

M&M AT WHEATENA URBAN RENEWAL, L.L.C.
MATZEL & MUMFORD AT EGG HARBOR, L.L.C.
MATZEL & MUMFORD AT SOUTH BOUND BROOK URBAN RENEWAL, L.L.C.
MCNJ, INC.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF PENNSYLVANIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF WEST VIRGINIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES, L.L.C.
MMP, L.L.C.
NEW LAND TITLE AGENCY, LLC
PADDOCKS, L.L.C.
PARK TITLE COMPANY, LLC
PINE AYR, LLC
RIDGEMORE UTILITY, L.L.C.
SEABROOK ACCUMULATION CORPORATION
STONEBROOK HOMES, INC.
TERRAPIN REALTY, L.L.C.
THE MATZEL & MUMFORD ORGANIZATION, INC
WASHINGTON HOMES AT COLUMBIA TOWN CENTER, L.L.C.
WESTMINSTER HOMES, INC.
WH PROPERTIES, INC.
WOODLAND LAKE CONDOMINIUMS AT BOWIE NEW TOWN, L.L.C.

[Hovnanian Enterprises, Inc. Letterhead]

October 2, 2012

Hovnanian Enterprises, Inc.
 110 West Front Street
 P.O. Box 500
 Red Bank, New Jersey 07701

K. Hovnanian Enterprises, Inc.
 110 West Front Street
 P.O. Box 500
 Red Bank, New Jersey 07701

Ladies and Gentlemen:

I am Vice President and Corporate Counsel of K. Hovnanian Enterprises, Inc., a California corporation ("K. Hovnanian") and Hovnanian Enterprises, Inc., a Delaware corporation (the "Company"). K. Hovnanian, the Company and the Guarantors (as defined below) have filed a Registration Statement on Form S-3 (File No. 333-173365) (the "Registration Statement") with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to which K. Hovnanian has issued of \$100,000,000 stated amount of 6.00% Exchangeable Note Units (the "Units"), each with a stated amount of \$1,000.00 per Unit, including 10,000 Units K. Hovnanian has issued pursuant to the over-allotment option granted to the underwriters, pursuant to the Underwriting Agreement, dated September 19, 2012 (the "Underwriting Agreement"), among K. Hovnanian, the Company and the subsidiary guarantors named in Schedule B to the Underwriting Agreement (such subsidiary guarantors, and together with the Company, the "Guarantors" and each, a "Guarantor") and the underwriters named therein. Each Unit initially consists of (i) an exchangeable senior note bearing no cash interest, (each, an "Exchangeable Note," and collectively, the "Exchangeable Notes") issued by K. Hovnanian and unconditionally

guaranteed on a senior basis by the Guarantors, which has an initial principal amount of \$768.51 per Exchangeable Note (and an initial aggregate principal amount of \$76,851,000) that will accrete to \$1,000.00 at the maturity date of December 1, 2017 and will be exchangeable, at the holder's option, into the Company's Class A common stock, par value \$0.01 per share (the "Common Stock"), and (ii) a senior amortizing note (each, an "Amortizing Note," and collectively, the "Amortizing Notes") issued by K. Hovnanian and unconditionally guaranteed on a senior basis by the Guarantors, which has an initial principal amount of \$231.49 per Amortizing Note (and an initial aggregate principal amount of \$23,149,000), bears interest at a rate of 11.00% per annum and has a final installment payment date of December 1, 2017.

I have examined the Registration Statement as it became effective under the Securities Act; K. Hovnanian's and the Company's prospectus dated April 18, 2011 (the "Base Prospectus"), as supplemented by the prospectus supplement dated September 19, 2012 (the "Final Prospectus Supplement" and, together with the Base Prospectus, the "Prospectus"), filed by K. Hovnanian and the Company pursuant to Rule 424(b) of the rules and regulations of the Commission under the Securities Act; the Units Agreement, dated as of October 2, 2012 (the "Units Agreement"), by and among K. Hovnanian, the Company, and Wilmington Trust Company, as units agent (the "Units Agent"); a copy of the global certificate representing the Units; the indenture, dated as of February 14, 2011 (the "Base Indenture"), by and among K. Hovnanian, the Company, as guarantor, and Wilmington Trust Company, as trustee (the "Trustee"); the Fourth Supplemental Indenture, dated as of October 2, 2012, by and among K. Hovnanian, the Guarantors, and the Trustee (the "Fourth Supplemental Indenture" and, together with the Base Indenture, the "Exchangeable Notes Indenture"); a copy of the registered certificate representing the Exchangeable Notes and the guarantees of the Guarantors annexed thereto (the "Exchangeable Notes Guarantees") initially annexed to the Units; the Fifth

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Supplemental Indenture, dated as of October 2, 2012, by and among K. Hovnanian, the Guarantors, and the Trustee (the "Fifth Supplemental Indenture" and, together with the Base Indenture, the "Amortizing Notes Indenture", together with the Exchangeable Notes Indenture, the "Indentures"); a copy of the registered certificate representing the Amortizing Notes and the guarantees of the Guarantors annexed thereto (the "Amortizing Notes Guarantees", and together with the Exchangeable Notes Guarantees, the "Guarantees") initially annexed to the Units; a copy of a specimen certificate representing the Common Stock; and the Underwriting Agreement. In addition, I have examined, and have relied as to matters of fact upon, the originals, or duplicates or certified or conformed copies, of such records, agreements, documents and other instruments and such certificates or comparable documents or statements of public officials and of officers and representatives of K. Hovnanian and the Guarantors and have made such other investigations as I have deemed relevant and necessary in connection with the opinions hereinafter set forth.

In rendering the opinions set forth below, I have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to me as originals, the conformity to original documents of all documents submitted to me as duplicates or certified or conformed copies and the authenticity of the originals of such latter documents.

Based upon the foregoing, and subject to the qualifications, assumptions and limitations stated herein, I am of the opinion that:

1. The Units, the Exchangeable Notes and the Amortizing Notes have been duly authorized, executed and issued by K. Hovnanian.
2. The Guarantees have been duly authorized, executed and issued by each of the Guarantors (other than the Company and the guarantors listed on Schedule I hereto).

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I am a member of the Bar of the State of New Jersey and the State of New York, and I do not express any opinion herein concerning any law other than the law of the State of New Jersey, the State of California, the federal law of the United States and the Delaware General Corporation Law.

I hereby consent to the filing of this opinion letter as Exhibit 5.4 to the Current Report on Form 8-K of the Company filed with the Commission in connection with the offer and sale of the Units and incorporated by reference in the Registration Statement and to the use of my name under the caption "Legal Matters" in the Prospectus.

Very truly yours,

/s/ Michael Discafani

Michael Discafani

Vice President and Corporate Counsel

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Schedule I

HOVNANIAN ENTERPRISES, INC.

K. HOVNANIAN AT CHESTER I, L.L.C.

K. HOVNANIAN AT LAWRENCE V, L.L.C.

K. HOVNANIAN AT MANSFIELD I, L.L.C.

K. HOVNANIAN AT MANSFIELD II, L.L.C.

K. HOVNANIAN AT NORTH BRUNSWICK VI, L.L.C.

K. HOVNANIAN AT WAYNE, VIII, L.L.C.

K. HOVNANIAN AT WEST WINDSOR, L.L.C.

K. HOVNANIAN CENTRAL ACQUISITIONS, L.L.C.

K. HOVNANIAN DEVELOPMENTS OF DELAWARE, INC.

K. HOVNANIAN HAMPTONS AT OAK CREEK II, L.L.C.

K. HOVNANIAN HOMES OF DELAWARE, 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 ACQUISITIONS, L.L.C.

WASHINGTON HOMES, INC.

K. HOVNANIAN AT MONROE II, INC.

K. HOVNANIAN AT NEW WINDSOR, L.L.C.

K. HOVNANIAN AT NORTHERN WESTCHESTER, INC.

K. HOVNANIAN COMPANIES OF NEW YORK, INC.

K. HOVNANIAN DEVELOPMENTS OF NEW YORK, INC.

FIRST LIEN PLEDGE AGREEMENT

THIS FIRST LIEN PLEDGE AGREEMENT, dated as of October 2, 2012 (as restated, amended, modified or supplemented from time to time, the "Agreement"), is given by **K. HOVNANIAN ENTERPRISES, INC.**, a California corporation (the "Issuer"), **HOVNANIAN ENTERPRISES, INC.**, a Delaware corporation ("Hovnanian"), **EACH OF THE UNDERSIGNED PARTIES LISTED ON SCHEDULE A HERETO AND EACH OF THE OTHER PERSONS AND ENTITIES THAT BECOME BOUND HEREBY FROM TIME TO TIME BY JOINDER, ASSUMPTION OR OTHERWISE** (together with the Issuer and Hovnanian, each a "Pledgor" and collectively the "Pledgors"), as a Pledgor of the equity interests in the Companies (as defined herein), as more fully set forth herein, to **WILMINGTON TRUST, NATIONAL ASSOCIATION**, in its capacity as collateral agent, for the benefit of itself, the Trustee (as defined below) and the Noteholders (as defined below) (the "Collateral Agent").

WHEREAS, the Issuer, Hovnanian, and each of the other Guarantors have entered into the Indenture dated as of October 2, 2012 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "Indenture") with Wilmington Trust, National Association, as trustee (in such capacity, the "Trustee") and as collateral agent, pursuant to which the Issuer has issued, and may from time to time issue, its 7.25% Senior Secured First Lien Notes due 2020 (collectively, the "Secured Notes") upon the terms and subject to the conditions set forth therein;

WHEREAS, the Issuer, Hovnanian and each of the other Guarantors have entered into the Indenture dated as of October 2, 2012 with Wilmington Trust, National Association, as trustee, pursuant to which the Issuer has issued, and may from time to time issue, its 9.125% Senior Secured Second Lien Notes due 2020 upon the terms and subject to the conditions set forth therein;

WHEREAS, the Issuer, Hovnanian, certain subsidiaries of Hovnanian party thereto, Wilmington Trust, National Association, as Senior Trustee and Senior Collateral Agent, Wilmington Trust, National Association, as Junior Trustee and Junior Collateral Agent and Wilmington Trust, National Association, as Mortgage Tax Collateral Agent have entered into the Intercreditor Agreement dated as of October 2, 2012 (as amended, supplemented, amended or restated or otherwise modified from time to time, the "Intercreditor Agreement");

WHEREAS, the Secured Notes constitute First-Lien Indebtedness under the Intercreditor Agreement;

WHEREAS, in connection with the Indenture, the Pledgors are required to execute and deliver this Agreement to secure their obligations with respect to the Indenture and the Secured Notes; and

WHEREAS, each Pledgor owns the outstanding capital stock, shares, securities, member interests, partnership interests and other ownership interests of the Companies.

NOW, THEREFORE, intending to be legally bound hereby, the parties hereto hereby agree as follows:

1. **Defined Terms.**

(a) Except as otherwise expressly provided herein, capitalized terms used in this Agreement shall have the respective meanings assigned to them in the Indenture. Where applicable and except as otherwise expressly provided herein, terms used herein (whether or not capitalized) that are defined in Article 8 or Article 9 of the Uniform Commercial Code as enacted in the State of New York, as amended

from time to time (the "Code"), and are not otherwise defined herein or in the Indenture shall have the same meanings herein as set forth therein.

(b) "Collateral Agency Agreement" shall have the meaning ascribed to such term in the Security Agreement.

(c) "Company" shall mean individually each Restricted Subsidiary, and "Companies" shall mean, collectively, all Restricted Subsidiaries.

(d) "Law" shall mean any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, opinion, release, ruling, order, injunction, writ, decree, bond, judgment, authorization or approval, lien or award of or settlement agreement with any Official Body.

(e) "Noteholder" shall mean "Holder" or "Holder of Notes" as defined in the Indenture.

(f) "Noteholder Collateral Document" shall mean any agreement, document or instrument pursuant to which a Lien is granted by the Issuer or any Guarantor to secure any Secured Obligations or under which rights or remedies with respect to any such Liens are governed, as the same may be amended, restated or otherwise modified from time to time.

(g) "Noteholder Document" shall mean collectively (a) the Indenture, the Secured Notes and the Noteholder Collateral Documents and (b) any other related document or instrument executed and delivered pursuant to any Noteholder Document described in clause (a) above evidencing or governing any Secured Obligations as the same may be amended, restated or otherwise modified from time to time.

(h) "Official Body": any national, federal, state, local or other governmental or political subdivision or any agency, authority, board, bureau, central bank, commission, department or instrumentality of either, or any court, tribunal, grand jury or arbitrator, in each case whether foreign or domestic.

(i) "Perfection Certificate": with respect to any Pledgor, a certificate substantially in the form of Schedule C to the Security Agreement, completed and supplemented with the schedules contemplated thereby, and signed by an officer of such Pledgor.

(j) "Pledged Collateral" shall mean and include the following with respect to each Company: (i) the capital stock, shares, securities, investment property, member interests, partnership interests, warrants, options, put rights, call rights, similar rights, and all other ownership or participation interests, in any Company and K. Hovnanian JV Holdings, L.L.C. owned or held by any Pledgor at any time including those in any Company hereafter formed or acquired, and (ii) all rights and privileges pertaining thereto, including without limitation, all present and future securities, shares, capital stock,

investment property, dividends, distributions and other ownership interests receivable in respect of or in exchange for any of the foregoing, all present and future rights to subscribe for securities, shares, capital stock, investment property or other ownership interests incident to or arising from ownership of any of the foregoing, all present and future cash, interest, stock or other dividends or distributions paid or payable on any of the foregoing, and all present and future books and records (whether paper, electronic or any other medium) pertaining to any of the foregoing, including, without limitation, all stock record and transfer books and (iii) whatever is received when any of the foregoing is sold, exchanged, replaced or otherwise disposed of, including all proceeds, as such term is defined in the Code, thereof; provided, however, that notwithstanding any of the other provisions set forth in this Agreement, this Agreement shall not constitute a grant of a security interest in, and the Pledged Collateral shall not include, (A) any property or assets constituting "Excluded Property" (as defined in the Indenture) or (B) any property to the extent that such grant of a security

interest is prohibited by any applicable Law of an Official Body, requires a consent not obtained of any Official Body pursuant to such Law or is prohibited by, or constitutes a breach or default under or results in the termination of or gives rise to any right of acceleration, modification or cancellation or requires any consent not obtained under, any contract, license, agreement, instrument or other document evidencing or giving rise to such property or any applicable shareholder or similar agreement, except to the extent that such Law or the term in such contract, license, agreement, instrument or other document or shareholder or similar agreement providing for such prohibition, breach, default or termination or requiring such consent is ineffective under applicable Law including Sections 9-406, 9-407, 9-408 or 9-409 of the New York UCC (or any successor provision or provisions). The Collateral Agent agrees that, at any Pledgor's reasonable request and expense, it will provide such Pledgor confirmation that the assets described in this paragraph are in fact excluded from the Pledged Collateral during such limited period only upon receipt of an Officers' Certificate or an Opinion of Counsel to that effect. Notwithstanding the foregoing, in the event that Rule 3-16 of Regulation S-X under the Securities Act requires (or is replaced with another rule or regulation, or any other law, rule or regulation is adopted, which would require) the filing with the SEC of separate financial statements of the Issuer, any Guarantor or K. Hovnanian JV Holdings, L.L.C., then the capital stock or other securities of the Issuer, such Guarantor or K. Hovnanian JV Holdings, L.L.C., as applicable, shall automatically be deemed released and not to be and not to have been part of the Pledged Collateral but only to the extent necessary to not be subject to such requirement. In such event, this Agreement may be amended or modified, without the consent of any Noteholder upon the Collateral Agent's receipt of a written authorization from the Issuer stating that such amendment is permitted hereunder, which the Agent shall be entitled to conclusively rely upon, to the extent necessary to evidence the release of the lien created hereby on the shares of capital stock or other securities that are so deemed to no longer constitute part of the Pledged Collateral.

(k) "Secured Obligations" shall mean and include all Indebtedness and other Obligations under the Indenture, the Secured Notes, the Guarantees and the Noteholder Collateral Documents, together with any extensions, renewals, replacements or refundings thereof, and all costs and expenses of enforcement and collection, including reasonable attorney's fees.

(l) "Secured Parties" shall mean the Collateral Agent, the Trustee and the Noteholders, in each case to which any Secured Obligations are owed.

(m) "Security Agreement" shall mean the First Lien Security Agreement dated as of the date hereof among the Issuer, Hovnanian and certain of their respective subsidiaries and the Collateral Agent, as amended, supplemented, amended and restated or otherwise modified from time to time.

2. Grant of Security Interests.

(a) To secure on a first priority perfected basis the payment and performance of all Secured Obligations, in full, each Pledgor hereby grants to the Collateral Agent a continuing first priority security interest under the Code in and hereby pledges to Collateral Agent, in each case for its benefit and the benefit of the Secured Parties, all of such Pledgor's now existing and hereafter acquired or arising right, title and interest in, to, and under the Pledged Collateral, whether now or hereafter existing and wherever located.

(b) Upon the execution and delivery of this Agreement, each Pledgor shall deliver to and deposit with the Collateral Agent (or with a Person designated by Collateral Agent to hold the Pledged Collateral on behalf of Collateral Agent) in pledge, all of such Pledgor's certificates, instruments or other documents comprising or evidencing the Pledged Collateral, together with undated stock powers or similar transfer documents signed in blank by such Pledgor. In the event that any Pledgor should ever acquire or

receive certificates, securities, instruments or other documents evidencing the Pledged Collateral, such Pledgor shall deliver to and deposit with the Collateral Agent in pledge, all such certificates, securities, instruments or other documents which evidence the Pledged Collateral.

3. Further Assurances.

Prior to or concurrently with the execution of this Agreement, and thereafter at any time and from time to time, each Pledgor (in its capacity as a Pledgor and in its capacity as a Company) shall execute and deliver to the Collateral Agent all financing statements, continuation financing statements, assignments, certificates and documents of title, affidavits, reports, notices, schedules of account, letters of authority, further pledges, powers of attorney and all other documents (collectively, the "Security Documents") as may be required under applicable law to perfect and continue perfected and to create and maintain the first priority status of the Collateral Agent's security interest in the Pledged Collateral and to fully consummate the transactions contemplated under this Agreement. Each Pledgor authorizes the Collateral Agent to record any one or more financing statements under the applicable Uniform Commercial Code with respect to the pledge and security interest herein granted. Each Pledgor hereby irrevocably makes, constitutes and appoints the Collateral Agent (and any of the Collateral Agent's officers or employees or agents designated by the Collateral Agent) as such Pledgor's true and lawful attorney with power to sign the name of such Pledgor on all or any of the Security Documents which, pursuant to applicable law, must be executed, filed, recorded or sent in order to perfect or continue perfected the Collateral Agent's security interest in the Pledged Collateral in any jurisdiction. Such power, being coupled with an interest, is irrevocable until all of the Secured Obligations have been indefeasibly paid, in cash, in full.

4. Representations and Warranties.

Each Pledgor hereby, jointly and severally, represents and warrants to the Collateral Agent as follows:

(a) The Pledged Collateral of such Pledgor does not include Margin Stock. “Margin Stock” as used in this clause (a) shall have the meaning ascribed to such term by Regulation U of the Board of Governors of the Federal Reserve System of the United States;

(b) Assuming that concurrently with the issuance of the Notes, the Indenture, dated as of October 20, 2009, among the Issuer, Hovnanian, the guarantors party thereto and Wilmington Trust Company (as supplemented, the “Existing Notes Indenture”) and each of the Security Documents (as defined in the Existing Notes Indenture) relating thereto have been satisfied and discharged by the Issuer in accordance with the terms of the Existing Notes Indenture and the Liens (as defined in the Existing Notes Indenture) on the Collateral (as defined in the Existing Notes Indenture) granted under such Security Documents have been released, Pledgor has and will continue to have (or, in the case of after-acquired Pledged Collateral, at the time such Pledgor acquires rights in such Pledged Collateral, will have and will continue to have), title to its Pledged Collateral, free and clear of all Liens other than Permitted Liens;

(c) The capital stock, shares, securities, member interests, partnership interests and other ownership interests constituting the Pledged Collateral of such Pledgor have been duly authorized and validly issued to such Pledgor, are fully paid and nonassessable and constitute one hundred percent (100%) of the issued and outstanding capital stock, member interests or partnership interests of each Company;

(d) Upon the completion of the filings and other actions specified on Schedule B attached hereto, the security interests in the Pledged Collateral granted hereunder by such Pledgor shall be valid, perfected and of first priority, subject to the Lien of no other Person (other than a Permitted Liens and

assuming that concurrently with the issuance of the Notes, the Existing Notes Indenture and each of the Security Documents (as defined in the Existing Notes Indenture) relating thereto have been satisfied and discharged by the Issuer in accordance with the terms of the Existing Notes Indenture and the Liens (as defined in the Existing Notes Indenture) on the Collateral (as defined in the Existing Notes Indenture) granted under such Security Documents have been released);

(e) There are no restrictions upon the transfer of the Pledged Collateral and such Pledgor has the power and authority and unencumbered right to transfer the Pledged Collateral owned by such Pledgor free of any Lien (other than a Permitted Liens and assuming that concurrently with the issuance of the Notes, the Existing Notes Indenture and each of the Security Documents (as defined in the Existing Notes Indenture) relating thereto have been satisfied and discharged by the Issuer in accordance with the terms of the Existing Notes Indenture and the Liens (as defined in the Existing Notes Indenture) on the Collateral (as defined in the Existing Notes Indenture) granted under such Security Documents have been released) and without obtaining the consent of any other Person;

(f) Such Pledgor has all necessary power to execute, deliver and perform this Agreement;

(g) This Agreement has been duly executed and delivered and constitutes the valid and legally binding obligation of each Pledgor, enforceable in accordance with its terms, except to the extent that enforceability of this Agreement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws affecting the enforceability of creditors’ rights generally or limiting the right of specific performance;

(h) Neither the execution or delivery by each Pledgor of this Agreement, nor the compliance with the terms and provisions hereof, will violate any provision of any Law or conflict with or result in a breach of any of the terms, conditions or provisions of any judgment, order, injunction, decree or ruling of any Official Body to which any Pledgor or any of its property is subject or any provision of any material agreement or instrument to which Pledgor is a party or by which such Pledgor or any of its property is bound;

(i) Each Pledgor’s exact legal name is as set forth on such Pledgor’s signature page hereto;

(j) The jurisdiction of incorporation, formation or organization, as applicable, of each Pledgor is as set forth on Schedule 1 to the Perfection Certificate;

(k) Such Pledgor’s chief executive office is as set forth on Schedule 2(a) to the Perfection Certificate; and

(l) All rights of such Pledgor in connection with its ownership of each of the Companies are evidenced and governed solely by the stock certificates, instruments or other documents (if any) evidencing ownership of each of the Companies and the organizational documents of each of the Companies, and no shareholder, voting, or other similar agreements are applicable to any of the Pledged Collateral or any of any Pledgor’s rights with respect thereto, and no such certificate, instrument or other document provides that any member interest, partnership interest or other intangible ownership interest in any limited liability company or partnership constituting Pledged Collateral is a “security” within the meaning of and subject to Article 8 of the Code, except pursuant to Section 5(f) hereof; and the organizational documents of each Company contain no restrictions on the rights of shareholders, members or partners other than those that normally would apply to a company organized under the laws of the jurisdiction of organization of each of the Companies.

5. General Covenants.

Each Pledgor, jointly and severally, hereby covenants and agrees as follows:

(a) Each Pledgor shall do all reasonable acts that may be necessary and appropriate to maintain, preserve and protect the Pledged Collateral; and each Pledgor shall be responsible for the risk of loss of, damage to, or destruction of the Pledged Collateral owned by such Pledgor, unless such loss is the result of the gross negligence or willful misconduct of the Collateral Agent;

(b) Each Pledgor shall appear in and defend any action or proceeding of which such Pledgor is aware which could reasonably be expected to affect, in any material respect, any Pledgor’s title to, or the Collateral Agent’s interest in, the Pledged Collateral or the proceeds thereof; provided, however, that with the prior written consent of the Collateral Agent, such Pledgor may settle such actions or proceedings with respect to the Pledged Collateral;

(c) The books and records of each of the Pledgors and Companies, as applicable, shall disclose the Collateral Agent’s security interest in the Pledged Collateral;

(d) To the extent, following the date hereof, any Pledgor acquires capital stock, shares, securities, member interests, partnership interests, investment property and other ownership interests of any of the Companies or any other Restricted Subsidiary or any of the rights, property or securities, shares, capital stock, member interests, partnership interests, investment property or any other ownership interests described in the definition of Pledged Collateral with respect to any of the Companies or any other Restricted Subsidiary, all such ownership interests shall be subject to the terms hereof and, upon such acquisition, shall be deemed to be hereby pledged to the Collateral Agent; and each Pledgor thereupon, in confirmation thereof, shall promptly deliver all such securities, shares, capital stock, member interests, partnership interests, investment property and other ownership interests (to the extent such items are certificated), to the Collateral Agent, together with undated stock powers or other similar transfer documents, and all such control agreements, financing statements, and any other documents necessary to implement the provisions and purposes of this Agreement as the Collateral Agent may request related thereto;

(e) Each Pledgor shall notify the Collateral Agent in writing within thirty (30) calendar days after any change in any Pledgor's chief executive office address, legal name, or state of incorporation, formation or organization; and

(f) During the term of this Agreement, no Pledgor shall permit or cause any Company which is a limited liability company or a limited partnership to (and no Pledgor (in its capacity as Company) shall) issue any certificates evidencing the ownership interests of such Company or elect to treat any ownership interests as securities that are subject to Article 8 of the Code unless such securities are immediately delivered to the Collateral Agent upon issuance, together with all evidence of such election and issuance and all Security Documents as set forth in Section 3 hereof.

6. Other Rights With Respect to Pledged Collateral.

In addition to the other rights with respect to the Pledged Collateral granted to the Collateral Agent hereunder, at any time and from time to time, after and during the continuation of an Event of Default, the Collateral Agent, at its option and at the expense of the Pledgors, may, subject to any Collateral Agency Agreement and any other intercreditor agreement entered into in connection with Indebtedness permitted under the Indenture, (a) transfer into its own name, or into the name of its nominee, all or any part of the Pledged Collateral, thereafter receiving all dividends, income or other

distributions upon the Pledged Collateral; (b) take control of and manage all or any of the Pledged Collateral; (c) apply to the payment of any of the Secured Obligations, whether any be due and payable or not, any moneys, including cash dividends and income from any Pledged Collateral, now or hereafter in the hands of the Collateral Agent or any Affiliate of the Collateral Agent, on deposit or otherwise, belonging to any Pledgor, as the Collateral Agent in its sole discretion shall determine; and (d) do anything which any Pledgor is required but fails to do hereunder. The Collateral Agent shall endeavor to provide the Issuer with notice at or about the time of the exercise of its rights pursuant to the preceding sentence, provided that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of any rights or remedies hereunder.

7. Additional Remedies Upon Event of Default.

Upon the occurrence of any Event of Default and while such Event of Default shall be continuing, the Collateral Agent shall have, in addition to all rights and remedies of a secured party under the Code or other applicable Law, and in addition to its rights under Section 6 above and under the other Noteholder Documents, the following rights and remedies, in each case subject to any Collateral Agency Agreement and any other intercreditor agreement entered into in connection with Indebtedness permitted under the Indenture:

(a) The Collateral Agent may, after ten (10) days' advance notice to a Pledgor, sell, assign, give an option or options to purchase or otherwise dispose of such Pledgor's Pledged Collateral or any part thereof at public or private sale, at any of the Collateral Agent's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Collateral Agent may deem commercially reasonable. Each Pledgor agrees that ten (10) days' advance notice of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Collateral Agent shall not be obligated to make any sale of Pledged Collateral regardless of notice of sale having been given. The Collateral Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Each Pledgor recognizes that the Collateral Agent may be compelled to resort to one or more private sales of the Pledged Collateral to a restricted group of purchasers who will be obliged to agree, among other things, to acquire such securities, shares, capital stock, member interests, partnership interests, investment property or ownership interests for their own account for investment and not with a view to the distribution or resale thereof.

(b) The proceeds of any collection, sale or other disposition of the Pledged Collateral, or any part thereof, shall, after the Collateral Agent has made all deductions of expenses, including but not limited to attorneys' fees (including the allocated costs of staff counsel) and other expenses incurred in connection with repossession, collection, sale or disposition of such Pledged Collateral or in connection with the enforcement of the Collateral Agent's rights with respect to the Pledged Collateral, including in any insolvency, bankruptcy or reorganization proceedings, be applied against the Secured Obligations, whether or not all the same be then due and payable, as provided in the Indenture. The Collateral Agent shall incur no liability as a result of the sale of the Pledged Collateral, or any part thereof, at any private sale pursuant to this Section 7 conducted in accordance with the requirements of applicable laws and provided such sale shall not have resulted from the gross negligence, willful misconduct or fraud of the Collateral Agent. Each Pledgor hereby waives any claims against the Collateral Agent and the other Secured Parties arising by reason of the fact that the price at which the Pledged Collateral may have been sold at such a private sale was less than the price that might have been obtained at a public sale or was less than the aggregate amount of the Secured Obligations, even if the Collateral Agent accepts the first offer received and does not offer the Pledged Collateral to more than one offeree, provided that such private sale is conducted in accordance with applicable laws and this Agreement. Each Pledgor hereby agrees that in respect of any sale of any of the Pledged Collateral pursuant to the terms hereof, the Collateral Agent is hereby

authorized to comply with any limitation or restriction in connection with such sale as it may be advised by counsel is necessary in order to avoid any violation of applicable laws, or in order to obtain any required approval of the sale or of the purchaser by any governmental authority or official, nor shall the Collateral Agent be liable or accountable to any Pledgor for any discount allowed by reason of the fact that such Pledged Collateral is sold in compliance with any such limitation or restriction.

8. Collateral Agent's Duties.

The powers conferred on the Collateral Agent hereunder are solely to protect its interest (on behalf of itself, the Trustee and the Noteholders) in the Pledged Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Pledged Collateral in its possession and the accounting for moneys actually received by it hereunder, the Collateral Agent shall have no duty as to any Pledged Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Pledged Collateral.

9. Additional Pledgors.

It is anticipated that additional persons may from time to time become Subsidiaries of the Issuer or a Guarantor, each of whom will be required to join this Agreement as a Pledgor hereunder to the extent that such new Subsidiary is required to become a Guarantor under the Indenture and owns equity interests in any other Person that is a Restricted Subsidiary. It is acknowledged and agreed that such new Subsidiaries of the Issuer or a Guarantor may become Pledgors hereunder and will be bound hereby simply by executing and delivering to the Collateral Agent a Supplemental Indenture (in the form of Exhibit B to the Indenture) and a Joinder Agreement in the form of Exhibit B to the Security Agreement. No notice of the addition of any Pledgor shall be required to be given to any pre-existing Pledgor, and each Pledgor hereby consents thereto.

10. No Waiver; Cumulative Remedies.

No failure to exercise, and no delay in exercising, on the part of the Collateral Agent, any right, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder preclude any further exercise thereof or the exercise of any other right, power or privilege. No waiver of a single Event of Default shall be deemed a waiver of a subsequent Event of Default. The remedies herein provided are cumulative and not exclusive of any remedies provided under the other Noteholder Documents or by Law, rule or regulation and the Collateral Agent may enforce any one or more remedies hereunder successively or concurrently at its option. Each Pledgor waives any right to require the Collateral Agent to proceed against any other Person or to exhaust any of the Pledged Collateral or other security for the Secured Obligations or to pursue any remedy in the Collateral Agent's power.

11. Waivers.

Each Pledgor hereby waives any and all defenses which any Pledgor may now or hereafter have based on principles of suretyship, impairment of collateral, or the like and each Pledgor hereby waives any defense to or limitation on its obligations under this Agreement arising out of or based on any event or circumstance referred to in the immediately preceding Section hereof. Without limiting the generality of the foregoing and to the fullest extent permitted by applicable law, each Pledgor hereby further waives each of the following:

(i) All notices, disclosures and demands of any nature which otherwise might be required from time to time to preserve intact any rights against such Pledgor, including the

following: any notice of any event or circumstance described in the immediately preceding Section hereof; any notice required by any law, regulation or order now or hereafter in effect in any jurisdiction; any notice of nonpayment, nonperformance, dishonor, or protest under any Noteholder Document or any of the Secured Obligations; any notice of the incurrence of any Secured Obligation; any notice of any default or any failure on the part of such Pledgor or the Issuer or any other Person to comply with any Noteholder Document or any of the Secured Obligations or any requirement pertaining to any direct or indirect security for any of the Secured Obligations; and any notice or other information pertaining to the business, operations, condition (financial or otherwise), or prospects of the Issuer or any other Person;

(ii) Any right to any marshalling of assets, to the filing of any claim against such Pledgor or the Issuer or any other Person in the event of any bankruptcy, insolvency, reorganization, or similar proceeding, or to the exercise against such Pledgor or the Issuer, or any other Person of any other right or remedy under or in connection with any Noteholder Document or any of the Secured Obligations or any direct or indirect security for any of the Secured Obligations; any requirement of promptness or diligence on the part of the Collateral Agent, the Trustee, the Noteholders or any other Person; any requirement to exhaust any remedies under or in connection with, or to mitigate the damages resulting from default under, any Noteholder Document or any of the Secured Obligations or any direct or indirect security for any of the Secured Obligations; any benefit of any statute of limitations; and any requirement of acceptance of this Agreement or any other Noteholder Document, and any requirement that any Pledgor receive notice of any such acceptance; and

(iii) Any defense or other right arising by reason of any Law now or hereafter in effect in any jurisdiction pertaining to election of remedies (including anti-deficiency laws, "one action" laws, or the like), or by reason of any election of remedies or other action or inaction by the Collateral Agent, the Trustee or the Noteholders (including commencement or completion of any judicial proceeding or nonjudicial sale or other action in respect of collateral security for any of the Secured Obligations), which results in denial or impairment of the right of the Collateral Agent, the Trustee or the Noteholders to seek a deficiency against the Issuer or any other Person or which otherwise discharges or impairs any of the Secured Obligations.

12. Assignment.

All rights of the Collateral Agent under this Agreement shall inure to the benefit of its successors and assigns. All obligations of each Pledgor shall bind its successors and assigns; provided, however, that no Pledgor may assign or transfer any of its rights and obligations hereunder or any interest herein, and any such purported assignment or transfer shall be null and void.

13. Severability.

Any provision (or portion thereof) of this Agreement which shall be held invalid or unenforceable shall be ineffective without invalidating the remaining provisions hereof (or portions thereof).

14. Governing Law.

This Agreement and the rights and obligations of the parties under this Agreement shall be governed by, and construed and interpreted in accordance with, the Law of the State of New York, except to the extent the validity or perfection of the security interests or the remedies hereunder in respect of any Pledged Collateral are governed by the law of a jurisdiction other than the State of New York.

15. Notices.

All notices, requests, demands, directions and other communications (collectively, “notices”) given to or made upon any party hereto under the provisions of this Agreement shall be given or made as set forth in Section 13.03 of the Indenture, and the Pledgors (in their capacity as Pledgors and in their capacity as Companies) shall simultaneously send to the Collateral Agent any notices such Pledgor or such Company delivers to each other regarding any of the Pledged Collateral.

16. Specific Performance.

Each Pledgor acknowledges and agrees that, in addition to the other rights of the Collateral Agent hereunder and under the other Noteholder Documents, because the Collateral Agent’s remedies at law for failure of any Pledgor to comply with the provisions hereof relating to the Collateral Agent’s rights (i) to inspect the books and records related to the Pledged Collateral, (ii) to receive the various notifications any Pledgor is required to deliver hereunder, (iii) to obtain copies of agreements and documents as provided herein with respect to the Pledged Collateral, (iv) to enforce the provisions hereof pursuant to which any Pledgor has appointed the Collateral Agent its attorney-in-fact, and (v) to enforce the Collateral Agent’s remedies hereunder, would be inadequate and that any such failure would not be adequately compensable in damages, such Pledgor agrees that each such provision hereof may be specifically enforced.

17. Voting Rights in Respect of the Pledged Collateral.

So long as no Event of Default shall occur and be continuing under the Indenture, each Pledgor may exercise any and all voting and other consensual rights pertaining to the Pledged Collateral or any part thereof for any purpose not inconsistent with the terms of this Agreement or the other Noteholder Documents; provided, however, that such Pledgor will not exercise or will refrain from exercising any such voting and other consensual right pertaining to the Pledged Collateral, as the case may be, if such action would have a material adverse effect on the value of any Pledged Collateral. At any time and from time to time, after and during the continuation of an Event of Default, no Pledgor shall be permitted to exercise any of its respective voting and other consensual rights whatsoever pertaining to the Pledged Collateral or any part thereof; provided, however, in addition to the other rights with respect to the Pledged Collateral granted to the Collateral Agent, the Trustee and the Noteholders for the benefit of itself and the Noteholders, hereunder, at any time and from time to time, after and during the continuation of an Event of Default and subject to the provisions of any Collateral Agency Agreement and any other intercreditor agreement entered into in connection with Indebtedness permitted under the Indenture, the Collateral Agent may exercise any and all voting and other consensual rights of each and every Pledgor pertaining to the Pledged Collateral or any part thereof. The Collateral Agent shall endeavor to provide the Issuer with notice at or about the time of the exercise by Collateral Agent of the voting or other consensual rights of such Pledgor pertaining to the Pledged Collateral, provided that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of Collateral Agent’s rights or remedies hereunder. Without limiting the generality of the foregoing and in addition thereto, Pledgors shall not vote to enable, or take any other action to permit, any Company to: (i) issue any other ownership interests of any nature or to issue any other securities, investment property or other ownership interests convertible into or granting the right to purchase or exchange for any other ownership interests of any nature of any such Company, except as permitted by the Indenture; or (ii) enter into any agreement or undertaking restricting the right or ability of such Pledgor or the Collateral Agent to sell, assign or transfer any of the Pledged Collateral without the Collateral Agent’s prior written consent, except as permitted by the Indenture.

18. Consent to Jurisdiction.

Each Pledgor (as a Pledgor and as a Company) hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Noteholder Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such Pledgor at its address referred to in Section 8.02 of the Security Agreement or at such other address of which the Collateral Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

19. Waiver of Jury Trial.

EXCEPT AS PROHIBITED BY LAW, EACH PLEDGOR (AS A PLEDGOR AND AS A COMPANY), EACH OF THE COMPANIES AND THE COLLATERAL AGENT, ON BEHALF OF ITSELF, THE TRUSTEE AND THE NOTEHOLDERS, HEREBY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY A JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER DOCUMENTS OR TRANSACTIONS RELATING THERETO.

20. Entire Agreement; Amendments.

(a) This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements relating to a grant of a security interest in the Pledged Collateral by any Pledgor to the Collateral Agent.

(b) Except as expressly provided in (i) Section 9.01 of the Indenture, (ii) Section 9 with respect to additional Pledgors, (iii) Section 21 with respect to the release of Pledgors and Companies, (iv) Section 11.04 of the Indenture and (v) Section 8.01 of the Security Agreement, this Agreement may not be amended or supplemented except by a writing signed by the Collateral Agent and the Pledgors.

21. Automatic Release of Related Collateral and Equity.

At any time after the initial execution and delivery of this Agreement to the Collateral Agent, the Pledgors and their respective Pledged Collateral and the Companies and K. Hovnanian JV Holdings,

L.L.C. may be released from this Agreement in accordance with and pursuant to Section 11.04 of the Indenture. No notice of such release of any Pledgor or such Pledgor's Pledged Collateral shall be required to be given to any other Pledgor and each Pledgor hereby consents thereto.

22. Counterparts; Telecopy Signatures.

This Agreement may be executed in any number of counterparts, and by different parties hereto in separate counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute one and the same instrument. Each Pledgor acknowledges and agrees that a telecopy or electronic (i.e., "e-mail" or "portable document folio" ("pdf")) transmission to the Collateral Agent of the signature pages hereof purporting to be signed on behalf of any Pledgor shall constitute effective and binding execution and delivery hereof by such Pledgor.

23. Construction.

The rules of construction contained in Section 1.02 of the Indenture apply to this Agreement.

24. Collateral Agent Privileges, Powers and Immunities.

In the performance of its obligations, powers and rights hereunder, the Agent shall be entitled to the rights, benefits, privileges, powers and immunities afforded to it as Collateral Agent under the Indenture. The Agent shall be entitled to refuse to take or refrain from taking any discretionary action or exercise any discretionary powers set forth in this Agreement unless specifically authorized under the Indenture or it has received with respect thereto written direction of the Issuer, the Noteholders or the Trustee in accordance with the Indenture (it being understood and agreed that the actions and directions set forth in Section 9.01 of the Indenture are not discretionary). Notwithstanding anything to the contrary contained herein and notwithstanding anything contained in Section 9-207 of the New York UCC, the Agent shall have no responsibility for the creation, perfection, priority, sufficiency or protection of any liens securing Secured Obligations (including, but not limited to, no obligation to prepare, record, file, re-record or re-file any financing statement, continuation statement or other instrument in any public office). The permissive rights and authorizations of the Agent hereunder shall not be construed as duties. The Agent shall be entitled to exercise its powers and duties hereunder through designees, specialists, experts or other appointees selected by it in good faith.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, and intending to be legally bound, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

WILMINGTON TRUST, NATIONAL ASSOCIATION, as Collateral Agent

By: /s/ Joseph B. Feil
Name: Joseph B. Feil
Title: Vice President

[Signature Page to First Lien Pledge Agreement]

Pledgors:

K. HOVNANIAN ENTERPRISES, INC.

By: /s/ J. Larry Sorsby
Name: J. Larry Sorsby
Title: Executive Vice President and Chief Financial Officer

HOVNANIAN ENTERPRISES, INC.

By: /s/ J. Larry Sorsby
Name: J. Larry Sorsby
Title: Executive Vice President and Chief Financial Officer

**ON BEHALF OF EACH OF THE ENTITIES LISTED
ON SCHEDULE A HERETO**

By: /s/ J. Larry Sorsby
Name: J. Larry Sorsby
Title: Executive Vice President and Chief Financial Officer

[Signature Page to First Lien Pledge Agreement]

**SCHEDULE A
TO
PLEDGE AGREEMENT**

ARBOR TRAILS, LLC
AUDDIE ENTERPRISES, L.L.C.
BUILDER SERVICES NJ, L.L.C.
BUILDER SERVICES PA, L.L.C.
DULLES COPPERMINE, L.L.C.
EASTERN NATIONAL TITLE AGENCY, LLC
EASTERN TITLE AGENCY, INC.
F&W MECHANICAL SERVICES, L.L.C.
FOUNDERS TITLE AGENCY OF MARYLAND, L.L.C.
FOUNDERS TITLE AGENCY, INC.
GLENRISE GROVE, L.L.C.
GOVERNOR'S ABSTRACT CO., INC.
HOMEBUYERS FINANCIAL SERVICES, L.L.C.
HOVNANIAN DEVELOPMENTS OF FLORIDA, INC.
HOVNANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP, L.L.C.
K. HOV IP, II, INC.
K. HOV IP, INC.
K. HOVNANIAN ACQUISITIONS, INC.
K. HOVNANIAN AT 4S, LLC
K. HOVNANIAN AT ACQUA VISTA, LLC
K. HOVNANIAN AT ALISO, LLC
K. HOVNANIAN AT ALLENTOWN, L.L.C.
K. HOVNANIAN AT ANDALUSIA, LLC
K. HOVNANIAN AT ARBOR HEIGHTS, LLC
K. HOVNANIAN AT AVENUE ONE, L.L.C.

K. HOVNIANIAN AT BAKERSFIELD 463, L.L.C.
K. HOVNIANIAN AT BARNEGAT I, L.L.C.
K. HOVNIANIAN AT BARNEGAT II, L.L.C.
K. HOVNIANIAN AT BELLA LAGO, LLC
K. HOVNIANIAN AT BENSLEM, LLC
K. HOVNIANIAN AT BERKELEY, L.L.C.
K. HOVNIANIAN AT BLUE HERON PINES, L.L.C.
K. HOVNIANIAN AT BRANCHBURG, L.L.C.
K. HOVNIANIAN AT BRIDGEPORT, INC.
K. HOVNIANIAN AT BRIDGEWATER I, L.L.C.
K. HOVNIANIAN AT BROAD AND WALNUT, L.L.C.
K. HOVNIANIAN AT CAMERON CHASE, INC.
K. HOVNIANIAN AT CAMP HILL, L.L.C.
K. HOVNIANIAN AT CAPISTRANO, L.L.C.
K. HOVNIANIAN AT CARLSBAD, LLC
K. HOVNIANIAN AT CEDAR GROVE III, L.L.C.
K. HOVNIANIAN AT CEDAR GROVE V, L.L.C.
K. HOVNIANIAN AT CHARTER WAY, LLC
K. HOVNIANIAN AT CHESTER I, L.L.C.
K. HOVNIANIAN AT CHESTERFIELD, L.L.C.
K. HOVNIANIAN AT CIELO, L.L.C.
K. HOVNIANIAN AT CLIFTON, L.L.C.
K. HOVNIANIAN AT COASTLINE, L.L.C.
K. HOVNIANIAN AT CORTEZ HILL, LLC
K. HOVNIANIAN AT CRANBURY, L.L.C.
K. HOVNIANIAN AT DENVILLE, L.L.C.
K. HOVNIANIAN AT DEPTFORD TOWNSHIP, L.L.C.
K. HOVNIANIAN AT DOMINGUEZ HILLS, INC.
K. HOVNIANIAN AT EAST BRANDYWINE, L.L.C.

K. HOVNIANIAN AT EASTLAKE, LLC
K. HOVNIANIAN AT EDGEWATER II, L.L.C.
K. HOVNIANIAN AT EDGEWATER, L.L.C.
K. HOVNIANIAN AT EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNIANIAN AT EGG HARBOR TOWNSHIP, L.L.C.
K. HOVNIANIAN AT EL DORADO RANCH II, L.L.C.
K. HOVNIANIAN AT EL DORADO RANCH, L.L.C.

K. HOVNANIAN AT ENCINITAS RANCH, LLC
K. HOVNANIAN AT EVERGREEN, L.L.C.
K. HOVNANIAN AT FIDDYMENT RANCH, LLC
K. HOVNANIAN AT FIFTH AVENUE, L.L.C.
K. HOVNANIAN AT FLORENCE I, L.L.C.
K. HOVNANIAN AT FLORENCE II, L.L.C.
K. HOVNANIAN AT FOREST MEADOWS, L.L.C.
K. HOVNANIAN AT FRANKLIN II, L.L.C.
K. HOVNANIAN AT FRANKLIN III, LLC
K. HOVNANIAN AT FRANKLIN, L.L.C.
K. HOVNANIAN AT FREEHOLD TOWNSHIP, L.L.C.
K. HOVNANIAN AT FRESNO, LLC
K. HOVNANIAN AT GASLAMP SQUARE, L.L.C.
K. HOVNANIAN AT GILROY, LLC
K. HOVNANIAN AT GREAT NOTCH, L.L.C.
K. HOVNANIAN AT GUTTENBERG, L.L.C.
K. HOVNANIAN AT HACKETTSTOWN II, L.L.C.
K. HOVNANIAN AT HAMBURG, L.L.C.
K. HOVNANIAN AT HAWTHORNE, L.L.C.
K. HOVNANIAN AT HERSHEY'S MILL, INC.
K. HOVNANIAN AT HIGHLAND SHORES, L.L.C.
K. HOVNANIAN AT HOWELL, LLC

K. HOVNANIAN AT HUDSON POINTE, L.L.C.
K. HOVNANIAN AT JACKSON I, L.L.C.
K. HOVNANIAN AT JACKSON, L.L.C.
K. HOVNANIAN AT JAEGER RANCH, LLC
K. HOVNANIAN AT JERSEY CITY IV, L.L.C.
K. HOVNANIAN AT JERSEY CITY V URBAN RENEWAL COMPANY, L.L.C.
K. HOVNANIAN AT KEYPORT, L.L.C.
K. HOVNANIAN AT LA COSTA GREENS, L.L.C.
K. HOVNANIAN AT LA COSTA, LLC
K. HOVNANIAN AT LA HABRA KNOLLS, LLC
K. HOVNANIAN AT LA LAGUNA, L.L.C.
K. HOVNANIAN AT LAKE RANCHO VIEJO, LLC
K. HOVNANIAN AT LAKE TERRAPIN, L.L.C.
K. HOVNANIAN AT LAWRENCE V, L.L.C.

K. HOVNANIAN AT LEE SQUARE, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR, L.L.C
K. HOVNANIAN AT LONG HILL, L.L.C.
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LOWER MAKEFIELD TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MORELAND I, L.L.C.
K. HOVNANIAN AT LOWER MORELAND II, L.L.C.
K. HOVNANIAN AT MAHWAH VI, INC.
K. HOVNANIAN AT MALAN PARK, L.L.C.
K. HOVNANIAN AT MANALAPAN III, L.L.C.
K. HOVNANIAN AT MANSFIELD I, L.L.C.
K. HOVNANIAN AT MANSFIELD II, L.L.C.
K. HOVNANIAN AT MANSFIELD III, L.L.C.

K. HOVNANIAN AT MANTECA, LLC
K. HOVNANIAN AT MAPLE AVENUE, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP IX, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP V, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP VIII, L.L.C.
K. HOVNANIAN AT MARLBORO VI, L.L.C.
K. HOVNANIAN AT MARLBORO VII, L.L.C.
K. HOVNANIAN AT MELANIE MEADOWS, LLC
K. HOVNANIAN AT MENDHAM TOWNSHIP, L.L.C.
K. HOVNANIAN AT MENIFEE, LLC
K. HOVNANIAN AT MIDDLE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT MIDDLE TOWNSHIP, L.L.C.
K. HOVNANIAN AT MIDDLETOWN II, L.L.C.
K. HOVNANIAN AT MILLVILLE I, L.L.C.
K. HOVNANIAN AT MILLVILLE II, L.L.C.
K. HOVNANIAN AT MONROE II, INC.
K. HOVNANIAN AT MONROE IV, L.L.C.
K. HOVNANIAN AT MONROE NJ, L.L.C.
K. HOVNANIAN AT MONTVALE II, LLC
K. HOVNANIAN AT MONTVALE, L.L.C.
K. HOVNANIAN AT MOSAIC, LLC
K. HOVNANIAN AT MUIRFIELD, LLC

K. HOVNIANIAN AT NEW WINDSOR, L.L.C.

K. HOVNIANIAN AT NORTH BERGEN. L.L.C.

K. HOVNIANIAN AT NORTH BRUNSWICK VI, L.L.C.

K. HOVNIANIAN AT NORTH CALDWELL II, L.L.C.

K. HOVNIANIAN AT NORTH CALDWELL III, L.L.C.

K. HOVNIANIAN AT NORTH CALDWELL IV, L.L.C.

K. HOVNIANIAN AT NORTH HALEDON, L.L.C.

K. HOVNIANIAN AT NORTH WILDWOOD, L.L.C.

K. HOVNIANIAN AT NORTHAMPTON, L.L.C.

K. HOVNIANIAN AT NORTHERN WESTCHESTER, INC.

K. HOVNIANIAN AT NORTHFIELD, L.L.C.

K. HOVNIANIAN AT OCEAN TOWNSHIP, INC

K. HOVNIANIAN AT OCEAN WALK, INC.

K. HOVNIANIAN AT OCEANPORT, L.L.C.

K. HOVNIANIAN AT OLD BRIDGE, L.L.C.

K. HOVNIANIAN AT OLDE ORCHARD, LLC

K. HOVNIANIAN AT PARAMUS, L.L.C.

K. HOVNIANIAN AT PARK LANE, LLC

K. HOVNIANIAN AT PARKSIDE, LLC

K. HOVNIANIAN AT PARSIPPANY, L.L.C.

K. HOVNIANIAN AT PARSIPPANY-TROY HILLS, L.L.C.

K. HOVNIANIAN AT PIAZZA D'ORO, L.L.C.

K. HOVNIANIAN AT PIAZZA SERENA, L.L.C

K. HOVNIANIAN AT PITTSBORO, L.L.C.

K. HOVNIANIAN AT PORT IMPERIAL URBAN RENEWAL IV, L.L.C.

K. HOVNIANIAN AT PORT IMPERIAL URBAN RENEWAL V, L.L.C.

K. HOVNIANIAN AT PORT IMPERIAL URBAN RENEWAL VI, L.L.C.

K. HOVNIANIAN AT PORT IMPERIAL URBAN RENEWAL VII, L.L.C.

K. HOVNIANIAN AT PORT IMPERIAL URBAN RENEWAL VIII, L.L.C.

K. HOVNIANIAN AT POSITANO, LLC

K. HOVNIANIAN AT PRADO, L.L.C.

K. HOVNIANIAN AT RANCHO SANTA MARGARITA, LLC

K. HOVNIANIAN AT RANDOLPH I, L.L.C.

K. HOVNIANIAN AT RAPHO, L.L.C

K. HOVNIANIAN AT RIDGEMONT, L.L.C.

K. HOVNIANIAN AT RIVERBEND, LLC

K. HOVNANIAN AT RODERUCK, L.L.C.

K. HOVNANIAN AT ROSEMARY LANTANA, L.L.C.

K. HOVNANIAN AT SAGE, L.L.C.

K. HOVNANIAN AT SANTA NELLA, LLC

K. HOVNANIAN AT SAWMILL, INC.

K. HOVNANIAN AT SAYREVILLE, L.L.C.

K. HOVNANIAN AT SCOTCH PLAINS, L.L.C.

K. HOVNANIAN AT SEASONS LANDING, LLC

K. HOVNANIAN AT SHELDON GROVE, LLC

K. HOVNANIAN AT SHREWSBURY, LLC

K. HOVNANIAN AT SILVER SPRING, L.L.C.

K. HOVNANIAN AT SKYE ISLE, LLC

K. HOVNANIAN AT SMITHVILLE, INC.

K. HOVNANIAN AT SOMERS POINT, L.L.C.

K. HOVNANIAN AT SOUTH BRUNSWICK II, LLC

K. HOVNANIAN AT SOUTH BRUNSWICK, L.L.C.

K. HOVNANIAN AT STANTON, LLC

K. HOVNANIAN AT STATION SQUARE, L.L.C.

K. HOVNANIAN AT SUNRIDGE PARK, LLC

K. HOVNANIAN AT SYCAMORE, INC.

K. HOVNANIAN AT THE CROSBY, LLC

K. HOVNANIAN AT THE GABLES, LLC

K. HOVNANIAN AT THE MONARCH, L.L.C.

K. HOVNANIAN AT THE PRESERVE, LLC

K. HOVNANIAN AT THOMPSON RANCH, LLC

K. HOVNANIAN AT THORNBURY, INC.

K. HOVNANIAN AT TRAIL RIDGE, LLC

K. HOVNANIAN AT UPPER FREEHOLD TOWNSHIP II, L.L.C.

K. HOVNANIAN AT UPPER FREEHOLD TOWNSHIP III, L.L.C.

K. HOVNANIAN AT UPPER MAKEFIELD I, INC.

K. HOVNANIAN AT UPPER PROVIDENCE, LLC

K. HOVNANIAN AT UPPER UWCHLAN II, L.L.C.

K. HOVNANIAN AT UPPER UWCHLAN, L.L.C.

K. HOVNANIAN AT VALLE DEL SOL, LLC

K. HOVNANIAN AT VERONA URBAN RENEWAL, L.L.C.

K. HOVNANIAN AT VICTORVILLE, L.L.C.

K. HOVNANIAN AT VINELAND, L.L.C.

K. HOVNANIAN AT VISTA DEL SOL, L.L.C.

K. HOVNANIAN AT WARREN TOWNSHIP, L.L.C.

K. HOVNANIAN AT WASHINGTON, L.L.C.

K. HOVNANIAN AT WATERSTONE, LLC

K. HOVNANIAN AT WAYNE IX, L.L.C.

K. HOVNANIAN AT WAYNE, VIII, L.L.C.

K. HOVNANIAN AT WEST VIEW ESTATES, L.L.C.

K. HOVNANIAN AT WEST WINDSOR, L.L.C.

K. HOVNANIAN AT WESTSHORE, LLC

K. HOVNANIAN AT WHEELER RANCH, LLC

K. HOVNANIAN AT WILDWOOD BAYSIDE, L.L.C.

K. HOVNANIAN AT WILLOW BROOK, L.L.C.

K. HOVNANIAN AT WINCHESTER, LLC

K. HOVNANIAN AT WOODCREEK WEST, LLC

K. HOVNANIAN AT WOOLWICH I, L.L.C.

K. HOVNANIAN CAMBRIDGE HOMES, L.L.C.

K. HOVNANIAN CENTRAL ACQUISITIONS, L.L.C.

K. HOVNANIAN CLASSICS, L.L.C.

K. HOVNANIAN COMMUNITIES, INC.

K. HOVNANIAN COMPANIES OF CALIFORNIA, INC.

K. HOVNANIAN COMPANIES OF MARYLAND, INC.

K. HOVNANIAN COMPANIES OF NEW YORK, INC.

K. HOVNANIAN COMPANIES OF PENNSYLVANIA, INC.

K. HOVNANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.

K. HOVNANIAN COMPANIES, LLC

K. HOVNANIAN CONSTRUCTION II, INC

K. HOVNANIAN CONSTRUCTION III, INC

K. HOVNANIAN CONSTRUCTION MANAGEMENT, INC.

K. HOVNANIAN CRAFTBUILT HOMES OF SOUTH CAROLINA, L.L.C.

K. HOVNANIAN DEVELOPMENTS OF ARIZONA, INC.

K. HOVNANIAN DEVELOPMENTS OF CALIFORNIA, INC.

K. HOVNANIAN DEVELOPMENTS OF D.C., INC.

K. HOVNANIAN DEVELOPMENTS OF DELAWARE, INC.

K. HOVNANIAN DEVELOPMENTS OF GEORGIA, INC.

K. HOVNANIAN DEVELOPMENTS OF ILLINOIS, INC.

K. HOVNANIAN DEVELOPMENTS OF KENTUCKY, INC.
K. HOVNANIAN DEVELOPMENTS OF MARYLAND, INC.
K. HOVNANIAN DEVELOPMENTS OF MINNESOTA, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY II, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW YORK, INC.
K. HOVNANIAN DEVELOPMENTS OF NORTH CAROLINA, INC.
K. HOVNANIAN DEVELOPMENTS OF OHIO, INC.
K. HOVNANIAN DEVELOPMENTS OF PENNSYLVANIA, INC.
K. HOVNANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.
K. HOVNANIAN DEVELOPMENTS OF TEXAS, INC.
K. HOVNANIAN DEVELOPMENTS OF VIRGINIA, INC.
K. HOVNANIAN DEVELOPMENTS OF WEST VIRGINIA, INC.
K. HOVNANIAN EASTERN PENNSYLVANIA, L.L.C.
K. HOVNANIAN ENTERPRISES, INC.

K. HOVNANIAN ESTATES AT REGENCY, L.L.C.
K. HOVNANIAN FAIRWAYS AT WESTWORTH, LLC
K. HOVNANIAN FIRST HOMES, L.L.C.
K. HOVNANIAN FLORIDA REALTY, L.L.C.
K. HOVNANIAN FOUR SEASONS @ HISTORIC VIRGINIA, LLC
K. HOVNANIAN FOUR SEASONS AT GOLD HILL, LLC
K. HOVNANIAN GREAT WESTERN BUILDING COMPANY, LLC
K. HOVNANIAN GREAT WESTERN HOMES, LLC
K. HOVNANIAN HAMPTONS AT OAK CREEK II, L.L.C.
K. HOVNANIAN HOLDINGS NJ, L.L.C.
K. HOVNANIAN HOMES - DFW, L.L.C.
K. HOVNANIAN HOMES AT CAMERON STATION, LLC
K. HOVNANIAN HOMES AT CAMP SPRINGS, L.L.C.
K. HOVNANIAN HOMES AT FAIRWOOD, L.L.C.
K. HOVNANIAN HOMES AT FOREST RUN, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM PARK TOWNS, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM, L.L.C.
K. HOVNANIAN HOMES AT JONES STATION 1, L.L.C.
K. HOVNANIAN HOMES AT MAXWELL PLACE, L.L.C.
K. HOVNANIAN HOMES AT RENAISSANCE PLAZA, L.L.C.
K. HOVNANIAN HOMES AT RUSSETT, L.L.C.

K. HOVNANIAN HOMES AT THE HIGHLANDS, LLC
K. HOVNANIAN HOMES NORTHERN CALIFORNIA, INC.
K. HOVNANIAN HOMES OF D.C., L.L.C.
K. HOVNANIAN HOMES OF DELAWARE, L.L.C.
K. HOVNANIAN HOMES OF GEORGIA, L.L.C.
K. HOVNANIAN HOMES OF HOUSTON, L.L.C.
K. HOVNANIAN HOMES OF MARYLAND, L.L.C.
K. HOVNANIAN HOMES OF MINNESOTA, L.L.C.

K. HOVNANIAN HOMES OF NORTH CAROLINA, INC.
K. HOVNANIAN HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN HOMES OF SOUTH CAROLINA, LLC
K. HOVNANIAN HOMES OF VIRGINIA, INC.
K. HOVNANIAN HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN LIBERTY ON BLUFF CREEK, LLC
K. HOVNANIAN MANALAPAN ACQUISITION, LLC
K. HOVNANIAN NORTH CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTHEAST SERVICES, L.L.C.
K. HOVNANIAN OF HOUSTON II, L.L.C.
K. HOVNANIAN OHIO REALTY, L.L.C.
K. HOVNANIAN OSTER HOMES, L.L.C.
K. HOVNANIAN PA REAL ESTATE, INC.
K. HOVNANIAN PENNSYLVANIA ACQUISITIONS, L.L.C.
K. HOVNANIAN PORT IMPERIAL URBAN RENEWAL, INC.
K. HOVNANIAN PROPERTIES OF RED BANK, INC.
K. HOVNANIAN SHORE ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTHERN NEW JERSEY, L.L.C.
K. HOVNANIAN STANDING ENTITY, L.L.C.
K. HOVNANIAN SUMMIT HOLDINGS, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF KENTUCKY, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES, L.L.C.
K. HOVNANIAN T&C HOMES AT FLORIDA, L.L.C.
K. HOVNANIAN T&C HOMES AT ILLINOIS, L.L.C.
K. HOVNANIAN TIMBRES AT ELM CREEK, LLC

K. HOVNIANIAN VENTURE I, L.L.C.

K. HOVNIANIAN WINDWARD HOMES, LLC

K. HOVNIANIAN'S FOUR SEASONS AT ASHBURN VILLAGE, L.L.C.

K. HOVNIANIAN'S FOUR SEASONS AT BAKERSFIELD, L.L.C.

K. HOVNIANIAN'S FOUR SEASONS AT BEAUMONT, LLC

K. HOVNIANIAN'S FOUR SEASONS AT CHARLOTTESVILLE, L.L.C.

K. HOVNIANIAN'S FOUR SEASONS AT HEMET, LLC

K. HOVNIANIAN'S FOUR SEASONS AT KENT ISLAND CONDOMINIUMS, L.L.C.

K. HOVNIANIAN'S FOUR SEASONS AT KENT ISLAND, L.L.C.

K. HOVNIANIAN'S FOUR SEASONS AT LOS BANOS, LLC

K. HOVNIANIAN'S FOUR SEASONS AT MORENO VALLEY, L.L.C.

K. HOVNIANIAN'S FOUR SEASONS AT NEW KENT VINEYARDS, L.L.C.

K. HOVNIANIAN'S FOUR SEASONS AT PALM SPRINGS, LLC

K. HOVNIANIAN'S FOUR SEASONS AT RENAISSANCE, L.L.C.

K. HOVNIANIAN'S FOUR SEASONS AT RUSH CREEK II, LLC

K. HOVNIANIAN'S FOUR SEASONS AT RUSH CREEK, L.L.C.

K. HOVNIANIAN'S FOUR SEASONS AT SILVER MAPLE FARM, L.L.C.

K. HOVNIANIAN'S FOUR SEASONS AT ST. MARGARETS LANDING, L.L.C.

K. HOVNIANIAN'S FOUR SEASONS AT VINT HILL, L.L.C.

K. HOVNIANIAN'S FOUR SEASONS, LLC

K. HOVNIANIAN'S PARKSIDE AT TOWNGATE, L.L.C.

KHIP, L.L.C.

LANDARAMA, INC.

M&M AT CHESTERFIELD, LLC

M&M AT CRESCENT COURT, L.L.C.

M&M AT WEST ORANGE, L.L.C.

M&M AT WHEATENA URBAN RENEWAL, L.L.C.

MATZEL & MUMFORD AT EGG HARBOR, L.L.C.

MATZEL & MUMFORD AT SOUTH BOUND BROOK URBAN RENEWAL, L.L.C.

MCNJ, INC.

MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF PENNSYLVANIA, L.L.C.

MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF WEST VIRGINIA, L.L.C.

MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES, L.L.C.

MMIP, L.L.C.

NEW LAND TITLE AGENCY OF TEXAS, LLC

NEW LAND TITLE AGENCY, L.L.C.

PADDOCKS, L.L.C.

PARK TITLE COMPANY, LLC

PINE AYR, LLC

RIDGEMORE UTILITY, L.L.C.

SEABROOK ACCUMULATION CORPORATION

STONEBROOK HOMES, INC.

TERRAPIN REALTY, L.L.C.

THE MATZEL & MUMFORD ORGANIZATION, INC

WASHINGTON HOMES AT COLUMBIA TOWN CENTER, L.L.C.

WASHINGTON HOMES, INC.

WESTMINSTER HOMES, INC.

WH PROPERTIES, INC.

WOODLAND LAKE CONDOMINIUMS AT BOWIE NEW TOWN, L.L.C.

SCHEDULE B

Actions to Perfect

1. With respect to each Pledgor organized under the laws of the state of Arizona as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the Arizona Secretary of State.
 2. With respect to each Pledgor organized under the laws of the state of California as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the California Secretary of State.
 3. With respect to each Pledgor organized under the laws of the state of Delaware as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the Delaware Secretary of State.
 4. With respect to each Pledgor organized under the laws of the District of Columbia as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the District of Columbia Recorder of Deeds.
 5. With respect to each Pledgor organized under the laws of the state of Florida as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the Florida Secured Transaction Registry.
 6. With respect to each Pledgor organized under the laws of the state of Georgia as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the Office of the Clerk of Superior Court of any County of Georgia.
 7. With respect to each Pledgor organized under the laws of the state of Illinois as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the Illinois Secretary of State.
 8. With respect to each Pledgor organized under the laws of the state of Kentucky as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the Kentucky Secretary of State.
 9. With respect to each Pledgor organized under the laws of the state of Maryland as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the Maryland State Department of Assessments and Taxation.
 10. With respect to each Pledgor organized under the laws of the state of Minnesota as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the Minnesota Secretary of State.
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11. With respect to each Pledgor organized under the laws of the state of New Jersey as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the New Jersey Division of Commercial Recording.

12. With respect to each Pledgor organized under the laws of the state of New York as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the New York Secretary of State.
 13. With respect to each Pledgor organized under the laws of the state of North Carolina as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the North Carolina Secretary of State.
 14. With respect to each Pledgor organized under the laws of the state of Ohio as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the Ohio Secretary of State.
 15. With respect to each Pledgor organized under the laws of the state of Pennsylvania as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the Pennsylvania Secretary of the Commonwealth.
 16. With respect to each Pledgor organized under the laws of the state of South Carolina as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the South Carolina Secretary of State.
 17. With respect to each Pledgor organized under the laws of the state of Texas as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the Texas Secretary of State.
 18. With respect to each Pledgor organized under the laws of the state of Virginia as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the Virginia State Corporation Commission.
 19. With respect to each Pledgor organized under the laws of the state of West Virginia as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the West Virginia Secretary of State.
 20. With respect to the Pledged Collateral constituting certificated securities, delivery of the certificates representing such Pledged Collateral to the Collateral Agent in registered form, indorsed in blank, by an effective endorsement or accompanied by undated stock powers with respect thereto duly indorsed in blank by an effective endorsement.
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SECOND LIEN PLEDGE AGREEMENT

THIS SECOND LIEN PLEDGE AGREEMENT, dated as of October 2, 2012 (as restated, amended, modified or supplemented from time to time, the "Agreement"), is given by **K. HOVNIANIAN ENTERPRISES, INC.**, a California corporation (the "Issuer"), **HOVNIANIAN ENTERPRISES, INC.**, a Delaware corporation ("Hovnianian"), **EACH OF THE UNDERSIGNED PARTIES LISTED ON SCHEDULE A HERETO AND EACH OF THE OTHER PERSONS AND ENTITIES THAT BECOME BOUND HEREBY FROM TIME TO TIME BY JOINDER, ASSUMPTION OR OTHERWISE** (together with the Issuer and Hovnianian, each a "Pledgor" and collectively the "Pledgors"), as a Pledgor of the equity interests in the Companies (as defined herein), as more fully set forth herein, to **WILMINGTON TRUST, NATIONAL ASSOCIATION**, in its capacity as collateral agent, for the benefit of itself, the Trustee (as defined below) and the Noteholders (as defined below) (the "Collateral Agent").

WHEREAS, the Issuer, Hovnianian, and each of the other Guarantors have entered into the Indenture dated as of October 2, 2012 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "Indenture") with Wilmington Trust, National Association, as trustee (in such capacity, the "Trustee") and as collateral agent, pursuant to which the Issuer has issued, and may from time to time issue, its 9.125% Senior Secured Second Lien Notes due 2020 (collectively, the "Secured Notes") upon the terms and subject to the conditions set forth therein;

WHEREAS, the Issuer, Hovnianian and each of the other Guarantors have entered into the Indenture dated as of October 2, 2012 with Wilmington Trust, National Association, as trustee, pursuant to which the Issuer has issued, and may from time to time issue, its 7.25% Senior Secured First Lien Notes due 2020 upon the terms and subject to the conditions set forth therein;

WHEREAS, the Issuer, Hovnianian, certain subsidiaries of Hovnianian party thereto, Wilmington Trust, National Association, as Senior Trustee and Senior Collateral Agent, Wilmington Trust, National Association, as Junior Trustee and Junior Collateral Agent and Wilmington Trust, National Association, as Mortgage Tax Collateral Agent have entered into the Intercreditor Agreement dated as of October 2, 2012 (as amended, supplemented, amended or restated or otherwise modified from time to time, the "Intercreditor Agreement");

WHEREAS, the Secured Notes constitute Second-Lien Indebtedness under the Intercreditor Agreement;

WHEREAS, in connection with the Indenture, the Pledgors are required to execute and deliver this Agreement to secure their obligations with respect to the Indenture and the Secured Notes; and

WHEREAS, each Pledgor owns the outstanding capital stock, shares, securities, member interests, partnership interests and other ownership interests of the Companies.

NOW, THEREFORE, intending to be legally bound hereby, the parties hereto hereby agree as follows:

1. Defined Terms.

(a) Except as otherwise expressly provided herein, capitalized terms used in this Agreement shall have the respective meanings assigned to them in the Indenture or, if not defined herein or therein, in the Intercreditor Agreement. Where applicable and except as otherwise expressly provided herein, terms used herein (whether or not capitalized) that are defined in Article 8 or Article 9 of the Uniform

Commercial Code as enacted in the State of New York, as amended from time to time (the "Code"), and are not otherwise defined herein, in the Indenture or in the Intercreditor Agreement shall have the same meanings herein as set forth therein.

(b) "Collateral Agency Agreement" shall have the meaning ascribed to such term in the Security Agreement.

(c) "Company" shall mean individually each Restricted Subsidiary, and "Companies" shall mean, collectively, all Restricted Subsidiaries.

(d) "Law" shall mean any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, opinion, release, ruling, order, injunction, writ, decree, bond, judgment, authorization or approval, lien or award of or settlement agreement with any Official Body.

(e) "Noteholder" shall mean "Holder" or "Holder of Notes" as defined in the Indenture.

(f) "Noteholder Collateral Document" shall mean any agreement, document or instrument pursuant to which a Lien is granted by the Issuer or any Guarantor to secure any Secured Obligations or under which rights or remedies with respect to any such Liens are governed, as the same may be amended, restated or otherwise modified from time to time.

(g) "Noteholder Document" shall mean collectively (a) the Indenture, the Secured Notes and the Noteholder Collateral Documents and (b) any other related document or instrument executed and delivered pursuant to any Noteholder Document described in clause (a) above evidencing or governing any Secured Obligations as the same may be amended, restated or otherwise modified from time to time.

(h) "Official Body": any national, federal, state, local or other governmental or political subdivision or any agency, authority, board, bureau, central bank, commission, department or instrumentality of either, or any court, tribunal, grand jury or arbitrator, in each case whether foreign or domestic.

(i) "Perfection Agent": shall mean (i) prior to the Discharge of Senior Claims, the First Lien Agent (as defined in the Security Agreement) (including, with respect to any Pledged Collateral delivered to or held by the Perfection Agent, in its capacity as bailee for the Trustee, the Collateral Agent and the Noteholders under Section 5.5 of the Intercreditor Agreement) and (ii) thereafter, the Collateral Agent.

(j) "Perfection Certificate": with respect to any Pledgor, a certificate substantially in the form of Schedule C to the Security Agreement, completed and supplemented with the schedules contemplated thereby, and signed by an officer of such Pledgor.

(k) “Pledged Collateral” shall mean and include the following with respect to each Company: (i) the capital stock, shares, securities, investment property, member interests, partnership interests, warrants, options, put rights, call rights, similar rights, and all other ownership or participation interests, in any Company and K. Hovnanian JV Holdings, L.L.C. owned or held by any Pledgor at any time including those in any Company hereafter formed or acquired, and (ii) all rights and privileges pertaining thereto, including without limitation, all present and future securities, shares, capital stock, investment property, dividends, distributions and other ownership interests receivable in respect of or in exchange for any of the foregoing, all present and future rights to subscribe for securities, shares, capital stock, investment property or other ownership interests incident to or arising from ownership of any of the foregoing, all present and future cash, interest, stock or other dividends or distributions paid or payable on any of the foregoing, and all present and future books and records (whether paper, electronic or any other medium) pertaining to any

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of the foregoing, including, without limitation, all stock record and transfer books and (iii) whatever is received when any of the foregoing is sold, exchanged, replaced or otherwise disposed of, including all proceeds, as such term is defined in the Code, thereof; provided, however, that notwithstanding any of the other provisions set forth in this Agreement, this Agreement shall not constitute a grant of a security interest in, and the Pledged Collateral shall not include, (A) any property or assets constituting “Excluded Property” (as defined in the Indenture) or (B) any property to the extent that such grant of a security interest is prohibited by any applicable Law of an Official Body, requires a consent not obtained of any Official Body pursuant to such Law or is prohibited by, or constitutes a breach or default under or results in the termination of or gives rise to any right of acceleration, modification or cancellation or requires any consent not obtained under, any contract, license, agreement, instrument or other document evidencing or giving rise to such property or any applicable shareholder or similar agreement, except to the extent that such Law or the term in such contract, license, agreement, instrument or other document or shareholder or similar agreement providing for such prohibition, breach, default or termination or requiring such consent is ineffective under applicable Law including Sections 9-406, 9-407, 9-408 or 9-409 of the New York UCC (or any successor provision or provisions). The Collateral Agent agrees that, at any Pledgor’s reasonable request and expense, it will provide such Pledgor confirmation that the assets described in this paragraph are in fact excluded from the Pledged Collateral during such limited period only upon receipt of an Officers’ Certificate or an Opinion of Counsel to that effect. Notwithstanding the foregoing, in the event that Rule 3-16 of Regulation S-X under the Securities Act requires (or is replaced with another rule or regulation, or any other law, rule or regulation is adopted, which would require) the filing with the SEC of separate financial statements of the Issuer, any Guarantor or K. Hovnanian JV Holdings, L.L.C., then the capital stock or other securities of the Issuer, such Guarantor or K. Hovnanian JV Holdings, L.L.C., as applicable, shall automatically be deemed released and not to be and not to have been part of the Pledged Collateral but only to the extent necessary to not be subject to such requirement. In such event, this Agreement may be amended or modified, without the consent of any Noteholder upon the Collateral Agent’s receipt of a written authorization from the Issuer stating that such amendment is permitted hereunder, which the Agent shall be entitled to conclusively rely upon, to the extent necessary to evidence the release of the lien created hereby on the shares of capital stock or other securities that are so deemed to no longer constitute part of the Pledged Collateral.

(l) “Secured Obligations” shall mean and include all Indebtedness and other Obligations under the Indenture, the Secured Notes, the Guarantees and the Noteholder Collateral Documents, together with any extensions, renewals, replacements or refundings thereof, and all costs and expenses of enforcement and collection, including reasonable attorney’s fees.

(m) “Secured Parties” shall mean the Collateral Agent, the Trustee and the Noteholders, in each case to which any Secured Obligations are owed.

(n) “Security Agreement” shall mean the Second Lien Security Agreement dated as of the date hereof among the Issuer, Hovnanian and certain of their respective subsidiaries and the Collateral Agent, as amended, supplemented, amended and restated or otherwise modified from time to time.

2. Grant of Security Interests.

(a) To secure on a second priority perfected basis the payment and performance of all Secured Obligations, in full, each Pledgor hereby grants to the Collateral Agent a continuing second priority security interest under the Code in and hereby pledges to Collateral Agent, in each case for its benefit and the benefit of the Secured Parties, all of such Pledgor’s now existing and hereafter acquired or arising right, title and interest in, to, and under the Pledged Collateral, whether now or hereafter existing and wherever located.

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(b) Upon the execution and delivery of this Agreement, each Pledgor shall deliver to and deposit with the Perfection Agent (or with a Person designated by the Perfection Agent to hold the Pledged Collateral on behalf of the Perfection Agent) in pledge, all of such Pledgor’s certificates, instruments or other documents comprising or evidencing the Pledged Collateral, together with undated stock powers or similar transfer documents signed in blank by such Pledgor. In the event that any Pledgor should ever acquire or receive certificates, securities, instruments or other documents evidencing the Pledged Collateral, such Pledgor shall deliver to and deposit with the Perfection Agent in pledge, all such certificates, securities, instruments or other documents which evidence the Pledged Collateral.

3. Further Assurances.

Prior to or concurrently with the execution of this Agreement, and thereafter at any time and from time to time, subject to the terms of the Intercreditor Agreement, each Pledgor (in its capacity as a Pledgor and in its capacity as a Company) shall execute and deliver to the Collateral Agent all financing statements, continuation financing statements, assignments, certificates and documents of title, affidavits, reports, notices, schedules of account, letters of authority, further pledges, powers of attorney and all other documents (collectively, the “Security Documents”) as may be required under applicable law to perfect and continue perfected and to create and maintain the second priority status of the Collateral Agent’s security interest in the Pledged Collateral and to fully consummate the transactions contemplated under this Agreement. Each Pledgor authorizes the Collateral Agent to record any one or more financing statements under the applicable Uniform Commercial Code with respect to the pledge and security interest herein granted. Each Pledgor hereby irrevocably makes, constitutes and appoints the Collateral Agent (and any of the Collateral Agent’s officers or employees or agents designated by the Collateral Agent) as such Pledgor’s true and lawful attorney with power to sign the name of such Pledgor on all or any of the Security Documents which, pursuant to applicable law, must be executed, filed, recorded or sent in order to perfect or continue perfected the Collateral Agent’s security interest in the

Pledged Collateral in any jurisdiction. Such power, being coupled with an interest, is irrevocable until all of the Secured Obligations have been indefeasibly paid, in cash, in full.

4. Representations and Warranties.

Each Pledgor hereby, jointly and severally, represents and warrants to the Collateral Agent as follows:

(a) The Pledged Collateral of such Pledgor does not include Margin Stock. "Margin Stock" as used in this clause (a) shall have the meaning ascribed to such term by Regulation U of the Board of Governors of the Federal Reserve System of the United States;

(b) Assuming that concurrently with the issuance of the Notes, the Indenture, dated as of October 20, 2009, among the Issuer, Hovnanian, the guarantors party thereto and Wilmington Trust Company (as supplemented, the "Existing Notes Indenture") and each of the Security Documents (as defined in the Existing Notes Indenture) relating thereto have been satisfied and discharged by the Issuer in accordance with the terms of the Existing Notes Indenture and the Liens (as defined in the Existing Notes Indenture) on the Collateral (as defined in the Existing Notes Indenture) granted under such Security Documents have been released, Pledgor has and will continue to have (or, in the case of after-acquired Pledged Collateral, at the time such Pledgor acquires rights in such Pledged Collateral, will have and will continue to have), title to its Pledged Collateral, free and clear of all Liens other than Permitted Liens;

(c) The capital stock, shares, securities, member interests, partnership interests and other ownership interests constituting the Pledged Collateral of such Pledgor have been duly authorized and

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validly issued to such Pledgor, are fully paid and nonassessable and constitute one hundred percent (100%) of the issued and outstanding capital stock, member interests or partnership interests of each Company;

(d) Upon the completion of the filings and other actions specified on Schedule B attached hereto, the security interests in the Pledged Collateral granted hereunder by such Pledgor shall be are valid, perfected and of second priority, subject to the Lien of no other Person (other than a Permitted Liens and assuming that concurrently with the issuance of the Notes, the Existing Notes Indenture and each of the Security Documents (as defined in the Existing Notes Indenture) relating thereto have been satisfied and discharged by the Issuer in accordance with the terms of the Existing Notes Indenture and the Liens (as defined in the Existing Notes Indenture) on the Collateral (as defined in the Existing Notes Indenture) granted under such Security Documents have been released);

(e) There are no restrictions upon the transfer of the Pledged Collateral and such Pledgor has the power and authority and unencumbered right to transfer the Pledged Collateral owned by such Pledgor free of any Lien (other than a Permitted Liens and assuming that concurrently with the issuance of the Notes, the Existing Notes Indenture and each of the Security Documents (as defined in the Existing Notes Indenture) relating thereto have been satisfied and discharged by the Issuer in accordance with the terms of the Existing Notes Indenture and the Liens (as defined in the Existing Notes Indenture) on the Collateral (as defined in the Existing Notes Indenture) granted under such Security Documents have been released) and without obtaining the consent of any other Person;

(f) Such Pledgor has all necessary power to execute, deliver and perform this Agreement;

(g) This Agreement has been duly executed and delivered and constitutes the valid and legally binding obligation of each Pledgor, enforceable in accordance with its terms, except to the extent that enforceability of this Agreement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws affecting the enforceability of creditors' rights generally or limiting the right of specific performance;

(h) Neither the execution or delivery by each Pledgor of this Agreement, nor the compliance with the terms and provisions hereof, will violate any provision of any Law or conflict with or result in a breach of any of the terms, conditions or provisions of any judgment, order, injunction, decree or ruling of any Official Body to which any Pledgor or any of its property is subject or any provision of any material agreement or instrument to which Pledgor is a party or by which such Pledgor or any of its property is bound;

(i) Each Pledgor's exact legal name is as set forth on such Pledgor's signature page hereto;

(j) The jurisdiction of incorporation, formation or organization, as applicable, of each Pledgor is as set forth on Schedule 1 to the Perfection Certificate;

(k) Such Pledgor's chief executive office is as set forth on Schedule 2(a) to the Perfection Certificate; and

(l) All rights of such Pledgor in connection with its ownership of each of the Companies are evidenced and governed solely by the stock certificates, instruments or other documents (if any) evidencing ownership of each of the Companies and the organizational documents of each of the Companies, and no shareholder, voting, or other similar agreements are applicable to any of the Pledged Collateral or any of any Pledgor's rights with respect thereto, and no such certificate, instrument or other document provides that any member interest, partnership interest or other intangible ownership interest in any limited liability company or partnership constituting Pledged Collateral is a "security" within the

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meaning of and subject to Article 8 of the Code, except pursuant to Section 5(f) hereof; and the organizational documents of each Company contain no restrictions on the rights of shareholders, members or partners other than those that normally would apply to a company organized under the laws of the jurisdiction of organization of each of the Companies.

5. General Covenants.

Each Pledgor, jointly and severally, hereby covenants and agrees as follows:

(a) Each Pledgor shall do all reasonable acts that may be necessary and appropriate to maintain, preserve and protect the Pledged Collateral; and each Pledgor shall be responsible for the risk of loss of, damage to, or destruction of the Pledged Collateral owned by such Pledgor, unless such loss is the result of the gross negligence or willful misconduct of the Collateral Agent;

(b) Each Pledgor shall appear in and defend any action or proceeding of which such Pledgor is aware which could reasonably be expected to affect, in any material respect, any Pledgor's title to, or the Collateral Agent's interest in, the Pledged Collateral or the proceeds thereof; provided, however, that with the prior written consent of the Collateral Agent, such Pledgor may settle such actions or proceedings with respect to the Pledged Collateral;

(c) The books and records of each of the Pledgors and Companies, as applicable, shall disclose the Collateral Agent's security interest in the Pledged Collateral;

(d) To the extent, following the date hereof, any Pledgor acquires capital stock, shares, securities, member interests, partnership interests, investment property and other ownership interests of any of the Companies or any other Restricted Subsidiary or any of the rights, property or securities, shares, capital stock, member interests, partnership interests, investment property or any other ownership interests described in the definition of Pledged Collateral with respect to any of the Companies or any other Restricted Subsidiary, all such ownership interests shall be subject to the terms hereof and, upon such acquisition, shall be deemed to be hereby pledged to the Collateral Agent; and each Pledgor thereupon, in confirmation thereof, shall promptly deliver all such securities, shares, capital stock, member interests, partnership interests, investment property and other ownership interests (to the extent such items are certificated), to the Perfection Agent, together with undated stock powers or other similar transfer documents, and all such control agreements, financing statements, and any other documents necessary to implement the provisions and purposes of this Agreement as the Perfection Agent may request related thereto;

(e) Each Pledgor shall notify the Collateral Agent in writing within thirty (30) calendar days after any change in any Pledgor's chief executive office address, legal name, or state of incorporation, formation or organization; and

(f) During the term of this Agreement, no Pledgor shall permit or cause any Company which is a limited liability company or a limited partnership to (and no Pledgor (in its capacity as Company) shall) issue any certificates evidencing the ownership interests of such Company or elect to treat any ownership interests as securities that are subject to Article 8 of the Code unless such securities are immediately delivered to the Perfection Agent upon issuance, together with all evidence of such election and issuance and all Security Documents as set forth in Section 3 hereof.

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6. Other Rights With Respect to Pledged Collateral.

In addition to the other rights with respect to the Pledged Collateral granted to the Collateral Agent hereunder, at any time and from time to time, after and during the continuation of an Event of Default, the Collateral Agent, at its option and at the expense of the Pledgors, may, subject to the Intercreditor Agreement, any Collateral Agency Agreement and any other intercreditor agreement entered into in connection with Indebtedness permitted under the Indenture, (a) transfer into its own name, or into the name of its nominee, all or any part of the Pledged Collateral, thereafter receiving all dividends, income or other distributions upon the Pledged Collateral; (b) take control of and manage all or any of the Pledged Collateral; (c) apply to the payment of any of the Secured Obligations, whether any be due and payable or not, any moneys, including cash dividends and income from any Pledged Collateral, now or hereafter in the hands of the Collateral Agent or any Affiliate of the Collateral Agent, on deposit or otherwise, belonging to any Pledgor, as the Collateral Agent in its sole discretion shall determine; and (d) do anything which any Pledgor is required but fails to do hereunder. The Collateral Agent shall endeavor to provide the Issuer with notice at or about the time of the exercise of its rights pursuant to the preceding sentence, provided that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of any rights or remedies hereunder.

7. Additional Remedies Upon Event of Default.

Upon the occurrence of any Event of Default and while such Event of Default shall be continuing, the Collateral Agent shall have, in addition to all rights and remedies of a secured party under the Code or other applicable Law, and in addition to its rights under Section 6 above and under the other Noteholder Documents, the following rights and remedies, in each case subject to the Intercreditor Agreement, any Collateral Agency Agreement and any other intercreditor agreement entered into in connection with Indebtedness permitted under the Indenture:

(a) The Collateral Agent may, after ten (10) days' advance notice to a Pledgor, sell, assign, give an option or options to purchase or otherwise dispose of such Pledgor's Pledged Collateral or any part thereof at public or private sale, at any of the Collateral Agent's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Collateral Agent may deem commercially reasonable. Each Pledgor agrees that ten (10) days' advance notice of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Collateral Agent shall not be obligated to make any sale of Pledged Collateral regardless of notice of sale having been given. The Collateral Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Each Pledgor recognizes that the Collateral Agent may be compelled to resort to one or more private sales of the Pledged Collateral to a restricted group of purchasers who will be obliged to agree, among other things, to acquire such securities, shares, capital stock, member interests, partnership interests, investment property or ownership interests for their own account for investment and not with a view to the distribution or resale thereof.

(b) The proceeds of any collection, sale or other disposition of the Pledged Collateral, or any part thereof, shall, after the Collateral Agent has made all deductions of expenses, including but not limited to attorneys' fees (including the allocated costs of staff counsel) and other expenses incurred in connection with repossession, collection, sale or disposition of such Pledged Collateral or in connection with the enforcement of the Collateral Agent's rights with respect to the Pledged Collateral, including in any insolvency, bankruptcy or reorganization proceedings, be applied against the Secured Obligations, whether or not all the same be then due and payable, as provided in the Indenture. The Collateral Agent shall incur no liability as a result of the sale of the Pledged Collateral, or any part thereof, at any private sale pursuant to this Section 7 conducted in accordance with the requirements of applicable laws and provided such sale

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shall not have resulted from the gross negligence, willful misconduct or fraud of the Collateral Agent. Each Pledgor hereby waives any claims against the Collateral Agent and the other Secured Parties arising by reason of the fact that the price at which the Pledged Collateral may have been sold at such a private sale was less than the price that might have been obtained at a public sale or was less than the aggregate amount of the Secured Obligations, even if the Collateral Agent accepts the first offer received and does not offer the Pledged Collateral to more than one offeree, provided that such private sale is conducted in accordance with applicable laws and this Agreement. Each Pledgor hereby agrees that in respect of any sale of any of the Pledged Collateral pursuant to the terms hereof, the Collateral Agent is hereby authorized to comply with any limitation or restriction in connection with such sale as it may be advised by counsel is necessary in order to avoid any violation of applicable laws, or in order to obtain any required approval of the sale or of the purchaser by any governmental authority or official, nor shall the Collateral Agent be liable or accountable to any Pledgor for any discount allowed by reason of the fact that such Pledged Collateral is sold in compliance with any such limitation or restriction.

8. Collateral Agent's Duties.

The powers conferred on the Collateral Agent hereunder are solely to protect its interest (on behalf of itself, the Trustee and the Noteholders) in the Pledged Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Pledged Collateral in its possession and the accounting for moneys actually received by it hereunder, the Collateral Agent shall have no duty as to any Pledged Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Pledged Collateral.

9. Additional Pledgors.

It is anticipated that additional persons may from time to time become Subsidiaries of the Issuer or a Guarantor, each of whom will be required to join this Agreement as a Pledgor hereunder to the extent that such new Subsidiary is required to become a Guarantor under the Indenture and owns equity interests in any other Person that is a Restricted Subsidiary. It is acknowledged and agreed that such new Subsidiaries of the Issuer or a Guarantor may become Pledgors hereunder and will be bound hereby simply by executing and delivering to the Collateral Agent a Supplemental Indenture (in the form of Exhibit B to the Indenture) and a Joinder Agreement in the form of Exhibit B to the Security Agreement. No notice of the addition of any Pledgor shall be required to be given to any pre-existing Pledgor, and each Pledgor hereby consents thereto.

10. No Waiver; Cumulative Remedies.

No failure to exercise, and no delay in exercising, on the part of the Collateral Agent, any right, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder preclude any further exercise thereof or the exercise of any other right, power or privilege. No waiver of a single Event of Default shall be deemed a waiver of a subsequent Event of Default. The remedies herein provided are cumulative and not exclusive of any remedies provided under the other Noteholder Documents or by Law, rule or regulation and the Collateral Agent may enforce any one or more remedies hereunder successively or concurrently at its option. Each Pledgor waives any right to require the Collateral Agent to proceed against any other Person or to exhaust any of the Pledged Collateral or other security for the Secured Obligations or to pursue any remedy in the Collateral Agent's power.

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11. Waivers.

Each Pledgor hereby waives any and all defenses which any Pledgor may now or hereafter have based on principles of suretyship, impairment of collateral, or the like and each Pledgor hereby waives any defense to or limitation on its obligations under this Agreement arising out of or based on any event or circumstance referred to in the immediately preceding Section hereof. Without limiting the generality of the foregoing and to the fullest extent permitted by applicable law, each Pledgor hereby further waives each of the following:

(i) All notices, disclosures and demands of any nature which otherwise might be required from time to time to preserve intact any rights against such Pledgor, including the following: any notice of any event or circumstance described in the immediately preceding Section hereof; any notice required by any law, regulation or order now or hereafter in effect in any jurisdiction; any notice of nonpayment, nonperformance, dishonor, or protest under any Noteholder Document or any of the Secured Obligations; any notice of the incurrence of any Secured Obligation; any notice of any default or any failure on the part of such Pledgor or the Issuer or any other Person to comply with any Noteholder Document or any of the Secured Obligations or any requirement pertaining to any direct or indirect security for any of the Secured Obligations; and any notice or other information pertaining to the business, operations, condition (financial or otherwise), or prospects of the Issuer or any other Person;

(ii) Any right to any marshalling of assets, to the filing of any claim against such Pledgor or the Issuer or any other Person in the event of any bankruptcy, insolvency, reorganization, or similar proceeding, or to the exercise against such Pledgor or the Issuer, or any other Person of any other right or remedy under or in connection with any Noteholder Document or any of the Secured Obligations or any direct or indirect security for any of the Secured Obligations; any requirement of promptness or diligence on the part of the Collateral Agent, the Trustee, the Noteholders or any other Person; any requirement to exhaust any remedies under or in connection with, or to mitigate the damages resulting from default under, any Noteholder Document or any of the Secured Obligations or any direct or indirect security for any of the Secured Obligations; any benefit of any statute of limitations; and any requirement of acceptance of this Agreement or any other Noteholder Document, and any requirement that any Pledgor receive notice of any such acceptance; and

(iii) Any defense or other right arising by reason of any Law now or hereafter in effect in any jurisdiction pertaining to election of remedies (including anti-deficiency laws, "one action" laws, or the like), or by reason of any election of remedies or other action or inaction by the Collateral Agent, the Trustee or the Noteholders (including commencement or completion of any judicial proceeding or nonjudicial sale or other action in respect of collateral security for any of the Secured Obligations), which results in denial or impairment of the right of the Collateral Agent, the Trustee or the Noteholders to seek a deficiency against the Issuer or any other Person or which otherwise discharges or impairs any of the Secured Obligations.

12. Assignment.

All rights of the Collateral Agent under this Agreement shall inure to the benefit of its successors and assigns. All obligations of each Pledgor shall bind its successors and assigns; provided, however, that no Pledgor may assign or transfer any of its rights and obligations hereunder or any interest herein,

13. Severability.

Any provision (or portion thereof) of this Agreement which shall be held invalid or unenforceable shall be ineffective without invalidating the remaining provisions hereof (or portions thereof).

14. Governing Law.

This Agreement and the rights and obligations of the parties under this Agreement shall be governed by, and construed and interpreted in accordance with, the Law of the State of New York, except to the extent the validity or perfection of the security interests or the remedies hereunder in respect of any Pledged Collateral are governed by the law of a jurisdiction other than the State of New York.

15. Notices.

All notices, requests, demands, directions and other communications (collectively, "notices") given to or made upon any party hereto under the provisions of this Agreement shall be given or made as set forth in Section 13.03 of the Indenture, and the Pledgors (in their capacity as Pledgors and in their capacity as Companies) shall simultaneously send to the Collateral Agent any notices such Pledgor or such Company delivers to each other regarding any of the Pledged Collateral.

16. Specific Performance.

Each Pledgor acknowledges and agrees that, in addition to the other rights of the Collateral Agent hereunder and under the other Noteholder Documents, because the Collateral Agent's remedies at law for failure of any Pledgor to comply with the provisions hereof relating to the Collateral Agent's rights (i) to inspect the books and records related to the Pledged Collateral, (ii) to receive the various notifications any Pledgor is required to deliver hereunder, (iii) to obtain copies of agreements and documents as provided herein with respect to the Pledged Collateral, (iv) to enforce the provisions hereof pursuant to which any Pledgor has appointed the Collateral Agent its attorney-in-fact, and (v) to enforce the Collateral Agent's remedies hereunder, would be inadequate and that any such failure would not be adequately compensable in damages, such Pledgor agrees that each such provision hereof may be specifically enforced, subject to the Intercreditor Agreement.

17. Voting Rights in Respect of the Pledged Collateral.

So long as no Event of Default shall occur and be continuing under the Indenture, each Pledgor may exercise any and all voting and other consensual rights pertaining to the Pledged Collateral or any part thereof for any purpose not inconsistent with the terms of this Agreement or the other Noteholder Documents; provided, however, that such Pledgor will not exercise or will refrain from exercising any such voting and other consensual right pertaining to the Pledged Collateral, as the case may be, if such action would have a material adverse effect on the value of any Pledged Collateral. At any time and from time to time, after and during the continuation of an Event of Default, no Pledgor shall be permitted to exercise any of its respective voting and other consensual rights whatsoever pertaining to the Pledged Collateral or any part thereof; provided, however, in addition to the other rights with respect to the Pledged Collateral granted to the Collateral Agent, the Trustee and the Noteholders for the benefit of itself and the Noteholders, hereunder, at any time and from time to time, after and during the continuation of an Event of Default and subject to the provisions of the Intercreditor Agreement, any Collateral Agency Agreement and any other intercreditor agreement entered into in connection with Indebtedness permitted under the Indenture, the Collateral Agent may exercise any and all voting and other consensual rights of each and every Pledgor pertaining to the Pledged Collateral or any part thereof. The Collateral Agent shall endeavor to provide the Issuer with notice at or about the time of the exercise

by Collateral Agent of the voting or other consensual rights of such Pledgor pertaining to the Pledged Collateral, provided that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of Collateral Agent's rights or remedies hereunder. Without limiting the generality of the foregoing and in addition thereto, Pledgors shall not vote to enable, or take any other action to permit, any Company to: (i) issue any other ownership interests of any nature or to issue any other securities, investment property or other ownership interests convertible into or granting the right to purchase or exchange for any other ownership interests of any nature of any such Company, except as permitted by the Indenture; or (ii) enter into any agreement or undertaking restricting the right or ability of such Pledgor or the Collateral Agent to sell, assign or transfer any of the Pledged Collateral without the Collateral Agent's prior written consent, except as permitted by the Indenture.

18. Consent to Jurisdiction.

Each Pledgor (as a Pledgor and as a Company) hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Noteholder Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such Pledgor at its address referred to in Section 8.02 of the Security Agreement or at such other address of which the Collateral Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

19. Waiver of Jury Trial.

EXCEPT AS PROHIBITED BY LAW, EACH PLEDGOR (AS A PLEDGOR AND AS A COMPANY), EACH OF THE COMPANIES AND THE COLLATERAL AGENT, ON BEHALF OF ITSELF, THE TRUSTEE AND THE NOTEHOLDERS, HEREBY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY A JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER DOCUMENTS OR TRANSACTIONS RELATING THERETO.

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20. Entire Agreement; Amendments.

(a) This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements relating to a grant of a security interest in the Pledged Collateral by any Pledgor to the Collateral Agent.

(b) Except as expressly provided in (i) Section 9.01 of the Indenture, (ii) Section 9 with respect to additional Pledgors, (iii) Section 21 with respect to the release of Pledgors and Companies, (iv) Section 11.04 of the Indenture and (v) Section 8.01 of the Security Agreement, this Agreement may not be amended or supplemented except by a writing signed by the Collateral Agent and the Pledgors.

21. Automatic Release of Related Collateral and Equity.

At any time after the initial execution and delivery of this Agreement to the Collateral Agent, the Pledgors and their respective Pledged Collateral and the Companies and K. Hovnanian JV Holdings, L.L.C. may be released from this Agreement in accordance with and pursuant to Section 11.04 of the Indenture, or at the times and to the extent required by the Intercreditor Agreement. No notice of such release of any Pledgor or such Pledgor's Pledged Collateral shall be required to be given to any other Pledgor and each Pledgor hereby consents thereto.

22. Counterparts; Telecopy Signatures.

This Agreement may be executed in any number of counterparts, and by different parties hereto in separate counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute one and the same instrument. Each Pledgor acknowledges and agrees that a telecopy or electronic (i.e., "e-mail" or "portable document folio" ("pdf")) transmission to the Collateral Agent of the signature pages hereof purporting to be signed on behalf of any Pledgor shall constitute effective and binding execution and delivery hereof by such Pledgor.

23. Construction.

The rules of construction contained in Section 1.02 of the Indenture apply to this Agreement.

24. Intercreditor Agreement.

Notwithstanding anything herein to the contrary, the lien and security interest granted to the Collateral Agent pursuant to this Agreement and the exercise of any right or remedy by the Collateral Agent hereunder are subject to the provisions of the Intercreditor Agreement. In the event of any conflict between the terms of the Intercreditor Agreement and this Agreement, the terms of the Intercreditor Agreement shall govern.

25. Collateral Agent Privileges, Powers and Immunities.

In the performance of its obligations, powers and rights hereunder, the Agent shall be entitled to the rights, benefits, privileges, powers and immunities afforded to it as Collateral Agent under the Indenture. The Agent shall be entitled to refuse to take or refrain from taking any discretionary action or exercise any discretionary powers set forth in this Agreement unless specifically authorized under the Indenture or it has received with respect thereto written direction of the Issuer, the Noteholders or the Trustee in accordance with the Indenture (it being understood and agreed that the actions and directions set forth in Section 9.01 of the Indenture are not discretionary). Notwithstanding anything to the contrary contained herein and notwithstanding anything contained in Section 9-207 of the New York UCC, the

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Agent shall have no responsibility for the creation, perfection, priority, sufficiency or protection of any liens securing Secured Obligations (including, but not limited to, no obligation to prepare, record, file, re-record or re-file any financing statement, continuation statement or other instrument in any public office). The permissive rights and authorizations of the Agent hereunder shall not be construed as duties. The Agent shall be entitled to exercise its powers and duties hereunder through designees, specialists, experts or other appointees selected by it in good faith.

[SIGNATURE PAGES FOLLOW]

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IN WITNESS WHEREOF, and intending to be legally bound, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

WILMINGTON TRUST, NATIONAL ASSOCIATION, as Collateral Agent

By: /s/ Joseph B. Feil
Name: Joseph B. Feil
Title: Vice President

[Signature Page to Second Lien Pledge Agreement]

Pledgors:

K. HOVNIANIAN ENTERPRISES, INC.

By: /s/ J. Larry Sorsby
Name: J. Larry Sorsby
Title: Executive Vice President and Chief Financial Officer

HOVNIANIAN ENTERPRISES, INC.

By: /s/ J. Larry Sorsby
Name: J. Larry Sorsby
Title: Executive Vice President and Chief Financial Officer

ON BEHALF OF EACH OF THE ENTITIES LISTED ON SCHEDULE A HERETO

By: /s/ J. Larry Sorsby
Name: J. Larry Sorsby
Title: Executive Vice President and Chief Financial Officer

[Signature Page to Second Lien Pledge Agreement]

SCHEDULE A

**TO
PLEDGE AGREEMENT**

ARBOR TRAILS, LLC
AUDDIE ENTERPRISES, L.L.C.
BUILDER SERVICES NJ, L.L.C.
BUILDER SERVICES PA, L.L.C.
DULLES COPPERMINE, L.L.C.
EASTERN NATIONAL TITLE AGENCY, LLC
EASTERN TITLE AGENCY, INC.
F&W MECHANICAL SERVICES, L.L.C.
FOUNDERS TITLE AGENCY OF MARYLAND, L.L.C.
FOUNDERS TITLE AGENCY, INC.
GLENRISE GROVE, L.L.C.
GOVERNOR'S ABSTRACT CO., INC.

HOMEBUYERS FINANCIAL SERVICES, L.L.C.

HOVNANIAN DEVELOPMENTS OF FLORIDA, INC.

HOVNANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.

HOVNANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.

HOVNANIAN LAND INVESTMENT GROUP, L.L.C.

K. HOV IP, II, INC.

K. HOV IP, INC.

K. HOVNANIAN ACQUISITIONS, INC.

K. HOVNANIAN AT 4S, LLC

K. HOVNANIAN AT ACQUA VISTA, LLC

K. HOVNANIAN AT ALISO, LLC

K. HOVNANIAN AT ALLENTOWN, L.L.C.

K. HOVNANIAN AT ANDALUSIA, LLC

K. HOVNANIAN AT ARBOR HEIGHTS, LLC

K. HOVNANIAN AT AVENUE ONE, L.L.C.

K. HOVNANIAN AT BAKERSFIELD 463, L.L.C.

K. HOVNANIAN AT BARNEGAT I, L.L.C.

K. HOVNANIAN AT BARNEGAT II, L.L.C.

K. HOVNANIAN AT BELLA LAGO, LLC

K. HOVNANIAN AT BENSLEM, LLC

K. HOVNANIAN AT BERKELEY, L.L.C.

K. HOVNANIAN AT BLUE HERON PINES, L.L.C.

K. HOVNANIAN AT BRANCHBURG, L.L.C.

K. HOVNANIAN AT BRIDGEPORT, INC.

K. HOVNANIAN AT BRIDGEWATER I, L.L.C.

K. HOVNANIAN AT BROAD AND WALNUT, L.L.C.

K. HOVNANIAN AT CAMERON CHASE, INC.

K. HOVNANIAN AT CAMP HILL, L.L.C.

K. HOVNANIAN AT CAPISTRANO, L.L.C.

K. HOVNANIAN AT CARLSBAD, LLC

K. HOVNANIAN AT CEDAR GROVE III, L.L.C.

K. HOVNANIAN AT CEDAR GROVE V, L.L.C.

K. HOVNANIAN AT CHARTER WAY, LLC

K. HOVNANIAN AT CHESTER I, L.L.C.

K. HOVNANIAN AT CHESTERFIELD, L.L.C.

K. HOVNANIAN AT CIELO, L.L.C.

K. HOVNANIAN AT CLIFTON, L.L.C.

K. HOVNANIAN AT COASTLINE, L.L.C.
K. HOVNANIAN AT CORTEZ HILL, LLC
K. HOVNANIAN AT CRANBURY, L.L.C.
K. HOVNANIAN AT DENVILLE, L.L.C.
K. HOVNANIAN AT DEPTFORD TOWNSHIP, L.L.C.
K. HOVNANIAN AT DOMINGUEZ HILLS, INC.
K. HOVNANIAN AT EAST BRANDYWINE, L.L.C.

K. HOVNANIAN AT EASTLAKE, LLC
K. HOVNANIAN AT EDGEWATER II, L.L.C.
K. HOVNANIAN AT EDGEWATER, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH II, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH, L.L.C.
K. HOVNANIAN AT ENCINITAS RANCH, LLC
K. HOVNANIAN AT EVERGREEN, L.L.C.
K. HOVNANIAN AT FIDDYMENT RANCH, LLC
K. HOVNANIAN AT FIFTH AVENUE, L.L.C.
K. HOVNANIAN AT FLORENCE I, L.L.C.
K. HOVNANIAN AT FLORENCE II, L.L.C.
K. HOVNANIAN AT FOREST MEADOWS, L.L.C.
K. HOVNANIAN AT FRANKLIN II, L.L.C.
K. HOVNANIAN AT FRANKLIN III, LLC
K. HOVNANIAN AT FRANKLIN, L.L.C.
K. HOVNANIAN AT FREEHOLD TOWNSHIP, L.L.C.
K. HOVNANIAN AT FRESNO, LLC
K. HOVNANIAN AT GASLAMP SQUARE, L.L.C.
K. HOVNANIAN AT GILROY, LLC
K. HOVNANIAN AT GREAT NOTCH, L.L.C.
K. HOVNANIAN AT GUTTENBERG, L.L.C.
K. HOVNANIAN AT HACKETTSTOWN II, L.L.C.
K. HOVNANIAN AT HAMBURG, L.L.C.
K. HOVNANIAN AT HAWTHORNE, L.L.C.
K. HOVNANIAN AT HERSHEY'S MILL, INC.
K. HOVNANIAN AT HIGHLAND SHORES, L.L.C.
K. HOVNANIAN AT HOWELL, LLC

K. HOVNANIAN AT HUDSON POINTE, L.L.C.
K. HOVNANIAN AT JACKSON I, L.L.C.
K. HOVNANIAN AT JACKSON, L.L.C.
K. HOVNANIAN AT JAEGER RANCH, LLC
K. HOVNANIAN AT JERSEY CITY IV, L.L.C.
K. HOVNANIAN AT JERSEY CITY V URBAN RENEWAL COMPANY, L.L.C.
K. HOVNANIAN AT KEYPORT, L.L.C.
K. HOVNANIAN AT LA COSTA GREENS, L.L.C.
K. HOVNANIAN AT LA COSTA, LLC
K. HOVNANIAN AT LA HABRA KNOLLS, LLC
K. HOVNANIAN AT LA LAGUNA, L.L.C.
K. HOVNANIAN AT LAKE RANCHO VIEJO, LLC
K. HOVNANIAN AT LAKE TERRAPIN, L.L.C.
K. HOVNANIAN AT LAWRENCE V, L.L.C.
K. HOVNANIAN AT LEE SQUARE, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR, L.L.C
K. HOVNANIAN AT LONG HILL, L.L.C.
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LOWER MAKEFIELD TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MORELAND I, L.L.C.
K. HOVNANIAN AT LOWER MORELAND II, L.L.C.
K. HOVNANIAN AT MAHWAH VI, INC.
K. HOVNANIAN AT MALAN PARK, L.L.C.
K. HOVNANIAN AT MANALAPAN III, L.L.C.
K. HOVNANIAN AT MANSFIELD I, L.L.C.
K. HOVNANIAN AT MANSFIELD II, L.L.C.
K. HOVNANIAN AT MANSFIELD III, L.L.C.

K. HOVNANIAN AT MANTECA, LLC
K. HOVNANIAN AT MAPLE AVENUE, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP IX, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP V, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP VIII, L.L.C.
K. HOVNANIAN AT MARLBORO VI, L.L.C.

K. HOVNANIAN AT MARLBORO VII, L.L.C.
K. HOVNANIAN AT MELANIE MEADOWS, LLC
K. HOVNANIAN AT MENDHAM TOWNSHIP, L.L.C.
K. HOVNANIAN AT MENIFEE, LLC
K. HOVNANIAN AT MIDDLE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT MIDDLE TOWNSHIP, L.L.C.
K. HOVNANIAN AT MIDDLETOWN II, L.L.C.
K. HOVNANIAN AT MILLVILLE I, L.L.C.
K. HOVNANIAN AT MILLVILLE II, L.L.C.
K. HOVNANIAN AT MONROE II, INC.
K. HOVNANIAN AT MONROE IV, L.L.C.
K. HOVNANIAN AT MONROE NJ, L.L.C.
K. HOVNANIAN AT MONTVALE II, LLC
K. HOVNANIAN AT MONTVALE, L.L.C.
K. HOVNANIAN AT MOSAIC, LLC
K. HOVNANIAN AT MUIRFIELD, LLC
K. HOVNANIAN AT NEW WINDSOR, L.L.C.
K. HOVNANIAN AT NORTH BERGEN. L.L.C.
K. HOVNANIAN AT NORTH BRUNSWICK VI, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL II, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL III, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL IV, L.L.C.
K. HOVNANIAN AT NORTH HALEDON, L.L.C.

K. HOVNANIAN AT NORTH WILDWOOD, L.L.C.
K. HOVNANIAN AT NORTHAMPTON, L.L.C.
K. HOVNANIAN AT NORTHERN WESTCHESTER, INC.
K. HOVNANIAN AT NORTHFIELD, L.L.C.
K. HOVNANIAN AT OCEAN TOWNSHIP, INC
K. HOVNANIAN AT OCEAN WALK, INC.
K. HOVNANIAN AT OCEANPORT, L.L.C.
K. HOVNANIAN AT OLD BRIDGE, L.L.C.
K. HOVNANIAN AT OLDE ORCHARD, LLC
K. HOVNANIAN AT PARAMUS, L.L.C.
K. HOVNANIAN AT PARK LANE, LLC
K. HOVNANIAN AT PARKSIDE, LLC
K. HOVNANIAN AT PARSIPPANY, L.L.C.
K. HOVNANIAN AT PARSIPPANY-TROY HILLS, L.L.C.

K. HOVNANIAN AT PIAZZA D'ORO, L.L.C.
K. HOVNANIAN AT PIAZZA SERENA, L.L.C
K. HOVNANIAN AT PITTSBORO, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL IV, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL V, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VI, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VII, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VIII, L.L.C.
K. HOVNANIAN AT POSITANO, LLC
K. HOVNANIAN AT PRADO, L.L.C.
K. HOVNANIAN AT RANCHO SANTA MARGARITA, LLC
K. HOVNANIAN AT RANDOLPH I, L.L.C.
K. HOVNANIAN AT RAPHO, L.L.C
K. HOVNANIAN AT RIDGEMONT, L.L.C.
K. HOVNANIAN AT RIVERBEND, LLC

K. HOVNANIAN AT RODERUCK, L.L.C.
K. HOVNANIAN AT ROSEMARY LANTANA, L.L.C.
K. HOVNANIAN AT SAGE, L.L.C.
K. HOVNANIAN AT SANTA NELLA, LLC
K. HOVNANIAN AT SAWMILL, INC.
K. HOVNANIAN AT SAYREVILLE, L.L.C.
K. HOVNANIAN AT SCOTCH PLAINS, L.L.C.
K. HOVNANIAN AT SEASONS LANDING, LLC
K. HOVNANIAN AT SHELDON GROVE, LLC
K. HOVNANIAN AT SHREWSBURY, LLC
K. HOVNANIAN AT SILVER SPRING, L.L.C.
K. HOVNANIAN AT SKYE ISLE, LLC
K. HOVNANIAN AT SMITHVILLE, INC.
K. HOVNANIAN AT SOMERS POINT, L.L.C.
K. HOVNANIAN AT SOUTH BRUNSWICK II, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK, L.L.C.
K. HOVNANIAN AT STANTON, LLC
K. HOVNANIAN AT STATION SQUARE, L.L.C.
K. HOVNANIAN AT SUNRIDGE PARK, LLC
K. HOVNANIAN AT SYCAMORE, INC.
K. HOVNANIAN AT THE CROSBY, LLC

K. HOVNIANIAN AT THE GABLES, LLC
K. HOVNIANIAN AT THE MONARCH, L.L.C.
K. HOVNIANIAN AT THE PRESERVE, LLC
K. HOVNIANIAN AT THOMPSON RANCH, LLC
K. HOVNIANIAN AT THORNBURY, INC.
K. HOVNIANIAN AT TRAIL RIDGE, LLC
K. HOVNIANIAN AT UPPER FREEHOLD TOWNSHIP II, L.L.C.
K. HOVNIANIAN AT UPPER FREEHOLD TOWNSHIP III, L.L.C.

K. HOVNIANIAN AT UPPER MAKEFIELD I, INC.
K. HOVNIANIAN AT UPPER PROVIDENCE, LLC
K. HOVNIANIAN AT UPPER UWCHLAN II, L.L.C.
K. HOVNIANIAN AT UPPER UWCHLAN, L.L.C.
K. HOVNIANIAN AT VALLE DEL SOL, LLC
K. HOVNIANIAN AT VERONA URBAN RENEWAL, L.L.C.
K. HOVNIANIAN AT VICTORVILLE, L.L.C.
K. HOVNIANIAN AT VINELAND, L.L.C.
K. HOVNIANIAN AT VISTA DEL SOL, L.L.C.
K. HOVNIANIAN AT WARREN TOWNSHIP, L.L.C.
K. HOVNIANIAN AT WASHINGTON, L.L.C.
K. HOVNIANIAN AT WATERSTONE, LLC
K. HOVNIANIAN AT WAYNE IX, L.L.C.
K. HOVNIANIAN AT WAYNE, VIII, L.L.C.
K. HOVNIANIAN AT WEST VIEW ESTATES, L.L.C.
K. HOVNIANIAN AT WEST WINDSOR, L.L.C.
K. HOVNIANIAN AT WESTSHORE, LLC
K. HOVNIANIAN AT WHEELER RANCH, LLC
K. HOVNIANIAN AT WILDWOOD BAYSIDE, L.L.C.
K. HOVNIANIAN AT WILLOW BROOK, L.L.C.
K. HOVNIANIAN AT WINCHESTER, LLC
K. HOVNIANIAN AT WOODCREEK WEST, LLC
K. HOVNIANIAN AT WOOLWICH I, L.L.C.
K. HOVNIANIAN CAMBRIDGE HOMES, L.L.C.
K. HOVNIANIAN CENTRAL ACQUISITIONS, L.L.C.
K. HOVNIANIAN CLASSICS, L.L.C.
K. HOVNIANIAN COMMUNITIES, INC.
K. HOVNIANIAN COMPANIES OF CALIFORNIA, INC.
K. HOVNIANIAN COMPANIES OF MARYLAND, INC.

K. HOVNIANIAN COMPANIES OF NEW YORK, INC.
K. HOVNIANIAN COMPANIES OF PENNSYLVANIA, INC.
K. HOVNIANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.
K. HOVNIANIAN COMPANIES, LLC
K. HOVNIANIAN CONSTRUCTION II, INC
K. HOVNIANIAN CONSTRUCTION III, INC
K. HOVNIANIAN CONSTRUCTION MANAGEMENT, INC.
K. HOVNIANIAN CRAFTBUILT HOMES OF SOUTH CAROLINA, L.L.C.
K. HOVNIANIAN DEVELOPMENTS OF ARIZONA, INC.
K. HOVNIANIAN DEVELOPMENTS OF CALIFORNIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF D.C., INC.
K. HOVNIANIAN DEVELOPMENTS OF DELAWARE, INC.
K. HOVNIANIAN DEVELOPMENTS OF GEORGIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF ILLINOIS, INC.
K. HOVNIANIAN DEVELOPMENTS OF KENTUCKY, INC.
K. HOVNIANIAN DEVELOPMENTS OF MARYLAND, INC.
K. HOVNIANIAN DEVELOPMENTS OF MINNESOTA, INC.
K. HOVNIANIAN DEVELOPMENTS OF NEW JERSEY II, INC.
K. HOVNIANIAN DEVELOPMENTS OF NEW JERSEY, INC.
K. HOVNIANIAN DEVELOPMENTS OF NEW YORK, INC.
K. HOVNIANIAN DEVELOPMENTS OF NORTH CAROLINA, INC.
K. HOVNIANIAN DEVELOPMENTS OF OHIO, INC.
K. HOVNIANIAN DEVELOPMENTS OF PENNSYLVANIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.
K. HOVNIANIAN DEVELOPMENTS OF TEXAS, INC.
K. HOVNIANIAN DEVELOPMENTS OF VIRGINIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF WEST VIRGINIA, INC.
K. HOVNIANIAN EASTERN PENNSYLVANIA, L.L.C.
K. HOVNIANIAN ENTERPRISES, INC.

K. HOVNIANIAN ESTATES AT REGENCY, L.L.C.
K. HOVNIANIAN FAIRWAYS AT WESTWORTH, LLC
K. HOVNIANIAN FIRST HOMES, L.L.C.
K. HOVNIANIAN FLORIDA REALTY, L.L.C.
K. HOVNIANIAN FOUR SEASONS @ HISTORIC VIRGINIA, LLC
K. HOVNIANIAN FOUR SEASONS AT GOLD HILL, LLC

K. HOVNANIAN GREAT WESTERN BUILDING COMPANY, LLC
K. HOVNANIAN GREAT WESTERN HOMES, LLC
K. HOVNANIAN HAMPTONS AT OAK CREEK II, L.L.C.
K. HOVNANIAN HOLDINGS NJ, L.L.C.
K. HOVNANIAN HOMES - DFW, L.L.C.
K. HOVNANIAN HOMES AT CAMERON STATION, LLC
K. HOVNANIAN HOMES AT CAMP SPRINGS, L.L.C.
K. HOVNANIAN HOMES AT FAIRWOOD, L.L.C.
K. HOVNANIAN HOMES AT FOREST RUN, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM PARK TOWNS, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM, L.L.C.
K. HOVNANIAN HOMES AT JONES STATION 1, L.L.C.
K. HOVNANIAN HOMES AT MAXWELL PLACE, L.L.C.
K. HOVNANIAN HOMES AT RENAISSANCE PLAZA, L.L.C.
K. HOVNANIAN HOMES AT RUSSETT, L.L.C.
K. HOVNANIAN HOMES AT THE HIGHLANDS, LLC
K. HOVNANIAN HOMES NORTHERN CALIFORNIA, INC.
K. HOVNANIAN HOMES OF D.C., L.L.C.
K. HOVNANIAN HOMES OF DELAWARE, L.L.C.
K. HOVNANIAN HOMES OF GEORGIA, L.L.C.
K. HOVNANIAN HOMES OF HOUSTON, L.L.C.
K. HOVNANIAN HOMES OF MARYLAND, L.L.C.
K. HOVNANIAN HOMES OF MINNESOTA, L.L.C.

K. HOVNANIAN HOMES OF NORTH CAROLINA, INC.
K. HOVNANIAN HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN HOMES OF SOUTH CAROLINA, LLC
K. HOVNANIAN HOMES OF VIRGINIA, INC.
K. HOVNANIAN HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN LIBERTY ON BLUFF CREEK, LLC
K. HOVNANIAN MANALAPAN ACQUISITION, LLC
K. HOVNANIAN NORTH CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTHEAST SERVICES, L.L.C.
K. HOVNANIAN OF HOUSTON II, L.L.C.
K. HOVNANIAN OHIO REALTY, L.L.C.
K. HOVNANIAN OSTER HOMES, L.L.C.

K. HOVNIANIAN PA REAL ESTATE, INC.
K. HOVNIANIAN PENNSYLVANIA ACQUISITIONS, L.L.C.
K. HOVNIANIAN PORT IMPERIAL URBAN RENEWAL, INC.
K. HOVNIANIAN PROPERTIES OF RED BANK, INC.
K. HOVNIANIAN SHORE ACQUISITIONS, L.L.C.
K. HOVNIANIAN SOUTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNIANIAN SOUTHERN NEW JERSEY, L.L.C.
K. HOVNIANIAN STANDING ENTITY, L.L.C.
K. HOVNIANIAN SUMMIT HOLDINGS, L.L.C.
K. HOVNIANIAN SUMMIT HOMES OF KENTUCKY, L.L.C.
K. HOVNIANIAN SUMMIT HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNIANIAN SUMMIT HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNIANIAN SUMMIT HOMES, L.L.C.
K. HOVNIANIAN T&C HOMES AT FLORIDA, L.L.C.
K. HOVNIANIAN T&C HOMES AT ILLINOIS, L.L.C.
K. HOVNIANIAN TIMBRES AT ELM CREEK, LLC

K. HOVNIANIAN VENTURE I, L.L.C.
K. HOVNIANIAN WINDWARD HOMES, LLC
K. HOVNIANIAN'S FOUR SEASONS AT ASHBURN VILLAGE, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT BAKERSFIELD, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT BEAUMONT, LLC
K. HOVNIANIAN'S FOUR SEASONS AT CHARLOTTESVILLE, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT HEMET, LLC
K. HOVNIANIAN'S FOUR SEASONS AT KENT ISLAND CONDOMINIUMS, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT KENT ISLAND, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT LOS BANOS, LLC
K. HOVNIANIAN'S FOUR SEASONS AT MORENO VALLEY, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT NEW KENT VINEYARDS, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT PALM SPRINGS, LLC
K. HOVNIANIAN'S FOUR SEASONS AT RENAISSANCE, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT RUSH CREEK II, LLC
K. HOVNIANIAN'S FOUR SEASONS AT RUSH CREEK, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT SILVER MAPLE FARM, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT ST. MARGARETS LANDING, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT VINT HILL, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS, LLC
K. HOVNIANIAN'S PARKSIDE AT TOWNGATE, L.L.C.

KHIP, L.L.C.
LANDARAMA, INC.
M&M AT CHESTERFIELD, LLC
M&M AT CRESCENT COURT, L.L.C.
M&M AT WEST ORANGE, L.L.C.
M&M AT WHEATENA URBAN RENEWAL, L.L.C.
MATZEL & MUMFORD AT EGG HARBOR, L.L.C.
MATZEL & MUMFORD AT SOUTH BOUND BROOK URBAN RENEWAL, L.L.C.

MCNJ, INC.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF PENNSYLVANIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF WEST VIRGINIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES, L.L.C.
MMIP, L.L.C.
NEW LAND TITLE AGENCY OF TEXAS, LLC
NEW LAND TITLE AGENCY, L.L.C.
PADDOCKS, L.L.C.
PARK TITLE COMPANY, LLC
PINE AYR, LLC
RIDGEMORE UTILITY, L.L.C.
SEABROOK ACCUMULATION CORPORATION
STONEBROOK HOMES, INC.
TERRAPIN REALTY, L.L.C.
THE MATZEL & MUMFORD ORGANIZATION, INC
WASHINGTON HOMES AT COLUMBIA TOWN CENTER, L.L.C.
WASHINGTON HOMES, INC.
WESTMINSTER HOMES, INC.
WH PROPERTIES, INC.
WOODLAND LAKE CONDOMINIUMS AT BOWIE NEW TOWN, L.L.C.

SCHEDULE B

Actions to Perfect

1. With respect to each Pledgor organized under the laws of the state of Arizona as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the Arizona Secretary of State.
2. With respect to each Pledgor organized under the laws of the state of California as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the California Secretary of State.
3. With respect to each Pledgor organized under the laws of the state of Delaware as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the Delaware Secretary of State.

4. With respect to each Pledgor organized under the laws of the District of Columbia as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the District of Columbia Recorder of Deeds.
 5. With respect to each Pledgor organized under the laws of the state of Florida as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the Florida Secured Transaction Registry.
 6. With respect to each Pledgor organized under the laws of the state of Georgia as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the Office of the Clerk of Superior Court of any County of Georgia.
 7. With respect to each Pledgor organized under the laws of the state of Illinois as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the Illinois Secretary of State.
 8. With respect to each Pledgor organized under the laws of the state of Kentucky as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the Kentucky Secretary of State.
 9. With respect to each Pledgor organized under the laws of the state of Maryland as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the Maryland State Department of Assessments and Taxation.
 10. With respect to each Pledgor organized under the laws of the state of Minnesota as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the Minnesota Secretary of State.
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11. With respect to each Pledgor organized under the laws of the state of New Jersey as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the New Jersey Division of Commercial Recording.
 12. With respect to each Pledgor organized under the laws of the state of New York as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the New York Secretary of State.
 13. With respect to each Pledgor organized under the laws of the state of North Carolina as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the North Carolina Secretary of State.
 14. With respect to each Pledgor organized under the laws of the state of Ohio as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the Ohio Secretary of State.
 15. With respect to each Pledgor organized under the laws of the state of Pennsylvania as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the Pennsylvania Secretary of the Commonwealth.
 16. With respect to each Pledgor organized under the laws of the state of South Carolina as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the South Carolina Secretary of State.
 17. With respect to each Pledgor organized under the laws of the state of Texas as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the Texas Secretary of State.
 18. With respect to each Pledgor organized under the laws of the state of Virginia as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the Virginia State Corporation Commission.
 19. With respect to each Pledgor organized under the laws of the state of West Virginia as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Pledged Collateral with the West Virginia Secretary of State.
 20. With respect to the Pledged Collateral constituting certificated securities, delivery of the certificates representing such Pledged Collateral to the Perfection Agent in registered form, indorsed in blank, by an effective endorsement or accompanied by undated stock powers with respect thereto duly indorsed in blank by an effective endorsement.
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FIRST LIEN SECURITY AGREEMENT

made by

**K. HOVNANIAN ENTERPRISES, INC.,
HOVNANIAN ENTERPRISES, INC.**

and certain of their respective Subsidiaries

in favor of

WILMINGTON TRUST, NATIONAL ASSOCIATION

as Collateral Agent

Dated as of October 2, 2012

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FIRST LIEN SECURITY AGREEMENT

THIS FIRST LIEN SECURITY AGREEMENT (the “**Agreement**”), dated as of October 2, 2012, is made by K. Hovnanian Enterprises, Inc., a California corporation (the “**Issuer**”), Hovnanian Enterprises, Inc., a Delaware corporation (“**Hovnanian**”) and each of the signatories listed on Schedule A hereto (the Issuer, Hovnanian and such signatories, together with any other entity that may become a party hereto as provided herein, the “**Grantors**”), in favor of Wilmington Trust, National Association, as Collateral Agent (in such capacity, the “**Agent**”) for the benefit of itself, the Trustee (as defined below) and the Noteholders (as defined below).

W I T N E S S E T H:

WHEREAS, the Issuer, Hovnanian and each of the other Guarantors have entered into the Indenture dated as of October 2, 2012 (as amended, supplemented, amended and restated or otherwise modified from time to time, the “**Indenture**”) with Wilmington Trust, National Association, as trustee (in such capacity, the “**Trustee**”) and collateral agent, pursuant to which the Issuer has issued, and may from time to time issue, its 7.25% Senior Secured First Lien Notes due 2020 (collectively, the “**Secured Notes**”) upon the terms and subject to the conditions set forth therein;

WHEREAS, the Issuer, Hovnanian and each of the other Guarantors have entered into the Indenture dated as of October 2, 2012 with Wilmington Trust, National Association, as trustee, pursuant to which the Issuer has issued, and may from time to time issue, its 9.125% Senior Secured Second Lien Notes due 2020 upon the terms and subject to the conditions set forth therein;

WHEREAS, the Issuer, Hovnanian, certain subsidiaries of Hovnanian party thereto, Wilmington Trust, National Association, as Senior Trustee and Senior Collateral Agent, Wilmington Trust, National Association, as Junior Trustee and Junior Collateral Agent and Wilmington Trust, National Association, as Mortgage Tax Collateral Agent have entered into the Intercreditor Agreement dated as of October 2, 2012 (as amended, supplemented, amended or restated or otherwise modified from time to time, the “**Intercreditor Agreement**”);

WHEREAS, the Secured Notes constitute First-Lien Indebtedness under the Intercreditor Agreement;

WHEREAS, the Issuer is a member of an affiliated group of companies that includes Hovnanian, the Issuer's parent company, and each other Grantor;

WHEREAS, the Issuer and the other Grantors are engaged in related businesses, and each Grantor will derive substantial direct and indirect benefit from the issuance of the Secured Notes; and

NOW, THEREFORE, in consideration of the premises and to induce Noteholders to purchase Secured Notes, each Grantor hereby agrees with the Agent, for the ratable benefit of the Secured Parties, as follows:

ARTICLE 1 DEFINED TERMS

Section 1.01. *Definitions.* (a) Definitions set forth above are incorporated herein and unless otherwise defined herein, terms defined in the Indenture and used herein shall have the meanings respectively given to them in the Indenture, and the following terms are used herein as defined in the New York UCC: Accounts, Chattel Paper, Commercial Tort Claims, Deposit Account, Documents, Equipment, Electronic Chattel Paper, Farm Products, Fixtures, General Intangibles, Goods, Payment Intangibles, Instruments, Inventory, Investment Property, Letter of Credit Rights, Payment Intangibles, Securities Accounts, Software and Supporting Obligations.

(b) The following terms shall have the following meanings:

"Additional Pari Passu Liens": any liens on the Collateral which secure Additional Secured Obligations on an equal and ratable basis with the Secured Obligations, provided that such liens are permitted by the Indenture.

"Additional Pari Passu Collateral Agent": the agent or other representative with respect to any Additional Secured Obligations in favor of which any Additional Pari Passu Liens are granted.

"Additional Secured Obligations": any obligations arising pursuant to any Indebtedness permitted to be secured on a pari passu basis with the Secured Notes pursuant to the Indenture (including for the avoidance of doubt any guarantees with respect thereto).

"Agreement": this First Lien Security Agreement, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Cash Equivalents": (i) cash, marketable direct obligations of the United States of America or any agency thereof, and certificates of deposit, demand deposits, time deposits, or repurchase agreements issued by any bank with a capital and surplus of at least \$25,000,000 organized under the laws of the United States of America or any state thereof, state or municipal securities with a rating

of A-1 or better by Standard & Poor's or by Moody's or F-1 by Fitch, provided that such obligations, certificates of deposit, demand deposits, time deposits, and repurchase agreements have a maturity of less than one year from the date of purchase, and (ii) investment grade commercial paper or debt or commercial paper issued by any bank with a capital and surplus of at least \$25,000,000 organized under the laws of the United States of America or any state thereof having a maturity date of one year or less from the date of purchase, and (iii) funds holding assets primarily consisting of those described in clause (i) and (ii).

"Collateral": as defined in Article 2.

"Collateral Agency Agreement": an intercreditor or collateral agency agreement entered into between the Additional Pari Passu Collateral Agent(s) and the Agent on terms reasonably satisfactory to the Agent, the Issuer and Hovnanian, setting forth the respective rights of the Secured Parties and the Additional Pari Passu Collateral Agent(s) and the holders of Additional Secured Obligations with respect to the Collateral and providing, among other things, that (x) the Additional Pari Passu Liens shall rank equally with the liens securing the Secured Obligations, (y) any proceeds of the Collateral shall be applied ratably to the Secured Obligations and the Additional Secured Obligations and (z) the Agent, including at the direction of the Noteholders, shall be entitled to take such actions, or to direct any agent appointed pursuant to the Collateral Agency Agreement to take such actions, as are permitted hereby, by the Indenture and by the Intercreditor Agreement independently of any direction or vote of the holders of the Additional Secured Obligations.

"Contracts": any contracts and agreements for the purchase, acquisition or sale of real or personal property or the receipt or performance of services, any contract rights relating thereto, and all other rights to such contract or agreements and any right to payment for or to receive moneys due or to become due for items sold or leased or for services rendered, together with all rights of any Grantor to damages arising thereunder or to perform and to exercise all remedies thereunder.

"Collateral Account": any collateral account established by the Agent as provided in Section 6.01 or 6.03.

"Copyright Licenses": any written agreement naming any Grantor as licensor or licensee, granting any right under any Copyright, including, without limitation, the grant of rights to distribute, exploit and sell materials derived from any Copyright.

"Copyrights": (i) all copyrights arising under the laws of the United States, any other country or any political subdivision thereof, whether registered or unregistered and whether published or unpublished, all registrations and recordings thereof, and all applications in connection therewith, including,

without limitation, all registrations, recordings and applications in the United States Copyright Office, and (ii) the right to obtain all renewals thereof.

“Deposit Accounts”: the collective reference to each Deposit Account (as such term is defined in Section 1.01(a) hereof) in the name of the applicable Grantor, together with any one or more securities accounts into which any monies on deposit in any such Deposit Account may be swept or otherwise transferred now or hereafter and from time to time, and any additional, substitute or successor Deposit Account.

“Excluded Accounts” shall mean at any time those deposit, checking or securities accounts of any of the Grantors (i) that individually have an average monthly balance (over the most recent ended 3-month period) less than \$250,000 and which together do not have an average monthly balance (for such 3-month period) in excess of \$2,000,000 in the aggregate, (ii) all escrow accounts (in which funds are held for or of others by virtue of customary real estate practice or contractual or legal requirements), (iii) the account holding amounts dedicated to the “Marie Fund” established by the Grantors for the benefit of their employees (so long as the Grantors’ deposits therein and withdrawals therefrom are consistent with past practice) and (iv) such other accounts with respect to which Hovnanian determines that the cost of perfecting a Lien thereon is excessive in relation to the benefit thereof (as reasonably determined by Hovnanian’s Board of Directors in a board resolution delivered to the Agent). Notwithstanding the foregoing, in determining which deposit, checking or securities accounts of a Grantor are “Excluded Accounts” pursuant to clause (i) above as of the date hereof and during the 3-month period thereafter, the “3-month period” referred to in clause (i) shall be deemed to be a reference to a “6-month period”.

“Guarantors”: the collective reference to each Grantor other than the Issuer.

“Intellectual Property”: the collective reference to all rights, priorities and privileges, whether arising under United States, multinational or foreign laws, in, to and under the Copyrights, the Copyright Licenses, the Patents, the Patent Licenses, the Trademarks and the Trademark Licenses, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

“Investment Property”: the collective reference to (i) all “investment property” as such term is defined in Section 9-102(a)(49) of the New York UCC, and (ii) whether or not constituting “investment property” as so defined, all Pledged Notes.

“Issuers”: the collective reference to each issuer of any Investment Property.

“Law”: any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, opinion, release, ruling, order, injunction, writ, decree, bond, judgment, authorization or approval, lien or award of or settlement agreement with any Official Body.

“New York UCC”: the Uniform Commercial Code as from time to time in effect in the State of New York.

“Noteholder”: “Holder” or “Holder of Notes” as defined in the Indenture.

“Noteholder Collateral Document”: any agreement, document or instrument pursuant to which a Lien is granted by the Issuer or any Guarantor to secure any Secured Obligations or under which rights or remedies with respect to any such Liens are governed, as the same may be amended, restated or otherwise modified from time to time.

“Noteholder Document”: collectively, (a) the Indenture, the Secured Notes and the Noteholder Collateral Documents and (b) any other related document or instrument executed and delivered pursuant to any Noteholder Document described in clause (a) above evidencing or governing any Secured Obligations as the same may be amended, restated or otherwise modified from time to time.

“Official Body”: any national, federal, state, local or other governmental or political subdivision or any agency, authority, board, bureau, central bank, commission, department or instrumentality of either, or any court, tribunal, grand jury or arbitrator, in each case whether foreign or domestic.

“Patent License”: all written agreements providing for the grant by or to any Grantor of any right to manufacture, use or sell any invention covered in whole or in part by a Patent.

“Patents”: (i) all letters patent of the United States, any other country or any political subdivision thereof, all reissues and extensions thereof, (ii) all applications for letters patent of the United States or any other country and all divisions, continuations and continuations-in-part thereof, and (iii) all rights to obtain any reissues or extensions of the foregoing.

“Perfection Certificate”: with respect to any Grantor, a certificate substantially in the form of Schedule C, completed and supplemented with the schedules contemplated thereby, and signed by an officer of such Grantor.

“Pledged Notes”: all promissory notes issued to or held by any Grantor.

“Proceeds”: all “proceeds” as such term is defined in Section 9-102(a)(64) of the New York UCC and, in any event, shall include, without limitation, all

dividends or other income from the Investment Property, collections thereon or distributions or payments with respect thereto.

“Receivable”: any right to payment for real or personal property sold or leased or for services rendered, whether or not such right is evidenced by a Contract, an Instrument or Chattel Paper and whether or not it has been earned by performance (including, without limitation, any Account).

“Secured Obligations”: all Indebtedness and other Obligations under the Indenture, the Secured Notes, the Guarantees (as defined in the Indenture) and the Noteholder Collateral Documents, together with any extensions, renewals, replacements or refundings thereof and all costs and expenses of enforcement and collection, including reasonable attorney’s fees.

“Secured Parties”: the collective reference to the Agent, the Trustee and the Noteholders, in each case to which any Secured Obligations are owed.

“**Securities Accounts**”: the collective reference to the securities accounts in the name of the applicable Grantor and any additional, substitute or successor account.

“**Trademark License**”: any written agreement providing for the grant by or to any Grantor of any right to use any Trademark.

“**Trademarks**”: (i) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos and other source or business identifiers, and all goodwill associated therewith, now owned or hereafter acquired, all registrations and recordings thereof, and all applications in connection therewith, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, and all common-law rights related thereto, and (ii) the right to obtain all renewals thereof.

“**Vehicles**”: all cars, trucks, trailers, construction and earth moving equipment and other vehicles covered by a certificate of title law of any state and all tires and other appurtenances to any of the foregoing.

Section 1.02. *Other Definitional Provisions.*

(a) The words “hereof,” “herein,” “hereto” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section and Schedule references are to this Agreement unless otherwise specified.

(b) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

(c) Where the context requires, terms relating to the Collateral or any part thereof, when used in relation to a Grantor, shall refer to such Grantor’s Collateral or the relevant part thereof.

ARTICLE 2
GRANT OF SECURITY INTEREST

Each Grantor hereby grants to the Agent, for the ratable benefit of the Secured Parties, a security interest in, all of the following property now owned or at any time hereafter acquired by such Grantor or in which such Grantor now has or at any time in the future may acquire any right, title or interest (collectively, the “**Collateral**”), as collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Secured Obligations:

- (a) all Accounts;
- (b) all Chattel Paper (including, Electronic Chattel Paper);
- (c) all Commercial Tort Claims (including those claims listed on Schedule B hereto, in which the claim amount individually exceeds \$2,000,000, as such schedule is amended or supplemented from time to time);
- (d) all Contracts;
- (e) all Securities Accounts;
- (f) all Deposit Accounts;
- (g) all Documents (other than title documents with respect to vehicles);
- (h) all Equipment;
- (i) all Fixtures;
- (j) all General Intangibles;
- (k) all Goods;
- (l) all Instruments;
- (m) all Intellectual Property;

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- (n) all Inventory;
 - (o) all Investment Property;
 - (p) all letters of credit;
 - (q) all Letter of Credit Rights;
 - (r) all Payment Intangibles;

- (s) all Vehicles and title documents with respect to Vehicles;
- (t) all Receivables;
- (u) all Software;
- (v) all Supporting Obligations;
- (w) to the extent, if any, not included in clauses (a) through (v) above, each and every other item of personal property whether now existing or hereafter arising or acquired;
- (x) all books and records pertaining to any of the Collateral; and
- (y) to the extent not otherwise included, all Proceeds, Supporting Obligations and products of any and all of the foregoing and all collateral security and guarantees given by any Person with respect to any of the foregoing;

provided, however, that notwithstanding any of the other provisions set forth in this Article 2 (and notwithstanding any recording of the Agent's Lien in the U.S. Patent and Trademark Office or other registry office in any jurisdiction), this Agreement shall not constitute a grant of a security interest in, and the Collateral shall not include, (i) any property or assets constituting "Excluded Property" (as defined in the Indenture) or (ii) any property to the extent that such grant of a security interest is prohibited by any applicable Law of an Official Body, requires a consent not obtained of any Official Body pursuant to such Law or is prohibited by, or constitutes a breach or default under or results in the termination of or gives rise to any right of acceleration, modification or cancellation or requires any consent not obtained under, any contract, license, agreement, instrument or other document evidencing or giving rise to such property or, in the case of any Investment Property, or Pledged Note, any applicable shareholder or similar agreement, except to the extent that such Law or the term in such contract, license, agreement, instrument or other document or shareholder or similar agreement providing for such prohibition, breach, default or termination or requiring such consent is ineffective under applicable Law including Sections 9-406, 9-407, 9-408 or 9-409 of the New York UCC (or any successor provision or provisions);

provided, further, that no security interest shall be granted in United States "intent-to-use" trademark or service mark applications unless and until acceptable evidence of use of the trademark or service mark has been filed with and accepted by the U.S. Patent and Trademark Office pursuant to Section 1(c) or Section 1(d) of the Lanham Act (U.S.C. 1051, et. seq.), and to the extent that, and solely during the period in which, the grant of a security interest therein would impair the validity or enforceability of such intent-to-use trademark or service mark applications under applicable federal Law. After such period and after such evidence of use has been filed and accepted, each Grantor acknowledges that such interest in such trademark or service mark applications will become part of the Collateral. The Agent agrees that, at any Grantor's reasonable request and expense, it will provide such Grantor confirmation that the assets described in this paragraph are in fact excluded from the Collateral during such limited period only upon receipt of an Officers' Certificate or an Opinion of Counsel to that effect. Notwithstanding the foregoing, in the event that Rule 3-16 of Regulation S-X under the Securities Act requires (or is replaced with another rule or regulation, or any other law, rule or regulation is adopted, which would require) the filing with the SEC of separate financial statements of the Issuer, any Guarantor or of K. Hovnanian JV Holdings, L.L.C., then the capital stock or other securities of the Issuer, such Guarantor or of K. Hovnanian JV Holdings, L.L.C., as applicable, shall automatically be deemed released and not to be and not to have been part of the Collateral but only to the extent necessary to not be subject to such requirement. In such event, this Agreement may be amended or modified, without the consent of any Noteholder, upon the Agent's receipt of a written authorization from the Issuer stating that such amendment is permitted hereunder, which the Agent shall be entitled to conclusively rely upon, to the extent necessary to evidence the release of the lien created hereby on the shares of capital stock or other securities that are so deemed to no longer constitute part of the Collateral.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES

To induce the Noteholders to purchase the Secured Notes, each Grantor hereby represents and warrants to the Agent and each other Secured Party that:

Section 3.01. *Title: No Other Liens.* Except for the security interest granted to the Agent for the ratable benefit of the Secured Parties pursuant to this Agreement and assuming that concurrently with the issuance of the Notes, the Indenture, dated as of October 20, 2009, among the Issuer, Hovnanian, the guarantors party thereto and Wilmington Trust Company (as supplemented, the "**Existing Notes Indenture**") and each of the Security Documents (as defined in the Existing Notes Indenture) related thereto have been satisfied and discharged by the Issuer in accordance with the terms of the Existing Notes Indenture and the

Liens (as defined in the Existing Notes Indenture) on the Collateral (as defined in the Existing Notes Indenture) granted under such Security Documents have been released, such Grantor owns each item of the Collateral free and clear of any and all Liens or claims of others except for the Permitted Liens. None of the Grantors has filed or consented to the filing of any financing statement or other public notice with respect to all or any part of the Collateral in any public office, except (a) with respect to Permitted Liens and (b) financing statements filed in connection with the Indenture, dated as of May 27, 2008 (the "**Prior Notes Indenture**"), among the Issuer, Hovnanian, the guarantors party thereto and Wilmington Trust Company (the "**Prior Financing Statements**"). No Indebtedness owing by the Grantors is outstanding under the Prior Notes Indenture, the notes issued thereunder or the Security Documents (as defined in the Prior Notes Indenture) executed in connection therewith.

Section 3.02. *Perfected First Priority Liens.* The security interests granted pursuant to this Agreement (a) upon completion of the filings and other actions specified on Schedule D (which, in the case of all filings and other documents referred to on said Schedule, have been delivered, or will be delivered within the time periods set forth in Schedule D, to the Agent in completed form) will constitute valid perfected (to the extent such security interest can be perfected by such filings or actions) security interests in all of the Collateral in favor of the Agent, for the ratable benefit of the Secured Parties, as collateral security for the Secured Obligations, enforceable in accordance with the terms hereof against all creditors of such Grantor and any Persons purporting to purchase any Collateral from such Grantor and (b) are prior to all other Liens on the Collateral in existence on the date hereof except for Permitted Liens,

assuming that concurrently with the issuance of the Notes, the Existing Notes Indenture and each of the Security Documents (as defined in the Existing Notes Indenture) relating thereto have been satisfied and discharged by the Issuer in accordance with the terms of the Existing Notes Indentures and the Liens (as defined in the Existing Notes Indenture) on the Collateral (as defined in the Existing Notes Indenture) granted under such Security Documents have been released.

Section 3.03. *Jurisdiction of Organization; Chief Executive Office.* On the date hereof, such Grantor's exact legal name, jurisdiction of organization, identification number from the jurisdiction of organization (if any), and the location of such Grantor's chief executive office or sole place of business or principal residence, as the case may be, are specified in the Perfection Certificate.

Section 3.04. *Farm Products.* None of the Collateral constitutes, or is the Proceeds of, Farm Products.

Section 3.05. *Investment Property.* Such Grantor is the record and beneficial owner of, and has good title to, the Investment Property pledged by it

hereunder, free of any and all Liens or options in favor of, or claims of, any other Person, except the Permitted Liens.

Section 3.06. *Receivables.* No amount payable in excess of \$2,000,000 in the aggregate to all Grantors under or in connection with any Receivables is evidenced by any Instrument or Chattel Paper which has not been delivered to the Agent.

ARTICLE 4 COVENANTS

Each Grantor covenants and agrees with the Agent and the other Secured Parties that, from and after the date of this Agreement until the payment in full of all outstanding Secured Obligations:

Section 4.01. *Maintenance of Perfected Security Interest; Further Documentation.* (a) Such Grantor shall maintain the security interest created by this Agreement as a perfected security interest to the extent required by this Agreement having at least the priority described in Section 3.02 and shall defend such security interest against the claims and demands of all Persons whomsoever other than any holder of Permitted Liens.

(b) At any time and from time to time, and at the sole expense of such Grantor, such Grantor will promptly and duly execute and deliver, and have recorded, such further instruments and documents and take such further actions as shall be required by applicable law for the purpose of obtaining, perfecting or preserving the security interests purported to be granted under this Agreement and of the rights and remedies herein granted, including, without limitation, (i) filing any financing or continuation statements under the Uniform Commercial Code (or other similar laws) in effect in any jurisdiction with respect to the security interests created hereby and (ii) subject to Section 4.18(d) of the Indenture, in the case of the Deposit Accounts, Investment Property, Letter of Credit Rights and the Securities Accounts and any other relevant Collateral, taking any actions necessary to enable the Agent to obtain "control" (within the meaning of the applicable Uniform Commercial Code) with respect thereto, provided that the Grantor shall not be required to take any of the actions set forth in this clause (ii) with respect to Excluded Accounts.

(c) If any Grantor shall at any time acquire a Commercial Tort Claim, in which the claim amount individually exceeds \$2,000,000, such Grantor shall promptly notify the Agent in a writing signed by such Grantor of the details thereof and grant to the Agent for the benefit of the Secured Parties in such writing a security interest therein and in the Proceeds thereof, with such writing to

be in form and substance required by applicable law and such writing shall constitute a supplement to Schedule B hereto.

Section 4.02. *Changes In Name, Etc.* Such Grantor will, within thirty (30) calendar days after any change its jurisdiction of organization or change its name, provide written notice thereof to the Agent.

Section 4.03. *Delivery of Instruments, Certificated Securities and Chattel Paper.* If any amount in excess of \$2,000,000 in the aggregate payable under or in connection with any of the Collateral shall be or become evidenced by any Instrument, certificated security or Chattel Paper, such Instrument, certificated security or Chattel Paper shall be promptly delivered to the Agent, duly indorsed, to be held as Collateral pursuant to this Agreement.

Section 4.04. *Intellectual Property.* (a) Whenever such Grantor, either by itself or through any agent, employee, licensee or designee, shall file an application for the registration of any Intellectual Property with the United States Patent and Trademark Office, the United States Copyright Office or any similar office or any political subdivision thereof, such Grantor shall report such filing to the Agent on or before the date upon which the Issuer is required to file reports with the Trustee pursuant to Section 4.15 of the Indenture for the fiscal quarter in which such filing occurs. Such Grantor shall execute and deliver, and have recorded, any and all agreements, instruments, documents, and papers as may be necessary to create and perfect the Agent's and the other Secured Parties' security interest in any registered or applied for Copyright, Patent or Trademark and the goodwill and General Intangibles of such Grantor relating thereto or represented thereby. Nothing in this Agreement prevents any Grantor from discontinuing the use or maintenance of its Intellectual Property if such Grantor determines in its reasonable business judgment that such discontinuance is desirable in the conduct of its business.

(b) Such Grantor's obligations under Section 4.04(a) above shall include executing and delivering, and having recorded, with respect to such Collateral, an agreement substantially in the form of the Intellectual Property Security Agreement attached hereto as Exhibit A.

Section 4.05. *Prior Financing Statements.* The Issuer and Hovnanian shall use commercially reasonable efforts to terminate or cause the termination of the Prior Financing Statements within 30 days of the date hereof (it being understood that the foregoing shall not require the Issuer or Hovnanian to conduct any lien searches in order to accomplish such termination).

ARTICLE 5
INVESTING AMOUNTS IN THE SECURITIES ACCOUNTS

Section 5.01. *Investments.* If requested by the Issuer in writing, the Agent will, from time to time, invest amounts on deposit in the Deposit Accounts or Securities Accounts in which the Agent for the benefit of the Secured Parties holds a first priority, perfected security interest, in Cash Equivalents pursuant to the written instructions of the Issuer. All investments may, at the option of the Agent, be made in the name of the Agent or a nominee of the Agent and in a manner that preserves the Issuer's ownership of, and the Agent's perfected first priority Lien on, such investments. All income received from such investments shall accrue for the benefit of the Issuer and shall be credited (promptly upon receipt by the Agent) to a Deposit Account or Securities Account, in which the Agent for the benefit of the Secured Parties holds a first priority, perfected security interest. The Issuer will only direct the Agent to make investments in which the Agent can obtain a first priority, perfected security interest, and the Issuer hereby agrees to execute promptly any documents which may be required to implement or effectuate the provisions of this Section.

Section 5.02. *Liability.* The Agent shall have no responsibility to the Issuer for any loss or liability arising in respect of the investments in the Deposit Accounts or Securities Accounts in which the Agent for the benefit of the Secured Parties holds a first priority, perfected security interest (including, without limitation, as a result of the liquidation of any thereof before maturity), except to the extent that such loss or liability is found to be based on the Agent's gross negligence or willful misconduct as determined by a final and nonappealable decision of a court of competent jurisdiction.

ARTICLE 6
REMEDIAL PROVISIONS

Section 6.01. *Certain Matters Relating to Receivables.*

(a) At any time during the continuance of an Event of Default, the Agent shall have the right to make test verifications of the Receivables in any manner and through any medium that it reasonably considers advisable, and each Grantor shall furnish all such assistance and information as the Agent may require in connection with such test verifications. The Agent shall endeavor to provide the Issuer with notice at or about the time of such verifications, *provided* that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of such remedy or the Agent's rights hereunder.

(b) The Agent hereby authorizes each Grantor to collect such Grantor's Receivables and the Agent may curtail or terminate said authority at any time

after the occurrence and during the continuance of an Event of Default. The Agent shall endeavor to provide the Issuer with notice at or about the time of the exercise of its rights pursuant to the preceding sentence, provided that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of any rights or remedies hereunder. If requested in writing by the Agent at any time after the occurrence and during the continuance of an Event of Default, any payments of Receivables, when collected by any Grantor, (i) shall be forthwith (and, in any event, within two Business Days) deposited by such Grantor in the exact form received, duly indorsed by such Grantor to the Agent if required, in a Collateral Account maintained under the sole dominion and control of the Agent, subject to withdrawal by the Agent for the account of the Secured Parties only as provided in Section 6.04, and (ii) until so turned over, shall be held by such Grantor in trust for the Agent and the Secured Parties, segregated from other funds of such Grantor.

(c) At the Agent's written request at any time after the occurrence and during the continuance of an Event of Default, each Grantor shall deliver to the Agent all original and other documents evidencing, and relating to, the agreements and transactions which gave rise to the Receivables, including without limitation, all original orders, invoices and shipping receipts.

Section 6.02. *Communications with Obligors: Grantors Remain Liable.*

(a) The Agent in its own name or in the name of others may after the occurrence and during the continuance of an Event of Default communicate with obligors under the Receivables and parties to the Contracts to verify with them to the Agent's satisfaction the existence, amount and terms of any Receivables or Contracts. The Agent shall endeavor to provide the Issuer with notice at or about the time of the exercise of its rights pursuant to the preceding sentence, *provided* that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of any rights or remedies hereunder.

(b) Upon the written request of the Agent at any time after the occurrence and during the continuance of an Event of Default, each Grantor shall notify obligors on the Receivables and parties to the Contracts that the Receivables and the Contracts, as the case may be, have been assigned to the Agent for the ratable benefit of the Secured Parties and that payments in respect thereof shall be made directly to the Agent.

(c) Anything herein to the contrary notwithstanding, each Grantor shall remain liable under each of the Receivables and Contracts to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise thereto. Neither the Agent nor any Secured Party shall have any obligation or liability under any Receivable (or any agreement giving rise thereto) or Contract by reason of or

arising out of this Agreement or the receipt by the Agent or any Secured Party of any payment relating thereto, nor shall the Agent or any Secured Party be obligated in any manner to perform any of the obligations of any Grantor under or pursuant to any Receivable (or any agreement giving rise thereto) or Contract, to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party thereunder, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

Section 6.03. *Proceeds to Be Turned Over to Agent.* In addition to the rights of the Agent and the Secured Parties specified in Section 6.01 with respect to payments of Receivables, if an Event of Default shall occur and be continuing, upon written request from the Agent, all Proceeds received by any Grantor consisting of cash, checks and other near-cash items shall be held by such Grantor in trust for the Agent and the Secured Parties, segregated from

other funds of such Grantor, and shall, forthwith upon receipt by such Grantor, be turned over to the Agent in the exact form received by such Grantor (duly indorsed by such Grantor to the Agent, if requested). All Proceeds received by the Agent hereunder shall be held by the Agent in a Collateral Account maintained under its sole dominion and control. All such Proceeds while held by the Agent in a Collateral Account (or by such Grantor in trust for the Agent and the Secured Parties) shall continue to be held as collateral security for all the Secured Obligations and shall not constitute payment thereof until applied as provided in Section 6.04.

Section 6.04. *Application of Proceeds.* If an Event of Default shall have occurred and be continuing, at any time at the Agent's election, subject to any Collateral Agency Agreement and any other intercreditor agreement entered into in connection with Indebtedness permitted under the Indenture, the Agent may apply all or any part of the Collateral, whether or not held in the Deposit Accounts, the Securities Accounts or any other Collateral Account, in payment of the Secured Obligations in the order set forth in the Indenture.

Section 6.05. *Code and Other Remedies.* If an Event of Default shall occur and be continuing, the Agent, on behalf of the Secured Parties, may exercise, in addition to all other rights and remedies granted to them in this Agreement and in any other instrument or agreement securing, evidencing or relating to the Secured Obligations, all rights and remedies of a secured party under the New York UCC or any other applicable law. Without limiting the generality of the foregoing, the Agent, without prior demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any prior notice required by law referred to below) to or upon any Grantor or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may

forthwith sell, lease, assign, give option or options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of the Agent or any Secured Party or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The Agent shall endeavor to provide the Issuer with notice at or about the time of the exercise of remedies in the proceeding sentence, *provided* that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of such remedies or the Agent's rights hereunder. The Agent or any Secured Party shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in any Grantor, which right or equity is hereby waived and released. Each Grantor further agrees, at the Agent's request, to assemble the Collateral and make it available to the Agent at places which the Agent shall reasonably select, whether at such Grantor's premises or elsewhere. The Agent shall apply the net proceeds of any action taken by it pursuant to this Section 6.05, after deducting all reasonable costs and expenses of every kind incurred in connection therewith or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Agent and the Secured Parties hereunder, including, without limitation, reasonable attorneys' fees and disbursements, to the payment in whole or in part of the Secured Obligations, in such order as is provided in Section 5.05 of the Indenture, and only after such application and after the payment by the Agent of any other amount required by any provision of law, including, without limitation, Section 9-615(a)(3) of the New York UCC, need the Agent account for the surplus, if any, to any Grantor. To the extent permitted by applicable law, each Grantor waives all claims, damages and demands it may acquire against the Agent or any Secured Party arising out of the exercise by them of any rights hereunder. If any prior notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least 10 days before such sale or other disposition.

The Agent shall incur no liability as a result of the sale of the Collateral, or any part thereof, at any private sale pursuant to this Article 6 conducted in accordance with the requirements of applicable laws and provided such sale shall not have resulted from the gross negligence, willful misconduct or fraud of the Agent. Each Grantor hereby waives any claims against the Agent and the other Secured Parties arising by reason of the fact that the price at which the Collateral may have been sold at such a private sale was less than the price that might have been obtained at a public sale or was less than the aggregate amount of the Secured Obligations, even if the Agent accepts the first offer received and does not offer the Collateral to more than one offeree, provided that such private sale is conducted in accordance with applicable laws and this Agreement. Each Grantor

hereby agrees that in respect of any sale of any of the Collateral pursuant to the terms hereof, the Agent is hereby authorized to comply with any limitation or restriction in connection with such sale as it may be advised by counsel is necessary in order to avoid any violation of applicable laws, or in order to obtain any required approval of the sale or of the purchaser by any governmental authority or official, nor shall the Agent be liable or accountable to any Grantor for any discount allowed by reason of the fact that such Collateral is sold in compliance with any such limitation or restriction.

Section 6.06. *Subordination.* Each Grantor hereby agrees that, upon the occurrence and during the continuance of an Event of Default, unless otherwise agreed by the Agent, all Indebtedness owing to it by the Issuer or any Subsidiary of the Issuer shall be fully subordinated to the indefeasible payment in full in cash of the Secured Obligations.

Section 6.07. *Deficiency.* Each Grantor shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay the Secured Obligations and the fees and disbursements of any attorneys employed by the Agent or any Secured Party to collect such deficiency.

ARTICLE 7 THE AGENT

Section 7.01. *Agent's Appointment as Attorney-in-fact, Etc.* (a) Each Grantor hereby irrevocably constitutes and appoints the Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Grantor and in the name of such Grantor or in its own name, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement, and, without limiting the generality of the foregoing, each Grantor hereby gives the Agent the power and right, on behalf of such Grantor, without prior notice to or assent by such Grantor, to do any or all of the following:

- (i) following the occurrence of an Event of Default, in the name of such Grantor or its own name, or otherwise, take possession of and indorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due under any Receivable or Contract or with respect to any other Collateral and file any claim or take any other action or proceeding in any court of law or equity or otherwise deemed

appropriate by the Agent for the purpose of collecting any and all such moneys due under any Receivable or Contract or with respect to any other Collateral whenever payable;

(ii) in the case of any Intellectual Property, execute and deliver, and have recorded, any and all agreements, instruments, documents and papers as the Agent may request to evidence the Agent's and the Secured Parties' security interest in such Intellectual Property and the goodwill and General Intangibles of such Grantors relating thereto or represented thereby;

(iii) pay or discharge taxes and Liens levied or placed on or threatened against the Collateral, effect any repairs or any insurance called for by the terms of this Agreement and pay all or any part of the premiums therefor and the costs thereof;

(iv) execute, in connection with any sale provided for in Section 6.05, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral; and

(v) (A) direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due or to become due thereunder directly to the Agent or as the Agent shall direct; (B) ask or demand for, collect, and receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral; (C) sign and indorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other documents in connection with any of the Collateral; (D) commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any portion thereof and to enforce any other right in respect of any Collateral; (E) defend any suit, action or proceeding brought against such Grantor with respect to any Collateral; (F) settle, compromise or adjust any such suit, action or proceeding and, in connection therewith, give such discharges or releases as the Agent may deem appropriate; (G) assign any Copyright, Patent or Trademark (along with the goodwill of the business to which any such Copyright, Patent or Trademark pertains), through the world for such term or terms, on such conditions, in such manner, as the Agent shall in its sole discretion determine; and (H) generally, sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Agent were the absolute owner thereof for all purposes, and do, at the Agent's option and such Grantor's expense, at any time, or from time to time, all acts and things which the Agent deems necessary to protect, preserve or realize upon the Collateral and the Agent's and the Secured Parties' security interests therein and to effect the intent of this Agreement, all as fully and effectively as such Grantor might do.

The Agent shall endeavor to provide the Issuer with notice at or about the time of the exercise of its rights in the preceding clause (a), *provided* that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of any rights or remedies hereunder.

(b) If any Grantor fails to perform or comply with any of its agreements contained herein, the Agent, at its option, but without any obligation so to do, may perform or comply, or otherwise cause performance or compliance, with such agreement.

(c) The expenses of the Agent incurred in connection with actions undertaken as provided in this Section 7.01, together with, if past due, interest thereon at a rate per annum equal to the interest rate on the Secured Notes, from the date when due to the Agent to the date reimbursed by the relevant Grantor, shall be payable by such Grantor to the Agent upon not less than five (5) Business Days notice.

(d) Each Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. All powers, authorizations and agencies contained in this Agreement are coupled with an interest and are irrevocable until this Agreement is terminated and the security interests created hereby are released.

Section 7.02. *Duty of Agent.* The Agent's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the New York UCC or otherwise, shall be to deal with it in the same manner as the Agent deals with similar property for its own account. Neither the Agent, any Secured Party nor any of their respective officers, directors, employees or agents shall be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of any Grantor or any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof. The powers conferred on the Agent and the Secured Parties hereunder are solely to protect the Agent's and the Secured Parties' interests in the Collateral and shall not impose any duty upon the Agent or any Secured Party to exercise any such powers. The Agent and the Secured Parties shall be accountable only for amounts that they actually receive as a result of the exercise of such powers, and neither they nor any of their officers, directors, employees or agents shall be responsible to any Grantor for any act or failure to act hereunder, except for their own gross negligence or willful misconduct.

Section 7.03. *Execution of Financing Statements.* Pursuant to any applicable law, each Grantor authorizes the Agent to file or record financing statements and other filing or recording documents or instruments with respect to the Collateral without the signature of such Grantor in such form and in such offices as required by applicable law to perfect the security interests of the Agent

under this Agreement. Each Grantor authorizes the Agent to use the collateral description "all personal property" or "all assets" in any such financing statements.

Section 7.04. *Authority of Agent.* Each Grantor acknowledges that the rights and responsibilities of the Agent under this Agreement with respect to any action taken by the Agent or the exercise or non-exercise by the Agent of any option, voting right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Agreement shall, as between the Agent and the Secured Parties, be governed by the Indenture and by such other agreements with respect thereto as may exist from time to time among them, but, as between the Agent and the Grantors, the Agent shall be conclusively presumed to be acting as agent for the Secured Parties with full and valid authority so to act or refrain from acting, and no Grantor shall be under any obligation, or entitlement, to make any inquiry respecting such authority.

ARTICLE 8
MISCELLANEOUS

Section 8.01. *Amendments in Writing.* None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified except in accordance with the Indenture. For the avoidance of doubt, the Issuer and the Collateral Agent may, without the consent of the Noteholders, enter into amendments or other modifications of this Agreement or any other Noteholder Collateral Document (including by entering into any Collateral Agency Agreement or any other new or supplemental agreements) to the extent contemplated by Section 9.01 of the Indenture and Section 8.2(b) of the Intercreditor Agreement.

Section 8.02. *Notices.* All notices, requests and demands to or upon the Agent or any Grantor hereunder shall be effected in the manner provided for in Section 13.03 of the Indenture.

Section 8.03. *No Waiver by Course of Conduct; Cumulative Remedies.* Neither the Agent nor any Secured Party shall by any act (except by a written instrument pursuant to Section 8.01), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default. No failure to exercise, nor any delay in exercising, on the part of the Agent or any Secured Party, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Agent or any Secured Party of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Agent or such Secured Party would otherwise have on any future occasion. The rights and

remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.

Section 8.04. *Enforcement Expenses; Indemnification.* (a) Each Grantor agrees to pay, indemnify against or reimburse each Secured Party and the Agent for all its costs and expenses incurred in enforcing or preserving any rights under this Agreement and the other Noteholder Documents to which such Grantor is a party, including, without limitation, the reasonable fees and disbursements of counsel (including the allocated fees and expenses of in-house counsel) to the Agent and the Secured Parties.

(b) Each Grantor agrees to pay, and to save the Agent and the Secured Parties harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all stamp, excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral or in connection with any of the transactions contemplated by this Agreement.

(c) Each Grantor agrees to pay, and to save the Agent and the Secured Parties harmless from, any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement to the extent the Issuer would be required to do so pursuant to Section 7.07 of the Indenture except those resulting from the Agent's or any Secured Party's willful misconduct or gross negligence.

(d) The agreements in this Section 8.04 shall survive repayment of the Secured Obligations, termination of the Noteholder Documents and resignation or removal of the Agent.

Section 8.05. *Successors and Assigns.* This Agreement shall be binding upon the successors and assigns of each Grantor and shall inure to the benefit of the Agent and the Secured Parties and their successors and assigns; *provided* that except as permitted by the Indenture, no Grantor may assign, transfer or delegate any of its rights or obligations under this Agreement without the prior written consent of the Agent.

Section 8.06. *Set-off.* Each Grantor hereby irrevocably authorizes the Agent and each other Secured Party at any time and from time to time while an Event of Default has occurred and is continuing, without notice to such Grantor or any other Grantor, any such notice being expressly waived by each Grantor, to set-off and appropriate and apply any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by the Agent or such

other Secured Party to or for the credit or the account of such Grantor, or any part thereof in such amounts as the Agent or such other Secured Party may elect, against and on account of the obligations and liabilities of such Grantor to the Agent or such other Secured Party hereunder and claims of every nature and description of the Agent or such other Secured Party against such Grantor, in any currency, whether arising hereunder, under the Indenture or any other Noteholder Document, as the Agent or such other Secured Party may elect, whether or not the Agent or any other Secured Party has made any demand for payment and although such obligations, liabilities and claims may be contingent or unmatured. The Agent and each other Secured Party shall endeavor to notify the Issuer promptly of any such set-off and the application made by the Agent or such other Secured Party of the proceeds thereof, *provided* that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Agent and each other Secured Party under this Section 8.06 are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Agent or such other Secured Party may have.

Section 8.07. *Counterparts.* This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

Section 8.08. *Severability.* Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 8.09. *Section Headings.* The Section headings used in this Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

Section 8.10. *Integration.* This Agreement and the other Noteholder Documents represent the agreement of the Grantors, the Agent and the Secured Parties with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the Agent or any Secured Parties relative to subject matter hereof and thereof not expressly set forth or referred to herein or in the other Noteholder Documents.

Section 8.11. *Governing Law.* THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

Section 8.12. *Submission to Jurisdiction; Waivers.* Each Grantor hereby irrevocably and unconditionally:

- (a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Noteholder Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;
- (b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;
- (c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such Grantor at its address referred to in Section 8.02 or at such other address of which the Agent shall have been notified pursuant thereto;
- (d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and
- (e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

Section 8.13. *Acknowledgements.* Each Grantor hereby acknowledges that:

- (a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Noteholder Documents to which it is a party;
 - (b) neither the Agent nor any Secured Party has any fiduciary relationship with or duty to any Grantor arising out of or in connection with this Agreement or any of the other Noteholder Documents, and the relationship between the Grantors, on the one hand, and the Agent and Secured Parties, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and
 - (c) no joint venture is created hereby or by the other Noteholder Documents or otherwise exists by virtue of the transactions contemplated hereby among the Secured Parties or among the Grantors and the Secured Parties; and
-

(d) the Agent may at any time and from time to time appoint a collateral agent to maintain any of the Collateral, maintain books and records regarding any Collateral, release Collateral, and assist in any aspect arising in connection with the Collateral as the Agent may desire; and the Agent may appoint itself, any affiliate or a third party as the Collateral Agent, and all reasonable costs of the Collateral Agent shall be borne by the Grantors;

Section 8.14. *Additional Grantors.* Each Restricted Subsidiary (as defined in the Indenture) of Hovnanian shall become a Grantor for all purposes of this Agreement upon execution and delivery by such Subsidiary of a Joinder Agreement, substantially in the form of Exhibit B hereto.

Section 8.15. *Releases.* (a) Upon the indefeasible payment in full of all outstanding Secured Obligations, the Collateral shall be automatically released from the Liens created hereby, and this Agreement and all obligations (other than those expressly stated to survive such termination) of the Agent and each Grantor hereunder shall automatically terminate, all without delivery of any instrument or performance of any act by any party, and all rights to the Collateral shall revert to the Grantors.

(b) All or a portion of the Collateral shall be released from the Liens created hereby, and a Grantor may be released from its obligations hereunder, in each case pursuant to and as provided in Section 11.04 of the Indenture. At the request and sole expense of such Grantor, upon the Agent's receipt of the documents required by Section 11.04 of the Indenture, the Agent shall deliver to such Grantor any Collateral held by the Agent hereunder, and execute and deliver to such Grantor such documents as the Grantor shall reasonably request to evidence such termination or release.

Section 8.16. *Waiver of Jury Trial.* EACH GRANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER NOTEHOLDER DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

Section 8.17. *Control Agreements.* In connection with each agreement made at any time pursuant to Sections 9-104 or 8-106 of the Uniform Commercial Code among the Agent, any one or more Grantors, and any depository financial institution or issuer of uncertificated mutual fund shares or other uncertificated securities and any other Person party thereto, the Agent shall not deliver to any such depository or issuer, instructions directing the disposition of the deposit or uncertificated fund shares or other securities unless an Event of Default has occurred and is continuing at such time.

Section 8.18. *Agent Privileges, Powers and Immunities.* In the performance of its obligations, powers and rights hereunder, the Agent shall be entitled to the rights, benefits, privileges, powers and immunities afforded to it as Collateral Agent under the Indenture. The Agent shall be entitled to refuse to take or refrain from taking any discretionary action or exercise any discretionary powers set forth in this Agreement unless specifically authorized under the Indenture or it has received with respect thereto written direction of the Issuer, the Noteholders or the Trustee in accordance with the Indenture (it being understood and agreed that the actions and directions set forth in Section 9.01 of the Indenture are not discretionary). Notwithstanding anything to the contrary contained herein and notwithstanding anything contained in Section 9-207 of the New York UCC, the Agent shall have no responsibility for the creation, perfection, priority, sufficiency or protection of any liens securing Secured Obligations (including, but not limited to, no obligation to prepare, record, file, re-record or re-file any financing statement, continuation statement or other instrument in any public office). The permissive rights and authorizations of the Agent hereunder shall not be construed as duties. The Agent shall be entitled to exercise its powers and duties hereunder through designees, specialists, experts or other appointees selected by it in good faith.

[REMAINDER OF PAGE LEFT BLANK INTENTIONALLY]

IN WITNESS WHEREOF, each of the undersigned has caused this Security Agreement to be duly executed and delivered as of the date first above written.

Secured Party:

WILMINGTON TRUST, NATIONAL
ASSOCIATION, as Collateral Agent

By: /s/ Joseph B. Feil

Name: Joseph B. Feil

Title: Vice President

K. HOVNANIAN ENTERPRISES, INC.,
as Issuer

By: /s/ J. Larry Sorsby

Name: J. Larry Sorsby

Title: Executive Vice President and
Chief Financial Officer

HOVNANIAN ENTERPRISES, INC.

By: /s/ J. Larry Sorsby

Name: J. Larry Sorsby

Title: Executive Vice President and
Chief Financial Officer

On behalf of each of the entities listed on
Schedule A hereto

By: /s/ J. Larry Sorsby

Name: J. Larry Sorsby

Title: Executive Vice President and
Chief Financial Officer

[Signature Page to First Lien Security Agreement]

SCHEDULE A — LIST OF ENTITIES

ARBOR TRAILS, LLC

AUDDIE ENTERPRISES, L.L.C.

BUILDER SERVICES NJ, L.L.C.

BUILDER SERVICES PA, L.L.C.

DULLES COPPERMINE, L.L.C.

EASTERN NATIONAL TITLE AGENCY, LLC

EASTERN TITLE AGENCY, INC.

F&W MECHANICAL SERVICES, L.L.C.

FOUNDERS TITLE AGENCY OF MARYLAND, L.L.C.

FOUNDERS TITLE AGENCY, INC.

GLENRISE GROVE, L.L.C.

GOVERNOR'S ABSTRACT CO., INC.

HOMEBUYERS FINANCIAL SERVICES, L.L.C.

HOVNANIAN DEVELOPMENTS OF FLORIDA, INC.

HOVNANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.

HOVNANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.

HOVNANIAN LAND INVESTMENT GROUP, L.L.C.

K. HOV IP, II, INC.

K. HOV IP, INC.

K. HOVNANIAN ACQUISITIONS, INC.

K. HOVNANIAN AT 4S, LLC

K. HOVNANIAN AT ACQUA VISTA, LLC

K. HOVNANIAN AT ALISO, LLC

K. HOVNANIAN AT ALLENTOWN, L.L.C.

K. HOVNANIAN AT ANDALUSIA, LLC

K. HOVNANIAN AT ARBOR HEIGHTS, LLC

K. HOVNANIAN AT AVENUE ONE, L.L.C.

K. HOVNANIAN AT BAKERSFIELD 463, L.L.C.

K. HOVNANIAN AT BARNEGAT I, L.L.C.

K. HOVNANIAN AT BARNEGAT II, L.L.C.

K. HOVNANIAN AT BELLA LAGO, LLC

K. HOVNANIAN AT BENSLEM, LLC

K. HOVNANIAN AT BERKELEY, L.L.C.

K. HOVNANIAN AT BLUE HERON PINES, L.L.C.

K. HOVNANIAN AT BRANCHBURG, L.L.C.

K. HOVNANIAN AT BRIDGEPORT, INC.

K. HOVNANIAN AT BRIDGEWATER I, L.L.C.

K. HOVNANIAN AT BROAD AND WALNUT, L.L.C.

K. HOVNANIAN AT CAMERON CHASE, INC.

K. HOVNANIAN AT CAMP HILL, L.L.C.

K. HOVNANIAN AT CAPISTRANO, L.L.C.

K. HOVNANIAN AT CARLSBAD, LLC

K. HOVNANIAN AT CEDAR GROVE III, L.L.C.
K. HOVNANIAN AT CEDAR GROVE V, L.L.C.
K. HOVNANIAN AT CHARTER WAY, LLC
K. HOVNANIAN AT CHESTER I, L.L.C.
K. HOVNANIAN AT CHESTERFIELD, L.L.C.
K. HOVNANIAN AT CIELO, L.L.C.
K. HOVNANIAN AT CLIFTON, L.L.C.
K. HOVNANIAN AT COASTLINE, L.L.C.
K. HOVNANIAN AT CORTEZ HILL, LLC
K. HOVNANIAN AT CRANBURY, L.L.C.
K. HOVNANIAN AT DENVILLE, L.L.C.
K. HOVNANIAN AT DEPTFORD TOWNSHIP, L.L.C.
K. HOVNANIAN AT DOMINGUEZ HILLS, INC.

K. HOVNANIAN AT EAST BRANDYWINE, L.L.C.
K. HOVNANIAN AT EASTLAKE, LLC
K. HOVNANIAN AT EDGEWATER II, L.L.C.
K. HOVNANIAN AT EDGEWATER, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH II, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH, L.L.C.
K. HOVNANIAN AT ENCINITAS RANCH, LLC
K. HOVNANIAN AT EVERGREEN, L.L.C.
K. HOVNANIAN AT FIDDYMENT RANCH, LLC
K. HOVNANIAN AT FIFTH AVENUE, L.L.C.
K. HOVNANIAN AT FLORENCE I, L.L.C.
K. HOVNANIAN AT FLORENCE II, L.L.C.
K. HOVNANIAN AT FOREST MEADOWS, L.L.C.
K. HOVNANIAN AT FRANKLIN II, L.L.C.
K. HOVNANIAN AT FRANKLIN III, LLC
K. HOVNANIAN AT FRANKLIN, L.L.C.
K. HOVNANIAN AT FREEHOLD TOWNSHIP, L.L.C.
K. HOVNANIAN AT FRESNO, LLC
K. HOVNANIAN AT GASLAMP SQUARE, L.L.C.
K. HOVNANIAN AT GILROY, LLC
K. HOVNANIAN AT GREAT NOTCH, L.L.C.

K. HOVNANIAN AT GUTTENBERG, L.L.C.

K. HOVNANIAN AT HACKETTSTOWN II, L.L.C.

K. HOVNANIAN AT HAMBURG, L.L.C.

K. HOVNANIAN AT HAWTHORNE, L.L.C.

K. HOVNANIAN AT HERSHEY'S MILL, INC.

K. HOVNANIAN AT HIGHLAND SHORES, L.L.C.

K. HOVNANIAN AT HOWELL, LLC

K. HOVNANIAN AT HUDSON POINTE, L.L.C.

K. HOVNANIAN AT JACKSON I, L.L.C.

K. HOVNANIAN AT JACKSON, L.L.C.

K. HOVNANIAN AT JAEGER RANCH, LLC

K. HOVNANIAN AT JERSEY CITY IV, L.L.C.

K. HOVNANIAN AT JERSEY CITY V URBAN RENEWAL COMPANY, L.L.C.

K. HOVNANIAN AT KEYPORT, L.L.C.

K. HOVNANIAN AT LA COSTA GREENS, L.L.C.

K. HOVNANIAN AT LA COSTA, LLC

K. HOVNANIAN AT LA HABRA KNOLLS, LLC

K. HOVNANIAN AT LA LAGUNA, L.L.C.

K. HOVNANIAN AT LAKE RANCHO VIEJO, LLC

K. HOVNANIAN AT LAKE TERRAPIN, L.L.C.

K. HOVNANIAN AT LAWRENCE V, L.L.C.

K. HOVNANIAN AT LEE SQUARE, L.L.C.

K. HOVNANIAN AT LITTLE EGG HARBOR TOWNSHIP II, L.L.C.

K. HOVNANIAN AT LITTLE EGG HARBOR, L.L.C

K. HOVNANIAN AT LONG HILL, L.L.C.

K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP I, L.L.C.

K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP II, L.L.C.

K. HOVNANIAN AT LOWER MAKEFIELD TOWNSHIP I, L.L.C.

K. HOVNANIAN AT LOWER MORELAND I, L.L.C.

K. HOVNANIAN AT LOWER MORELAND II, L.L.C.

K. HOVNANIAN AT MAHWAH VI, INC.

K. HOVNANIAN AT MALAN PARK, L.L.C.

K. HOVNANIAN AT MANALAPAN III, L.L.C.

K. HOVNANIAN AT MANSFIELD I, L.L.C.

K. HOVNANIAN AT MANSFIELD II, L.L.C.

K. HOVNANIAN AT MANSFIELD III, L.L.C.

K. HOVNANIAN AT MANTECA, LLC

K. HOVNANIAN AT MAPLE AVENUE, L.L.C.

K. HOVNANIAN AT MARLBORO TOWNSHIP IX, L.L.C.

K. HOVNANIAN AT MARLBORO TOWNSHIP V, L.L.C.

K. HOVNANIAN AT MARLBORO TOWNSHIP VIII, L.L.C.

K. HOVNANIAN AT MARLBORO VI, L.L.C.

K. HOVNANIAN AT MARLBORO VII, L.L.C.

K. HOVNANIAN AT MELANIE MEADOWS, LLC

K. HOVNANIAN AT MENDHAM TOWNSHIP, L.L.C.

K. HOVNANIAN AT MENIFEE, LLC

K. HOVNANIAN AT MIDDLE TOWNSHIP II, L.L.C.

K. HOVNANIAN AT MIDDLE TOWNSHIP, L.L.C.

K. HOVNANIAN AT MIDDLETOWN II, L.L.C.

K. HOVNANIAN AT MILLVILLE I, L.L.C.

K. HOVNANIAN AT MILLVILLE II, L.L.C.

K. HOVNANIAN AT MONROE II, INC.

K. HOVNANIAN AT MONROE IV, L.L.C.

K. HOVNANIAN AT MONROE NJ, L.L.C.

K. HOVNANIAN AT MONTVALE II, LLC

K. HOVNANIAN AT MONTVALE, L.L.C.

K. HOVNANIAN AT MOSAIC, LLC

K. HOVNANIAN AT MUIRFIELD, LLC

K. HOVNANIAN AT NEW WINDSOR, L.L.C.

K. HOVNANIAN AT NORTH BERGEN. L.L.C.

K. HOVNANIAN AT NORTH BRUNSWICK VI, L.L.C.

K. HOVNANIAN AT NORTH CALDWELL II, L.L.C.

K. HOVNANIAN AT NORTH CALDWELL III, L.L.C.

K. HOVNANIAN AT NORTH CALDWELL IV, L.L.C.

K. HOVNANIAN AT NORTH HALEDON, L.L.C.

K. HOVNANIAN AT NORTH WILDWOOD, L.L.C.

K. HOVNANIAN AT NORTHAMPTON, L.L.C.

K. HOVNANIAN AT NORTHERN WESTCHESTER, INC.

K. HOVNANIAN AT NORTHFIELD, L.L.C.

K. HOVNANIAN AT OCEAN TOWNSHIP, INC

K. HOVNANIAN AT OCEAN WALK, INC.

K. HOVNANIAN AT OCEANPORT, L.L.C.

K. HOVNIANIAN AT OLD BRIDGE, L.L.C.
K. HOVNIANIAN AT OLDE ORCHARD, LLC
K. HOVNIANIAN AT PARAMUS, L.L.C.
K. HOVNIANIAN AT PARK LANE, LLC
K. HOVNIANIAN AT PARKSIDE, LLC
K. HOVNIANIAN AT PARSIPPANY, L.L.C.
K. HOVNIANIAN AT PARSIPPANY-TROY HILLS, L.L.C.
K. HOVNIANIAN AT PIAZZA D'ORO, L.L.C.
K. HOVNIANIAN AT PIAZZA SERENA, L.L.C
K. HOVNIANIAN AT PITTSBORO, L.L.C.
K. HOVNIANIAN AT PORT IMPERIAL URBAN RENEWAL IV, L.L.C.
K. HOVNIANIAN AT PORT IMPERIAL URBAN RENEWAL V, L.L.C.
K. HOVNIANIAN AT PORT IMPERIAL URBAN RENEWAL VI, L.L.C.
K. HOVNIANIAN AT PORT IMPERIAL URBAN RENEWAL VII, L.L.C.
K. HOVNIANIAN AT PORT IMPERIAL URBAN RENEWAL VIII, L.L.C.
K. HOVNIANIAN AT POSITANO, LLC
K. HOVNIANIAN AT PRADO, L.L.C.

K. HOVNIANIAN AT RANCHO SANTA MARGARITA, LLC
K. HOVNIANIAN AT RANDOLPH I, L.L.C.
K. HOVNIANIAN AT RAPHO, L.L.C
K. HOVNIANIAN AT RIDGEMONT, L.L.C.
K. HOVNIANIAN AT RIVERBEND, LLC
K. HOVNIANIAN AT RODERUCK, L.L.C.
K. HOVNIANIAN AT ROSEMARY LANTANA, L.L.C.
K. HOVNIANIAN AT SAGE, L.L.C.
K. HOVNIANIAN AT SANTA NELLA, LLC
K. HOVNIANIAN AT SAWMILL, INC.
K. HOVNIANIAN AT SAYREVILLE, L.L.C.
K. HOVNIANIAN AT SCOTCH PLAINS, L.L.C.
K. HOVNIANIAN AT SEASONS LANDING, LLC
K. HOVNIANIAN AT SHELDON GROVE, LLC
K. HOVNIANIAN AT SHREWSBURY, LLC
K. HOVNIANIAN AT SILVER SPRING, L.L.C.
K. HOVNIANIAN AT SKYE ISLE, LLC
K. HOVNIANIAN AT SMITHVILLE, INC.
K. HOVNIANIAN AT SOMERS POINT, L.L.C.

K. HOVNANIAN AT SOUTH BRUNSWICK II, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK, L.L.C.
K. HOVNANIAN AT STANTON, LLC
K. HOVNANIAN AT STATION SQUARE, L.L.C.
K. HOVNANIAN AT SUNRIDGE PARK, LLC
K. HOVNANIAN AT SYCAMORE, INC.
K. HOVNANIAN AT THE CROSBY, LLC
K. HOVNANIAN AT THE GABLES, LLC
K. HOVNANIAN AT THE MONARCH, L.L.C.

K. HOVNANIAN AT THE PRESERVE, LLC
K. HOVNANIAN AT THOMPSON RANCH, LLC
K. HOVNANIAN AT THORNBURY, INC.
K. HOVNANIAN AT TRAIL RIDGE, LLC
K. HOVNANIAN AT UPPER FREEHOLD TOWNSHIP II, L.L.C.
K. HOVNANIAN AT UPPER FREEHOLD TOWNSHIP III, L.L.C.
K. HOVNANIAN AT UPPER MAKEFIELD I, INC.
K. HOVNANIAN AT UPPER PROVIDENCE, LLC
K. HOVNANIAN AT UPPER UWCHLAN II, L.L.C.
K. HOVNANIAN AT UPPER UWCHLAN, L.L.C.
K. HOVNANIAN AT VALLE DEL SOL, LLC
K. HOVNANIAN AT VERONA URBAN RENEWAL, L.L.C.
K. HOVNANIAN AT VICTORVILLE, L.L.C.
K. HOVNANIAN AT VINELAND, L.L.C.
K. HOVNANIAN AT VISTA DEL SOL, L.L.C.
K. HOVNANIAN AT WARREN TOWNSHIP, L.L.C.
K. HOVNANIAN AT WASHINGTON, L.L.C.
K. HOVNANIAN AT WATERSTONE, LLC
K. HOVNANIAN AT WAYNE IX, L.L.C.
K. HOVNANIAN AT WAYNE, VIII, L.L.C.
K. HOVNANIAN AT WEST VIEW ESTATES, L.L.C.
K. HOVNANIAN AT WEST WINDSOR, L.L.C.
K. HOVNANIAN AT WESTSHORE, LLC
K. HOVNANIAN AT WHEELER RANCH, LLC
K. HOVNANIAN AT WILDWOOD BAYSIDE, L.L.C.
K. HOVNANIAN AT WILLOW BROOK, L.L.C.
K. HOVNANIAN AT WINCHESTER, LLC
K. HOVNANIAN AT WOODCREEK WEST, LLC

K. HOVNIANIAN AT WOOLWICH I, L.L.C.

K. HOVNIANIAN CAMBRIDGE HOMES, L.L.C.

K. HOVNIANIAN CENTRAL ACQUISITIONS, L.L.C.

K. HOVNIANIAN CLASSICS, L.L.C.

K. HOVNIANIAN COMMUNITIES, INC.

K. HOVNIANIAN COMPANIES OF CALIFORNIA, INC.

K. HOVNIANIAN COMPANIES OF MARYLAND, INC.

K. HOVNIANIAN COMPANIES OF NEW YORK, INC.

K. HOVNIANIAN COMPANIES OF PENNSYLVANIA, INC.

K. HOVNIANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.

K. HOVNIANIAN COMPANIES, LLC

K. HOVNIANIAN CONSTRUCTION II, INC

K. HOVNIANIAN CONSTRUCTION III, INC

K. HOVNIANIAN CONSTRUCTION MANAGEMENT, INC.

K. HOVNIANIAN CRAFTBUILT HOMES OF SOUTH CAROLINA, L.L.C.

K. HOVNIANIAN DEVELOPMENTS OF ARIZONA, INC.

K. HOVNIANIAN DEVELOPMENTS OF CALIFORNIA, INC.

K. HOVNIANIAN DEVELOPMENTS OF D.C., INC.

K. HOVNIANIAN DEVELOPMENTS OF DELAWARE, INC.

K. HOVNIANIAN DEVELOPMENTS OF GEORGIA, INC.

K. HOVNIANIAN DEVELOPMENTS OF ILLINOIS, INC.

K. HOVNIANIAN DEVELOPMENTS OF KENTUCKY, INC.

K. HOVNIANIAN DEVELOPMENTS OF MARYLAND, INC.

K. HOVNIANIAN DEVELOPMENTS OF MINNESOTA, INC.

K. HOVNIANIAN DEVELOPMENTS OF NEW JERSEY II, INC.

K. HOVNIANIAN DEVELOPMENTS OF NEW JERSEY, INC.

K. HOVNIANIAN DEVELOPMENTS OF NEW YORK, INC.

K. HOVNIANIAN DEVELOPMENTS OF NORTH CAROLINA, INC.

K. HOVNIANIAN DEVELOPMENTS OF OHIO, INC.

K. HOVNIANIAN DEVELOPMENTS OF PENNSYLVANIA, INC.

K. HOVNIANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.

K. HOVNIANIAN DEVELOPMENTS OF TEXAS, INC.

K. HOVNIANIAN DEVELOPMENTS OF VIRGINIA, INC.

K. HOVNIANIAN DEVELOPMENTS OF WEST VIRGINIA, INC.

K. HOVNIANIAN EASTERN PENNSYLVANIA, L.L.C.

K. HOVNIANIAN ENTERPRISES, INC.
K. HOVNIANIAN ESTATES AT REGENCY, L.L.C.
K. HOVNIANIAN FAIRWAYS AT WESTWORTH, LLC
K. HOVNIANIAN FIRST HOMES, L.L.C.
K. HOVNIANIAN FLORIDA REALTY, L.L.C.
K. HOVNIANIAN FOUR SEASONS @ HISTORIC VIRGINIA, LLC
K. HOVNIANIAN FOUR SEASONS AT GOLD HILL, LLC
K. HOVNIANIAN GREAT WESTERN BUILDING COMPANY, LLC
K. HOVNIANIAN GREAT WESTERN HOMES, LLC
K. HOVNIANIAN HAMPTONS AT OAK CREEK II, L.L.C.
K. HOVNIANIAN HOLDINGS NJ, L.L.C.
K. HOVNIANIAN HOMES - DFW, L.L.C.
K. HOVNIANIAN HOMES AT CAMERON STATION, LLC
K. HOVNIANIAN HOMES AT CAMP SPRINGS, L.L.C.
K. HOVNIANIAN HOMES AT FAIRWOOD, L.L.C.
K. HOVNIANIAN HOMES AT FOREST RUN, L.L.C.
K. HOVNIANIAN HOMES AT GREENWAY FARM PARK TOWNS, L.L.C.
K. HOVNIANIAN HOMES AT GREENWAY FARM, L.L.C.
K. HOVNIANIAN HOMES AT JONES STATION 1, L.L.C.
K. HOVNIANIAN HOMES AT MAXWELL PLACE, L.L.C.
K. HOVNIANIAN HOMES AT RENAISSANCE PLAZA, L.L.C.

K. HOVNIANIAN HOMES AT RUSSETT, L.L.C.
K. HOVNIANIAN HOMES AT THE HIGHLANDS, LLC
K. HOVNIANIAN HOMES NORTHERN CALIFORNIA, INC.
K. HOVNIANIAN HOMES OF D.C., L.L.C.
K. HOVNIANIAN HOMES OF DELAWARE, L.L.C.
K. HOVNIANIAN HOMES OF GEORGIA, L.L.C.
K. HOVNIANIAN HOMES OF HOUSTON, L.L.C.
K. HOVNIANIAN HOMES OF MARYLAND, L.L.C.
K. HOVNIANIAN HOMES OF MINNESOTA, L.L.C.
K. HOVNIANIAN HOMES OF NORTH CAROLINA, INC.
K. HOVNIANIAN HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNIANIAN HOMES OF SOUTH CAROLINA, LLC
K. HOVNIANIAN HOMES OF VIRGINIA, INC.
K. HOVNIANIAN HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNIANIAN LIBERTY ON BLUFF CREEK, LLC

K. HOVNANIAN MANALAPAN ACQUISITION, LLC
K. HOVNANIAN NORTH CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTHEAST SERVICES, L.L.C.
K. HOVNANIAN OF HOUSTON II, L.L.C.
K. HOVNANIAN OHIO REALTY, L.L.C.
K. HOVNANIAN OSTER HOMES, L.L.C.
K. HOVNANIAN PA REAL ESTATE, INC.
K. HOVNANIAN PENNSYLVANIA ACQUISITIONS, L.L.C.
K. HOVNANIAN PORT IMPERIAL URBAN RENEWAL, INC.
K. HOVNANIAN PROPERTIES OF RED BANK, INC.
K. HOVNANIAN SHORE ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTH JERSEY ACQUISITIONS, L.L.C.

K. HOVNANIAN SOUTHERN NEW JERSEY, L.L.C.
K. HOVNANIAN STANDING ENTITY, L.L.C.
K. HOVNANIAN SUMMIT HOLDINGS, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF KENTUCKY, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES, L.L.C.
K. HOVNANIAN T&C HOMES AT FLORIDA, L.L.C.
K. HOVNANIAN T&C HOMES AT ILLINOIS, L.L.C.
K. HOVNANIAN TIMBRES AT ELM CREEK, LLC
K. HOVNANIAN VENTURE I, L.L.C.
K. HOVNANIAN WINDWARD HOMES, LLC
K. HOVNANIAN'S FOUR SEASONS AT ASHBURN VILLAGE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT BAKERSFIELD, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT BEAUMONT, LLC
K. HOVNANIAN'S FOUR SEASONS AT CHARLOTTESVILLE, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT HEMET, LLC
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND CONDOMINIUMS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT LOS BANOS, LLC
K. HOVNANIAN'S FOUR SEASONS AT MORENO VALLEY, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT NEW KENT VINEYARDS, L.L.C.
K. HOVNANIAN'S FOUR SEASONS AT PALM SPRINGS, LLC
K. HOVNANIAN'S FOUR SEASONS AT RENAISSANCE, L.L.C.

K. HOVNIANIAN'S FOUR SEASONS AT RUSH CREEK II, LLC
K. HOVNIANIAN'S FOUR SEASONS AT RUSH CREEK, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT SILVER MAPLE FARM, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS AT ST. MARGARETS LANDING, L.L.C.

K. HOVNIANIAN'S FOUR SEASONS AT VINT HILL, L.L.C.
K. HOVNIANIAN'S FOUR SEASONS, LLC
K. HOVNIANIAN'S PARKSIDE AT TOWNGATE, L.L.C.
KHIP, L.L.C.
LANDARAMA, INC.
M&M AT CHESTERFIELD, LLC
M&M AT CRESCENT COURT, L.L.C.
M&M AT WEST ORANGE, L.L.C.
M&M AT WHEATENA URBAN RENEWAL, L.L.C.
MATZEL & MUMFORD AT EGG HARBOR, L.L.C.
MATZEL & MUMFORD AT SOUTH BOUND BROOK URBAN RENEWAL, L.L.C.
MCNJ, INC.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF PENNSYLVANIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF WEST VIRGINIA, L.L.C.
MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES, L.L.C.
MMIP, L.L.C.
NEW LAND TITLE AGENCY OF TEXAS, LLC
NEW LAND TITLE AGENCY, L.L.C.
PADDOCKS, L.L.C.
PARK TITLE COMPANY, LLC
PINE AYR, LLC
RIDGEMORE UTILITY, L.L.C.
SEABROOK ACCUMULATION CORPORATION
STONEBROOK HOMES, INC.
TERRAPIN REALTY, L.L.C.
THE MATZEL & MUMFORD ORGANIZATION, INC
WASHINGTON HOMES AT COLUMBIA TOWN CENTER, L.L.C.
WASHINGTON HOMES, INC.

WESTMINSTER HOMES, INC.
WH PROPERTIES, INC.
WOODLAND LAKE CONDOMINIUMS AT BOWIE NEW TOWN, L.L.C.

SCHEDULE B

COMMERCIAL TORT CLAIMS

SCHEDULE C

FORM OF PERFECTION CERTIFICATE

The undersigned is a duly authorized officer of each of the entities listed on Schedule 1 hereto (each such entity, a “Grantor”). With reference to (i) the First-Lien Security Agreement dated as of October 2, 2012 (the “**First-Lien Security Agreement**”) among K. Hovnanian Enterprises, Inc. (the “**Issuer**”), the Guarantors party thereto and Wilmington Trust, National Association, as collateral agent (the “**Collateral Agent**”) and (ii) the Second-Lien Security Agreement dated as of October 2, 2012 (the “**Second-Lien Security Agreement**”; and, together with the First-Lien Security Agreement, the “**Security Agreements**”) among the Issuer, the Guarantors party thereto and the Collateral Agent (terms defined in the Security Agreements being used herein as therein defined), each of the undersigned certifies to the Collateral Agent and each other Secured Party as follows:

1. *Names.* The exact legal name of each Grantor (as it appears in each respective certificate or articles of incorporation, limited liability membership agreement or similar organizational documents), the type of organization, the jurisdiction of organization (or formation, as applicable) and the organizational identification number for each Grantor is set forth in Schedule 1 hereto.

2. *Lien Search Guarantors.* (a) Set forth on Schedule 2(a) is the name of each Grantor selected for lien searches (the “**Lien Search Grantors**”) and the county in which each Lien Search Grantor’s chief executive office is located, if such office is not located at 110 West Front Street, P.O. Box 500, Red Bank, New Jersey 07701, as applicable.

(b) Set forth in Schedule 2(b) hereto is each other corporate name (including trade names or similar appellations) each Lien Search Grantor has had in the last five years, together with the date of the relevant change.

(c) Except as set forth in Schedule 2(c) hereto, no Lien Search Grantor has changed its identity or corporate structure in any way within the past five years.

3. *UCC Filings.* In order to perfect the Liens granted by the Grantors, two duly completed financing statements on Form UCC-1 (one with respect to the Liens granted under the First-Lien Security Agreement and one with respect to the Liens granted under the Second-Lien Security Agreement) with respect to each Grantor, with the collateral described as set forth on Schedule 3 hereto, have been delivered to the Collateral Agent for filing in the Uniform Commercial Code filing office in each jurisdiction identified in paragraph 1 above, as applicable.

4. *Deposit Accounts and Securities Accounts.* Set forth as Schedule 4 hereto is a true and complete list of all Deposit Accounts and Securities Accounts maintained by each Grantor, including the name of each institution where each such account is held, the name of each Grantor that holds each account, the balance of each account as of the date hereof and whether such Deposit Account or Securities Account constitutes an “Excluded Account” (as defined in the Security Agreement) as of the date hereof.

IN WITNESS WHEREOF, I have hereunto set my hand this 2nd day of October, 2012.

K. Hovnanian Enterprises, Inc.

By: _____

Name:

Title:

SCHEDULE D

ACTIONS REQUIRED TO PERFECT

1. With respect to each Grantor organized under the laws of the state of Arizona as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with the Arizona Secretary of State.
2. With respect to each Grantor organized under the laws of the state of California as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with the California Secretary of State.

3. With respect to each Grantor organized under the laws of the state of Delaware as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with the Delaware Secretary of State.
4. With respect to each Grantor organized under the laws of the District of Columbia as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with the District of Columbia Recorder of Deeds.
5. With respect to each Grantor organized under the laws of the state of Florida as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with the Florida Secured Transaction Registry.
6. With respect to each Grantor organized under the laws of the state of Georgia as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with the Office of the Clerk of Superior Court of any County of Georgia.
7. With respect to each Grantor organized under the laws of the state of Illinois as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with the Illinois Secretary of State.
8. With respect to each Grantor organized under the laws of the state of Kentucky as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with the Kentucky Secretary of State.

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9. With respect to each Grantor organized under the laws of the state of Maryland as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with the Maryland State Department of Assessments and Taxation.
10. With respect to each Grantor organized under the laws of the state of Minnesota as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with the Minnesota Secretary of State.
11. With respect to each Grantor organized under the laws of the state of New Jersey as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with the New Jersey Division of Commercial Recording.
12. With respect to each Grantor organized under the laws of the state of New York as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with the New York Secretary of State.
13. With respect to each Grantor organized under the laws of the state of North Carolina as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with the North Carolina Secretary of State.
14. With respect to each Grantor organized under the laws of the state of Ohio as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with the Ohio Secretary of State.
15. With respect to each Grantor organized under the laws of the state of Pennsylvania as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with the Pennsylvania Secretary of the Commonwealth.
16. With respect to each Grantor organized under the laws of the state of South Carolina as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with the South Carolina Secretary of State.
17. With respect to each Grantor organized under the laws of the state of Texas as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with

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the Texas Secretary of State.

18. With respect to each Grantor organized under the laws of the state of Virginia as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with the Virginia State Corporation Commission.
19. With respect to each Grantor organized under the laws of the state of West Virginia as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with the West Virginia Secretary of State.
20. With respect to the Securities Accounts and the Deposit Accounts (other than the Excluded Accounts), the bank with which such Securities Account and such Deposit Account are maintained agreeing that it will comply with instructions originated by the Agent directing disposition of the funds in such Securities Account and such Deposit Account without further consent of the relevant Grantor; provided that the Grantors shall not be required to deliver any such agreements on the Issue Date, but will deliver such agreements as soon as commercially reasonable thereafter, but in no event later than 90 days following the Issue Date.
21. With respect to each Grantor that owns registered or applied for Intellectual Property, the filing of an Intellectual Property Security Agreement that reasonably identifies such Grantor's registered and applied for Trademarks, Patents and Copyrights with the United States Patent and Trademark Office or the United States Copyright Office, as applicable.

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EXHIBIT A

Form of Intellectual Property Security Agreement

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EXHIBIT B

Form of Joinder Agreement

This JOINDER AND ASSUMPTION AGREEMENT is made _____ by _____, a _____ (the "New Grantor").

Reference is made to (i) the Indenture dated as of October 2, 2012 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "Indenture") among K. Hovnanian Enterprises, Inc., a California corporation ("Issuer"), Hovnanian Enterprises, Inc., a Delaware corporation ("Hovnanian"), each of the other Guarantors party thereto and Wilmington Trust, National Association, as trustee and collateral agent (in such capacity, the "Trustee"), pursuant to which the Issuer has issued, and may from time to time issue, its 7.25% Senior Secured Notes due 2020 (collectively, the "Secured Notes"), (ii) the Supplemental Indenture dated [] pursuant to which the New Grantor became party to the Indenture as a Guarantor, (iii) the First Lien Security Agreement dated as of October 2, 2012 by each of the Grantors (as defined therein) in favor of the Collateral Agent (in such capacity, the "Agent") for the benefit of itself, the Trustee and the Noteholders (as the same may be modified, supplemented, amended or restated, the "Security Agreement"), (iv) the First Lien Pledge Agreement dated as of October 2, 2012 by each of the Pledgors (as defined therein) in favor of the Agent for the benefit of itself, the Trustee and the Noteholders (as the same may be modified, supplemented, amended or restated, the "Pledge Agreement"), and (v) the Intercreditor Agreement, dated as of October 2, 2012 among the Issuer, Hovnanian, certain subsidiaries of Hovnanian, Wilmington Trust, National Association, as Senior Trustee and Senior Collateral Agent, Wilmington Trust, National Association, as Junior Trustee and Junior Collateral Agent and Wilmington Trust, National Association, as Mortgage Tax Collateral Agent (as the same may be modified, supplemented, amended or restated, the "Intercreditor Agreement"). Capitalized terms used but not otherwise defined herein shall have the meaning set forth in the Security Agreement or, if not defined therein, the Pledge Agreement.

The New Grantor hereby agrees that effective as of the date hereof it hereby is, and shall be deemed to be, a Grantor under the Security Agreement and the Intercreditor Agreement and a Pledgor under the Pledge Agreement and agrees that from the date hereof until the payment in full of the Secured Obligations and the performance of all other obligations of Issuer under the Noteholder Documents, New Grantor has assumed the obligations of a Grantor and Pledgor under, and New Grantor shall perform, comply with and be subject to and bound by, jointly and severally, each of the terms, provisions and waivers of, the Security Agreement, the Pledge Agreement, the Intercreditor Agreement and each of the other Noteholder Documents which are stated to apply to or are made by a Grantor. Without limiting the generality of the foregoing, the New Grantor hereby represents and warrants that each of the representations and warranties set forth in the Security Agreement and the Pledge Agreement is true and correct as to New

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Grantor on and as of the date hereof as if made on and as of the date hereof by New Grantor.

New Grantor hereby makes, affirms, and ratifies in favor of the Secured Parties and the Agent the Security Agreement, the Pledge Agreement and each of the other Noteholder Documents given by the Grantors to the Agent. In furtherance of the foregoing, New Grantor shall execute and deliver or cause to be executed and delivered at any time and from time to time such further instruments and documents and do or cause to be done such further acts as may be reasonably necessary to carry out more effectively the provisions and purposes of this Joinder Agreement.

IN WITNESS WHEREOF, the New Grantor has duly executed this Joinder Agreement and delivered the same to the Agent for the benefit of the Secured Parties, as of the date and year first written above.

[NAME OF NEW GRANTOR]

By: _____
Title: _____

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SECOND LIEN SECURITY AGREEMENT

made by

**K. HOVNIANIAN ENTERPRISES, INC.,
HOVNIANIAN ENTERPRISES, INC.**

and certain of their respective Subsidiaries

in favor of

WILMINGTON TRUST, NATIONAL ASSOCIATION

as Collateral Agent

Dated as of October 2, 2012

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SECOND LIEN SECURITY AGREEMENT

THIS SECOND LIEN SECURITY AGREEMENT (the “**Agreement**”), dated as of October 2, 2012, is made by K. Hovnanian Enterprises, Inc., a California corporation (the “**Issuer**”), Hovnanian Enterprises, Inc., a Delaware corporation (“**Hovnanian**”) and each of the signatories listed on Schedule A hereto (the Issuer, Hovnanian and such signatories, together with any other entity that may become a party hereto as provided herein, the “**Grantors**”), in favor of Wilmington Trust, National Association, as Collateral Agent (in such capacity, the “**Agent**”) for the benefit of itself, the Trustee (as defined below) and the Noteholders (as defined below).

W I T N E S S E T H:

WHEREAS, the Issuer, Hovnanian and each of the other Guarantors have entered into the Indenture dated as of October 2, 2012 (as amended, supplemented, amended and restated or otherwise modified from time to time, the “**Indenture**”) with Wilmington Trust, National Association, as trustee (in such capacity, the “**Trustee**”) and collateral agent, pursuant to which the Issuer has issued, and may from time to time issue, its 9.125% Senior Secured Second Lien Notes due 2020 (collectively, the “**Secured Notes**”) upon the terms and subject to the conditions set forth therein;

WHEREAS, the Issuer, Hovnanian and each of the other Guarantors have entered into the Indenture dated as of October 2, 2012 with Wilmington Trust, National Association, as trustee, pursuant to which the Issuer has issued, and may from time to time issue, its 7.250% Senior Secured First Lien Notes due 2020 upon the terms and subject to the conditions set forth therein;

WHEREAS, the Issuer, Hovnanian, certain subsidiaries of Hovnanian party thereto, Wilmington Trust, National Association, as Senior Trustee and Senior Collateral Agent, Wilmington Trust, National Association, as Junior Trustee and Junior Collateral Agent and Wilmington Trust, National Association, as Mortgage Tax Collateral Agent have entered into the Intercreditor Agreement dated as of October 2, 2012 (as amended, supplemented, amended or restated or otherwise modified from time to time, the “**Intercreditor Agreement**”);

WHEREAS, the Secured Notes constitute Second-Lien Indebtedness under the Intercreditor Agreement;

WHEREAS, the Issuer is a member of an affiliated group of companies that includes Hovnanian, the Issuer's parent company, and each other Grantor;

WHEREAS, the Issuer and the other Grantors are engaged in related businesses, and each Grantor will derive substantial direct and indirect benefit from the issuance of the Secured Notes; and

NOW, THEREFORE, in consideration of the premises and to induce Noteholders to purchase Secured Notes, each Grantor hereby agrees with the Agent, for the ratable benefit of the Secured Parties, as follows:

ARTICLE 1
DEFINED TERMS

Section 1.01. *Definitions.* (a) Definitions set forth above are incorporated herein and unless otherwise defined herein, terms defined in the Indenture and used herein shall have the meanings respectively given to them in the Indenture or, if not defined herein or therein, in the Intercreditor Agreement, and the following terms are used herein as defined in the New York UCC: Accounts, Chattel Paper, Commercial Tort Claims, Deposit Account, Documents, Equipment, Electronic Chattel Paper, Farm Products, Fixtures, General Intangibles, Goods, Payment Intangibles, Instruments, Inventory, Investment Property, Letter of Credit Rights, Payment Intangibles, Securities Accounts, Software and Supporting Obligations.

(b) The following terms shall have the following meanings:

"Additional Pari Passu Liens": any liens on the Collateral which secure Additional Secured Obligations on an equal and ratable basis with the Secured Obligations, provided that such liens are permitted by the Indenture.

"Additional Pari Passu Collateral Agent": the agent or other representative with respect to any Additional Secured Obligations in favor of which any Additional Pari Passu Liens are granted.

"Additional Secured Obligations": any obligations arising pursuant to any Indebtedness permitted to be secured on a pari passu basis with the Secured Notes pursuant to the Indenture (including for the avoidance of doubt any guarantees with respect thereto).

"Agreement": this Second Lien Security Agreement, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Cash Equivalents": (i) cash, marketable direct obligations of the United States of America or any agency thereof, and certificates of deposit, demand deposits, time deposits, or repurchase agreements issued by any bank with a capital and surplus of at least \$25,000,000 organized under the laws of the United States of America or any state thereof, state or municipal securities with a rating

of A-1 or better by Standard & Poor's or by Moody's or F-1 by Fitch, provided that such obligations, certificates of deposit, demand deposits, time deposits, and repurchase agreements have a maturity of less than one year from the date of purchase, and (ii) investment grade commercial paper or debt or commercial paper issued by any bank with a capital and surplus of at least \$25,000,000 organized under the laws of the United States of America or any state thereof having a maturity date of one year or less from the date of purchase, and (iii) funds holding assets primarily consisting of those described in clause (i) and (ii).

"Collateral": as defined in Article 2.

"Collateral Agency Agreement": an intercreditor or collateral agency agreement entered into between the Additional Pari Passu Collateral Agent(s) and the Agent on terms reasonably satisfactory to the Agent, the Issuer and Hovnanian, setting forth the respective rights of the Secured Parties and the Additional Pari Passu Collateral Agent(s) and the holders of Additional Secured Obligations with respect to the Collateral and providing, among other things, that (x) the Additional Pari Passu Liens shall rank equally with the liens securing the Secured Obligations, (y) any proceeds of the Collateral shall be applied ratably to the Secured Obligations and the Additional Secured Obligations and (z) the Agent, including at the direction of the Noteholders, shall be entitled to take such actions, or to direct any agent appointed pursuant to the Collateral Agency Agreement to take such actions, as are permitted hereby, by the Indenture and by the Intercreditor Agreement independently of any direction or vote of the holders of the Additional Secured Obligations.

"Contracts": any contracts and agreements for the purchase, acquisition or sale of real or personal property or the receipt or performance of services, any contract rights relating thereto, and all other rights to such contract or agreements and any right to payment for or to receive moneys due or to become due for items sold or leased or for services rendered, together with all rights of any Grantor to damages arising thereunder or to perform and to exercise all remedies thereunder.

"Collateral Account": any collateral account established by the Agent as provided in Section 6.01 or 6.03.

"Copyright Licenses": any written agreement naming any Grantor as licensor or licensee, granting any right under any Copyright, including, without limitation, the grant of rights to distribute, exploit and sell materials derived from any Copyright.

"Copyrights": (i) all copyrights arising under the laws of the United States, any other country or any political subdivision thereof, whether registered or unregistered and whether published or unpublished, all registrations and recordings thereof, and all applications in connection therewith, including,

without limitation, all registrations, recordings and applications in the United States Copyright Office, and (ii) the right to obtain all renewals thereof.

“Deposit Accounts”: the collective reference to each Deposit Account (as such term is defined in Section 1.01(a) hereof) in the name of the applicable Grantor, together with any one or more securities accounts into which any monies on deposit in any such Deposit Account may be swept or otherwise transferred now or hereafter and from time to time, and any additional, substitute or successor Deposit Account.

“Discharge of Senior Claims”: has the meaning set forth in the Intercreditor Agreement.

“Excluded Accounts” shall mean at any time those deposit, checking or securities accounts of any of the Grantors (i) that individually have an average monthly balance (over the most recent ended 3-month period) less than \$250,000 and which together do not have an average monthly balance (for such 3-month period) in excess of \$2,000,000 in the aggregate, (ii) all escrow accounts (in which funds are held for or of others by virtue of customary real estate practice or contractual or legal requirements), (iii) the account holding amounts dedicated to the “Marie Fund” established by the Grantors for the benefit of their employees (so long as the Grantors’ deposits therein and withdrawals therefrom are consistent with past practice) and (iv) such other accounts with respect to which Hovnanian determines that the cost of perfecting a Lien thereon is excessive in relation to the benefit thereof (as reasonably determined by Hovnanian’s Board of Directors in a board resolution delivered to the Agent). Notwithstanding the foregoing, in determining which deposit, checking or securities accounts of a Grantor are “Excluded Accounts” pursuant to clause (i) above as of the date hereof and during the 3-month period thereafter, the “3-month period” referred to in clause (i) shall be deemed to be a reference to a “6-month period”.

“First Lien Security Agreement”: the First Lien Security Agreement, dated as of October 2, 2012 among the Grantors and Wilmington Trust, National Association, as collateral agent (in such capacity, together with its successors and assigns, the **“First Lien Agent”**), as the same may be amended, restated or otherwise modified from time to time.

“Guarantors”: the collective reference to each Grantor other than the Issuer.

“Intellectual Property”: the collective reference to all rights, priorities and privileges, whether arising under United States, multinational or foreign laws, in, to and under the Copyrights, the Copyright Licenses, the Patents, the Patent Licenses, the Trademarks and the Trademark Licenses, and all rights to sue at law

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or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

“Investment Property”: the collective reference to (i) all “investment property” as such term is defined in Section 9-102(a)(49) of the New York UCC, and (ii) whether or not constituting “investment property” as so defined, all Pledged Notes.

“Issuers”: the collective reference to each issuer of any Investment Property.

“Law”: any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, opinion, release, ruling, order, injunction, writ, decree, bond, judgment, authorization or approval, lien or award of or settlement agreement with any Official Body.

“New York UCC”: the Uniform Commercial Code as from time to time in effect in the State of New York.

“Noteholder”: “Holder” or “Holder of Notes” as defined in the Indenture.

“Noteholder Collateral Document”: any agreement, document or instrument pursuant to which a Lien is granted by the Issuer or any Guarantor to secure any Secured Obligations or under which rights or remedies with respect to any such Liens are governed, as the same may be amended, restated or otherwise modified from time to time.

“Noteholder Document”: collectively, (a) the Indenture, the Secured Notes and the Noteholder Collateral Documents and (b) any other related document or instrument executed and delivered pursuant to any Noteholder Document described in clause (a) above evidencing or governing any Secured Obligations as the same may be amended, restated or otherwise modified from time to time.

“Official Body”: any national, federal, state, local or other governmental or political subdivision or any agency, authority, board, bureau, central bank, commission, department or instrumentality of either, or any court, tribunal, grand jury or arbitrator, in each case whether foreign or domestic.

“Patent License”: all written agreements providing for the grant by or to any Grantor of any right to manufacture, use or sell any invention covered in whole or in part by a Patent.

“Patents”: (i) all letters patent of the United States, any other country or any political subdivision thereof, all reissues and extensions thereof, (ii) all applications for letters patent of the United States or any other country and all

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divisions, continuations and continuations-in-part thereof, and (iii) all rights to obtain any reissues or extensions of the foregoing.

“Perfection Agent”: (i) prior to the Discharge of Senior Claims, the First Lien Agent (including, with respect to any Collateral delivered to or held by the Perfection Agent, in its capacity as bailee for the Trustee, the Agent and the Noteholders under Section 5.5 of the Intercreditor Agreement) and (ii) thereafter, the Agent.

“Perfection Certificate”: with respect to any Grantor, a certificate substantially in the form of Schedule C, completed and supplemented with the schedules contemplated thereby, and signed by an officer of such Grantor.

“**Pledged Notes**”: all promissory notes issued to or held by any Grantor.

“**Proceeds**”: all “proceeds” as such term is defined in Section 9-102(a)(64) of the New York UCC and, in any event, shall include, without limitation, all dividends or other income from the Investment Property, collections thereon or distributions or payments with respect thereto.

“**Receivable**”: any right to payment for real or personal property sold or leased or for services rendered, whether or not such right is evidenced by a Contract, an Instrument or Chattel Paper and whether or not it has been earned by performance (including, without limitation, any Account).

“**Secured Obligations**”: all Indebtedness and other Obligations under the Indenture, the Secured Notes, the Guarantees (as defined in the Indenture) and the Noteholder Collateral Documents, together with any extensions, renewals, replacements or refundings thereof and all costs and expenses of enforcement and collection, including reasonable attorney’s fees.

“**Secured Parties**”: the collective reference to the Agent, the Trustee and the Noteholders, in each case to which any Secured Obligations are owed.

“**Securities Accounts**”: the collective reference to the securities accounts in the name of the applicable Grantor and any additional, substitute or successor account.

“**Trademark License**”: any written agreement providing for the grant by or to any Grantor of any right to use any Trademark.

“**Trademarks**”: (i) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos and other source or business identifiers, and all goodwill associated therewith, now owned or hereafter acquired, all registrations and recordings thereof, and all applications in connection therewith, whether in the United States

Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, and all common-law rights related thereto, and (ii) the right to obtain all renewals thereof.

“**Vehicles**”: all cars, trucks, trailers, construction and earth moving equipment and other vehicles covered by a certificate of title law of any state and all tires and other appurtenances to any of the foregoing.

Section 1.02. *Other Definitional Provisions.*

(a) The words “hereof,” “herein,” “hereto” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section and Schedule references are to this Agreement unless otherwise specified.

(b) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

(c) Where the context requires, terms relating to the Collateral or any part thereof, when used in relation to a Grantor, shall refer to such Grantor’s Collateral or the relevant part thereof.

ARTICLE 2 GRANT OF SECURITY INTEREST

Each Grantor hereby grants to the Agent, for the ratable benefit of the Secured Parties, a security interest in, all of the following property now owned or at any time hereafter acquired by such Grantor or in which such Grantor now has or at any time in the future may acquire any right, title or interest (collectively, the “**Collateral**”), as collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Secured Obligations:

(a) all Accounts;

(b) all Chattel Paper (including, Electronic Chattel Paper);

(c) all Commercial Tort Claims (including those claims listed on Schedule B hereto, in which the claim amount individually exceeds \$2,000,000, as such schedule is amended or supplemented from time to time);

(d) all Contracts;

(e) all Securities Accounts;

(f) all Deposit Accounts;

(g) all Documents (other than title documents with respect to vehicles);

(h) all Equipment;

(i) all Fixtures;

(j) all General Intangibles;

- (k) all Goods;
- (l) all Instruments;
- (m) all Intellectual Property;
- (n) all Inventory;
- (o) all Investment Property;
- (p) all letters of credit;
- (q) all Letter of Credit Rights;
- (r) all Payment Intangibles;
- (s) all Vehicles and title documents with respect to Vehicles;
- (t) all Receivables;
- (u) all Software;
- (v) all Supporting Obligations;
- (w) to the extent, if any, not included in clauses (a) through (v) above, each and every other item of personal property whether now existing or hereafter arising or acquired;
- (x) all books and records pertaining to any of the Collateral; and
- (y) to the extent not otherwise included, all Proceeds, Supporting Obligations and products of any and all of the foregoing and all collateral security and guarantees given by any Person with respect to any of the foregoing;

provided, however, that notwithstanding any of the other provisions set forth in this Article 2 (and notwithstanding any recording of the Agent's Lien in the U.S. Patent and Trademark Office or other registry office in any jurisdiction), this

Agreement shall not constitute a grant of a security interest in, and the Collateral shall not include, (i) any property or assets constituting "Excluded Property" (as defined in the Indenture) or (ii) any property to the extent that such grant of a security interest is prohibited by any applicable Law of an Official Body, requires a consent not obtained of any Official Body pursuant to such Law or is prohibited by, or constitutes a breach or default under or results in the termination of or gives rise to any right of acceleration, modification or cancellation or requires any consent not obtained under, any contract, license, agreement, instrument or other document evidencing or giving rise to such property or, in the case of any Investment Property, or Pledged Note, any applicable shareholder or similar agreement, except to the extent that such Law or the term in such contract, license, agreement, instrument or other document or shareholder or similar agreement providing for such prohibition, breach, default or termination or requiring such consent is ineffective under applicable Law including Sections 9-406, 9-407, 9-408 or 9-409 of the New York UCC (or any successor provision or provisions); *provided, further*, that no security interest shall be granted in United States "intent-to-use" trademark or service mark applications unless and until acceptable evidence of use of the trademark or service mark has been filed with and accepted by the U.S. Patent and Trademark Office pursuant to Section 1(c) or Section 1(d) of the Lanham Act (U.S.C. 1051, et. seq.), and to the extent that, and solely during the period in which, the grant of a security interest therein would impair the validity or enforceability of such intent-to-use trademark or service mark applications under applicable federal Law. After such period and after such evidence of use has been filed and accepted, each Grantor acknowledges that such interest in such trademark or service mark applications will become part of the Collateral. The Agent agrees that, at any Grantor's reasonable request and expense, it will provide such Grantor confirmation that the assets described in this paragraph are in fact excluded from the Collateral during such limited period only upon receipt of an Officers' Certificate or an Opinion of Counsel to that effect. Notwithstanding the foregoing, in the event that Rule 3-16 of Regulation S-X under the Securities Act requires (or is replaced with another rule or regulation, or any other law, rule or regulation is adopted, which would require) the filing with the SEC of separate financial statements of the Issuer, any Guarantor or of K. Hovnanian JV Holdings, L.L.C., then the capital stock or other securities of the Issuer, such Guarantor or of K. Hovnanian JV Holdings, L.L.C., as applicable, shall automatically be deemed released and not to be and not to have been part of the Collateral but only to the extent necessary to not be subject to such requirement. In such event, this Agreement may be amended or modified, without the consent of any Noteholder, upon the Agent's receipt of a written authorization from the Issuer stating that such amendment is permitted hereunder, which the Agent shall be entitled to conclusively rely upon, to the extent necessary to evidence the release of the lien created hereby on the shares of capital stock or other securities that are so deemed to no longer constitute part of the Collateral.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES

To induce the Noteholders to purchase the Secured Notes, each Grantor hereby represents and warrants to the Agent and each other Secured Party that:

Section 3.01. *Title: No Other Liens.* Except for the security interest granted to the Agent for the ratable benefit of the Secured Parties pursuant to this Agreement and assuming that concurrently with the issuance of the Notes, the Indenture, dated as of October 20, 2009, among the Issuer, Hovnanian, the

grantors party thereto and Wilmington Trust Company (as supplemented, the “**Existing Notes Indenture**”) and each of the Security Documents (as defined in the Existing Notes Indenture) related thereto have been satisfied and discharged by the Issuer in accordance with the terms of the Existing Notes Indenture and the Liens (as defined in the Existing Notes Indenture) on the Collateral (as defined in the Existing Notes Indenture) granted under such Security Documents have been released, such Grantor owns each item of the Collateral free and clear of any and all Liens or claims of others except for the Permitted Liens. None of the Grantors has filed or consented to the filing of any financing statement or other public notice with respect to all or any part of the Collateral in any public office, except (a) with respect to Permitted Liens and (b) financing statements filed in connection with the Indenture, dated as of May 27, 2008 (the “**Prior Notes Indenture**”) among the Issuer, Hovnanian, the guarantors party thereto and Wilmington Trust Company (the “**Prior Financing Statements**”). No Indebtedness owing by the Grantors is outstanding under the Prior Notes Indenture, the notes issued thereunder or the Security Documents (as defined in the Prior Notes Indenture) executed in connection therewith.

Section 3.02. *Perfected Second Priority Liens.* The security interests granted pursuant to this Agreement (a) upon completion of the filings and other actions specified on Schedule D (which, in the case of all filings and other documents referred to on said Schedule, have been delivered, or will be delivered within the time periods set forth in Schedule D, to the Agent in completed form) will constitute valid perfected (to the extent such security interest can be perfected by such filings or actions) security interests in all of the Collateral in favor of the Agent, for the ratable benefit of the Secured Parties, as collateral security for the Secured Obligations, enforceable in accordance with the terms hereof against all creditors of such Grantor and any Persons purporting to purchase any Collateral from such Grantor and (b) are prior to all other Liens on the Collateral in existence on the date hereof except for Permitted Liens, assuming that concurrently with the issuance of the Notes, the Existing Notes Indenture and each of the Security Documents (as defined in the Existing Notes Indenture) relating thereto have been satisfied and discharged by the Issuer in accordance with the terms of the Existing Notes Indenture and the Liens (as defined in the

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Existing Notes Indenture) on the Collateral (as defined in the Existing Notes Indenture) granted under such Security Documents have been released.

Section 3.03. *Jurisdiction of Organization; Chief Executive Office.* On the date hereof, such Grantor’s exact legal name, jurisdiction of organization, identification number from the jurisdiction of organization (if any), and the location of such Grantor’s chief executive office or sole place of business or principal residence, as the case may be, are specified in the Perfection Certificate.

Section 3.04. *Farm Products.* None of the Collateral constitutes, or is the Proceeds of, Farm Products.

Section 3.05. *Investment Property.* Such Grantor is the record and beneficial owner of, and has good title to, the Investment Property pledged by it hereunder, free of any and all Liens or options in favor of, or claims of, any other Person, except the Permitted Liens.

Section 3.06. *Receivables.* No amount payable in excess of \$2,000,000 in the aggregate to all Grantors under or in connection with any Receivables is evidenced by any Instrument or Chattel Paper which has not been delivered to the Perfection Agent.

ARTICLE 4 COVENANTS

Each Grantor covenants and agrees with the Agent and the other Secured Parties that, from and after the date of this Agreement until the payment in full of all outstanding Secured Obligations:

Section 4.01. *Maintenance of Perfected Security Interest; Further Documentation.* (a) Such Grantor shall maintain the security interest created by this Agreement as a perfected security interest to the extent required by this Agreement having at least the priority described in Section 3.02 and shall defend such security interest against the claims and demands of all Persons whomsoever other than any holder of Permitted Liens.

(b) At any time and from time to time, and at the sole expense of such Grantor, such Grantor will promptly and duly execute and deliver, and have recorded, such further instruments and documents and take such further actions as shall be required by applicable law for the purpose of obtaining, perfecting or preserving the security interests purported to be granted under this Agreement and of the rights and remedies herein granted, including, without limitation, (i) filing any financing or continuation statements under the Uniform Commercial Code (or other similar laws) in effect in any jurisdiction with respect to the security

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interests created hereby and (ii) subject to Section 4.18(d) of the Indenture, in the case of the Deposit Accounts, Investment Property, Letter of Credit Rights and the Securities Accounts and any other relevant Collateral, taking any actions necessary to enable the Perfection Agent to obtain “control” (within the meaning of the applicable Uniform Commercial Code) with respect thereto, provided that the Grantor shall not be required to take any of the actions set forth in this clause (ii) with respect to Excluded Accounts.

(c) If any Grantor shall at any time acquire a Commercial Tort Claim, in which the claim amount individually exceeds \$2,000,000, such Grantor shall promptly notify the Agent in a writing signed by such Grantor of the details thereof and grant to the Agent for the benefit of the Secured Parties in such writing a security interest therein and in the Proceeds thereof, with such writing to be in form and substance required by applicable law and such writing shall constitute a supplement to Schedule B hereto.

Section 4.02. *Changes In Name, Etc.* Such Grantor will, within thirty (30) calendar days after any change its jurisdiction of organization or change its name, provide written notice thereof to the Agent.

Section 4.03. *Delivery of Instruments, Certificated Securities and Chattel Paper.* If any amount in excess of \$2,000,000 in the aggregate payable under or in connection with any of the Collateral shall be or become evidenced by any Instrument, certificated security or Chattel Paper, such Instrument, certificated security or Chattel Paper shall be promptly delivered to the Perfection Agent, duly indorsed, to be held as Collateral pursuant to this Agreement in a manner reasonably satisfactory to the Perfection Agent.

Section 4.04. *Intellectual Property.* (a) Whenever such Grantor, either by itself or through any agent, employee, licensee or designee, shall file an application for the registration of any Intellectual Property with the United States Patent and Trademark Office, the United States Copyright Office or any similar office or any political subdivision thereof, such Grantor shall report such filing to the Agent on or before the date upon which the Issuer is required to file reports with the Trustee pursuant to Section 4.15 of the Indenture for the fiscal quarter in which such filing occurs. Such Grantor shall execute and deliver, and have recorded, any and all agreements, instruments, documents, and papers as may be necessary to create and perfect the Agent's and the other Secured Parties' security interest in any registered or applied for Copyright, Patent or Trademark and the goodwill and General Intangibles of such Grantor relating thereto or represented thereby. Nothing in this Agreement prevents any Grantor from discontinuing the use or maintenance of its Intellectual Property if such Grantor determines in its reasonable business judgment that such discontinuance is desirable in the conduct of its business.

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(b) Such Grantor's obligations under Section 4.04(a) above shall include executing and delivering, and having recorded, with respect to such Collateral, an agreement substantially in the form of the Intellectual Property Security Agreement attached hereto as Exhibit A.

Section 4.05. *Prior Financing Statements.* The Issuer and Hovnanian shall use commercially reasonable efforts to terminate or cause the termination of, the Prior Financing Statements within 30 days of the date hereof (it being understood that the foregoing shall not require the Issuer or Hovnanian to conduct any lien searches in order to accomplish such termination).

ARTICLE 5 INVESTING AMOUNTS IN THE SECURITIES ACCOUNTS

Section 5.01. *Investments.* If requested by the Issuer in writing, the Perfection Agent will, from time to time, invest amounts on deposit in the Deposit Accounts or Securities Accounts in which the Agent for the benefit of the Secured Parties holds a second priority, perfected security interest, in Cash Equivalents pursuant to the written instructions of the Issuer. All investments may, at the option of the Perfection Agent, be made in the name of the Perfection Agent or a nominee of the Perfection Agent and in a manner that preserves the Issuer's ownership of, and the Agent's perfected second priority Lien on, such investments. Subject to the Intercreditor Agreement, all income received from such investments shall accrue for the benefit of the Issuer and shall be credited (promptly upon receipt by the Perfection Agent) to a Deposit Account or Securities Account, in which the Agent for the benefit of the Secured Parties holds a second priority, perfected security interest. The Issuer will only direct the Agent to make investments in which the Agent can obtain a second priority, perfected security interest, and the Issuer hereby agrees to execute promptly any documents which may be required to implement or effectuate the provisions of this Section.

Section 5.02. *Liability.* The Agent shall have no responsibility to the Issuer for any loss or liability arising in respect of the investments in the Deposit Accounts or Securities Accounts in which the Agent for the benefit of the Secured Parties holds a second priority, perfected security interest (including, without limitation, as a result of the liquidation of any thereof before maturity), except to the extent that such loss or liability is found to be based on the Agent's gross negligence or willful misconduct as determined by a final and nonappealable decision of a court of competent jurisdiction.

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ARTICLE 6 REMEDIAL PROVISIONS

Section 6.01. *Certain Matters Relating to Receivables.*

(a) At any time during the continuance of an Event of Default, the Agent shall have the right to make test verifications of the Receivables in any manner and through any medium that it reasonably considers advisable, and each Grantor shall furnish all such assistance and information as the Agent may require in connection with such test verifications. The Agent shall endeavor to provide the Issuer with notice at or about the time of such verifications, *provided* that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of such remedy or the Agent's rights hereunder.

(b) The Agent hereby authorizes each Grantor to collect such Grantor's Receivables and, subject to the Intercreditor Agreement, the Agent may curtail or terminate said authority at any time after the occurrence and during the continuance of an Event of Default. The Agent shall endeavor to provide the Issuer with notice at or about the time of the exercise of its rights pursuant to the preceding sentence, provided that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of any rights or remedies hereunder. Subject to the Intercreditor Agreement, if requested in writing by the Agent at any time after the occurrence and during the continuance of an Event of Default, any payments of Receivables, when collected by any Grantor, (i) shall be forthwith (and, in any event, within two Business Days) deposited by such Grantor in the exact form received, duly indorsed by such Grantor to the Perfection Agent if required, in a Collateral Account maintained under the sole dominion and control of the Perfection Agent, subject to withdrawal by the Perfection Agent to be applied (x) prior to the Discharge of Senior Claims, in accordance with the First Lien Security Agreement and the Intercreditor Agreement and (y) thereafter pursuant to Section 6.04 below, and (ii) until so turned over, shall be held by such Grantor in trust for the Perfection Agent and the Secured Parties, segregated from other funds of such Grantor.

(c) Subject to the Intercreditor Agreement, at the Agent's written request at any time after the occurrence and during the continuance of an Event of Default, each Grantor shall deliver to the Perfection Agent all original and other documents evidencing, and relating to, the agreements and transactions which gave rise to the Receivables, including without limitation, all original orders, invoices and shipping receipts.

Section 6.02. *Communications with Obligors: Grantors Remain Liable.*

(a) Subject to the Intercreditor Agreement, the Agent in its own name or in the name of others may after the occurrence and during the continuance of an

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Event of Default communicate with obligors under the Receivables and parties to the Contracts to verify with them to the Agent's satisfaction the existence, amount and terms of any Receivables or Contracts. The Agent shall endeavor to provide the Issuer with notice at or about the time of the exercise of its rights pursuant to the preceding sentence, *provided* that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of any rights or remedies hereunder.

(b) Subject to the Intercreditor Agreement, upon the written request of the Agent at any time after the occurrence and during the continuance of an Event of Default, each Grantor shall notify obligors on the Receivables and parties to the Contracts that the Receivables and the Contracts, as the case may be, have been assigned to the Agent for the ratable benefit of the Secured Parties and that payments in respect thereof shall be made directly to the Agent.

(c) Anything herein to the contrary notwithstanding, each Grantor shall remain liable under each of the Receivables and Contracts to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise thereto. Neither the Agent nor any Secured Party shall have any obligation or liability under any Receivable (or any agreement giving rise thereto) or Contract by reason of or arising out of this Agreement or the receipt by the Agent or any Secured Party of any payment relating thereto, nor shall the Agent or any Secured Party be obligated in any manner to perform any of the obligations of any Grantor under or pursuant to any Receivable (or any agreement giving rise thereto) or Contract, to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party thereunder, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

Section 6.03. *Proceeds to Be Turned Over to Agent.* In addition to the rights of the Agent and the Secured Parties specified in Section 6.01 with respect to payments of Receivables, and subject to the Intercreditor Agreement, if an Event of Default shall occur and be continuing, upon written request from the Agent, all Proceeds received by any Grantor consisting of cash, checks and other near-cash items shall be held by such Grantor in trust for the Perfection Agent and the Secured Parties, segregated from other funds of such Grantor, and shall, forthwith upon receipt by such Grantor, be turned over to the Perfection Agent in the exact form received by such Grantor (duly indorsed by such Grantor to the Perfection Agent, if requested). All Proceeds received by the Perfection Agent hereunder shall be held by the Perfection Agent in a Collateral Account maintained under its sole dominion and control. All such Proceeds while held by the Perfection Agent in a Collateral Account (or by such Grantor in trust for the Agent and the Secured Parties) shall continue to be held as collateral security for

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all the Secured Obligations and shall not constitute payment thereof until applied as provided in Section 6.04.

Section 6.04. *Application of Proceeds.* If an Event of Default shall have occurred and be continuing, at any time at the Agent's election, subject to the Intercreditor Agreement, any Collateral Agency Agreement and any other intercreditor agreement entered into in connection with Indebtedness permitted under the Indenture, the Agent may apply all or any part of the Collateral, whether or not held in the Deposit Accounts, the Securities Accounts or any other Collateral Account, in payment of the Secured Obligations in the order set forth in the Indenture.

Section 6.05. *Code and Other Remedies.* Subject to the Intercreditor Agreement, if an Event of Default shall occur and be continuing, the Agent, on behalf of the Secured Parties, may exercise, in addition to all other rights and remedies granted to them in this Agreement and in any other instrument or agreement securing, evidencing or relating to the Secured Obligations, all rights and remedies of a secured party under the New York UCC or any other applicable law. Without limiting the generality of the foregoing, the Agent, without prior demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any prior notice required by law referred to below) to or upon any Grantor or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances, subject to the Intercreditor Agreement, forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give option or options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of the Agent or any Secured Party or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The Agent shall endeavor to provide the Issuer with notice at or about the time of the exercise of remedies in the proceeding sentence, *provided* that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of such remedies or the Agent's rights hereunder. The Agent or any Secured Party shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in any Grantor, which right or equity is hereby waived and released. Each Grantor further agrees, at the Agent's request, to assemble the Collateral and make it available to the Agent at places which the Agent shall reasonably select, whether at such Grantor's premises or elsewhere. Subject to the Intercreditor Agreement, the Agent shall apply the net proceeds of any action taken by it pursuant to this Section 6.05, after deducting all reasonable costs and expenses of every kind incurred in connection therewith or incidental to the care or

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safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Agent and the Secured Parties hereunder, including, without limitation, reasonable attorneys' fees and disbursements, to the payment in whole or in part of the Secured Obligations, in such order as is provided in Section 5.05 of the Indenture, and only after such application and after the payment by the Agent of any other amount required by any provision of law, including, without limitation, Section 9-615(a)(3) of the New York UCC, need the Agent account for the surplus, if any, to any Grantor. To the extent permitted by applicable law, each Grantor waives all claims, damages and demands it may acquire against the Agent or any Secured Party arising out of the exercise by them of any rights hereunder. If any prior notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least 10 days before such sale or other disposition.

The Agent shall incur no liability as a result of the sale of the Collateral, or any part thereof, at any private sale pursuant to this Article 6 conducted in accordance with the requirements of applicable laws and provided such sale shall not have resulted from the gross negligence, willful misconduct or fraud of the Agent. Each Grantor hereby waives any claims against the Agent and the other Secured Parties arising by reason of the fact that the price at which the Collateral may have been sold at such a private sale was less than the price that might have been obtained at a public sale or was less than the aggregate amount of the Secured Obligations, even if the Agent accepts the first offer received and does not offer the Collateral to more than one offeree, provided that

such private sale is conducted in accordance with applicable laws and this Agreement. Each Grantor hereby agrees that in respect of any sale of any of the Collateral pursuant to the terms hereof, the Agent is hereby authorized to comply with any limitation or restriction in connection with such sale as it may be advised by counsel is necessary in order to avoid any violation of applicable laws, or in order to obtain any required approval of the sale or of the purchaser by any governmental authority or official, nor shall the Agent be liable or accountable to any Grantor for any discount allowed by reason of the fact that such Collateral is sold in compliance with any such limitation or restriction.

Section 6.06. *Subordination.* Each Grantor hereby agrees that, upon the occurrence and during the continuance of an Event of Default, unless otherwise agreed by the Agent, all Indebtedness owing to it by the Issuer or any Subsidiary of the Issuer shall be fully subordinated to the indefeasible payment in full in cash of the Secured Obligations.

Section 6.07. *Deficiency.* Each Grantor shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay the Secured Obligations and the fees and disbursements of any attorneys employed by the Agent or any Secured Party to collect such deficiency.

ARTICLE 7 THE AGENT

Section 7.01. *Agent's Appointment as Attorney-in-fact, Etc.* (a) Subject to the Intercreditor Agreement, each Grantor hereby irrevocably constitutes and appoints the Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Grantor and in the name of such Grantor or in its own name, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement, and, without limiting the generality of the foregoing, each Grantor hereby gives the Agent the power and right, on behalf of such Grantor, without prior notice to or assent by such Grantor, to do any or all of the following:

(i) following the occurrence of an Event of Default, in the name of such Grantor or its own name, or otherwise, take possession of and indorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due under any Receivable or Contract or with respect to any other Collateral and file any claim or take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Agent for the purpose of collecting any and all such moneys due under any Receivable or Contract or with respect to any other Collateral whenever payable;

(ii) in the case of any Intellectual Property, execute and deliver, and have recorded, any and all agreements, instruments, documents and papers as the Agent may request to evidence the Agent's and the Secured Parties' security interest in such Intellectual Property and the goodwill and General Intangibles of such Grantors relating thereto or represented thereby;

(iii) pay or discharge taxes and Liens levied or placed on or threatened against the Collateral, effect any repairs or any insurance called for by the terms of this Agreement and pay all or any part of the premiums therefor and the costs thereof;

(iv) execute, in connection with any sale provided for in Section 6.05, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral; and

(v) (A) direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due or to become due thereunder directly to the Agent or as the Agent shall direct; (B) ask or demand for, collect, and receive payment of and receipt for, any and all

moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral; (C) sign and indorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other documents in connection with any of the Collateral; (D) commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any portion thereof and to enforce any other right in respect of any Collateral; (E) defend any suit, action or proceeding brought against such Grantor with respect to any Collateral; (F) settle, compromise or adjust any such suit, action or proceeding and, in connection therewith, give such discharges or releases as the Agent may deem appropriate; (G) assign any Copyright, Patent or Trademark (along with the goodwill of the business to which any such Copyright, Patent or Trademark pertains), through the world for such term or terms, on such conditions, in such manner, as the Agent shall in its sole discretion determine; and (H) generally, sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Agent were the absolute owner thereof for all purposes, and do, at the Agent's option and such Grantor's expense, at any time, or from time to time, all acts and things which the Agent deems necessary to protect, preserve or realize upon the Collateral and the Agent's and the Secured Parties' security interests therein and to effect the intent of this Agreement, all as fully and effectively as such Grantor might do.

The Agent shall endeavor to provide the Issuer with notice at or about the time of the exercise of its rights in the preceding clause (a), *provided* that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of any rights or remedies hereunder.

(b) Subject to the Intercreditor Agreement, if any Grantor fails to perform or comply with any of its agreements contained herein, the Agent, at its option, but without any obligation so to do, may perform or comply, or otherwise cause performance or compliance, with such agreement.

(c) The expenses of the Agent incurred in connection with actions undertaken as provided in this Section 7.01, together with, if past due, interest thereon at a rate per annum equal to the interest rate on the Secured Notes, from the date when due to the Agent to the date reimbursed by the relevant Grantor, shall be payable by such Grantor to the Agent upon not less than five (5) Business Days notice.

(d) Each Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. All powers, authorizations and agencies

contained in this Agreement are coupled with an interest and are irrevocable until this Agreement is terminated and the security interests created hereby are released.

Section 7.02. *Duty of Agent.* The Agent's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the New York UCC or otherwise, shall be to deal with it in the same manner as the Agent deals with similar property for its own account. Neither the Agent, any Secured Party nor any of their respective officers, directors, employees or agents shall be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of any Grantor or any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof. The powers conferred on the Agent and the Secured Parties hereunder are solely to protect the Agent's and the Secured Parties' interests in the Collateral and shall not impose any duty upon the Agent or any Secured Party to exercise any such powers. The Agent and the Secured Parties shall be accountable only for amounts that they actually receive as a result of the exercise of such powers, and neither they nor any of their officers, directors, employees or agents shall be responsible to any Grantor for any act or failure to act hereunder, except for their own gross negligence or willful misconduct.

Section 7.03. *Execution of Financing Statements.* Pursuant to any applicable law, each Grantor authorizes the Agent to file or record financing statements and other filing or recording documents or instruments with respect to the Collateral without the signature of such Grantor in such form and in such offices as required by applicable law to perfect the security interests of the Agent under this Agreement. Each Grantor authorizes the Agent to use the collateral description "all personal property" or "all assets" in any such financing statements.

Section 7.04. *Authority of Agent.* Each Grantor acknowledges that the rights and responsibilities of the Agent under this Agreement with respect to any action taken by the Agent or the exercise or non-exercise by the Agent of any option, voting right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Agreement shall, as between the Agent and the Secured Parties, be governed by the Indenture and by such other agreements with respect thereto as may exist from time to time among them, but, as between the Agent and the Grantors, the Agent shall be conclusively presumed to be acting as agent for the Secured Parties with full and valid authority so to act or refrain from acting, and no Grantor shall be under any obligation, or entitlement, to make any inquiry respecting such authority.

ARTICLE 8 MISCELLANEOUS

Section 8.01. *Amendments in Writing.* None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified except in accordance with the Indenture. For the avoidance of doubt, the Issuer and the Collateral Agent may, without the consent of the Noteholders, enter into amendments or other modifications of this Agreement or any other Noteholder Collateral Document (including by entering into any Collateral Agency Agreement or any other new or supplemental agreements) to the extent contemplated by Section 9.01 of the Indenture and Section 8.2(b) of the Intercreditor Agreement.

Section 8.02. *Notices.* All notices, requests and demands to or upon the Agent or any Grantor hereunder shall be effected in the manner provided for in Section 13.03 of the Indenture.

Section 8.03. *No Waiver by Course of Conduct; Cumulative Remedies.* Neither the Agent nor any Secured Party shall by any act (except by a written instrument pursuant to Section 8.01), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default. No failure to exercise, nor any delay in exercising, on the part of the Agent or any Secured Party, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Agent or any Secured Party of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Agent or such Secured Party would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.

Section 8.04. *Enforcement Expenses; Indemnification.* (a) Each Grantor agrees to pay, indemnify against or reimburse each Secured Party and the Agent for all its costs and expenses incurred in enforcing or preserving any rights under this Agreement and the other Noteholder Documents to which such Grantor is a party, including, without limitation, the reasonable fees and disbursements of counsel (including the allocated fees and expenses of in-house counsel) to the Agent and the Secured Parties.

(b) Each Grantor agrees to pay, and to save the Agent and the Secured Parties harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all stamp, excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral or in connection with any of the transactions contemplated by this Agreement.

(c) Each Grantor agrees to pay, and to save the Agent and the Secured Parties harmless from, any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement to the extent the Issuer would be required to do so pursuant to Section 7.07 of the Indenture except those resulting from the Agent's or any Secured Party's willful misconduct or gross negligence.

(d) The agreements in this Section 8.04 shall survive repayment of the Secured Obligations, termination of the Noteholder Documents and resignation or removal of the Agent.

Section 8.05. *Successors and Assigns*. This Agreement shall be binding upon the successors and assigns of each Grantor and shall inure to the benefit of the Agent and the Secured Parties and their successors and assigns; *provided* that except as permitted by the Indenture, no Grantor may assign, transfer or delegate any of its rights or obligations under this Agreement without the prior written consent of the Agent.

Section 8.06. *Set-off*. Subject to the Intercreditor Agreement, each Grantor hereby irrevocably authorizes the Agent and each other Secured Party at any time and from time to time while an Event of Default has occurred and is continuing, without notice to such Grantor or any other Grantor, any such notice being expressly waived by each Grantor, to set-off and appropriate and apply any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by the Agent or such other Secured Party to or for the credit or the account of such Grantor, or any part thereof in such amounts as the Agent or such other Secured Party may elect, against and on account of the obligations and liabilities of such Grantor to the Agent or such other Secured Party hereunder and claims of every nature and description of the Agent or such other Secured Party against such Grantor, in any currency, whether arising hereunder, under the Indenture or any other Noteholder Document, as the Agent or such other Secured Party may elect, whether or not the Agent or any other Secured Party has made any demand for payment and although such obligations, liabilities and claims may be contingent or unmatured. The Agent and each other Secured Party shall endeavor to notify the Issuer promptly of any such set-off and the application made by the Agent or such other Secured Party of the proceeds thereof, *provided* that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Agent and each other Secured Party under this Section 8.06 are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Agent or such other Secured Party may have.

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Section 8.07. *Counterparts*. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

Section 8.08. *Severability*. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 8.09. *Section Headings*. The Section headings used in this Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

Section 8.10. *Integration*. This Agreement and the other Noteholder Documents represent the agreement of the Grantors, the Agent and the Secured Parties with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the Agent or any Secured Parties relative to subject matter hereof and thereof not expressly set forth or referred to herein or in the other Noteholder Documents.

Section 8.11. *Governing Law*. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

Section 8.12. *Submission to Jurisdiction; Waivers*. Each Grantor hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Noteholder Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any

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substantially similar form of mail), postage prepaid, to such Grantor at its address referred to in Section 8.02 or at such other address of which the Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

Section 8.13. *Acknowledgements*. Each Grantor hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Noteholder Documents to which it is a party;

(b) neither the Agent nor any Secured Party has any fiduciary relationship with or duty to any Grantor arising out of or in connection with this Agreement or any of the other Noteholder Documents, and the relationship between the Grantors, on the one hand, and the Agent and Secured Parties, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Noteholder Documents or otherwise exists by virtue of the transactions contemplated hereby among the Secured Parties or among the Grantors and the Secured Parties; and

(d) the Agent may at any time and from time to time appoint a collateral agent to maintain any of the Collateral, maintain books and records regarding any Collateral, release Collateral, and assist in any aspect arising in connection with the Collateral as the Agent may desire; and the Agent may appoint itself, any affiliate or a third party as the Collateral Agent, and all reasonable costs of the Collateral Agent shall be borne by the Grantors;

Section 8.14. *Additional Grantors.* Each Restricted Subsidiary (as defined in the Indenture) of Hovnanian shall become a Grantor for all purposes of this Agreement upon execution and delivery by such Subsidiary of a Joinder Agreement, substantially in the form of Exhibit B hereto.

Section 8.15. *Releases.* (a) Upon the indefeasible payment in full of all outstanding Secured Obligations, the Collateral shall be automatically released from the Liens created hereby, and this Agreement and all obligations (other than

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those expressly stated to survive such termination) of the Agent and each Grantor hereunder shall automatically terminate, all without delivery of any instrument or performance of any act by any party, and all rights to the Collateral shall revert to the Grantors.

(b) All or a portion of the Collateral shall be released from the Liens created hereby, and a Grantor may be released from its obligations hereunder, in each case pursuant to and as provided in Section 11.04 of the Indenture. At the request and sole expense of such Grantor, upon the Agent's receipt of the documents required by Section 11.04 of the Indenture, the Agent shall deliver to such Grantor any Collateral held by the Agent hereunder, and execute and deliver to such Grantor such documents as the Grantor shall reasonably request to evidence such termination or release.

Section 8.16. *Waiver of Jury Trial.* EACH GRANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER NOTEHOLDER DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

Section 8.17. *Intercreditor Agreement.* Notwithstanding anything herein to the contrary, the lien and security interest granted to the Agent pursuant to this Agreement and the exercise of any right or remedy by the Agent hereunder are subject to the provisions of the Intercreditor Agreement. In the event of any conflict between the terms of the Intercreditor Agreement and this Agreement, the terms of the Intercreditor Agreement shall govern.

Section 8.18. *Control Agreements.* In connection with each agreement made at any time pursuant to Sections 9-104 or 8-106 of the Uniform Commercial Code among the Agent, any one or more Grantors, and any depository financial institution or issuer of uncertificated mutual fund shares or other uncertificated securities and any other Person party thereto, the Agent shall not deliver to any such depository or issuer, instructions directing the disposition of the deposit or uncertificated fund shares or other securities unless an Event of Default has occurred and is continuing at such time.

Section 8.19. *Agent Privileges, Powers and Immunities.* In the performance of its obligations, powers and rights hereunder, the Agent shall be entitled to the rights, benefits, privileges, powers and immunities afforded to it as Collateral Agent under the Indenture. The Agent shall be entitled to refuse to take or refrain from taking any discretionary action or exercise any discretionary powers set forth in this Agreement unless specifically authorized under the Indenture or it has received with respect thereto written direction of the Issuer, the Noteholders or the Trustee in accordance with the Indenture (it being understood and agreed that the actions and directions set forth in Section 9.01 of the

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Indenture are not discretionary). Notwithstanding anything to the contrary contained herein and notwithstanding anything contained in Section 9-207 of the New York UCC, the Agent shall have no responsibility for the creation, perfection, priority, sufficiency or protection of any liens securing Secured Obligations (including, but not limited to, no obligation to prepare, record, file, re-record or re-file any financing statement, continuation statement or other instrument in any public office). The permissive rights and authorizations of the Agent hereunder shall not be construed as duties. The Agent shall be entitled to exercise its powers and duties hereunder through designees, specialists, experts or other appointees selected by it in good faith.

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IN WITNESS WHEREOF, each of the undersigned has caused this Security Agreement to be duly executed and delivered as of the date first above written.

Secured Party:

WILMINGTON TRUST, NATIONAL
ASSOCIATION, as Collateral Agent

By: /s/ Joseph B. Feil

Name: Joseph B. Feil
Title: Vice President

By: /s/ J. Larry Sorsby
Name: J. Larry Sorsby
Title: Executive Vice President and
Chief Financial Officer

HOVNANIAN ENTERPRISES, INC.

By: /s/ J. Larry Sorsby
Name: J. Larry Sorsby
Title: Executive Vice President and
Chief Financial Officer

On behalf of each of the entities listed on
Schedule A hereto

By: /s/ J. Larry Sorsby
Name: J. Larry Sorsby
Title: Executive Vice President and
Chief Financial Officer

SCHEDULE A — LIST OF ENTITIES

ARBOR TRAILS, LLC
AUDDIE ENTERPRISES, L.L.C.
BUILDER SERVICES NJ, L.L.C.
BUILDER SERVICES PA, L.L.C.
DULLES COPPERMINE, L.L.C.
EASTERN NATIONAL TITLE AGENCY, LLC
EASTERN TITLE AGENCY, INC.
F&W MECHANICAL SERVICES, L.L.C.
FOUNDERS TITLE AGENCY OF MARYLAND, L.L.C.
FOUNDERS TITLE AGENCY, INC.
GLENRISE GROVE, L.L.C.
GOVERNOR'S ABSTRACT CO., INC.
HOMEBUYERS FINANCIAL SERVICES, L.L.C.
HOVNANIAN DEVELOPMENTS OF FLORIDA, INC.
HOVNANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.
HOVNANIAN LAND INVESTMENT GROUP, L.L.C.
K. HOV IP, II, INC.
K. HOV IP, INC.
K. HOVNANIAN ACQUISITIONS, INC.
K. HOVNANIAN AT 4S, LLC

K. HOVNANIAN AT ACQUA VISTA, LLC
K. HOVNANIAN AT ALISO, LLC
K. HOVNANIAN AT ALLENTOWN, L.L.C.
K. HOVNANIAN AT ANDALUSIA, LLC
K. HOVNANIAN AT ARBOR HEIGHTS, LLC
K. HOVNANIAN AT AVENUE ONE, L.L.C.

K. HOVNANIAN AT BAKERSFIELD 463, L.L.C.
K. HOVNANIAN AT BARNEGAT I, L.L.C.
K. HOVNANIAN AT BARNEGAT II, L.L.C.
K. HOVNANIAN AT BELLA LAGO, LLC
K. HOVNANIAN AT BENSLEM, LLC
K. HOVNANIAN AT BERKELEY, L.L.C.
K. HOVNANIAN AT BLUE HERON PINES, L.L.C.
K. HOVNANIAN AT BRANCBURG, L.L.C.
K. HOVNANIAN AT BRIDGEPORT, INC.
K. HOVNANIAN AT BRIDGEWATER I, L.L.C.
K. HOVNANIAN AT BROAD AND WALNUT, L.L.C.
K. HOVNANIAN AT CAMERON CHASE, INC.
K. HOVNANIAN AT CAMP HILL, L.L.C.
K. HOVNANIAN AT CAPISTRANO, L.L.C.
K. HOVNANIAN AT CARLSBAD, LLC
K. HOVNANIAN AT CEDAR GROVE III, L.L.C.
K. HOVNANIAN AT CEDAR GROVE V, L.L.C.
K. HOVNANIAN AT CHARTER WAY, LLC
K. HOVNANIAN AT CHESTER I, L.L.C.
K. HOVNANIAN AT CHESTERFIELD, L.L.C.
K. HOVNANIAN AT CIELO, L.L.C.
K. HOVNANIAN AT CLIFTON, L.L.C.
K. HOVNANIAN AT COASTLINE, L.L.C.
K. HOVNANIAN AT CORTEZ HILL, LLC
K. HOVNANIAN AT CRANBURY, L.L.C.
K. HOVNANIAN AT DENVILLE, L.L.C.
K. HOVNANIAN AT DEPTFORD TOWNSHIP, L.L.C.
K. HOVNANIAN AT DOMINGUEZ HILLS, INC.

K. HOVNANIAN AT EAST BRANDYWINE, L.L.C.

K. HOVNANIAN AT EASTLAKE, LLC

K. HOVNANIAN AT EDGEWATER II, L.L.C.

K. HOVNANIAN AT EDGEWATER, L.L.C.

K. HOVNANIAN AT EGG HARBOR TOWNSHIP II, L.L.C.

K. HOVNANIAN AT EGG HARBOR TOWNSHIP, L.L.C.

K. HOVNANIAN AT EL DORADO RANCH II, L.L.C.

K. HOVNANIAN AT EL DORADO RANCH, L.L.C.

K. HOVNANIAN AT ENCINITAS RANCH, LLC

K. HOVNANIAN AT EVERGREEN, L.L.C.

K. HOVNANIAN AT FIDDYMENT RANCH, LLC

K. HOVNANIAN AT FIFTH AVENUE, L.L.C.

K. HOVNANIAN AT FLORENCE I, L.L.C.

K. HOVNANIAN AT FLORENCE II, L.L.C.

K. HOVNANIAN AT FOREST MEADOWS, L.L.C.

K. HOVNANIAN AT FRANKLIN II, L.L.C.

K. HOVNANIAN AT FRANKLIN III, LLC

K. HOVNANIAN AT FRANKLIN, L.L.C.

K. HOVNANIAN AT FREEHOLD TOWNSHIP, L.L.C.

K. HOVNANIAN AT FRESNO, LLC

K. HOVNANIAN AT GASLAMP SQUARE, L.L.C.

K. HOVNANIAN AT GILROY, LLC

K. HOVNANIAN AT GREAT NOTCH, L.L.C.

K. HOVNANIAN AT GUTTENBERG, L.L.C.

K. HOVNANIAN AT HACKETTSTOWN II, L.L.C.

K. HOVNANIAN AT HAMBURG, L.L.C.

K. HOVNANIAN AT HAWTHORNE, L.L.C.

K. HOVNANIAN AT HERSHEY'S MILL, INC.

K. HOVNANIAN AT HIGHLAND SHORES, L.L.C.

K. HOVNANIAN AT HOWELL, LLC

K. HOVNANIAN AT HUDSON POINTE, L.L.C.

K. HOVNANIAN AT JACKSON I, L.L.C.

K. HOVNANIAN AT JACKSON, L.L.C.

K. HOVNANIAN AT JAEGER RANCH, LLC

K. HOVNANIAN AT JERSEY CITY IV, L.L.C.

K. HOVNANIAN AT JERSEY CITY V URBAN RENEWAL COMPANY, L.L.C.

K. HOVNANIAN AT KEYPORT, L.L.C.
K. HOVNANIAN AT LA COSTA GREENS, L.L.C.
K. HOVNANIAN AT LA COSTA, LLC
K. HOVNANIAN AT LA HABRA KNOLLS, LLC
K. HOVNANIAN AT LA LAGUNA, L.L.C.
K. HOVNANIAN AT LAKE RANCHO VIEJO, LLC
K. HOVNANIAN AT LAKE TERRAPIN, L.L.C.
K. HOVNANIAN AT LAWRENCE V, L.L.C.
K. HOVNANIAN AT LEE SQUARE, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR, L.L.C
K. HOVNANIAN AT LONG HILL, L.L.C.
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LOWER MAKEFIELD TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MORELAND I, L.L.C.
K. HOVNANIAN AT LOWER MORELAND II, L.L.C.
K. HOVNANIAN AT MAHWAH VI, INC.
K. HOVNANIAN AT MALAN PARK, L.L.C.
K. HOVNANIAN AT MANALAPAN III, L.L.C.

K. HOVNANIAN AT MANSFIELD I, L.L.C.
K. HOVNANIAN AT MANSFIELD II, L.L.C.
K. HOVNANIAN AT MANSFIELD III, L.L.C.
K. HOVNANIAN AT MANTECA, LLC
K. HOVNANIAN AT MAPLE AVENUE, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP IX, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP V, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP VIII, L.L.C.
K. HOVNANIAN AT MARLBORO VI, L.L.C.
K. HOVNANIAN AT MARLBORO VII, L.L.C.
K. HOVNANIAN AT MELANIE MEADOWS, LLC
K. HOVNANIAN AT MENDHAM TOWNSHIP, L.L.C.
K. HOVNANIAN AT MENIFEE, LLC
K. HOVNANIAN AT MIDDLE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT MIDDLE TOWNSHIP, L.L.C.
K. HOVNANIAN AT MIDDLETOWN II, L.L.C.

K. HOVNANIAN AT MILLVILLE I, L.L.C.
K. HOVNANIAN AT MILLVILLE II, L.L.C.
K. HOVNANIAN AT MONROE II, INC.
K. HOVNANIAN AT MONROE IV, L.L.C.
K. HOVNANIAN AT MONROE NJ, L.L.C.
K. HOVNANIAN AT MONTVALE II, LLC
K. HOVNANIAN AT MONTVALE, L.L.C.
K. HOVNANIAN AT MOSAIC, LLC
K. HOVNANIAN AT MUIRFIELD, LLC
K. HOVNANIAN AT NEW WINDSOR, L.L.C.
K. HOVNANIAN AT NORTH BERGEN. L.L.C.
K. HOVNANIAN AT NORTH BRUNSWICK VI, L.L.C.

K. HOVNANIAN AT NORTH CALDWELL II, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL III, L.L.C.
K. HOVNANIAN AT NORTH CALDWELL IV, L.L.C.
K. HOVNANIAN AT NORTH HALEDON, L.L.C.
K. HOVNANIAN AT NORTH WILDWOOD, L.L.C.
K. HOVNANIAN AT NORTHAMPTON, L.L.C.
K. HOVNANIAN AT NORTHERN WESTCHESTER, INC.
K. HOVNANIAN AT NORTHFIELD, L.L.C.
K. HOVNANIAN AT OCEAN TOWNSHIP, INC
K. HOVNANIAN AT OCEAN WALK, INC.
K. HOVNANIAN AT OCEANPORT, L.L.C.
K. HOVNANIAN AT OLD BRIDGE, L.L.C.
K. HOVNANIAN AT OLDE ORCHARD, LLC
K. HOVNANIAN AT PARAMUS, L.L.C.
K. HOVNANIAN AT PARK LANE, LLC
K. HOVNANIAN AT PARKSIDE, LLC
K. HOVNANIAN AT PARSIPPANY, L.L.C.
K. HOVNANIAN AT PARSIPPANY-TROY HILLS, L.L.C.
K. HOVNANIAN AT PIAZZA D'ORO, L.L.C.
K. HOVNANIAN AT PIAZZA SERENA, L.L.C
K. HOVNANIAN AT PITTSBORO, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL IV, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL V, L.L.C.
K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VI, L.L.C.

K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VII, L.L.C.

K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VIII, L.L.C.

K. HOVNANIAN AT POSITANO, LLC

K. HOVNANIAN AT PRADO, L.L.C.

K. HOVNANIAN AT RANCHO SANTA MARGARITA, LLC

K. HOVNANIAN AT RANDOLPH I, L.L.C.

K. HOVNANIAN AT RAPHO, L.L.C

K. HOVNANIAN AT RIDGEMONT, L.L.C.

K. HOVNANIAN AT RIVERBEND, LLC

K. HOVNANIAN AT RODERUCK, L.L.C.

K. HOVNANIAN AT ROSEMARY LANTANA, L.L.C.

K. HOVNANIAN AT SAGE, L.L.C.

K. HOVNANIAN AT SANTA NELLA, LLC

K. HOVNANIAN AT SAWMILL, INC.

K. HOVNANIAN AT SAYREVILLE, L.L.C.

K. HOVNANIAN AT SCOTCH PLAINS, L.L.C.

K. HOVNANIAN AT SEASONS LANDING, LLC

K. HOVNANIAN AT SHELDON GROVE, LLC

K. HOVNANIAN AT SHREWSBURY, LLC

K. HOVNANIAN AT SILVER SPRING, L.L.C.

K. HOVNANIAN AT SKYE ISLE, LLC

K. HOVNANIAN AT SMITHVILLE, INC.

K. HOVNANIAN AT SOMERS POINT, L.L.C.

K. HOVNANIAN AT SOUTH BRUNSWICK II, LLC

K. HOVNANIAN AT SOUTH BRUNSWICK, L.L.C.

K. HOVNANIAN AT STANTON, LLC

K. HOVNANIAN AT STATION SQUARE, L.L.C.

K. HOVNANIAN AT SUNRIDGE PARK, LLC

K. HOVNANIAN AT SYCAMORE, INC.

K. HOVNANIAN AT THE CROSBY, LLC

K. HOVNANIAN AT THE GABLES, LLC

K. HOVNANIAN AT THE MONARCH, L.L.C.

K. HOVNANIAN AT THE PRESERVE, LLC

K. HOVNANIAN AT THOMPSON RANCH, LLC

K. HOVNIANIAN AT THORNBURY, INC.
K. HOVNIANIAN AT TRAIL RIDGE, LLC
K. HOVNIANIAN AT UPPER FREEHOLD TOWNSHIP II, L.L.C.
K. HOVNIANIAN AT UPPER FREEHOLD TOWNSHIP III, L.L.C.
K. HOVNIANIAN AT UPPER MAKEFIELD I, INC.
K. HOVNIANIAN AT UPPER PROVIDENCE, LLC
K. HOVNIANIAN AT UPPER UWCHLAN II, L.L.C.
K. HOVNIANIAN AT UPPER UWCHLAN, L.L.C.
K. HOVNIANIAN AT VALLE DEL SOL, LLC
K. HOVNIANIAN AT VERONA URBAN RENEWAL, L.L.C.
K. HOVNIANIAN AT VICTORVILLE, L.L.C.
K. HOVNIANIAN AT VINELAND, L.L.C.
K. HOVNIANIAN AT VISTA DEL SOL, L.L.C.
K. HOVNIANIAN AT WARREN TOWNSHIP, L.L.C.
K. HOVNIANIAN AT WASHINGTON, L.L.C.
K. HOVNIANIAN AT WATERSTONE, LLC
K. HOVNIANIAN AT WAYNE IX, L.L.C.
K. HOVNIANIAN AT WAYNE, VIII, L.L.C.
K. HOVNIANIAN AT WEST VIEW ESTATES, L.L.C.
K. HOVNIANIAN AT WEST WINDSOR, L.L.C.
K. HOVNIANIAN AT WESTSHORE, LLC
K. HOVNIANIAN AT WHEELER RANCH, LLC
K. HOVNIANIAN AT WILDWOOD BAYSIDE, L.L.C.
K. HOVNIANIAN AT WILLOW BROOK, L.L.C.
K. HOVNIANIAN AT WINCHESTER, LLC
K. HOVNIANIAN AT WOODCREEK WEST, LLC

K. HOVNIANIAN AT WOOLWICH I, L.L.C.
K. HOVNIANIAN CAMBRIDGE HOMES, L.L.C.
K. HOVNIANIAN CENTRAL ACQUISITIONS, L.L.C.
K. HOVNIANIAN CLASSICS, L.L.C.
K. HOVNIANIAN COMMUNITIES, INC.
K. HOVNIANIAN COMPANIES OF CALIFORNIA, INC.
K. HOVNIANIAN COMPANIES OF MARYLAND, INC.
K. HOVNIANIAN COMPANIES OF NEW YORK, INC.
K. HOVNIANIAN COMPANIES OF PENNSYLVANIA, INC.
K. HOVNIANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.

K. HOVNANIAN COMPANIES, LLC
K. HOVNANIAN CONSTRUCTION II, INC
K. HOVNANIAN CONSTRUCTION III, INC
K. HOVNANIAN CONSTRUCTION MANAGEMENT, INC.
K. HOVNANIAN CRAFTBUILT HOMES OF SOUTH CAROLINA, L.L.C.
K. HOVNANIAN DEVELOPMENTS OF ARIZONA, INC.
K. HOVNANIAN DEVELOPMENTS OF CALIFORNIA, INC.
K. HOVNANIAN DEVELOPMENTS OF D.C., INC.
K. HOVNANIAN DEVELOPMENTS OF DELAWARE, INC.
K. HOVNANIAN DEVELOPMENTS OF GEORGIA, INC.
K. HOVNANIAN DEVELOPMENTS OF ILLINOIS, INC.
K. HOVNANIAN DEVELOPMENTS OF KENTUCKY, INC.
K. HOVNANIAN DEVELOPMENTS OF MARYLAND, INC.
K. HOVNANIAN DEVELOPMENTS OF MINNESOTA, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY II, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW JERSEY, INC.
K. HOVNANIAN DEVELOPMENTS OF NEW YORK, INC.
K. HOVNANIAN DEVELOPMENTS OF NORTH CAROLINA, INC.

K. HOVNANIAN DEVELOPMENTS OF OHIO, INC.
K. HOVNANIAN DEVELOPMENTS OF PENNSYLVANIA, INC.
K. HOVNANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.
K. HOVNANIAN DEVELOPMENTS OF TEXAS, INC.
K. HOVNANIAN DEVELOPMENTS OF VIRGINIA, INC.
K. HOVNANIAN DEVELOPMENTS OF WEST VIRGINIA, INC.
K. HOVNANIAN EASTERN PENNSYLVANIA, L.L.C.
K. HOVNANIAN ENTERPRISES, INC.
K. HOVNANIAN ESTATES AT REGENCY, L.L.C.
K. HOVNANIAN FAIRWAYS AT WESTWORTH, LLC
K. HOVNANIAN FIRST HOMES, L.L.C.
K. HOVNANIAN FLORIDA REALTY, L.L.C.
K. HOVNANIAN FOUR SEASONS @ HISTORIC VIRGINIA, LLC
K. HOVNANIAN FOUR SEASONS AT GOLD HILL, LLC
K. HOVNANIAN GREAT WESTERN BUILDING COMPANY, LLC
K. HOVNANIAN GREAT WESTERN HOMES, LLC
K. HOVNANIAN HAMPTONS AT OAK CREEK II, L.L.C.
K. HOVNANIAN HOLDINGS NJ, L.L.C.

K. HOVNANIAN HOMES - DFW, L.L.C.
K. HOVNANIAN HOMES AT CAMERON STATION, LLC
K. HOVNANIAN HOMES AT CAMP SPRINGS, L.L.C.
K. HOVNANIAN HOMES AT FAIRWOOD, L.L.C.
K. HOVNANIAN HOMES AT FOREST RUN, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM PARK TOWNS, L.L.C.
K. HOVNANIAN HOMES AT GREENWAY FARM, L.L.C.
K. HOVNANIAN HOMES AT JONES STATION 1, L.L.C.
K. HOVNANIAN HOMES AT MAXWELL PLACE, L.L.C.
K. HOVNANIAN HOMES AT RENAISSANCE PLAZA, L.L.C.

K. HOVNANIAN HOMES AT RUSSETT, L.L.C.
K. HOVNANIAN HOMES AT THE HIGHLANDS, LLC
K. HOVNANIAN HOMES NORTHERN CALIFORNIA, INC.
K. HOVNANIAN HOMES OF D.C., L.L.C.
K. HOVNANIAN HOMES OF DELAWARE, L.L.C.
K. HOVNANIAN HOMES OF GEORGIA, L.L.C.
K. HOVNANIAN HOMES OF HOUSTON, L.L.C.
K. HOVNANIAN HOMES OF MARYLAND, L.L.C.
K. HOVNANIAN HOMES OF MINNESOTA, L.L.C.
K. HOVNANIAN HOMES OF NORTH CAROLINA, INC.
K. HOVNANIAN HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN HOMES OF SOUTH CAROLINA, LLC
K. HOVNANIAN HOMES OF VIRGINIA, INC.
K. HOVNANIAN HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN LIBERTY ON BLUFF CREEK, LLC
K. HOVNANIAN MANALAPAN ACQUISITION, LLC
K. HOVNANIAN NORTH CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTHEAST SERVICES, L.L.C.
K. HOVNANIAN OF HOUSTON II, L.L.C.
K. HOVNANIAN OHIO REALTY, L.L.C.
K. HOVNANIAN OSTER HOMES, L.L.C.
K. HOVNANIAN PA REAL ESTATE, INC.
K. HOVNANIAN PENNSYLVANIA ACQUISITIONS, L.L.C.
K. HOVNANIAN PORT IMPERIAL URBAN RENEWAL, INC.
K. HOVNANIAN PROPERTIES OF RED BANK, INC.

K. HOVNANIAN SHORE ACQUISITIONS, L.L.C.

K. HOVNANIAN SOUTH JERSEY ACQUISITIONS, L.L.C.

K. HOVNANIAN SOUTHERN NEW JERSEY, L.L.C.

K. HOVNANIAN STANDING ENTITY, L.L.C.

K. HOVNANIAN SUMMIT HOLDINGS, L.L.C.

K. HOVNANIAN SUMMIT HOMES OF KENTUCKY, L.L.C.

K. HOVNANIAN SUMMIT HOMES OF PENNSYLVANIA, L.L.C.

K. HOVNANIAN SUMMIT HOMES OF WEST VIRGINIA, L.L.C.

K. HOVNANIAN SUMMIT HOMES, L.L.C.

K. HOVNANIAN T&C HOMES AT FLORIDA, L.L.C.

K. HOVNANIAN T&C HOMES AT ILLINOIS, L.L.C.

K. HOVNANIAN TIMBRES AT ELM CREEK, LLC

K. HOVNANIAN VENTURE I, L.L.C.

K. HOVNANIAN WINDWARD HOMES, LLC

K. HOVNANIAN'S FOUR SEASONS AT ASHBURN VILLAGE, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT BAKERSFIELD, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT BEAUMONT, LLC

K. HOVNANIAN'S FOUR SEASONS AT CHARLOTTESVILLE, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT HEMET, LLC

K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND CONDOMINIUMS, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT KENT ISLAND, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT LOS BANOS, LLC

K. HOVNANIAN'S FOUR SEASONS AT MORENO VALLEY, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT NEW KENT VINEYARDS, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT PALM SPRINGS, LLC

K. HOVNANIAN'S FOUR SEASONS AT RENAISSANCE, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK II, LLC

K. HOVNANIAN'S FOUR SEASONS AT RUSH CREEK, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT SILVER MAPLE FARM, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT ST. MARGARETS LANDING, L.L.C.

K. HOVNANIAN'S FOUR SEASONS AT VINT HILL, L.L.C.

K. HOVNANIAN'S FOUR SEASONS, LLC

K. HOVNANIAN'S PARKSIDE AT TOWNGATE, L.L.C.

KHIP, L.L.C.

LANDARAMA, INC.

M&M AT CHESTERFIELD, LLC

M&M AT CRESCENT COURT, L.L.C.

M&M AT WEST ORANGE, L.L.C.

M&M AT WHEATENA URBAN RENEWAL, L.L.C.

MATZEL & MUMFORD AT EGG HARBOR, L.L.C.

MATZEL & MUMFORD AT SOUTH BOUND BROOK URBAN RENEWAL, L.L.C.

MCNJ, INC.

MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF PENNSYLVANIA, L.L.C.

MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF WEST VIRGINIA, L.L.C.

MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES, L.L.C.

MMIP, L.L.C.

NEW LAND TITLE AGENCY OF TEXAS, LLC

NEW LAND TITLE AGENCY, L.L.C.

PADDOCKS, L.L.C.

PARK TITLE COMPANY, LLC

PINE AYR, LLC

RIDGEMORE UTILITY, L.L.C.

SEABROOK ACCUMULATION CORPORATION

STONEBROOK HOMES, INC.

TERRAPIN REALTY, L.L.C.

THE MATZEL & MUMFORD ORGANIZATION, INC

WASHINGTON HOMES AT COLUMBIA TOWN CENTER, L.L.C.

WASHINGTON HOMES, INC.

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WESTMINSTER HOMES, INC.

WH PROPERTIES, INC.

WOODLAND LAKE CONDOMINIUMS AT BOWIE NEW TOWN, L.L.C.

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SCHEDULE B

COMMERCIAL TORT CLAIMS

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SCHEDULE C

FORM OF PERFECTION CERTIFICATE

The undersigned is a duly authorized officer of each of the entities listed on Schedule 1 hereto (each such entity, a “Grantor”). With reference to (i) the First-Lien Security Agreement dated as of October 2, 2012 (the “**First-Lien Security Agreement**”) among K. Hovnanian Enterprises, Inc. (the

“**Issuer**”), the Guarantors party thereto and Wilmington Trust, National Association, as collateral agent (the “**Collateral Agent**”) and (ii) the Second-Lien Security Agreement dated as of October 2, 2012 (the “**Second-Lien Security Agreement**”); and, together with the First-Lien Security Agreement, the “**Security Agreements**”) among the Issuer, the Guarantors party thereto and the Collateral Agent (terms defined in the Security Agreements being used herein as therein defined), each of the undersigned certifies to the Collateral Agent and each other Secured Party as follows:

1. *Names.* The exact legal name of each Grantor (as it appears in each respective certificate or articles of incorporation, limited liability membership agreement or similar organizational documents), the type of organization, the jurisdiction of organization (or formation, as applicable) and the organizational identification number for each Grantor is set forth in Schedule 1 hereto.

2. *Lien Search Guarantors.* (a) Set forth on Schedule 2(a) is the name of each Grantor selected for lien searches (the “**Lien Search Grantors**”) and the county in which each Lien Search Grantor’s chief executive office is located, if such office is not located at 110 West Front Street, P.O. Box 500, Red Bank, New Jersey 07701, as applicable.

(b) Set forth in Schedule 2(b) hereto is each other corporate name (including trade names or similar appellations) each Lien Search Grantor has had in the last five years, together with the date of the relevant change.

(c) Except as set forth in Schedule 2(c) hereto, no Lien Search Grantor has changed its identity or corporate structure in any way within the past five years.

3. *UCC Filings.* In order to perfect the Liens granted by the Grantors, two duly completed financing statements on Form UCC-1 (one with respect to the Liens granted under the First-Lien Security Agreement and one with respect to the Liens granted under the Second-Lien Security Agreement) with respect to each Grantor, with the collateral described as set forth on Schedule 3 hereto, have been delivered to the Collateral Agent for filing in the Uniform Commercial Code filing office in each jurisdiction identified in paragraph 1 above, as applicable.

4. *Deposit Accounts and Securities Accounts.* Set forth as Schedule 4 hereto is a true and complete list of all Deposit Accounts and Securities Accounts maintained by each Grantor, including the name of each institution where each such account is held, the name of each Grantor that holds each account, the balance of each account as of the date hereof and whether such Deposit Account or Securities Account constitutes an “Excluded Account” (as defined in the Security Agreement) as of the date hereof.

IN WITNESS WHEREOF, I have hereunto set my hand this 2nd day of October, 2012.

K. Hovnanian Enterprises, Inc.

By: _____
Name:
Title:

SCHEDULE D

ACTIONS REQUIRED TO PERFECT

1. With respect to each Grantor organized under the laws of the state of Arizona as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with the Arizona Secretary of State.
2. With respect to each Grantor organized under the laws of the state of California as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with the California Secretary of State.
3. With respect to each Grantor organized under the laws of the state of Delaware as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with the Delaware Secretary of State.
4. With respect to each Grantor organized under the laws of the District of Columbia as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with the District of Columbia Recorder of Deeds.
5. With respect to each Grantor organized under the laws of the state of Florida as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with the Florida Secured Transaction Registry.
6. With respect to each Grantor organized under the laws of the state of Georgia as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with the Office of the Clerk of Superior Court of any County of Georgia.

7. With respect to each Grantor organized under the laws of the state of Illinois as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with the Illinois Secretary of State.
8. With respect to each Grantor organized under the laws of the state of Kentucky as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with the Kentucky Secretary of State.

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9. With respect to each Grantor organized under the laws of the state of Maryland as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with the Maryland State Department of Assessments and Taxation.
10. With respect to each Grantor organized under the laws of the state of Minnesota as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with the Minnesota Secretary of State.
11. With respect to each Grantor organized under the laws of the state of New Jersey as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with the New Jersey Division of Commercial Recording.
12. With respect to each Grantor organized under the laws of the state of New York as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with the New York Secretary of State.
13. With respect to each Grantor organized under the laws of the state of North Carolina as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with the North Carolina Secretary of State.
14. With respect to each Grantor organized under the laws of the state of Ohio as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with the Ohio Secretary of State.
15. With respect to each Grantor organized under the laws of the state of Pennsylvania as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with the Pennsylvania Secretary of the Commonwealth.
16. With respect to each Grantor organized under the laws of the state of South Carolina as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with the South Carolina Secretary of State.
17. With respect to each Grantor organized under the laws of the state of Texas as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with

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the Texas Secretary of State.

18. With respect to each Grantor organized under the laws of the state of Virginia as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with the Virginia State Corporation Commission.
19. With respect to each Grantor organized under the laws of the state of West Virginia as identified on Schedule 1 of the Perfection Certificate, the filing of a Uniform Commercial Code Financing Statement that reasonably identifies the Collateral with the West Virginia Secretary of State.
20. With respect to the Securities Accounts and the Deposit Accounts (other than the Excluded Accounts), the bank with which such Securities Account and such Deposit Account are maintained agreeing that it will comply with instructions originated by the Perfection Agent directing disposition of the funds in such Securities Account and such Deposit Account without further consent of the relevant Grantor; provided that the Grantors shall not be required to deliver any such agreements on the Issue Date, but will deliver such agreements as soon as commercially reasonable thereafter, but in no event later than 90 days following the Issue Date.
21. With respect to each Grantor that owns registered or applied for Intellectual Property, the filing of an Intellectual Property Security Agreement that reasonably identifies such Grantor's registered and applied for Trademarks, Patents and Copyrights with the United States Patent and Trademark Office or the United States Copyright Office, as applicable.

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EXHIBIT A

Form of Intellectual Property Security Agreement

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EXHIBIT B

Form of Joinder Agreement

This JOINDER AND ASSUMPTION AGREEMENT is made _____ by _____, a _____ (the "New Grantor").

Reference is made to (i) the Indenture dated as of October 2, 2012 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "Indenture") among K. Hovnanian Enterprises, Inc., a California corporation ("Issuer"), Hovnanian Enterprises, Inc., a Delaware corporation ("Hovnanian"), each of the other Guarantors party thereto and Wilmington Trust, National Association, as trustee and collateral agent (in such capacity, the "Trustee"), pursuant to which the Issuer has issued, and may from time to time issue, its 9.125% Senior Secured Notes due 2020 (collectively, the "Secured Notes"), (ii) the Supplemental Indenture dated [] pursuant to which the New Grantor became party to the Indenture as a Guarantor, (iii) the Second Lien Security Agreement dated as of October 2, 2012 by each of the Grantors (as defined therein) in favor of the Collateral Agent (in such capacity, the "Agent") for the benefit of itself, the Trustee and the Noteholders (as the same may be modified, supplemented, amended or restated, the "Security Agreement"), (iv) the Second Lien Pledge Agreement dated as of October 2, 2012 by each of the Pledgors (as defined therein) in favor of the Agent for the benefit of itself, the Trustee and the Noteholders (as the same may be modified, supplemented, amended or restated, the "Pledge Agreement"), and (v) the Intercreditor Agreement, dated as of October 2, 2012 among the Issuer, Hovnanian, certain subsidiaries of Hovnanian, Wilmington Trust, National Association as Senior Trustee and Senior Collateral Agent, Wilmington Trust, National Association, as Junior Trustee and Junior Collateral Agent and Wilmington Trust, National Association, as Mortgage Tax Collateral Agent (as the same may be modified, supplemented, amended or restated, the "Intercreditor Agreement"). Capitalized terms used but not otherwise defined herein shall have the meaning set forth in the Security Agreement or, if not defined therein, the Pledge Agreement.

The New Grantor hereby agrees that effective as of the date hereof it hereby is, and shall be deemed to be, a Grantor under the Security Agreement and the Intercreditor Agreement and a Pledgor under the Pledge Agreement and agrees that from the date hereof until the payment in full of the Secured Obligations and the performance of all other obligations of Issuer under the Noteholder Documents, New Grantor has assumed the obligations of a Grantor and Pledgor under, and New Grantor shall perform, comply with and be subject to and bound by, jointly and severally, each of the terms, provisions and waivers of, the Security Agreement, the Pledge Agreement, the Intercreditor Agreement and each of the other Noteholder Documents which are stated to apply to or are made by a Grantor. Without limiting the generality of the foregoing, the New Grantor hereby represents and warrants that each of the representations and warranties set forth in the Security Agreement and the Pledge Agreement is true and correct as to New

Grantor on and as of the date hereof as if made on and as of the date hereof by New Grantor.

New Grantor hereby makes, affirms, and ratifies in favor of the Secured Parties and the Agent the Security Agreement, the Pledge Agreement and each of the other Noteholder Documents given by the Grantors to the Agent. In furtherance of the foregoing, New Grantor shall execute and deliver or cause to be executed and delivered at any time and from time to time such further instruments and documents and do or cause to be done such further acts as may be reasonably necessary to carry out more effectively the provisions and purposes of this Joinder Agreement.

IN WITNESS WHEREOF, the New Grantor has duly executed this Joinder Agreement and delivered the same to the Agent for the benefit of the Secured Parties, as of the date and year first written above.

[NAME OF NEW GRANTOR]

By: _____
Title: _____

FIRST-LIEN INTELLECTUAL PROPERTY SECURITY AGREEMENT

This First-Lien Intellectual Property Security Agreement (the “**Agreement**”), dated as of October 2, 2012 is made by [·], a [·] (“the **Grantor**”) in favor of Wilmington Trust, National Association, as Collateral Agent (in such capacity, the “**Agent**”) for the benefit of itself, the Trustee (as defined below) and the Noteholders (as defined below).

WHEREAS, K. Hovnanian Enterprises, Inc., a California corporation (the “**Issuer**”), Hovnanian Enterprises, Inc., a Delaware corporation (“**Hovnanian**”), and each of the other guarantors party thereto (the “**Guarantors**”) have entered into the Indenture dated as of October 2, 2012 (as amended, supplemented, amended and restated or otherwise modified from time to time, the “**Indenture**”) with Wilmington Trust, National Association, as trustee (in such capacity, the “**Trustee**”) and collateral agent, pursuant to which the Issuer issued 7.25% Senior Secured First-Lien Notes due 2020 (collectively, the “**Secured Notes**”) upon the terms and subject to the conditions set forth therein;

WHEREAS, the Issuer, Hovnanian and each of the other Guarantors have entered into the Indenture dated as of October 2, 2012, with Wilmington Trust, National Association, as trustee and collateral agent, pursuant to which the Issuer issued 9.125% Senior Secured Second-Lien Notes due 2020 upon the terms and subject to the conditions set forth therein;

WHEREAS, the Issuer, Hovnanian, certain subsidiaries of Hovnanian party thereto, Wilmington Trust, National Association, as Senior Trustee and Senior Collateral Agent, Wilmington Trust, National Association, as Junior Trustee and Junior Collateral Agent and Wilmington Trust, National Association, as Mortgage Tax Collateral Agent have entered into the Intercreditor Agreement dated as of October 2, 2012 (as amended, supplemented, amended or restated or otherwise modified from time to time, the “**Intercreditor Agreement**”);

WHEREAS, the Secured Notes constitute First-Lien Indebtedness under the Intercreditor Agreement;

WHEREAS, the Issuer is a member of an affiliated group of companies that includes Hovnanian, the Issuer’s parent company, and each other Guarantor;

WHEREAS, the Issuer and the other Guarantors are engaged in related businesses, and each Guarantor will derive substantial direct and indirect benefit from the issuance of the Secured Notes; and

WHEREAS, pursuant to and under the Indenture and the First Lien Security Agreement dated as of October 2, 2012 (the “**Security Agreement**”) among the Issuer, Hovnanian, each of the signatories listed on Schedule A thereto

(together with any other entity that may become a party thereto) and the Agent, the Grantor has agreed to enter into this Agreement in order to grant a security interest to the Agent in certain Patents, Trademarks, Copyrights and other Intellectual Property as security for such loans and other obligations as more fully described herein.

NOW, THEREFORE, intending to be legally bound hereby, the parties hereto agree as follows:

1. Defined Terms.

(a) Except as otherwise expressly provided herein, (i) capitalized terms used in this Agreement shall have the respective meanings assigned to them in the Security Agreement and (ii) the rules of construction set forth in Section 1.02 of the Indenture shall apply to this Agreement. Where applicable and except as otherwise expressly provided herein, terms used herein (whether or not capitalized) shall have the respective meanings assigned to them in the Uniform Commercial Code as enacted in New York as amended from time to time (the “**Code**”).

(b) “**Copyright Licenses**” shall mean any written agreement naming any Grantor as licensor or licensee, granting any right under any Copyright, including, without limitation, the grant of rights to distribute, exploit and sell materials derived from any Copyright, including, without limitation, any of the foregoing referred to in Schedule A.

(c) “**Copyrights**” shall mean (i) all copyrights arising under the laws of the United States, any other country or any political subdivision thereof, whether registered or unregistered and whether published or unpublished, all registrations and recordings thereof, and all applications in connection therewith, including, without limitation, all registrations, recordings and applications in the United States Copyright Office referred to in Schedule A, and (ii) the right to obtain all renewals thereof.

(d) “**Intellectual Property**” shall mean the collective reference to all rights, priorities and privileges, whether arising under United States, multinational or foreign laws, in, to and under the Copyrights, the Copyright Licenses, the Patents, the Patent Licenses, the Trademarks and the Trademark Licenses, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

(e) “**Noteholder**” shall mean “Holder” or “Holder of Notes” as defined in the Indenture.

(f) “**Patent License**” shall mean all written agreements providing for the grant by or to any Grantor of any right to manufacture, use or sell any invention covered in whole or in part by a Patent, including, without limitation, any of the foregoing referred to in Schedule A.

(g) “**Patents**” shall mean (i) all letters patent of the United States, any other country or any political subdivision thereof, all reissues and extensions thereof, including, without limitation, any of the foregoing referred to in Schedule A, (ii) all applications for letters patent of the

United States or any other country and all divisions, continuations and continuations-in-part thereof, including, without limitation, any of the foregoing referred to in Schedule A, and (iii) all rights to obtain any reissues or extensions of the foregoing.

(h) “**Secured Obligations**” shall mean all now existing and hereafter arising Secured Obligations (as defined in the Security Agreement) of the Issuer and each and every other Grantor, together with any extensions, renewals, replacements or refundings thereof, and all costs and expenses of enforcement and collection, including reasonable attorney’s fees.

(i) “**Secured Parties**” shall mean the collective reference to the Agent, the Trustee and the Noteholders, in each case to which any Secured Obligations are owed.

(j) “**Trademarks**” shall mean (i) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos and other source or business identifiers, and all goodwill associated therewith, now owned or hereafter acquired, all registrations and recordings thereof, and all applications in connection therewith, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, and all common-law rights related thereto, including, without limitation, any of the foregoing referred to in Schedule A, and (ii) the right to obtain all renewals thereof.

(k) “**Trademark License**” shall mean any written agreement providing for the grant by or to any Grantor of any right to use any Trademark, including, without limitation, any of the foregoing referred to in Schedule A.

2. To secure the full payment and performance of all Secured Obligations, the Grantor hereby grants to the Agent a security interest in the entire right, title and interest of such Grantor in and to all of its Intellectual Property;

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provided, however, that notwithstanding any of the other provisions set forth in this Section 2 (and notwithstanding any recording of the Agent’s Lien made in the U.S. Patent and Trademark Office, U.S. Copyright Office, or other registry office in any other jurisdiction), this Agreement shall not constitute a grant of a security interest in (i) any property or assets constituting “Excluded Property” (as defined in the Indenture) or (ii) any property to the extent that such grant of a security interest is prohibited by any applicable Law of an Official Body, requires a consent not obtained of any Official Body pursuant to such Law or is prohibited by, or constitutes a breach or default under or results in the termination of or gives rise to any right of acceleration, modification or cancellation or requires any consent not obtained under, any contract, license, agreement, instrument or other document evidencing or giving rise to such property, except to the extent that such Law or the term in such contract, license, agreement, instrument or other document or similar agreement providing for such prohibition, breach, default or termination or requiring such consent is ineffective under applicable Law including 9-406, 9-407, 9-408 or 9-409 of the New York UCC (or any successor provision or provisions); *provided, further*, that no security interest shall be granted in any United States “intent-to-use” trademark or service mark applications unless and until acceptable evidence of use of the trademark or service mark has been filed with and accepted by the U.S. Patent and Trademark Office pursuant to Section 1(c) or Section 1(d) of the Lanham Act (U.S.C. 1051, et seq.), and to the extent that, and solely during the period in which, the grant of a security interest therein would impair the validity or enforceability of such “intent-to-use” trademark or service mark applications under applicable federal Law. After such period and after such evidence of use has been filed and accepted, the Grantor acknowledges that such interest in such trademark or service mark applications will become part of the Collateral. The Agent agrees that, at the Grantor’s reasonable request and expense, it will provide such Grantor confirmation that the assets described in this paragraph are in fact excluded from the Collateral during such limited period only upon receipt of an Officer’s Certificate or an Opinion of Counsel to that effect.

3. The Grantor covenants and warrants that:

(a) To the knowledge of the Grantor, on the date hereof, all material Intellectual Property owned by the Grantor is valid, subsisting and unexpired, has not been abandoned and does not, to the knowledge of the Grantor, infringe the intellectual property rights of any other Person;

(b) The Grantor is the owner of each item of Intellectual Property listed on Schedule A, free and clear of any and all Liens or claims of others except for the Permitted Liens, assuming that concurrently with the issuance of the Secured Notes, the Indenture, dated as of October 20, 2009, among the Issuer, Hovnanian, the guarantors party thereto and Wilmington Trust Company (as supplemented, the “**Existing**

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Notes Indenture”) and each of the Security Documents (as defined in the Existing Notes Indenture) related thereto have been satisfied and discharged by the Issuer in accordance with the terms of the Existing Notes Indenture and the Liens (as defined in the Existing Notes Indenture) on the Collateral (as defined in the Existing Notes Indenture) granted under such Security Documents have been released. The Grantor has not filed or consented to the filing of any financing statement or other public notice with respect to all or any part of the Collateral in any public office, except as contemplated by Section 3.01 of the Security Agreement or as permitted by the Indenture;

4. The Grantor agrees that, until all of the Secured Obligations shall have been indefeasibly satisfied in full, it will not enter into any agreement (for example, a license agreement) which is inconsistent with Grantor’s obligations under this Agreement, without the Agent’s prior written consent which shall not be unreasonably withheld except Grantor may license Intellectual Property in the ordinary course of business without the Agent’s consent to suppliers, agents, independent contractors and customers to facilitate the manufacture and use of such Grantor’s products or services and as otherwise permitted by the Indenture.

5. The Agent shall have, in addition to all other rights and remedies given it by this Agreement and those rights and remedies set forth in the Security Agreement and the Indenture, those allowed by applicable Law and the rights and remedies of a secured party under the Uniform Commercial Code as enacted in any jurisdiction in which the Intellectual Property may be located and, without limiting the generality of the foregoing, solely if an Event of Default has occurred and is continuing, the Agent may immediately, without demand of performance and without other notice (except as set forth below) or demand whatsoever to the Grantor, all of which are hereby expressly waived, and without advertisement, sell at public or private sale or otherwise realize upon, in a city that the Agent shall designate by notice to the Grantor the whole or from time to time any part of the Intellectual Property, or any interest which the Grantor may have therein and, after deducting from the proceeds of sale or other disposition of the Intellectual Property all expenses (including fees

and expenses for brokers and attorneys), shall apply the remainder of such proceeds toward the payment of the Secured Obligations as the Agent, in its sole discretion, shall determine. Any remainder of the proceeds after payment in full of the Secured Obligations shall be paid over to the Grantor. Notice of any sale or other disposition of the Intellectual Property shall be given to the Grantor at least ten (10) days before the time of any intended public or private sale or other disposition of the Intellectual Property is to be made, which the Grantor hereby agrees shall be reasonable notice of such sale or other disposition. At any such sale or other disposition, the Agent may, to the extent permissible under applicable Law, purchase the whole or any part of the Intellectual Property sold, free from any right of redemption on the part of the Grantor, which right is hereby waived and released. The Agent shall endeavor to

provide the Issuer with notice at or about the time of the exercise of remedies in the preceding sentence, provided that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of such remedies or the Agent's rights hereunder. The Agent shall incur no liability as a result of the sale of the Intellectual Property, or any part thereof, at any private sale pursuant to this Section 5 conducted in accordance with the requirements of applicable laws and provided such sale shall not have resulted from the gross negligence, willful misconduct or fraud of the Agent. The Grantor hereby waives any claims against the Agent and the other Secured Parties arising by reason of the fact that the price at which the Intellectual Property may have been sold at such a private sale was less than the price that might have been obtained at a public sale or was less than the aggregate amount of the Secured Obligations, even if the Agent accepts the first offer received and does not offer the Intellectual Property to more than one offeree, provided that such private sale is conducted in accordance with applicable laws and this Agreement. The Grantor hereby agrees that in respect of any sale of any of the Intellectual Property pursuant to the terms hereof, the Agent is hereby authorized to comply with any limitation or restriction in connection with such sale as it may be advised by counsel is necessary in order to avoid any violation of applicable laws, or in order to obtain any required approval of the sale or of the purchaser by any governmental authority or official, nor shall the Agent be liable or accountable to the Grantor for any discount allowed by reason of the fact that such Intellectual Property is sold in compliance with any such limitation or restriction.

6. All of the Agent's rights and remedies with respect to the Intellectual Property, whether established hereby, by the Security Agreement or by the Indenture or by any other agreements or by Law, shall be cumulative and may be exercised singularly or concurrently. In the event of any irreconcilable inconsistency in the terms of this Agreement and the Security Agreement, the Security Agreement shall control.

7. The provisions of this Agreement are severable, and if any clause or provision shall be held invalid and unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any clause or provision of this Agreement in any jurisdiction.

8. The benefits and burdens of this Agreement shall inure to the benefit of and be binding upon the respective successors and permitted assigns of the parties; provided, however, that except as permitted by the Indenture, the Grantor may not assign or transfer any of its rights or obligations hereunder or any interest herein and any such purported assignment or transfer shall be null and void.

9. This Agreement and the rights and obligations of the parties under this Agreement shall be governed by, and construed and interpreted in accordance with, the Law of the State of New York.

10. The Grantor hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the Grantor at its address referred to in Section 8.02 of the Security Agreement or at such other address of which the Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

11. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

12. THE GRANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY A JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER NOTEHOLDER DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

13. All notices, requests and demands to or upon the Agent or the Grantor shall be effected in the manner provided for in Section 13.03 of the Indenture.

14. In the performance of its obligations, powers and rights hereunder, the Agent shall be entitled to the rights, benefits, privileges, powers and immunities afforded to it as Collateral Agent under the Indenture. The Agent shall be entitled to refuse to take or refrain from taking any discretionary action or exercise any discretionary powers set forth in this Agreement unless specifically authorized under the Indenture or it has received with respect thereto written direction of the Issuer, the Noteholders or the Trustee in accordance with the Indenture (it being understood and agreed that the actions and directions set forth in Section 9.01 of the Indenture are not discretionary). Notwithstanding anything to the contrary contained herein and notwithstanding anything contained in Section 9-207 of the New York UCC, the Agent shall have no responsibility for the creation, perfection, priority, sufficiency or protection of any liens securing Secured Obligations (including, but not limited to, no obligation to prepare, record, file, re-record or re-file any financing statement, continuation statement or other instrument in any public office). The permissive rights and authorizations of the Agent hereunder shall not be construed as duties. The Agent shall be entitled to exercise its powers and duties hereunder through designees, specialists, experts or other appointees selected by it in good faith.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

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IN WITNESS WHEREOF, each of the undersigned has caused this Intellectual Property Security Agreement to be duly executed and delivered as of the date first above written.

WILMINGTON TRUST, NATIONAL ASSOCIATION as Collateral Agent

By: _____
Name:
Title:

Grantor:

[·]

By: _____
Name:
Title:

[Signature Page to First Lien IP Security Agreement]

**SCHEDULE A
LIST OF REGISTERED AND APPLIED FOR PATENTS, COPYRIGHTS AND TRADEMARKS**

Patents

Copyrights

Trademarks

United States Trademarks:

Trademark	Registration No.	Application No.

Foreign Trademarks:

SECOND-LIEN INTELLECTUAL PROPERTY SECURITY AGREEMENT

This Second-Lien Intellectual Property Security Agreement (the “**Agreement**”), dated as of October 2, 2012 is made by [·], a [·] (“the **Grantor**”) in favor of Wilmington Trust, National Association, as Collateral Agent (in such capacity, the “**Agent**”) for the benefit of itself, the Trustee (as defined below) and the Noteholders (as defined below).

WHEREAS, K. Hovnanian Enterprises, Inc., a California corporation (the “**Issuer**”), Hovnanian Enterprises, Inc., a Delaware corporation (“**Hovnanian**”), and each of the other guarantors party thereto (the “**Guarantors**”) have entered into the Indenture dated as of October 2, 2012 (as amended, supplemented, amended and restated or otherwise modified from time to time, the “**Indenture**”) with Wilmington Trust, National Association, as trustee (in such capacity, the “**Trustee**”) and collateral agent, pursuant to which the Issuer issued 9.125% Senior Secured Second-Lien Notes due 2020 (collectively, the “**Secured Notes**”) upon the terms and subject to the conditions set forth therein;

WHEREAS, the Issuer, Hovnanian and each of the other Guarantors have entered into the Indenture dated as of October 2, 2012, with Wilmington Trust, National Association, as trustee and collateral agent, pursuant to which the Issuer issued 7.25% Senior Secured First-Lien Notes due 2020 upon the terms and subject to the conditions set forth therein;

WHEREAS, the Issuer, Hovnanian, certain subsidiaries of Hovnanian party thereto, Wilmington Trust, National Association, as Senior Trustee and Senior Collateral Agent, Wilmington Trust, National Association, as Junior Trustee and Junior Collateral Agent and Wilmington Trust, National Association, as Mortgage Tax Collateral Agent have entered into the Intercreditor Agreement dated as of October 2, 2012 (as amended, supplemented, amended or restated or otherwise modified from time to time, the “**Intercreditor Agreement**”);

WHEREAS, the Secured Notes constitute Second-Lien Indebtedness under the Intercreditor Agreement;

WHEREAS, the Issuer is a member of an affiliated group of companies that includes Hovnanian, the Issuer’s parent company, and each other Guarantor;

WHEREAS, the Issuer and the other Guarantors are engaged in related businesses, and each Guarantor will derive substantial direct and indirect benefit from the issuance of the Secured Notes; and

WHEREAS, pursuant to and under the Indenture and the Second Lien Security Agreement dated as of October 2, 2012 (the “**Security Agreement**”)

among the Issuer, Hovnanian, each of the signatories listed on Schedule A thereto (together with any other entity that may become a party thereto) and the Agent, the Grantor has agreed to enter into this Agreement in order to grant a security interest to the Agent in certain Patents, Trademarks, Copyrights and other Intellectual Property as security for such loans and other obligations as more fully described herein.

NOW, THEREFORE, intending to be legally bound hereby, the parties hereto agree as follows:

1. Defined Terms.

(a) Except as otherwise expressly provided herein, (i) capitalized terms used in this Agreement shall have the respective meanings assigned to them in the Security Agreement and (ii) the rules of construction set forth in Section 1.02 of the Indenture shall apply to this Agreement. Where applicable and except as otherwise expressly provided herein or in the Intercreditor Agreement, terms used herein (whether or not capitalized) shall have the respective meanings assigned to them in the Uniform Commercial Code as enacted in New York as amended from time to time (the “**Code**”).

(b) “**Copyright Licenses**” shall mean any written agreement naming any Grantor as licensor or licensee, granting any right under any Copyright, including, without limitation, the grant of rights to distribute, exploit and sell materials derived from any Copyright, including, without limitation, any of the foregoing referred to in Schedule A.

(c) “**Copyrights**” shall mean (i) all copyrights arising under the laws of the United States, any other country or any political subdivision thereof, whether registered or unregistered and whether published or unpublished, all registrations and recordings thereof, and all applications in connection therewith, including, without limitation, all registrations, recordings and applications in the United States Copyright Office referred to in Schedule A, and (ii) the right to obtain all renewals thereof.

(d) “**Intellectual Property**” shall mean the collective reference to all rights, priorities and privileges, whether arising under United States, multinational or foreign laws, in, to and under the Copyrights, the Copyright Licenses, the Patents, the Patent Licenses, the Trademarks and the Trademark Licenses, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

(e) “**Noteholder**” shall mean “Holder” or “Holder of Notes” as defined in the Indenture.

(f) “**Patent License**” shall mean all written agreements providing for the grant by or to any Grantor of any right to manufacture, use or sell any invention covered in whole or in part by a Patent, including, without limitation, any of the foregoing referred to in Schedule A.

(g) “**Patents**” shall mean (i) all letters patent of the United States, any other country or any political subdivision thereof, all reissues and extensions thereof, including, without limitation, any of the foregoing referred to in Schedule A, (ii) all applications for letters patent of the

United States or any other country and all divisions, continuations and continuations-in-part thereof, including, without limitation, any of the foregoing referred to in Schedule A, and (iii) all rights to obtain any reissues or extensions of the foregoing.

(h) “**Secured Obligations**” shall mean all now existing and hereafter arising Secured Obligations (as defined in the Security Agreement) of the Issuer and each and every other Grantor, together with any extensions, renewals, replacements or refundings thereof, and all costs and expenses of enforcement and collection, including reasonable attorney’s fees.

(i) “**Secured Parties**” shall mean the collective reference to the Agent, the Trustee and the Noteholders, in each case to which any Secured Obligations are owed.

(j) “**Trademarks**” shall mean (i) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos and other source or business identifiers, and all goodwill associated therewith, now owned or hereafter acquired, all registrations and recordings thereof, and all applications in connection therewith, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, and all common-law rights related thereto, including, without limitation, any of the foregoing referred to in Schedule A, and (ii) the right to obtain all renewals thereof.

(k) “**Trademark License**” shall mean any written agreement providing for the grant by or to any Grantor of any right to use any Trademark, including, without limitation, any of the foregoing referred to in Schedule A.

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2. To secure the full payment and performance of all Secured Obligations, the Grantor hereby grants to the Agent a security interest in the entire right, title and interest of such Grantor in and to all of its Intellectual Property; provided, however, that notwithstanding any of the other provisions set forth in this Section 2 (and notwithstanding any recording of the Agent’s Lien made in the U.S. Patent and Trademark Office, U.S. Copyright Office, or other registry office in any other jurisdiction), this Agreement shall not constitute a grant of a security interest in (i) any property or assets constituting “Excluded Property” (as defined in the Indenture) or (ii) any property to the extent that such grant of a security interest is prohibited by any applicable Law of an Official Body, requires a consent not obtained of any Official Body pursuant to such Law or is prohibited by, or constitutes a breach or default under or results in the termination of or gives rise to any right of acceleration, modification or cancellation or requires any consent not obtained under, any contract, license, agreement, instrument or other document evidencing or giving rise to such property, except to the extent that such Law or the term in such contract, license, agreement, instrument or other document or similar agreement providing for such prohibition, breach, default or termination or requiring such consent is ineffective under applicable Law including 9-406, 9-407, 9-408 or 9-409 of the New York UCC (or any successor provision or provisions); *provided, further*, that no security interest shall be granted in any United States “intent-to-use” trademark or service mark applications unless and until acceptable evidence of use of the trademark or service mark has been filed with and accepted by the U.S. Patent and Trademark Office pursuant to Section 1(c) or Section 1(d) of the Lanham Act (U.S.C. 1051, et seq.), and to the extent that, and solely during the period in which, the grant of a security interest therein would impair the validity or enforceability of such “intent-to-use” trademark or service mark applications under applicable federal Law. After such period and after such evidence of use has been filed and accepted, the Grantor acknowledges that such interest in such trademark or service mark applications will become part of the Collateral. The Agent agrees that, at the Grantor’s reasonable request and expense, it will provide such Grantor confirmation that the assets described in this paragraph are in fact excluded from the Collateral during such limited period only upon receipt of an Officer’s Certificate or an Opinion of Counsel to that effect.

3. The Grantor covenants and warrants that:

(a) To the knowledge of the Grantor, on the date hereof, all material Intellectual Property owned by the Grantor is valid, subsisting and unexpired, has not been abandoned and does not, to the knowledge of the Grantor, infringe the intellectual property rights of any other Person;

(b) The Grantor is the owner of each item of Intellectual Property listed on Schedule A, free and clear of any and all Liens or claims of others except for the Permitted Liens, assuming that

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concurrently with the issuance of the Secured Notes, the Indenture, dated as of October 20, 2009, among the Issuer, Hovnanian, the guarantors party thereto and Wilmington Trust Company (as supplemented, the “**Existing Notes Indenture**”) and each of the Security Documents (as defined in the Existing Notes Indenture) related thereto have been satisfied and discharged by the Issuer in accordance with the terms of the Existing Notes Indenture and the Liens (as defined in the Existing Notes Indenture) on the Collateral (as defined in the Existing Notes Indenture) granted under such Security Documents have been released. The Grantor has not filed or consented to the filing of any financing statement or other public notice with respect to all or any part of the Collateral in any public office, except as contemplated by Section 3.01 of the Security Agreement or as permitted by the Indenture;

4. The Grantor agrees that, until all of the Secured Obligations shall have been indefeasibly satisfied in full, it will not enter into any agreement (for example, a license agreement) which is inconsistent with Grantor’s obligations under this Agreement, without the Agent’s prior written consent which shall not be unreasonably withheld except Grantor may license Intellectual Property in the ordinary course of business without the Agent’s consent to suppliers, agents, independent contractors and customers to facilitate the manufacture and use of such Grantor’s products or services and as otherwise permitted by the Indenture.

5. Subject to the Intercreditor Agreement, the Agent shall have, in addition to all other rights and remedies given it by this Agreement and those rights and remedies set forth in the Security Agreement and the Indenture, those allowed by applicable Law and the rights and remedies of a secured party under the Uniform Commercial Code as enacted in any jurisdiction in which the Intellectual Property may be located and, without limiting the generality of the foregoing, solely if an Event of Default has occurred and is continuing and subject to the Intercreditor Agreement, the Agent may immediately, without demand of performance and without other notice (except as set forth below) or demand whatsoever to the Grantor, all of which are hereby expressly waived, and without advertisement, sell at public or private sale or otherwise realize upon, in a city that the Agent shall designate by notice to the Grantor the whole or from time to time any part of the Intellectual Property, or any interest which the Grantor may have therein and, after deducting from the proceeds of sale or

other disposition of the Intellectual Property all expenses (including fees and expenses for brokers and attorneys), shall apply the remainder of such proceeds toward the payment of the Secured Obligations as the Agent, in its sole discretion, shall determine. Any remainder of the proceeds after payment in full of the Secured Obligations shall, subject to the Intercreditor Agreement, be paid over to the Grantor. Notice of any sale or other disposition of the Intellectual Property shall be given to the Grantor at least ten (10) days before the time of any intended public or private sale or other disposition of the Intellectual Property is to be made, which the Grantor

hereby agrees shall be reasonable notice of such sale or other disposition. At any such sale or other disposition, the Agent may, to the extent permissible under applicable Law, purchase the whole or any part of the Intellectual Property sold, free from any right of redemption on the part of the Grantor, which right is hereby waived and released. The Agent shall endeavor to provide the Issuer with notice at or about the time of the exercise of remedies in the preceding sentence, provided that the failure to provide such notice shall not in any way compromise or adversely affect the exercise of such remedies or the Agent's rights hereunder. The Agent shall incur no liability as a result of the sale of the Intellectual Property, or any part thereof, at any private sale pursuant to this Section 5 conducted in accordance with the requirements of applicable laws and provided such sale shall not have resulted from the gross negligence, willful misconduct or fraud of the Agent. The Grantor hereby waives any claims against the Agent and the other Secured Parties arising by reason of the fact that the price at which the Intellectual Property may have been sold at such a private sale was less than the price that might have been obtained at a public sale or was less than the aggregate amount of the Secured Obligations, even if the Agent accepts the first offer received and does not offer the Intellectual Property to more than one offeree, provided that such private sale is conducted in accordance with applicable laws and this Agreement. The Grantor hereby agrees that in respect of any sale of any of the Intellectual Property pursuant to the terms hereof, the Agent is hereby authorized to comply with any limitation or restriction in connection with such sale as it may be advised by counsel is necessary in order to avoid any violation of applicable laws, or in order to obtain any required approval of the sale or of the purchaser by any governmental authority or official, nor shall the Agent be liable or accountable to the Grantor for any discount allowed by reason of the fact that such Intellectual Property is sold in compliance with any such limitation or restriction.

6. All of the Agent's rights and remedies with respect to the Intellectual Property, whether established hereby, by the Security Agreement or by the Indenture or by any other agreements or by Law, shall be cumulative and may be exercised singularly or concurrently. In the event of any irreconcilable inconsistency in the terms of this Agreement and the Security Agreement, the Security Agreement shall control.

7. The provisions of this Agreement are severable, and if any clause or provision shall be held invalid and unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any clause or provision of this Agreement in any jurisdiction.

8. The benefits and burdens of this Agreement shall inure to the benefit of and be binding upon the respective successors and permitted assigns of the

parties; provided, however, that except as permitted by the Indenture, the Grantor may not assign or transfer any of its rights or obligations hereunder or any interest herein and any such purported assignment or transfer shall be null and void.

9. This Agreement and the rights and obligations of the parties under this Agreement shall be governed by, and construed and interpreted in accordance with, the Law of the State of New York.

10. The Grantor hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the Grantor at its address referred to in Section 8.02 of the Security Agreement or at such other address of which the Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

11. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

12. THE GRANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY A JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY

13. All notices, requests and demands to or upon the Agent or the Grantor shall be effected in the manner provided for in Section 13.03 of the Indenture.

14. In the performance of its obligations, powers and rights hereunder, the Agent shall be entitled to the rights, benefits, privileges, powers and immunities afforded to it as Collateral Agent under the Indenture. The Agent shall be entitled to refuse to take or refrain from taking any discretionary action or exercise any discretionary powers set forth in this Agreement unless specifically authorized under the Indenture or it has received with respect thereto written direction of the Issuer, the Noteholders or the Trustee in accordance with the Indenture (it being understood and agreed that the actions and directions set forth in Section 9.01 of the Indenture are not discretionary). Notwithstanding anything to the contrary contained herein and notwithstanding anything contained in Section 9-207 of the New York UCC, the Agent shall have no responsibility for the creation, perfection, priority, sufficiency or protection of any liens securing Secured Obligations (including, but not limited to, no obligation to prepare, record, file, re-record or re-file any financing statement, continuation statement or other instrument in any public office). The permissive rights and authorizations of the Agent hereunder shall not be construed as duties. The Agent shall be entitled to exercise its powers and duties hereunder through designees, specialists, experts or other appointees selected by it in good faith.

15. Notwithstanding anything herein to the contrary, the lien and security interest granted to the Agent pursuant to this Agreement and the exercise of any right or remedy by the Agent hereunder are subject to the provisions of the Intercreditor Agreement. In the event of any conflict between the terms of the Intercreditor Agreement and this Agreement, the terms of the Intercreditor Agreement shall govern.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, each of the undersigned has caused this Intellectual Property Security Agreement to be duly executed and delivered as of the date first above written.

WILMINGTON TRUST, NATIONAL ASSOCIATION as Collateral Agent

By: _____
Name:
Title:

Grantor:

[·]

By: _____
Name:
Title:

[Signature Page to Second Lien IP Security Agreement]

**SCHEDULE A
LIST OF REGISTERED AND APPLIED FOR PATENTS, COPYRIGHTS AND TRADEMARKS**

Patents

Copyrights

Trademarks

United States Trademarks:

Trademark	Registration No.	Application No.

Foreign Trademarks:

INTERCREDITOR AGREEMENT

This INTERCREDITOR AGREEMENT, dated as of October 2, 2012, and entered into by and among HOVNANIAN ENTERPRISES, INC., K. HOVNANIAN ENTERPRISES, INC. each other Grantor (as defined below) from time to time party hereto, WILMINGTON TRUST, NATIONAL ASSOCIATION, in its capacities as trustee (in such capacity, together with its successors and assigns, the “Senior Trustee”) and as collateral agent (in such capacity, together with its successors and assigns, the “Senior Collateral Agent”) under the Senior Noteholder Documents (as defined below), WILMINGTON TRUST, NATIONAL ASSOCIATION, in its capacity as collateral agent for the Mortgage Tax Collateral (as defined below) (together with its successor and assigns, the “Mortgage Tax Collateral Agent”), and WILMINGTON TRUST, NATIONAL ASSOCIATION, in its capacities as trustee (in such capacity, together with its successors and assigns, the “Junior Trustee”) and as collateral agent (in such capacity, together with its successors and assigns, the “Junior Collateral Agent”) under the Junior Noteholder Documents (as defined below).

RECITALS

WHEREAS, the Company, Hovnanian and certain of their Subsidiaries (as defined below), the Senior Trustee and the Senior Collateral Agent are entering into the Indenture dated as of October 2, 2012 (as amended, supplemented or otherwise modified from time to time, the “Senior Indenture”), pursuant to which the Senior Notes (as defined below) shall be governed and the obligations under which shall be secured by various assets of the Grantors;

WHEREAS, the Company, Hovnanian and certain of their Subsidiaries, the Junior Trustee and the Junior Collateral Agent are entering into the Indenture dated as of October 2, 2012 (as amended, supplemented or otherwise modified from time to time, the “Junior Indenture”), pursuant to which the Junior Notes (as defined below) shall be governed and the obligations under which shall be secured by various assets of the Grantors; and

WHEREAS, the parties hereto desire to order the priorities of their respective Liens (as defined below) on the assets of the Grantors and address other related matters set forth below.

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants and obligations herein set forth and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

Section 1. (a) Definitions. As used in this Agreement, the definitions set forth above are incorporated herein and the following terms have the meanings specified below:

“Agreement” means this Intercreditor Agreement, as amended, renewed, extended, supplemented or otherwise modified from time to time in accordance with the terms hereof.

“Bankruptcy Code” means Title 11 of the United States Code.

“Bankruptcy Law” means the Bankruptcy Code and any similar Federal, state or foreign law for the relief of debtors.

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

“Common Collateral” means all of the assets of any Grantor, whether real, personal or mixed, constituting both Senior Collateral and Junior Collateral.

“Company” means K. Hovnanian Enterprises, Inc., a corporation organized and existing under the laws of the State of California and wholly-owned by Hovnanian.

“Comparable Junior Collateral Document” means, in relation to any Common Collateral subject to any Lien created under any Senior Collateral Document, that Junior Collateral Document that creates a Lien on the same Common Collateral, granted by the same Grantor.

“Deposit Account” has the meaning set forth in the Uniform Commercial Code.

“Deposit Account Collateral” means that part of the Common Collateral comprised of Deposit Accounts, Financial Assets and Investment Property.

“DIP Financing” has the meaning set forth in Section 6.1.

“Discharge of Senior Claims” means payment in full in cash of (a) all Obligations in respect of all outstanding First-Lien Indebtedness or, with respect to letters of credit outstanding thereunder, delivery of cash collateral in an amount required by the applicable letter of credit, and termination of all commitments to extend credit thereunder and (b) any other Senior Claims that are due and payable or otherwise accrued and owing at or prior to the time such principal and interest are paid, excluding, in any case, Unasserted Contingent Obligations.

“Financial Assets” has the meaning set forth in the Uniform Commercial Code.

“First-Lien Indebtedness” means (a) Indebtedness incurred pursuant to the Senior Noteholder Documents, (b) all other Indebtedness secured by Liens on all or a portion of the Common Collateral that are senior or equal in priority to the Liens on the Common Collateral securing the Senior Noteholder Claims in an aggregate principal amount not to exceed the

amount permitted to be secured on a first-lien basis pursuant to the Senior Indenture and the Junior Indenture and (c) Refinancing Indebtedness (as defined in the Senior Indenture or the Junior Indenture) in respect of Indebtedness covered by clause (a) or clause (b) above, in each case plus interest, advances reasonably necessary to preserve the value of the Common Collateral or to protect the Common Collateral, costs and fees, including legal fees, to the extent authorized under the Senior Collateral Documents or UCC § 9-607(d), and, in each case, all other Obligations in respect of such Indebtedness.

“Future First-Lien Indebtedness” means any First-Lien Indebtedness, other than Indebtedness that is incurred pursuant to the Senior Noteholder Documents, which is permitted to be secured by a first lien on the Common Collateral for purposes of the Senior Indenture and the Junior Indenture or any other Senior Document or Junior Document.

“Future Second-Lien Indebtedness” means any Second-Lien Indebtedness, other than Indebtedness that is incurred pursuant to the Junior Noteholder Documents, which is permitted to be secured by a second lien on the Common Collateral for purposes of the Senior Indenture and the Junior Indenture or any other Senior Document or Junior Document.

“Grantors” means the Company, Hovnanian and each of its Subsidiaries that has or will have executed and delivered a Senior Collateral Document or a Junior Collateral Document.

“Hovnanian” means Hovnanian Enterprises, Inc., a Delaware corporation.

“Indebtedness” means and includes all obligations that constitute “Indebtedness” within the definition of “Indebtedness” set forth in the Senior Indenture.

“Insolvency or Liquidation Proceeding” means (a) any voluntary or involuntary case or proceeding under any Bankruptcy Law with respect to any Grantor as a debtor, (b) any other voluntary or involuntary insolvency, reorganization or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding with respect to any Grantor or with respect to any material part of their respective assets, (c) any liquidation, dissolution, reorganization or winding up of any Grantor whether voluntary or involuntary and whether or not involving insolvency or bankruptcy or (d) any assignment for the benefit of creditors or any other marshalling of assets and liabilities of any Grantor.

“Investment Property” has the meaning set forth in the Uniform Commercial Code.

“Junior Agreement” means the Junior Indenture and any other agreement governing Second-Lien Indebtedness.

“Junior Claims” means all Second-Lien Indebtedness outstanding, including any Future Second-Lien Indebtedness, and all Obligations in respect thereof. Junior Claims include, for the avoidance of doubt, all Junior Noteholder Claims.

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“Junior Collateral” means all of the assets of any Grantor, whether real, personal or mixed, with respect to which a Lien is granted as security for any Junior Claim. Junior Collateral includes, for the avoidance of doubt, all Junior Noteholder Collateral.

“Junior Collateral Agent” has the meaning set forth in the recitals.

“Junior Collateral Documents” means any agreement, document or instrument pursuant to which a Lien is granted securing any Junior Claims or under which rights or remedies with respect to such Liens are governed, as the same may be amended, restated or otherwise modified from time to time. Junior Collateral Documents include, for the avoidance of doubt, the Junior Noteholder Collateral Documents.

“Junior Creditors” means the Persons holding Junior Claims, including all Junior Noteholders.

“Junior Documents” mean the Junior Agreements, the Junior Collateral Documents, and each of the other agreements, documents and instruments providing for or evidencing any other Obligation under any Junior Document and any other related document or instrument executed or delivered pursuant to any Junior Document at any time or otherwise evidencing any Indebtedness arising under any Junior Document. Junior Documents include, for the avoidance of doubt, the Junior Noteholder Documents.

“Junior Indenture” has the meaning set forth in the recitals.

“Junior Noteholder Claims” means all Indebtedness incurred pursuant to the Junior Indenture and all Obligations with respect thereto.

“Junior Noteholder Collateral” means all of the assets of any Grantor, whether real, personal or mixed, with respect to which a Lien is granted as security for any Junior Noteholder Claim.

“Junior Noteholder Collateral Documents” means any agreement, document or instrument pursuant to which a Lien is granted by any Grantor to secure any Junior Noteholder Claims or under which rights or remedies with respect to any such Lien are governed as the same may be amended, restated or otherwise modified from time to time as permitted by this Agreement.

“Junior Noteholder Documents” means collectively (a) the Junior Indenture, the Junior Notes and the Junior Noteholder Collateral Documents and (b) any other related document or instrument executed and delivered pursuant to any Junior Noteholder Document described in clause (a) above evidencing or governing any Obligations thereunder as the same may be amended, restated or otherwise modified from time to time.

“Junior Noteholders” means the Persons holding Junior Noteholder Claims, including the Junior Trustee and the Junior Collateral Agent.

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“Junior Notes” means the \$220.0 million principal amount of 9.125% Senior Secured Second Lien Notes due 2020 to be issued by the Company pursuant to the Junior Indenture.

“Junior Pledge Agreement” means the Second-Lien Pledge Agreement, dated as of October 2, 2012, among the Company, Hovnanian, the other Grantors and the Junior Collateral Agent.

“Junior Security Agreement” means the Second-Lien Security Agreement, dated as of October 2, 2012, among the Company, Hovnanian, the other Grantors and the Second-Lien Collateral Agent.

“Junior Trustee” has the meaning set forth in the recitals.

“Lien” means, with respect to any asset, any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset.

“Mortgaged Collateral” means any real property collateral, with respect to which a lien on and security interest in is required to be granted to (a) the Senior Collateral Agent pursuant to Section 4.18 of the Senior Indenture, (b) the Junior Collateral Agent pursuant to Section 4.18 of the Junior Indenture or (c) any other holder of Senior Claims or Junior Claims (or any agent or trustee on their behalf) pursuant to the terms of any Senior Document or Junior Document, as applicable.

“Mortgage Tax Collateral” has the meaning set forth in Section 5.7(a).

“Mortgage Tax Collateral Agent” has the meaning set forth in the recitals.

“Mortgage Tax States” means the states of Florida, Maryland, Washington, D.C., Minnesota, Virginia, New York and Georgia, and any other state(s) identified to the Mortgage Tax Collateral Agent by the Company and the Senior Collateral Agent which requires a significant payment of mortgage recording taxes or other fees or taxes of a comparable nature and magnitude as that of any of the foregoing Mortgage Tax States.

“Obligations” means and includes all obligations that constitute “Obligations” within the definition of “Obligations” set forth in any Senior Agreement (including the Senior Indenture).

“Person” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, entity or other party, including any government and any political subdivision, agency or instrumentality thereof.

“Pledged Collateral” means (a) the Common Collateral in the possession or control of the Senior Collateral Agent (or its agents or bailees), to the extent that possession or control thereof is necessary to perfect a Lien thereon under the Uniform Commercial Code and (b) the “Pledged Collateral” under, and as defined in, the Junior Pledge Agreement that is Common Collateral.

“Proceeds” means the following property (a) whatever is acquired upon the sale, lease, license, exchange or other disposition of Common Collateral, whether such sale, lease, license or other disposition is made by or on behalf of a Grantor, the Senior Trustee, the Senior Collateral Agent, the Junior Trustee, the Junior Collateral Agent or any other person, (b) whatever is collected on, or distributed on account of, Common Collateral, (c) rights arising out of the loss, nonconformity, or interference with the use of, defects or infringements of rights in, or damage to, the Common Collateral, (d) rights arising out of the Common Collateral, or (e) to the extent of the value of the Common Collateral, and to the extent payable to the debtor or the secured party, insurance payable by reason of the loss or nonconformity of, defects or infringement of rights in, or damage to, the Common Collateral.

“Recovery” has the meaning set forth in Section 6.5.

“Second-Lien Indebtedness” means (a) Indebtedness incurred pursuant to the Junior Noteholder Documents, (b) all other Indebtedness secured by Liens on all or a portion of the Common Collateral that are equal in priority to the Liens on the Common Collateral securing the Junior Noteholder Claims in an aggregate principal amount not to exceed the amount permitted to be secured on a second-lien basis pursuant to the Senior Indenture and the Junior Indenture and (c) Refinancing Indebtedness (as defined in the Senior Indenture or the Junior Indenture) in respect of Indebtedness covered by clause (a) or clause (b) above, and, in each case, all other Obligations in respect of such Indebtedness.

“Security Documents” means, collectively, the Senior Collateral Documents and the Junior Collateral Documents.

“Senior Agreement” means the Senior Indenture and any other agreement governing First-Lien Indebtedness.

“Senior Claims” means all First-Lien Indebtedness outstanding, including any Future First-Lien Indebtedness, and all Obligations in respect thereof. Senior Claims shall include all interest and expenses accrued or accruing (or that would, absent the commencement of any Insolvency or Liquidation Proceeding, accrue) after the commencement of an Insolvency or Liquidation Proceeding in accordance with and at the rate specified in the relevant Senior Document whether or not the claim for such interest or expenses is allowed as a claim in such Insolvency or Liquidation Proceeding. Senior Claims include, for the avoidance of doubt, all Senior Noteholder Claims.

“Senior Collateral” means all of the assets of any Grantor, whether real, personal or mixed, with respect to which a Lien is granted as security for any Senior Claim. Senior Collateral includes, for the avoidance of doubt, all Senior Noteholder Collateral.

“Senior Collateral Agent” has the meaning set forth in the recitals.

“Senior Collateral Documents” means any agreement, document or instrument pursuant to which a Lien is granted securing any Senior Claims or under which rights or remedies with respect to such Liens are governed, as the same may be amended, restated or otherwise modified from time to time. Senior Collateral Documents include, for the avoidance of doubt, the Senior Noteholder Collateral Documents.

“Senior Creditors” means the Persons holding Senior Claims, including all Senior Noteholders.

“Senior Documents” mean the Senior Agreements, the Senior Collateral Documents, and each of the other agreements, documents and instruments providing for or evidencing any other Obligation under any Senior Document and any other related document or instrument executed or delivered pursuant to any Senior Document at any time or otherwise evidencing any Indebtedness arising under any Senior Document. Senior Documents include, for the avoidance of doubt, the Senior Noteholder Documents.

“Senior Indenture” has the meaning set forth in the recitals.

“Senior Liens” means the Liens securing the Senior Claims.

“Senior Noteholder Claims” means all Indebtedness incurred pursuant to the Senior Indenture and all Obligations with respect thereto.

“Senior Noteholder Collateral” means all of the assets of any Grantor, whether real, personal or mixed, with respect to which a Lien is granted as security for any Senior Noteholder Claim.

“Senior Noteholder Collateral Documents” means any agreement, document or instrument pursuant to which a Lien is granted by any Grantor to secure any Senior Noteholder Claims or under which rights or remedies with respect to any such Lien are governed, as the same may be amended, restated or otherwise modified from time to time as permitted by this Agreement.

“Senior Noteholder Documents” means collectively (a) the Senior Indenture, the Senior Notes and the Senior Noteholder Collateral Documents and (b) any other related document or instrument executed and delivered pursuant to any Senior Noteholder Document described in clause (a) above evidencing or governing any Obligations thereunder as the same may be amended, restated or otherwise modified from time to time.

“Senior Noteholders” means the Persons holding Senior Noteholder Claims, including the Senior Trustee and the Senior Collateral Agent.

“Senior Notes” means the \$577.0 million principal amount of 7.25% Senior Secured First Lien Notes due 2020 to be issued by the Company pursuant to the Senior Indenture.

“Senior Trustee” has the meaning set forth in the recitals.

“Subsidiary” means any “Subsidiary” (as defined in the Senior Indenture) of Hovnanian.

“Third-Lien Creditors” means the Persons holding the Third-Lien Obligations.

“Third-Lien Obligations” means all Indebtedness and other Obligations in respect thereof secured by a lien on the Common Collateral that is junior to both the First-Lien Indebtedness and the Second-Lien Indebtedness, to the extent permitted under the Senior Documents, the Junior Documents and this Agreement.

“Unasserted Contingent Obligations” means at any time, Obligations for taxes, costs, indemnifications, reimbursements, damages and other liabilities (except for (i) the principal of and interest and premium (if any) on, and fees relating to, any Indebtedness and (ii) contingent reimbursement obligations in respect of amounts that may be drawn under letters of credit) in respect of which no claim or demand for payment has been made (or, in the case of Obligations for indemnification, no notice for indemnification has been issued by the indemnitee) at such time.

“Uniform Commercial Code” or “UCC” means the Uniform Commercial Code as from time to time in effect in the State of New York.

(b) **Terms Generally.** The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. The word “will” shall be construed to have the same meaning and effect as the word “shall”. Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified in accordance with this Agreement, (b) any reference herein to any Person shall be construed to include such Person’s successors and assigns, (c) the words “herein”, “hereof” and “hereunder”, and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Sections shall be construed to refer to Sections of this Agreement and (e) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

Section 2. Lien Priorities.

2.1 **Subordination.** Notwithstanding the date, time, manner or order of filing or recordation of any document or instrument or grant, attachment or perfection of any Liens granted to the Junior Trustee, the Junior Collateral Agent or the Junior Creditors on the Common Collateral or of any Liens granted to the Senior Trustee, the Senior Collateral Agent or the Senior Creditors on the Common Collateral and notwithstanding any provision of the UCC, or any applicable law or the Junior Documents or the Senior Documents or any other circumstance whatsoever (including any non-perfection of any Lien purporting to secure the First-Lien Indebtedness and/or the Second-Lien Indebtedness, for example, the circumstance of non-perfection of the Lien purporting to secure the Senior Claims and perfection of the Lien purporting to secure the Junior Claims), the Junior Trustee, the Junior Collateral Agent and the Mortgage Tax Collateral Agent, on behalf of themselves and the Junior Creditors, hereby agree that: (a) any Lien on the Common Collateral securing any Senior Claims now or hereafter held

by or on behalf of the Senior Trustee, the Senior Collateral Agent, the Mortgage Tax Collateral Agent or any Senior Creditors or any agent or trustee thereof regardless of how acquired, whether by grant, statute, operation of law, subrogation or otherwise, shall have priority over and be senior in all respects and prior to any Lien on the Common Collateral securing any of the Junior Claims and (b) any Lien on the Common Collateral securing any Junior Claims now or hereafter held by or on behalf of the Junior Trustee, the Junior Collateral Agent, the Mortgage Tax Collateral Agent or any Junior Creditors or any agent or trustee thereof regardless of how acquired, whether by grant, statute, operation of law, subrogation or otherwise, shall be junior and subordinate in all respects to all Liens on the Common Collateral securing any Senior Claims. All Liens on the Common Collateral securing any Senior Claims shall be and remain senior in all respects and prior to all Liens on the Common Collateral securing any Junior Claims for all purposes, whether or not such Liens securing any Senior Claims are subordinated to any Lien securing any other obligation of the Company, any other Grantor or any other Person.

2.2 *Prohibition on Contesting Liens.* Each of the Junior Trustee, the Junior Collateral Agent and the Mortgage Tax Collateral Agent for itself and on behalf of each Junior Creditor, and each of the Senior Trustee, the Mortgage Tax Collateral Agent and the Senior Collateral Agent, for itself and on behalf of each Senior Creditor, agrees that it shall not (and hereby waives any right to) contest or support any other Person in contesting, in any proceeding (including any Insolvency or Liquidation Proceeding), the perfection, priority, validity or enforceability of (a) a Lien securing any Senior Claims held by or on behalf of any of the Senior Creditors in the Common Collateral or (b) a Lien securing any Junior Claims held by or on behalf of any of the Junior Noteholders in the Common Collateral, as the case may be; provided that nothing in this Agreement shall be construed to prevent or impair the rights of the Senior Trustee, the Mortgage Tax Collateral Agent, the Senior Collateral Agent or any Senior Creditor to enforce this Agreement, including the priority of the Liens securing the Senior Claims as provided in Section 2.1 and 3.1.

2.3 *No New Liens.* So long as the Discharge of Senior Claims has not occurred, the parties hereto agree that, after the date hereof, if the Junior Trustee, the Junior Collateral Agent and/or any other Junior Creditor shall hold any Lien on any assets of the Company or any other Grantor securing any Junior Claims that are not also subject to the first-priority Lien in respect of the Senior Claims under the Senior Documents, the Junior Trustee, the Junior Collateral Agent and/or the relevant Junior Creditor, upon demand by the Senior Trustee, the Senior Collateral Agent or the Company, will assign such Lien to the Senior Collateral Agent or the Mortgage Tax Collateral Agent as the case may be as security for the Senior Claims (in which case the Junior Trustee, the Junior Collateral Agent and/or the relevant Junior Creditor may retain a junior lien on such assets subject to the terms hereof).

2.4 *Perfection of Liens.* Except as provided in Section 5.5 and 5.7, none of the Senior Trustee or the Senior Collateral Agent, the Mortgage Tax Collateral Agent nor the Senior Creditors shall be responsible for perfecting and maintaining the perfection of Liens with respect to the Common Collateral for the benefit of the Junior Trustee, the Junior Collateral Agent and the Junior Creditors. The provisions of this Agreement are intended solely to govern the respective Lien priorities as between the respective Senior Creditors and the Junior Creditors and shall not impose on the Senior Trustee, the Senior Collateral Agent, the Junior Trustee, the Mortgage Tax Collateral Agent, the Junior Collateral Agent, the Junior Creditors or the Senior

Creditors any obligations in respect of the disposition of Proceeds of any Common Collateral which would conflict with prior perfected claims therein in favor of any other Person or any order or decree of any court or governmental authority or any applicable law.

2.5 *Third-Lien Obligations.* Each of the Junior Trustee, the Junior Collateral Agent and the Mortgage Tax Collateral Agent, on behalf of themselves and the Junior Creditors, and the Senior Trustee, the Senior Collateral Agent and the Mortgage Tax Collateral Agent, on behalf of themselves and the Senior Creditors, authorizes the Company to incur Third-Lien Obligations in an amount not to exceed the amount permitted to be secured on a third-lien basis pursuant to the Senior Indenture and the Junior Indenture so long as (a) the Third-Lien Obligations are properly documented upon terms and conditions satisfying the terms of the Senior Indenture and the Junior Indenture; and (b) the Liens in favor of each Third-Lien Creditor with respect to the Common Collateral are subordinated to the rights of Senior Creditors and the Junior Creditors such that each Third-Lien Creditor will be treated with regard to the Junior Creditors in a manner substantially the same as the manner in which the Junior Creditors are treated hereunder with respect to the Senior Creditors pursuant to an intercreditor agreement, in form and substance similar to this Agreement or as otherwise reasonably satisfactory to the Senior Trustee, the Senior Collateral Agent, the Junior Trustee and the Junior Collateral Agent, to be entered into by and between the Senior Trustee and the Senior Collateral Agent for the Senior Creditors, the Junior Trustee and the Junior Collateral Agent for the Junior Creditors, the Mortgage Tax Collateral Agent and the Third-Lien Creditors and/or their agent contemporaneously with the execution of any document(s) creating the Third-Lien Obligations.

2.6 *Recording of Liens.* Each of the Junior Trustee, the Junior Collateral Agent, and the Junior Creditors agree that until the prior Lien of the Senior Creditors on any Common Collateral has been recorded or otherwise perfected, each will take commercially reasonable efforts not to file or to otherwise perfect a Lien against such Common Collateral. If, notwithstanding the preceding sentence, the Junior Trustee, the Junior Collateral Agent and the Junior Creditors have recorded or otherwise perfected a Lien prior to recording or other perfection of the Lien of the Senior Creditors on any Common Collateral, upon written request of the Senior Collateral Agent, they and each of them will record a subordination of such Lien to the Lien of the Senior Creditors in form and substance reasonably acceptable to the Senior Collateral Agent. The Senior Collateral Agent will use commercially reasonable efforts to record or otherwise perfect its security interest in the Common Collateral as promptly as practicable.

Section 3. Enforcement.

3.1 *Exercise of Remedies.*

(a) So long as the Discharge of Senior Claims has not occurred, even if an event of default has occurred and remains uncured under the Junior Documents, and whether or not any Insolvency or Liquidation Proceeding has been commenced by or against the Company or any other Grantor, (i) the Junior Trustee, the Junior Collateral Agent, and the Mortgage Tax Collateral Agent, to the extent of any interest of the Junior Creditors, and the Junior Creditors will not exercise or seek to exercise any rights or remedies as a secured creditor (including set-off) with respect to any Common Collateral on account of any Junior Claims, institute any action

or proceeding with respect to the Common Collateral, or exercise any remedies against the Common Collateral (including any action of foreclosure), or contest, protest or object to any foreclosure proceeding or action brought with respect to the Common Collateral by the Senior Trustee, Senior Collateral Agent, Mortgage Tax Collateral Agent or any Senior Creditor in respect of Senior Claims, any exercise of any right under any lockbox agreement, control agreement, landlord waiver or bailee's letter or similar agreement or arrangement to which the Junior Trustee, the Junior Collateral Agent, the Mortgage Tax Collateral Agent or any Junior Creditor is a party, or any other exercise by any such party, of any rights and remedies as a secured creditor relating to the Common Collateral under the Senior Documents or otherwise in respect of Senior Claims, or object to the forbearance by or on behalf of the Senior Creditors from bringing or pursuing any foreclosure proceeding or action or any other exercise of any rights or remedies relating to the Common Collateral in respect of Senior Claims, provided that notwithstanding anything to the contrary in this Section 3.1(a), the Mortgage Tax Collateral Agent shall not be restricted from exercising or seeking to exercise the rights and remedies of a secured creditor with respect to any Common Collateral in respect of Senior Claims, and (ii) the Senior Trustee, the Senior Collateral Agent, the Mortgage Tax Collateral Agent and the Senior Creditors shall have the exclusive right to enforce rights, exercise remedies (including set-off and the right to credit bid their debt) and make determinations regarding the sale, release, disposition, or restrictions with respect to the Common Collateral as a secured creditor without any consultation with or the consent of the Junior Trustee, the Junior Collateral Agent or any Junior Creditor; provided that (A) in any Insolvency or Liquidation Proceeding commenced by or against any Grantor, the Junior Trustee, the Junior Collateral Agent or any Junior Creditor may file a claim or statement of interest with respect to the Junior Claims, (B) to the extent it would not prevent, restrict or otherwise limit any rights granted or created hereunder or under any Senior Collateral Documents in favor of the Senior Trustee, the Senior Collateral Agent or any other Senior Creditor in respect of the Common Collateral, the Junior Trustee, the Junior Collateral Agent or any Junior Creditor may take any action not adverse to the Liens on the Common Collateral securing the Senior Claims in order to preserve, perfect or protect its rights in the Common Collateral, (C) to the extent it would not prevent, restrict or otherwise limit any rights granted or created hereunder or under any Senior Collateral Documents in favor of the Senior Trustee, the Senior Collateral Agent, the Mortgage Tax Collateral Agent or any other Senior Creditor in respect of the Common Collateral, the Junior Trustee, the Junior Collateral Agent or any Junior Creditor shall be entitled to file any necessary responsive or defensive pleadings in opposition to any motion, claim, adversary proceeding or other pleadings made by any person objecting to or otherwise seeking the disallowance of the Junior Claims, including without limitation any claims secured by the Common Collateral, if any, in each case in accordance with the terms of this Agreement, or (D) the Junior Trustee, the Junior Collateral Agent or any Junior Creditor shall be entitled to file any pleadings, objections, motions or agreements which assert rights or interests available to unsecured creditors of the Grantors arising under either Bankruptcy Law or applicable non-bankruptcy law, in each case in accordance with the terms of this Agreement. In exercising rights and remedies with respect to the Common Collateral, the Senior Trustee, the Senior Collateral Agent and the Senior Creditors may enforce the provisions of the Senior Documents and exercise remedies thereunder, all in such order and in such manner as they may determine in the exercise of their sole discretion. Such exercise and enforcement shall include the rights of an agent appointed by them to sell or otherwise dispose of Common Collateral upon foreclosure, to cause the Grantors to deliver a

transfer document in lieu of foreclosure to the Senior Creditors or any nominee of the Senior Creditors, to incur expenses in connection with such sale or disposition, and to exercise all the rights and remedies of a mortgagee in any applicable jurisdiction and a secured lender under the Uniform Commercial Code of any applicable jurisdiction and of a secured creditor under Bankruptcy Laws of any applicable jurisdiction. Upon the Discharge of Senior Claims, the Junior Trustee, the Junior Collateral Agent and the Mortgage Tax Collateral Agent, on behalf of themselves and the Junior Creditors, will not be required to release their claims on any Common Collateral that has not been sold or otherwise disposed of in connection with the Discharge of Senior Claims.

(b) The Junior Trustee, the Junior Collateral Agent and the Mortgage Tax Collateral Agent (with respect to the Mortgage Tax Collateral Agent solely to the extent of any interest of the Junior Creditors in the Common Collateral) on behalf of themselves and the Junior Creditors, agree that solely as to the Common Collateral, they and each of them will not, in connection with the exercise of any right or remedy with respect to the Common Collateral, receive any Common Collateral or Proceeds of any Common Collateral in respect of Junior Claims, or, upon or in any Insolvency or Liquidation Proceeding (except under any plan of reorganization approved by the Senior Creditors or as provided in section 6.6) with respect to any Grantor as debtor, take or receive any Common Collateral or any Proceeds of Common Collateral in respect of Junior Claims, unless and until the Discharge of Senior Claims has occurred. Without limiting the generality of the foregoing, unless and until the Discharge of Senior Claims has occurred, except as expressly provided in the proviso in clause (ii) of Section 3.1(a) or Section 6.3, the sole right of the Junior Trustee, the Junior Collateral Agent and the Junior Creditors with respect to the Common Collateral is to hold a Lien on the Common Collateral in respect of Junior Claims pursuant to the Junior Documents for the period and to the extent granted therein and to receive a share of the Proceeds thereof, if any, after the Discharge of Senior Claims has occurred. In addition to the foregoing, the Junior Creditors hereby acknowledge that the Junior Indenture and the Junior Documents permit the Company and the other Grantors to repay, in certain circumstances, Senior Claims with Proceeds from the disposition of the Common Collateral prior to application to repay the Junior Claims, and agree that to the extent the Senior Documents require repayment of the Senior Claims with Proceeds from such dispositions, the Company shall pay such proceeds to the Senior Creditors as so required and each of the Junior Trustee, the Junior Collateral Agent and the Junior Creditors will not take or receive such Proceeds until after so applied.

(c) Subject to the proviso in clause (ii) of Section 3.1(a), the Junior Trustee and the Junior Collateral Agent, for themselves and on behalf of the Junior Creditors, agree that the Junior Trustee, the Junior Collateral Agent and the Junior Creditors will not take any action that would hinder any exercise of remedies undertaken by the Senior Trustee, the Senior Collateral Agent, the Mortgage Tax Collateral Agent or the Senior Creditors with respect to the Common Collateral under the Senior Documents, including any sale, lease, exchange, transfer or other disposition of the Common Collateral, whether by foreclosure or otherwise and shall release any and all claims in respect of such Common Collateral (except for the right to receive the balance of Proceeds and to be secured by the Common Collateral after Discharge of Senior Claims as described in Section 4.1 and 5.1) so that it may be sold free and clear of the Liens of the Junior Creditors, the Junior Collateral Agent and of the Junior Trustee, on behalf of the Junior

Creditors, and the Junior Trustee and the Junior Collateral Agent, for themselves and on behalf of any such Junior Creditors, shall, within ten (10) Business Days of written request by the Senior Collateral Agent, the Senior Trustee or the Mortgage Tax Collateral Agent, execute and deliver to the Senior Collateral Agent such termination statements, releases and other documents as the Senior Collateral Agent, the Senior Trustee or the Mortgage Tax Collateral Agent may request to effectively confirm such release and the Junior Trustee and the Junior Collateral Agent, for themselves and on behalf of the Junior Creditors, hereby irrevocably constitute and appoint the Senior Trustee or the Senior Collateral Agent and any officer or agent of the Senior Trustee or the Senior Collateral Agent, with full power of substitution, as their true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of

the Junior Trustee, the Junior Collateral Agent or such Junior Creditor or in the Senior Trustee's or the Senior Collateral Agent's own name, from time to time in the Senior Trustee's or the Senior Collateral Agent's discretion, for the purpose of carrying out the terms of this Section 3.1(c), to take any and all appropriate action and to execute any and all documents and instruments that may be necessary to accomplish the purposes of this Section 3.1(c), including any termination statements, endorsements or other instruments of transfer or release. In exercising rights and remedies with respect to the Common Collateral, the Senior Trustee, the Senior Collateral Agent, the Mortgage Tax Collateral Agent and the Senior Creditor may enforce the provisions of the Senior Documents and exercise remedies thereunder, all in such order and in such manner as they may determine in the exercise of their sole discretion. Such exercise and enforcement shall include the rights of an agent appointed by them to sell or otherwise dispose of Common Collateral upon foreclosure, to cause the Grantors to deliver a transfer document in lieu of foreclosure to the Senior Creditors or any nominee of the Senior Creditors, to incur expenses in connection with such sale or disposition, and to exercise all the rights and remedies of a mortgagee in any applicable jurisdiction and a secured creditor under the Uniform Commercial Code or other laws of any applicable jurisdiction and of a secured creditor under Bankruptcy Laws of any applicable jurisdiction. The Junior Trustee and the Junior Collateral Agent for themselves and on behalf of the Junior Creditors, hereby waive any and all rights they or the Junior Creditors may have as a junior lien creditor or otherwise to object to the manner in which the Senior Trustee, the Senior Collateral Agent, the Mortgage Tax Collateral Agent or the Senior Creditors seek to enforce or collect the Senior Claims or the Liens granted in any of the Common Collateral in respect of Senior Claims, regardless of whether any action or failure to act by or on behalf of the Senior Trustee, the Senior Collateral Agent, the Mortgage Tax Collateral Agent or Senior Creditors is adverse to the interest of the Junior Creditors. The Junior Trustee and the Junior Collateral Agent, for themselves and on behalf of the Junior Creditors, waive the right to commence any legal action or assert in any legal action or in any Insolvency or Liquidation Proceeding any claim against the Mortgage Tax Collateral Agent and/or Senior Creditors seeking damages from the Mortgage Tax Collateral Agent or the Senior Creditors or other relief, by way of specific performance, injunction or otherwise, with respect to any action taken or omitted by the Mortgage Tax Collateral Agent or the Senior Creditors as permitted by this Agreement.

(d) The Junior Trustee and the Junior Collateral Agent hereby acknowledge and agree that no covenant, agreement or restriction contained in any Junior Document shall be deemed to restrict in any way the rights and remedies of the Senior Trustee, the Senior Collateral Agent, the Mortgage Tax Collateral Agent or the Senior Creditors with respect to the Common Collateral as set forth in this Agreement and the Senior Documents, to the extent consistent with this Agreement.

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3.2 *Cooperation.* Subject to the proviso in clause (ii) of Section 3.1(a), the Junior Trustee and the Junior Collateral Agent, on behalf of themselves and the Junior Creditors, agree that, unless and until the Discharge of Senior Claims has occurred, they will not commence, or join with any Person (other than the Senior Trustee, the Senior Creditors, the Mortgage Tax Collateral Agent and the Senior Collateral Agent upon the written request thereof) in commencing any enforcement, collection, execution, levy or foreclosure action or proceeding with respect to any Lien held by it in the Common Collateral under any of the Junior Documents or otherwise in respect of the Junior Claims.

Section 4. Payments.

4.1 *Application of Proceeds.* So long as the Discharge of Senior Claims has not occurred, any Proceeds of any Common Collateral paid or payable to the Senior Trustee or the Senior Collateral Agent as provided in section 3.1(b) or pursuant to the enforcement of any Security Document or the exercise of any right or remedy with respect to the Common Collateral under the Senior Documents, together with all other Proceeds received by any Person (including all funds received in respect of post-petition interest or fees and expenses) as a result of any such enforcement or the exercise of any such remedial provision or as a result of any distribution of or in respect of any Common Collateral (or the Proceeds thereof whether or not expressly characterized as such) upon or in any Insolvency or Liquidation Proceeding (except under any plan of reorganization approved by the Senior Creditors or as provided in section 6.6) with respect to any Grantor as debtor, shall be applied by the Senior Trustee or the Senior Collateral Agent to the Senior Claims in such order as specified in the relevant Senior Document (including any intercreditor agreement among the Senior Creditors). Upon the Discharge of Senior Claims, the Senior Trustee and/or the Senior Collateral Agent shall deliver to the Junior Trustee any Proceeds of Common Collateral held by it in the same form as received, with any necessary endorsements or as a court of competent jurisdiction may otherwise direct, to be applied by the Junior Trustee to the Junior Noteholder Claims in such order as specified in the Junior Documents.

4.2 *Payments Over.* So long as the Discharge of Senior Claims has not occurred, any Common Collateral or Proceeds thereof received by the Junior Trustee, the Junior Collateral Agent or any Junior Creditor in connection with the exercise of any right or remedy (including set-off) relating to the Common Collateral in contravention of this Agreement shall be segregated and held in trust and forthwith paid over to the Senior Collateral Agent for the benefit of the Senior Creditors in the same form as received, with any necessary endorsements or as a court of competent jurisdiction may otherwise direct. If any Lien on Common Collateral for First-Lien Indebtedness is void or voidable and the Lien on the same Common Collateral of the Junior Trustee, the Junior Collateral Agent or any Junior Creditor is not void or voidable, the Proceeds of such Lien received by the Junior Trustee, the Junior Collateral Agent or any Junior Creditor shall be segregated and held in trust and forthwith paid over to the Senior Collateral Agent for the benefit of the Senior Creditors in the same form as received, with any necessary endorsements or as a court of competent jurisdiction may otherwise direct. The Senior Collateral Agent is hereby authorized to make any such endorsements as agent for the Junior Trustee, the Junior Collateral Agent or any such Junior Creditor. This authorization is coupled with an interest and is irrevocable.

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Section 5. Other Agreements.

5.1 *Reserved.*

5.2 *Insurance.* Unless and until the Discharge of Senior Claims has occurred, the Senior Trustee, the Senior Collateral Agent and the Senior Creditors shall have the sole and exclusive right, subject to the rights of the Grantors under the Senior Documents, to adjust settlement for any insurance policy covering the Common Collateral in the event of any loss thereunder and to approve any award granted in any condemnation or similar proceeding affecting the Common Collateral. Unless and until the Discharge of Senior Claims has occurred, all proceeds of any such policy and any such award if in respect of the Common Collateral shall be paid to the Senior Trustee, the Senior Collateral Agent or the Mortgage Tax Collateral Agent for the benefit of the Senior Creditors to the extent required under the Senior Documents in respect of the Senior Claims and thereafter to the Junior Trustee for the benefit of the Junior Creditors to the extent required under the applicable Junior Documents and then to the owner of the subject property or as a court of competent jurisdiction may otherwise direct. Subject to Section 5.4, if the Junior Trustee, the Junior Collateral Agent or any Junior Creditor shall, at any

time, receive any proceeds of any such insurance policy or any such award in contravention of this Agreement, it shall pay such proceeds over to the Senior Trustee in accordance with the terms of Section 4.2.

5.3 *Designation of Subordination; Amendments to Junior Collateral Documents.*

(a) The Junior Trustee and the Junior Collateral Agent agree that each Junior Collateral Document shall include the following language (or language to similar effect approved by the Senior Trustee):

“Notwithstanding anything herein to the contrary, the lien and security interest granted to the Junior Collateral Agent pursuant to this Agreement and the exercise of any right or remedy by the Junior Collateral Agent hereunder are subject to the provisions of the Intercreditor Agreement, dated as of October 2, 2012 (as amended, supplemented or otherwise modified from time to time, the “Intercreditor Agreement”), among K. Hovnanian Enterprises, Inc., Hovnanian Enterprises, Inc., and certain subsidiaries of Hovnanian Enterprises, Inc., party thereto, Wilmington Trust, National Association, as Senior Trustee and Senior Collateral Agent, Wilmington Trust, National Association, as Mortgage Tax Collateral Agent and Wilmington Trust, National Association, as Junior Trustee and Junior Collateral Agent. In the event of any conflict between the terms of the Intercreditor Agreement and this Agreement, the terms of the Intercreditor Agreement shall govern.”

(b) Unless and until the Discharge of Senior Claims has occurred, without the prior written consent of the Senior Trustee, no Junior Collateral Document may be amended, supplemented or otherwise modified or entered into to the extent such amendment, supplement or modification, or the terms of any new Junior Collateral Document, would be prohibited by or inconsistent with any of the terms of this Agreement.

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5.4 *Rights As Unsecured Creditors.* Notwithstanding anything to the contrary in this Agreement, the Junior Trustee, the Junior Collateral Agent and the Junior Creditors may exercise rights and remedies as an unsecured creditors against the Company, Hovnanian or any Subsidiary that has guaranteed the Junior Claims in accordance with the terms of the Junior Documents and applicable law. Nothing in this Agreement shall prohibit the receipt by the Junior Trustee, the Junior Collateral Agent or any Junior Creditors of the required payments of interest and principal so long as such receipt is not (i) the direct or indirect result of the exercise by the Junior Trustee, the Junior Collateral Agent, the Mortgage Tax Collateral Agent or any Junior Creditor of rights or remedies as a secured creditor in respect of Common Collateral or (ii) in violation of Section 3.1, 4.1, 5.2 or 6.3. In the event that the Junior Trustee, the Junior Collateral Agent or any Junior Creditor becomes a judgment lien creditor in respect of Common Collateral as a result of its enforcement of its rights as an unsecured creditor in respect of Junior Claims, such judgment lien shall be subordinated to the Liens securing Senior Claims on the same basis as the other Liens securing the Junior Claims are so subordinated to such Liens securing Senior Claims under this Agreement. Nothing in this Agreement impairs or otherwise adversely affects any rights or remedies the Senior Trustee, the Senior Collateral Agent or the Senior Creditors may have with respect to the Common Collateral.

5.5 *Bailee for Perfection.*

(a) The Senior Collateral Agent agrees to hold the Pledged Collateral that is part of the Common Collateral in its possession or control (or in the possession or control of its agents or bailees) as bailee for the Junior Collateral Agent and any assignee solely for the purpose of perfecting the security interest granted in such Pledged Collateral pursuant to the Junior Security Agreement and/or the Junior Pledge Agreement, subject to the terms and conditions of this Section 5.5.

(b) The Senior Collateral Agent agrees to hold the Deposit Account Collateral that is part of the Common Collateral and controlled by the Senior Collateral Agent for the Junior Collateral Agent and any assignee solely for the purpose of perfecting the security interest granted in such Deposit Account Collateral pursuant to the Junior Security Agreement, subject to the terms and conditions of this Section 5.5. Upon Discharge of Senior Claims, the Senior Collateral Agent shall continue to hold such Deposit Account Collateral pursuant to this clause (b) until the earlier of the date (i) the Junior Collateral Agent has obtained control thereof for the purpose of perfecting its security interest and (ii) which is 30 days after the Discharge of Senior Claims.

(c) Except as otherwise specifically provided herein (including, without limitation, Sections 3.1 and 4.1), until the Discharge of Senior Claims has occurred, the Senior Collateral Agent shall be entitled to deal with the Pledged Collateral in accordance with the terms of the Senior Documents as if the Liens under the Junior Collateral Documents did not exist. The rights of the Junior Trustee, the Junior Collateral Agent and the Junior Creditors with respect to such Pledged Collateral shall at all times be subject to the terms of this Agreement.

(d) The Senior Collateral Agent shall have no obligation whatsoever to the Junior Trustee, the Junior Collateral Agent or any Junior Creditor to assure that the Pledged Collateral is genuine or owned by any of the Grantors or to protect or preserve rights or benefits

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of any Person or any rights pertaining to the Common Collateral except as expressly set forth in this Section 5.5. The duties or responsibilities of the Senior Collateral Agent under this Section 5.5 shall be limited solely to holding the Pledged Collateral as bailee for the Junior Collateral Agent for purposes of perfecting the Lien held by the Junior Collateral Agent.

(e) The Senior Collateral Agent shall not have by reason of the Junior Collateral Documents or this Agreement or any other document a fiduciary relationship in respect of the Junior Trustee, the Junior Collateral Agent or any Junior Creditor and the Junior Trustee, the Junior Collateral Agent and the Junior Creditors hereby waive and release the Senior Collateral Agent from all claims and liabilities arising pursuant to the Senior Collateral Agent’s role under this Section 5.5, as agent and bailee with respect to the Common Collateral.

(f) Upon Discharge of Senior Claims, the Senior Collateral Agent shall deliver to the Junior Collateral Agent, to the extent that it is legally permitted to do so, the remaining Pledged Collateral (if any) together with any necessary endorsements (or otherwise allow the Junior Collateral Agent to obtain control of such Pledged Collateral) or as a court of competent jurisdiction may otherwise direct. The Company shall take such further action as is required to effectuate the transfer contemplated hereunder. The Senior Collateral Agent has no obligation to follow instructions from the Junior Collateral Agent in contravention of this Agreement. Without limiting the foregoing, upon Discharge of Senior Claims, the Senior Trustee will use commercially reasonable efforts to promptly deliver an appropriate termination or other notice confirming such Discharge of Senior Claims to the applicable depository

bank, issuer of uncertificated securities or securities intermediary, if any, with respect to the Deposit Account Collateral, money market mutual fund or similar collateral, or securities account collateral.

(g) Neither the Senior Trustee, the Senior Collateral Agent nor the Senior Creditors shall be required to marshal any present or future collateral security for the Company's or its Subsidiaries' obligations to the Senior Collateral Agent or the Senior Creditors under the Senior Agreement or the Senior Collateral Documents or to resort to such collateral security or other assurances of payment in any particular order, and all of their rights in respect of such collateral security shall be cumulative and in addition to all other rights, however existing or arising.

5.6 *Additional Collateral.* If any Lien is granted by any Grantor in favor of the Senior Creditors or the Junior Creditors on any additional collateral (other than Common Collateral identified as Mortgage Tax Collateral which shall be subject to the Liens of the Mortgage Tax Collateral Agent), such additional collateral shall also be subject to a Lien in favor of the Senior Creditors and the Junior Noteholders in the relative lien priority scheme set forth in Section 2.1.

5.7 *Collateral Agents; Collateral Documents.*

(a) The Mortgage Tax Collateral Agent shall act as collateral agent for the Senior Creditors and the Junior Creditors with respect to the Liens granted on Mortgaged Collateral located in the Mortgage Tax States (the "Mortgage Tax Collateral").

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(b) With respect to any and all Senior Noteholder Collateral other than the Mortgage Tax Collateral, the Senior Collateral Agent shall act as collateral agent on behalf of the Senior Creditors. The Senior Collateral Agent shall separately document its Lien(s) on any and all Senior Collateral other than the Mortgage Tax Collateral. With respect to any and all Junior Noteholder Collateral other than the Mortgage Tax Collateral, the Junior Collateral Agent shall act as collateral agent on behalf of the Junior Creditors. The Junior Collateral Agent shall separately document its Lien(s) on any and all Junior Collateral other than the Mortgage Tax Collateral.

(c) *Determination of Status of Mortgage Tax Collateral; Reliance by Mortgage Tax Collateral Agent.* The determination of whether Liens to be granted on Mortgaged Collateral would constitute Mortgage Tax Collateral under the Senior Indenture shall be made by the Company in the reasonable exercise of its discretion, and the Company shall so notify the Mortgage Tax Collateral Agent in a written certificate of such determination with a copy of such certificate to be contemporaneously provided to the Senior Trustee and the Junior Trustee. The Mortgage Tax Collateral Agent shall not be responsible for determining the status of any Mortgaged Collateral as Mortgage Tax Collateral and shall be entitled to rely on such certificate(s) of the Company identifying that any Mortgaged Collateral constitutes Mortgage Tax Collateral and shall be under no obligation to treat any Mortgaged Collateral not so identified as Mortgage Tax Collateral. Upon receipt of such certificate(s) from the Company identifying any Mortgaged Collateral as Mortgage Tax Collateral, the Mortgage Tax Collateral Agent shall be entitled to treat such Mortgaged Collateral as Mortgage Tax Collateral for all purposes under this Agreement. Any designation by the Company that any Mortgaged Collateral is Mortgage Tax Collateral shall be irrevocable. Any such certificates shall be full warrant to the Mortgage Tax Collateral Agent for any action taken, suffered or omitted in reliance thereof. The parties hereto agree that all Mortgaged Collateral located in Florida, Maryland, Washington, D.C., Minnesota, Virginia, New York and Georgia shall constitute Mortgage Tax Collateral without further action by the Company.

5.8 *Application of the Proceeds of the Mortgage Tax Collateral.*

(a) *Reserved.*

(b) Proceeds of the Mortgage Tax Collateral shall be applied as set forth in Section 4.1 so long as the Discharge of Senior Claims has not occurred. Unless and until the Discharge of Senior Claims has occurred, except as expressly provided in the proviso in clause (ii) of Section 3.1(a) and Section 6.3, the sole right of the Junior Creditors with respect to the Mortgage Tax Collateral is to hold a shared Lien on the Mortgage Tax Collateral in respect of Junior Claims pursuant to the Junior Documents for the period and to the extent granted therein and to receive a share of the Proceeds thereof, if any, after the Discharge of the Senior Claims has occurred.

(c) Except as otherwise specifically provided in Sections 3.1 and 4.1, until the Discharge of Senior Claims has occurred, the Mortgage Tax Collateral Agent shall be entitled to deal with the Mortgage Tax Collateral in accordance with the terms of the Senior Documents as if the Liens under the Junior Collateral Documents did not exist. The rights of the

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Junior Trustee, the Junior Collateral Agent and the Junior Creditors with respect to such Pledged Collateral shall at all times be subject to the terms of this Agreement.

(d) Until the Discharge of Senior Claims has occurred, the Mortgage Tax Collateral Agent shall have no obligation whatsoever to the Junior Trustee, the Junior Collateral Agent or any Junior Creditor to assure that the Mortgage Tax Collateral is genuine or owned by any of the Grantors or to protect or preserve rights or benefits of any Person or any rights pertaining to the Common Collateral except as expressly set forth in this Section 5.8.

(e) Neither the Mortgage Tax Collateral Agent, the Senior Trustee, the Senior Collateral Agent nor the Senior Creditors shall be required to marshal any present or future collateral security for the Company's or its Subsidiaries' obligations to the Senior Trustee, the Senior Collateral Agent or the Senior Creditors under the Senior Agreement or the Senior Documents or to resort to such collateral security or other assurances of payment in any particular order, and all of their rights in respect of such collateral security shall be cumulative and in addition to all other rights, however existing or arising.

5.9 *No Fiduciary Duty.* The Junior Trustee and the Junior Collateral Agent agree, on behalf of themselves and the Junior Creditors, that the Senior Creditors, Mortgage Tax Collateral Agent, the Senior Trustee and the Senior Collateral Agent shall not have by reason of the Junior Collateral Documents or this Agreement or any other document, a fiduciary relationship in respect of the Junior Trustee, the Junior Collateral Agent or any Junior Creditor. The Senior Trustee and the Senior Collateral Agent agree, on behalf of themselves and the Senior Creditors, that the Junior Creditors, Mortgage Tax

Collateral Agent, the Junior Trustee and the Junior Collateral Agent shall not have by reason of the Senior Collateral Documents or this Agreement or any other document, a fiduciary relationship in respect of the Senior Trustee, the Senior Collateral Agent or any Senior Creditor.

Section 6. Insolvency or Liquidation Proceedings.

6.1 Financing and Sale Issues.

(a) If the Company or any other Grantor shall be subject to any Insolvency or Liquidation Proceeding and the Senior Trustee shall desire to permit the use of cash collateral or to permit the Company or any other Grantor to obtain financing under Section 363 or Section 364 of Title 11 of the United States Code or any similar Bankruptcy Law (“DIP Financing”), then the Junior Trustee, the Junior Collateral Agent and the Mortgage Tax Collateral Agent, on behalf of themselves and the Junior Creditors agree that (i) if the Senior Creditors consent to such use of cash collateral, the Junior Trustee, the Junior Collateral Agent and the Mortgage Tax Collateral Agent, on behalf of themselves and the Junior Creditors, shall be deemed to have consented to such use of cash collateral so long as the Junior Creditors receive (if requested) adequate protection in the manner permitted in Section 6.3 and (ii) if the Senior Creditors consent to DIP Financing that provides for priming of or *pari passu* treatment with the Senior Liens, the Junior Trustee, the Junior Collateral Agent and the Mortgage Tax Collateral Agent, on behalf of themselves and the Junior Creditors, will not raise any objection to and shall be deemed to have consented to such DIP Financing, and to the extent the Liens securing the Senior Claims under the Senior Collateral Documents are subordinated or *pari passu* with such DIP Financing,

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they will subordinate their Liens in the Common Collateral to such DIP Financing (and all Obligations relating thereto) and the Senior Claims on the same basis as the other Liens securing the Junior Claims are subordinated to Liens securing Senior Claims under this Agreement.

(b) The Junior Trustee, the Junior Collateral Agent and the Mortgage Tax Collateral Agent, on behalf of themselves and the Junior Creditors, agree that they will not raise any objection to or oppose a sale of or other disposition of any Common Collateral free and clear of its Liens or other claims under Section 363 of the Bankruptcy Code if the Senior Creditors have consented to such sale or disposition of such assets so long as the interests of the Junior Trustee, the Junior Collateral Agent and the Junior Creditors in the Common Collateral attach to the Proceeds in the relative priority scheme set forth in Section 2.1 and subject to the terms of this Agreement.

6.2 *Relief from the Automatic Stay.* Until the Discharge of Senior Claims has occurred, the Junior Trustee, the Junior Collateral Agent and the Mortgage Tax Collateral Agent, on behalf of themselves and the Junior Creditors, agree that none of them shall seek relief from the automatic stay or any other stay in any Insolvency or Liquidation Proceeding in respect of the Common Collateral, without the prior written consent of the Senior Trustee.

6.3 *Adequate Protection.* The Junior Trustee, the Junior Collateral Agent and the Mortgage Tax Collateral Agent, on behalf of themselves and the Junior Creditors, agree that none of them shall contest (or support any other Person contesting) (a) any request by the Senior Trustee, the Senior Collateral Agent or the Senior Creditors for adequate protection or (b) any objection by the Senior Trustee, the Senior Collateral Agent or the Senior Creditors to any motion, relief, action or proceeding based on Senior Trustee’s, the Senior Collateral Agent’s or the Senior Creditors’ claiming a lack of adequate protection. Notwithstanding the foregoing, in any Insolvency or Liquidation Proceeding, (i) the Junior Trustee on behalf of itself and the Junior Creditors, may seek or request adequate protection in the form of a replacement Lien on additional collateral, provided that the Senior Creditors are granted a Lien on such additional collateral before or at the same time the Junior Creditors are granted a Lien on such collateral and that such Lien shall be subordinated to the Senior Liens and any DIP Financing permitted under Section 6.1 (and all Obligations relating thereto) on the same basis as the other Liens securing the Junior Claims are so subordinated to the Liens securing the First-Lien Indebtedness under this Agreement and (ii) in the event that the Junior Trustee, on behalf of itself or any Junior Creditor, seeks or requests adequate protection and such adequate protection is granted in the form of additional collateral securing the Junior Claims, such Liens shall be subordinated to the Liens on such collateral securing the First-Lien Indebtedness and any such DIP Financing (and all Obligations relating thereto) and any other Liens granted to the Senior Creditors as adequate protection on the same basis as the other Liens securing the Junior Claims are so subordinated to such Liens securing the Senior Claims under this Agreement and such additional collateral shall be included in and be part of the Common Collateral. Except as provided in this Section, the Junior Trustee and the Junior Collateral Agent, on behalf of themselves and the Junior Creditors, further agree that they will not seek or accept any payments of adequate protection or any payments under Bankruptcy Code Section 362(d)(3)(B).

6.4 *No Waiver; Voting Restrictions.* Nothing contained herein shall prohibit or in any way limit the Senior Trustee, the Senior Collateral Agent or any other Senior Creditor

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from objecting in any Insolvency or Liquidation Proceeding or otherwise to any action taken by the Junior Trustee, the Junior Collateral Agent or any of the Junior Creditors, including the seeking by the Junior Trustee, the Junior Collateral Agent or any Junior Creditor of adequate protection or the asserting by the Junior Trustee, the Junior Collateral Agent or any Junior Creditor of any of its rights and remedies under the Junior Documents or otherwise. In any Insolvency or Liquidation Proceeding, neither the Junior Trustee, the Junior Collateral Agent nor any Junior Creditor shall vote any Junior Claim in favor of any plan of reorganization (of any Grantor) unless (i) such plan provides for payment in full in cash of the First-Lien Indebtedness, (ii) such plan provides for the treatment of the Senior Claims in a manner that preserves the relative lien priority of the Senior Claims over the Junior Claims to at least the same extent as set forth in this Agreement or (iii) such plan is approved by the Senior Creditors.

6.5 *Preference Issues; Recovery.* If any Senior Creditor is required in any Insolvency or Liquidation Proceeding or otherwise to turn over or otherwise pay to the estate of the Company or any other Grantor (or any trustee, receiver or similar person therefor), because the payment of such amount was declared to be fraudulent or preferential in any respect or for any other reason, any amount, whether received as proceeds of security, enforcement of any right of set-off or otherwise (a “Recovery”), then the Senior Claims shall be reinstated to the extent of such Recovery and deemed to be outstanding as if such payment had not occurred and the Senior Creditors shall be entitled to a Discharge of Senior Claims with respect to all such recovered amounts. If this Agreement shall have been terminated prior to such Recovery, this Agreement shall be reinstated in full force and effect, and such prior termination shall not diminish, release, discharge, impair or otherwise affect the obligations of the parties hereto.

6.6 *Reorganization Securities.* If, in any Insolvency or Liquidation Proceeding, debt obligations of the reorganized debtor secured by Liens upon any property of the reorganized debtor are distributed, pursuant to a plan of reorganization or similar dispositive restructuring plan, both on account of Senior Claims and on account of Junior Claims, then, to the extent the debt obligations distributed on account of the Senior Claims and on account of the Junior Claims are secured by Liens upon the same property, the provisions of this Agreement will survive the distribution of such debt obligations pursuant to such plan and will apply with like effect to the Liens securing such debt obligations.

6.7 *Application.* This Agreement shall be applicable and the terms hereof shall survive and shall continue in full force and effect prior to or after the commencement of any Insolvency or Liquidation Proceeding. All references herein to any Grantor shall apply to any trustee for such Person and such Person as debtor in possession. The relative rights as to the Common Collateral and Proceeds thereof shall continue after the filing thereof on the same basis as prior to the date of the petition, subject to any court order approving the financing of, or use of cash collateral by, any Grantor.

6.8 *Expense Claims.* None of the Junior Collateral Agent, the Junior Trustee or any Junior Creditor will assert or enforce, at any time prior to the Discharge of Senior Claims, any claim under §506(c) of the Bankruptcy Law senior to or on a parity with the Liens in favor of the Senior Trustee, the Senior Collateral Agent, the Mortgage Tax Collateral Agent and the Senior Creditors for costs or expenses of preserving or disposing of any Common Collateral.

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6.9 *Post-Petition Claims.* (a) None of the Junior Collateral Agent, the Junior Trustee or any Junior Creditor shall oppose or seek to challenge any claim by the Senior Trustee, the Senior Collateral Agent or any Senior Creditor for allowance in any Insolvency or Liquidation Proceeding of Senior Claims consisting of post-petition interest, fees, including legal fees, expenses or indemnities to the extent of the value of the Lien in favor of the Senior Trustee, the Senior Collateral Agent and the Senior Creditors, without regard to the existence of the Lien of the Junior Trustee or the Junior Collateral Agent, on behalf of the Junior Creditors, on the Common Collateral.

(b) None of the Senior Trustee, the Senior Collateral Agent or any other Senior Creditor shall oppose or seek to challenge any claim by the Junior Trustee or any Junior Creditor for allowance in any Insolvency or Liquidation Proceeding of Junior Claims consisting of post-petition interest, fees, including legal fees, expenses or indemnities to the extent of the value of the Lien of the Junior Trustee on behalf of the Junior Creditors on the Common Collateral (after taking into account the Liens in favor of the Senior Trustee, the Senior Collateral Agent and the Senior Creditors).

Section 7. Reliance; Waivers; etc.

7.1 *Reliance.* The consent by the Senior Creditors to the execution and delivery of the Junior Noteholder Documents to which the Senior Creditors have consented and all loans and other extensions of credit (including the purchase of securities) made or deemed made on and after the date hereof by the Senior Creditors to Hovnanian, the Company or any Subsidiary shall be deemed to have been given and made in reliance upon this Agreement. The Junior Trustee and the Junior Collateral Agent, solely on behalf of the Junior Noteholders, acknowledge, to the best of their knowledge, that the Junior Noteholders have, independently and without reliance on the Senior Trustee, the Senior Collateral Agent or any Senior Creditor, and based on documents and information deemed by them appropriate, made their own credit analysis and decision to enter into the Junior Indenture, this Agreement and the transactions contemplated hereby and thereby and they will continue to make their own credit decision in taking or not taking any action under the Junior Indenture or this Agreement.

7.2 *No Warranties or Liability.* The Junior Trustee and the Junior Collateral Agent, on behalf of themselves and the Junior Creditors, acknowledge and agree that each of the Senior Trustee, the Senior Collateral Agent, the Senior Noteholders and the Mortgage Tax Collateral Agent have made no express or implied representation or warranty, including with respect to the execution, validity, legality, completeness, collectability or enforceability of any of the Senior Noteholder Documents, the ownership of any Common Collateral or the perfection or priority of any Liens thereon. The Senior Creditors will be entitled to manage and supervise their respective loans, securities and extensions of credit under the Senior Documents in accordance with law and as they may otherwise, in their sole discretion, deem appropriate, and the Senior Creditors (including the Senior Noteholders) may manage their loans, securities and extensions of credit without regard to any rights or interests that the Junior Trustee or any of the Junior Creditors have in the Common Collateral or otherwise, except as otherwise provided in this Agreement. None of the Senior Trustee, the Senior Collateral Agent, the Mortgage Tax Collateral Agent nor any Senior Trustee shall have any duty to the Junior Trustee, the Junior Collateral Agent or any of the Junior Creditors to act or refrain from acting in a manner that

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allows, or results in, the occurrence or continuance of an event of default or default under any agreements with the Company or any Subsidiary thereof (including the Junior Documents), regardless of any knowledge thereof that they may have or be charged with. Except as expressly set forth in this Agreement, the Senior Trustee, the Senior Collateral Agent, the Mortgage Tax Collateral Agent, the Senior Creditors, the Junior Trustee, the Junior Collateral Agent and the Junior Creditors have not otherwise made to each other nor do they hereby make to each other any warranties, express or implied, nor do they assume any liability to each other with respect to (a) the enforceability, validity, value or collectability of any of the Junior Claims, the Senior Claims or any guarantee or security which may have been granted to any of them in connection therewith, (b) the Company's, the Guarantors' (as defined in the Senior Indenture) or any Subsidiary's title to or right to transfer any of the Common Collateral or (c) any other matter except as expressly set forth in this Agreement.

7.3 *Obligations Unconditional.* All rights, interests, agreements and obligations of the Senior Trustee, the Senior Collateral Agent, the Mortgage Tax Collateral Agent, and the Senior Creditors, and the Junior Trustee, the Junior Collateral Agent and the Junior Creditors, respectively, hereunder shall remain in full force and effect irrespective of:

(a) any lack of validity or enforceability of any Senior Documents or any Junior Documents;

(b) any change in the time, manner or place of payment of, or in any other terms of, all or any of the Senior Claims or Junior Claims, or any amendment or waiver or other modification, including any increase in the amount thereof, whether by course of conduct or otherwise, of the terms of the Senior Agreement or any other Senior Document or of the terms of the Junior Indenture or any other Junior Document;

(c) any exchange of any security interest in any Common Collateral or any other collateral, or any amendment, waiver or other modification, whether in writing or by course of conduct or otherwise, of all or any of the Senior Claims or Junior Noteholder Claims or any guarantee thereof;

(d) the commencement of any Insolvency or Liquidation Proceeding in respect of the Company or any other Grantor; or

(e) any other circumstances that otherwise might constitute a defense available to, or a discharge of, the Company or any other Grantor in respect of the Senior Claims, or of the Junior Trustee, the Junior Collateral Agent or any Junior Creditor in respect of this Agreement.

Section 8. Miscellaneous.

8.1 *Continuing Nature of this Agreement; Severability.* This Agreement shall continue to be effective until the Discharge of Senior Claims shall have occurred. This is a continuing agreement of lien subordination and the Senior Creditors may continue, at any time and without notice to the Junior Trustee, the Junior Collateral Agent or any Junior Creditor, to extend credit and other financial accommodations and lend monies to or for the benefit of, or to

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hold the securities of, the Company or any other Grantor constituting Senior Claims in reliance hereon. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

8.2 *Amendments; Waivers.* (a) No amendment, modification or waiver of any of the provisions of this Agreement by the Junior Trustee, the Junior Collateral Agent, the Senior Trustee, the Senior Collateral Agent or the Mortgage Tax Collateral Agent shall be deemed to be made unless the same shall be in writing signed on behalf of the party making the same or its authorized agent and each waiver, if any, shall be a waiver only with respect to the specific instance involved and shall in no way impair the rights of the parties making such waiver or the obligations of the other parties to such party in any other respect or at any other time. The Company and other Grantors shall not have any right to consent to or approve any amendment, modification or waiver of any provision of this Agreement except to the extent their rights are affected.

(b) Notwithstanding anything in this Section 8.2 to the contrary, this Agreement may be amended, supplemented or otherwise modified from time to time at the request of the Company, at the Company's expense, and without the consent of the Senior Trustee, the Senior Collateral Agent, any Senior Creditor, the Junior Trustee, the Junior Collateral Agent, any Junior Creditor or the Mortgage Tax Collateral Agent to (i) add other parties holding Future Second-Lien Indebtedness (or any agent or trustee therefor) and Future First-Lien Indebtedness (or any agent or trustee therefor) in each case to the extent such Indebtedness is not prohibited by any Senior Document or any Junior Document, (ii) in the case of Future Second-Lien Indebtedness, (A) establish that the Lien on the Common Collateral securing such Future Second-Lien Indebtedness shall be junior and subordinate in all respects to the Liens on the Common Collateral securing any Senior Claims and shall share in the benefits of the Common Collateral equally and ratably with all Liens on the Common Collateral securing any Junior Claims and (B) provide to the holders of such Future Second-Lien Indebtedness (or any agent or trustee therefor) the comparable rights and benefits as are provided to the holders of Junior Claims under this Agreement and (iii) in the case of Future First-Lien Indebtedness, (A) establish that the Lien on the Common Collateral securing such Future First-Lien Indebtedness shall be superior in all respects to all Liens on the Common Collateral securing any Junior Claims and shall share in the benefits of the Common Collateral equally and ratably with all Liens on the Common Collateral securing any Senior Claims (it being understood that this clause (A) shall not prohibit the entry by the Senior Trustee and the Senior Collateral Agent into a separate intercreditor agreement with the agent or trustee in respect of a Credit Facility (as defined in the Senior Indenture) that provides that the Liens on the Common Collateral securing such Credit Facility are superior in all respects to the Liens on the Common Collateral securing the Senior Noteholder Claims (a "First-Lien Intercreditor Agreement")), (B) provide to the holders of such Future First-Lien Indebtedness (or any agent or trustee thereof) the comparable rights and benefits as are provided to the holders of Senior Claims under this Agreement, in each case so long as such modifications do not expressly violate the provisions of the Senior Documents or the Junior Documents and (C) provide, in connection with the entry into a First-Lien Intercreditor Agreement, that the agent or trustee for the applicable Credit Facility will act as representative of all Senior Creditors under this Agreement by succeeding to the role of Senior

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Trustee and Senior Collateral Agent (and, if requested by such agent or trustee, as Mortgage Tax Collateral Agent) hereunder (other than with respect to matters that relate solely to the Senior Noteholder Documents). Any such additional party, the Senior Trustee, the Senior Collateral Agent, the Junior Trustee, the Junior Collateral Agent and the Mortgage Tax Collateral Agent shall be entitled to conclusively rely solely on an Officers' Certificate (as defined in the Senior Indenture and the Junior Indenture) delivered to the Senior Trustee, the Senior Collateral Agent, the Junior Trustee, the Junior Collateral Agent and the Mortgage Tax Collateral Agent that such amendment, supplement or other modification is authorized or permitted by, and complies with the provisions of, this Agreement, the Security Documents, the Senior Indenture and the Junior Indenture.

8.3 *Information Concerning Financial Condition of the Company and the Subsidiaries.* (a) The Senior Trustee, the Senior Collateral Agent and the Senior Creditors, on the one hand, and the Junior Trustee, the Junior Collateral Agent and the Junior Creditors, on the other hand, shall each be responsible for keeping themselves informed of (i) the financial condition of Hovnanian, the Company and the Subsidiaries and all endorsers and/or guarantors of the Junior Claims or the Senior Claims and (ii) all other circumstances bearing upon the risk of nonpayment of the Junior Claims or the Senior Claims.

(b) The Senior Trustee, the Senior Collateral Agent and the Senior Noteholders shall have no duty to advise the Junior Trustee, the Junior Collateral Agent or any Junior Creditors of information known to it or them regarding such condition or any such circumstances or otherwise. In the event that the Senior Trustee, the Senior Collateral Agent or any of the Senior Creditors, in its or their sole discretion, undertakes at any time or from time to time to provide any such information to the Junior Trustee, the Junior Collateral Agent or any Junior Creditor, it or they shall be under no obligation (w) to make, and the Senior Trustee, the Senior Collateral Agent and the Senior Creditors shall not make, any express or implied representation or warranty, including with respect to the accuracy, completeness, truthfulness or validity of any such information so provided, (x) to provide any additional information or to provide any such information on any subsequent occasion, (y) to undertake any investigation or (z) to disclose any information that, pursuant to accepted or reasonable commercial finance practices, such party wishes to maintain confidential or is otherwise required to maintain confidential.

(c) The Junior Trustee, the Junior Collateral Agent and the Junior Noteholders shall have no duty to advise the Senior Trustee, the Senior Collateral Agent or any Senior Creditors of information known to it or them regarding such condition or any such circumstances or otherwise. In the event that the Junior Trustee, the Junior Collateral Agent or any of the Junior Creditors, in its or their sole discretion, undertakes at any time or from time to time to provide any such information to the Senior Trustee, the Senior Collateral Agent or any Senior Creditor, it or they shall be under no obligation (w) to make, and the Junior Trustee, the Junior Collateral Agent and the Junior Creditors shall not make, any express or implied representation or warranty, including with respect to the accuracy, completeness, truthfulness or validity of any such information so provided, (x) to provide any additional information or to provide any such information on any subsequent occasion, (y) to undertake any investigation or (z) to disclose any information that, pursuant to accepted or reasonable commercial finance

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practices, such party wishes to maintain confidential or is otherwise required to maintain confidential.

8.4 *Subrogation.* The Junior Trustee and the Junior Collateral Agent, on behalf of themselves and the Junior Creditors, hereby agree not to assert or enforce any rights of subrogation they may acquire as a result of any payment hereunder until the Discharge of Senior Claims has occurred.

8.5 *Application of Payments.* Except as otherwise provided herein, all payments received by the Senior Creditors may be applied, reversed and reapplied, in whole or in part, to such part of the Senior Claims as the Senior Creditors, in their sole discretion, deem appropriate, consistent with the terms of the Senior Documents. Except as otherwise provided herein, the Junior Trustee and the Junior Collateral Agent, on behalf of themselves and the Junior Creditors, assents to any such extension or postponement of the time of payment of the Senior Claims or any part thereof and to any other indulgence with respect thereto, to any substitution, exchange or release of any security that may at any time secure any part of the Senior Claims and to the addition or release of any other Person primarily or secondarily liable therefor.

8.6 *Consent to Jurisdiction; Waivers.* The parties hereto consent to the jurisdiction of any state or federal court located in New York, New York, and consent that all service of process may be made by registered mail directed to such party as provided in Section 8.7 for such party. Service so made shall be deemed to be completed three days after the same shall be posted as aforesaid. The parties hereto waive any objection to any action instituted hereunder in any such court based on *forum non conveniens*, and any objection to the venue of any action instituted hereunder in any such court. Each of the parties hereto waives any right it may have to trial by jury in respect of any litigation based on, or arising out of, under or in connection with this Agreement, or any course of conduct, course of dealing, verbal or written statement or action of any party hereto in connection with the subject matter hereof.

8.7 *Notices.* All notices to the Junior Noteholders and the Senior Noteholders permitted or required under this Agreement may be sent to the Junior Trustee and the Senior Trustee, respectively. Unless otherwise specifically provided herein, any notice or other communication herein required or permitted to be given shall be in writing and may be personally served, telecopied or sent by electronic mail, courier service or U.S. mail and shall be deemed to have been given when delivered in person or by courier service, upon receipt of a telecopy or electronic mail or four Business Days after deposit in the U.S. mail (registered or certified, with postage prepaid and properly addressed). For the purposes hereof, the addresses of the parties hereto shall be as set forth below each party's name on the signature pages hereto, or, as to each party, at such other address as may be designated by such party in a written notice to all of the other parties.

8.8 *Further Assurances.* Each of the Junior Trustee and the Junior Collateral Agent, on behalf of itself and the Junior Creditors, and the Senior Trustee, the Mortgage Tax Collateral Agent and the Senior Collateral Agent, on behalf of itself and the Senior Creditors, agrees that each of them, at the expense of the Company, shall take such further action and shall execute and deliver to the Senior Trustee, the Mortgage Tax Collateral Agent and the Senior Collateral Agent and the Senior Creditors such additional documents and instruments (in

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recordable form, if requested) as the Senior Trustee, the Senior Collateral Agent or the Senior Creditors may reasonably request to effectuate the terms of and the lien priorities contemplated by this Agreement.

8.9 *Company Notice of the Discharge of Senior Claims.* The Company shall provide prompt written notice to the Junior Trustee of any Discharge of the Senior Claims.

8.10 *Governing Law.* This Agreement has been delivered and accepted at and shall be deemed to have been made at New York, New York and shall be interpreted, and the rights and liabilities of the parties bound hereby determined, in accordance with the laws of the State of New York.

8.11 *Binding on Successors and Assigns.* This Agreement shall be binding upon the Senior Trustee, the Senior Collateral Agent, the Senior Creditors, the Mortgage Tax Collateral Agent, the Junior Trustee, the Junior Collateral Agent, the Junior Creditors, Hovnanian, the Company, the Guarantors and their respective permitted successors and assigns.

8.12 *Specific Performance.* The Senior Trustee or the Senior Collateral Agent, on behalf of themselves and the Senior Creditors, may demand specific performance of this Agreement. The Junior Trustee and the Junior Collateral Agent, on behalf of themselves and the Junior Creditors, hereby irrevocably waive any defense based on the adequacy of a remedy at law and any other defense that might be asserted to bar the remedy of specific performance in any action that may be brought by the Senior Trustee or the Senior Collateral Agent.

8.13 *Section Titles.* The section titles contained in this Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of this Agreement.

8.14 *Counterparts; Telecopy Signatures.* This Agreement may be signed in any number of counterparts each of which shall be an original, but all of which together shall constitute one and the same instrument; and, delivery of executed signature pages hereof by telecopy transmission, or other electronic transmission in .pdf or similar format, from one party to another shall constitute effective and binding execution and delivery of this Agreement by such party.

8.15 *Authorization.* By its signature, each Person executing this Agreement on behalf of a party hereto represents and warrants to the other parties hereto that it is duly authorized to execute this Agreement.

8.16 *No Third Party Beneficiaries; Successors and Assigns.* This Agreement and the rights and benefits hereof shall inure to the benefit of, and be binding upon, each of the parties hereto and their respective successors and assigns and shall inure to the benefit of each of, and be binding upon, the holders of Senior Claims and Junior Claims. No other Person shall have or be entitled to assert rights or benefits hereunder.

8.17 *Effectiveness.* This Agreement shall become effective when executed and delivered by the parties hereto. This Agreement shall be effective both before and after the commencement of any Insolvency or Liquidation Proceeding. All references to the Company or

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any other Grantor shall include the Company or any other Grantor as debtor and debtor-in-possession and any receiver or trustee for the Company or any other Grantor (as the case may be) in any Insolvency or Liquidation Proceeding.

8.18 *Senior Trustee, Senior Collateral Agent, Junior Trustee and Junior Collateral Agent.* It is understood and agreed that (a) Wilmington Trust, National Association is entering into this Agreement as Senior Trustee and Senior Collateral Agent and the rights, benefits, protection, indemnifications and immunities afforded to the Senior Trustee and Senior Collateral Agent, respectively, in the Senior Indenture shall apply to the Senior Trustee and the Senior Collateral Agent, respectively, hereunder and (b) Wilmington Trust, National Association is entering into this Agreement as Junior Trustee and Junior Collateral Agent and the rights, benefits, protection, indemnifications and immunities afforded to the Junior Trustee and Junior Collateral Agent, respectively, in the Junior Indenture shall apply to the Junior Trustee and the Junior Collateral Agent, respectively, hereunder.

8.19 *Designations.* For purposes of the provisions hereof, the Senior Indenture and the Junior Indenture requiring the Company to designate Indebtedness for the purposes of the term "First-Lien Indebtedness," any such designation shall be sufficient if the relevant designation is set forth in writing, signed on behalf of the Company by an officer thereof and delivered to the Senior Trustee and the Junior Trustee. For all purposes hereof and the Junior Indenture, the Company hereby designates the Indebtedness incurred pursuant to the Senior Noteholder Documents as First-Lien Indebtedness.

8.20 *Relative Rights; Conflict.* Notwithstanding anything in this Agreement to the contrary, nothing in this Agreement is intended to or will (a) amend, waive or otherwise modify the provisions of the Senior Indenture or the Junior Indenture or any other Senior Noteholder Documents or Junior Noteholder Documents entered into in connection with the Senior Indenture or the Junior Indenture or permit the Company or any Subsidiary to take any action, or fail to take any action, to the extent such action or failure would otherwise constitute a breach of, or default under, the Senior Indenture or any other Senior Noteholder Documents entered into in connection with the Senior Indenture or the Junior Indenture or any other Junior Noteholder Documents entered into in connection with the Junior Indenture, (b) change the relative priorities of the Senior Claims or the Liens granted under the Senior Documents on the Common Collateral (or any other assets) as among the Senior Creditors, (c) otherwise change the relative rights of the Senior Creditors in respect of the Common Collateral as among such Senior Creditors or (d) obligate the Company or any Subsidiary to take any action, or fail to take any action, that would otherwise constitute a breach of, or default under, the Senior Indenture or any other Senior Document entered into in connection with the Senior Indenture or the Junior Indenture or any other Junior Document entered into in connection with the Junior Indenture. As it relates to matters between the Junior Trustee, the Junior Collateral Agent, the Junior Creditors and the Mortgage Tax Collateral Agent (in its capacity as agent for the Junior Creditors), on the one hand, and the Senior Trustee, the Senior Collateral Agent, the Senior Creditors and the Mortgage Tax Collateral Agent (in its capacity as agent for the Senior Creditors), on the other hand, in any conflict between the provisions of this Agreement and the Senior Documents or the Junior Noteholder Documents, this Agreement shall govern.

[SIGNATURE PAGES FOLLOW]

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IN WITNESS WHEREOF, each of the undersigned has caused this Intercreditor Agreement to be duly executed and delivered as of the date first above written.

Senior Trustee

Notice Address:

Wilmington Trust, National Association

Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1600
Attention: Corporate Client Services
Telecopy: 302-636-4149

WILMINGTON TRUST, NATIONAL ASSOCIATION
in its capacity as Senior Trustee

By: /s/ Joseph B. Feil
Name: Joseph B. Feil
Title: Vice President

Senior Collateral Agent

Notice Address:

Wilmington Trust, National Association

Rodney Square North
1100 North Market Street

WILMINGTON TRUST, NATIONAL ASSOCIATION
in its capacity as Senior Collateral Agent

By: /s/ Joseph B. Feil
Name: Joseph B. Feil

Wilmington, DE 19890-1600
Attention: Corporate Client Services
Telecopy: 302-636-4149

Title: Vice President

Mortgage Tax Collateral Agent

Notice Address:

Wilmington Trust, National Association

Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1600
Attention: Corporate Client Services
Telecopy: 302-636-4149

WILMINGTON TRUST, NATIONAL ASSOCIATION
in its capacity as Mortgage Tax Collateral Agent

By: /s/ Joseph B. Feil
Name: Joseph B. Feil
Title: Vice President

Notice Address:

Wilmington Trust, National Association

Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1600
Attention: Corporate Client Services
Telecopy: 302-636-4149

Junior Trustee

WILMINGTON TRUST, NATIONAL ASSOCIATION
in its capacity as Junior Trustee

By: /s/ Joseph B. Feil
Name: Joseph B. Feil
Title: Vice President

Notice Address:

Wilmington Trust, National Association

Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1600
Attention: Corporate Client Services
Telecopy: 302-636-4149

Junior Collateral Agent

WILMINGTON TRUST, NATIONAL ASSOCIATION
in its capacity as Junior Collateral Agent

By: /s/ Joseph B. Feil
Name: Joseph B. Feil
Title: Vice President

K. HOVNANIAN ENTERPRISES, INC.

By: /s/ J. Larry Sorsby
Name: J. Larry Sorsby
Title: Executive Vice President and Chief
Financial Officer

HOVNANIAN ENTERPRISES, INC.

By: /s/ J. Larry Sorsby
Name: J. Larry Sorsby
Title: Executive Vice President and Chief
Financial Officer

On behalf of each of the entities listed on Schedule A hereto

By: /s/ J. Larry Sorsby
Name: J. Larry Sorsby
Title: Executive Vice President and Chief
Financial Officer

Address for Notices for K. Hovnanian Enterprises, Inc.:

c/o K. Hovnanian Enterprises, Inc.
767 Fifth Avenue
46th Floor

New York, NY 10153
Facsimile: (212) 421-1663

Address for Notices for each of the foregoing except K. Hovnanian Enterprises, Inc.:

c/o Hovnanian Enterprises, Inc.
110 West Front St., P. O. Box 500
Red Bank, NJ 07701
Attention: David G. Valiaveedan
Telephone: (732) 383-2759
Facsimile: (732) 747-6835

SCHEDULE A — LIST OF ENTITIES

ARBOR TRAILS, LLC

AUDDIE ENTERPRISES, L.L.C.

BUILDER SERVICES NJ, L.L.C.

BUILDER SERVICES PA, L.L.C.

DULLES COPPERMINE, L.L.C.

EASTERN NATIONAL TITLE AGENCY, LLC

EASTERN TITLE AGENCY, INC.

F&W MECHANICAL SERVICES, L.L.C.

FOUNDERS TITLE AGENCY OF MARYLAND, L.L.C.

FOUNDERS TITLE AGENCY, INC.

GLENRISE GROVE, L.L.C.

GOVERNOR'S ABSTRACT CO., INC.

HOMEBUYERS FINANCIAL SERVICES, L.L.C.

HOVNANIAN DEVELOPMENTS OF FLORIDA, INC.

HOVNANIAN LAND INVESTMENT GROUP OF FLORIDA, L.L.C.

HOVNANIAN LAND INVESTMENT GROUP OF MARYLAND, L.L.C.

HOVNANIAN LAND INVESTMENT GROUP, L.L.C.

K. HOV IP, II, INC.

K. HOV IP, INC.

K. HOVNANIAN ACQUISITIONS, INC.

K. HOVNANIAN AT 4S, LLC

K. HOVNANIAN AT ACQUA VISTA, LLC

K. HOVNANIAN AT ALISO, LLC

K. HOVNANIAN AT ALLENTOWN, L.L.C.

K. HOVNANIAN AT ANDALUSIA, LLC

K. HOVNANIAN AT ARBOR HEIGHTS, LLC

K. HOVNANIAN AT AVENUE ONE, L.L.C.

K. HOVNANIAN AT BAKERSFIELD 463, L.L.C.

K. HOVNANIAN AT BARNEGAT I, L.L.C.
K. HOVNANIAN AT BARNEGAT II, L.L.C.
K. HOVNANIAN AT BELLA LAGO, LLC
K. HOVNANIAN AT BENSLEM, LLC
K. HOVNANIAN AT BERKELEY, L.L.C.
K. HOVNANIAN AT BLUE HERON PINES, L.L.C.
K. HOVNANIAN AT BRANCHBURG, L.L.C.
K. HOVNANIAN AT BRIDGEPORT, INC.
K. HOVNANIAN AT BRIDGEWATER I, L.L.C.
K. HOVNANIAN AT BROAD AND WALNUT, L.L.C.
K. HOVNANIAN AT CAMERON CHASE, INC.
K. HOVNANIAN AT CAMP HILL, L.L.C.
K. HOVNANIAN AT CAPISTRANO, L.L.C.
K. HOVNANIAN AT CARLSBAD, LLC
K. HOVNANIAN AT CEDAR GROVE III, L.L.C.
K. HOVNANIAN AT CEDAR GROVE V, L.L.C.
K. HOVNANIAN AT CHARTER WAY, LLC
K. HOVNANIAN AT CHESTER I, L.L.C.
K. HOVNANIAN AT CHESTERFIELD, L.L.C.
K. HOVNANIAN AT CIELO, L.L.C.
K. HOVNANIAN AT CLIFTON, L.L.C.
K. HOVNANIAN AT COASTLINE, L.L.C.
K. HOVNANIAN AT CORTEZ HILL, LLC
K. HOVNANIAN AT CRANBURY, L.L.C.
K. HOVNANIAN AT DENVILLE, L.L.C.
K. HOVNANIAN AT DEPTFORD TOWNSHIP, L.L.C.
K. HOVNANIAN AT DOMINGUEZ HILLS, INC.
K. HOVNANIAN AT EAST BRANDYWINE, L.L.C.
K. HOVNANIAN AT EASTLAKE, LLC

K. HOVNANIAN AT EDGEWATER II, L.L.C.
K. HOVNANIAN AT EDGEWATER, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT EGG HARBOR TOWNSHIP, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH II, L.L.C.
K. HOVNANIAN AT EL DORADO RANCH, L.L.C.
K. HOVNANIAN AT ENCINITAS RANCH, LLC

K. HOVNANIAN AT EVERGREEN, L.L.C.
K. HOVNANIAN AT FIDDYMENT RANCH, LLC
K. HOVNANIAN AT FIFTH AVENUE, L.L.C.
K. HOVNANIAN AT FLORENCE I, L.L.C.
K. HOVNANIAN AT FLORENCE II, L.L.C.
K. HOVNANIAN AT FOREST MEADOWS, L.L.C.
K. HOVNANIAN AT FRANKLIN II, L.L.C.
K. HOVNANIAN AT FRANKLIN III, LLC
K. HOVNANIAN AT FRANKLIN, L.L.C.
K. HOVNANIAN AT FREEHOLD TOWNSHIP, L.L.C.
K. HOVNANIAN AT FRESNO, LLC
K. HOVNANIAN AT GASLAMP SQUARE, L.L.C.
K. HOVNANIAN AT GILROY, LLC
K. HOVNANIAN AT GREAT NOTCH, L.L.C.
K. HOVNANIAN AT GUTTENBERG, L.L.C.
K. HOVNANIAN AT HACKETTSTOWN II, L.L.C.
K. HOVNANIAN AT HAMBURG, L.L.C.
K. HOVNANIAN AT HAWTHORNE, L.L.C.
K. HOVNANIAN AT HERSHEY'S MILL, INC.
K. HOVNANIAN AT HIGHLAND SHORES, L.L.C.
K. HOVNANIAN AT HOWELL, LLC
K. HOVNANIAN AT HUDSON POINTE, L.L.C.

K. HOVNANIAN AT JACKSON I, L.L.C.
K. HOVNANIAN AT JACKSON, L.L.C.
K. HOVNANIAN AT JAEGER RANCH, LLC
K. HOVNANIAN AT JERSEY CITY IV, L.L.C.
K. HOVNANIAN AT JERSEY CITY V URBAN RENEWAL COMPANY, L.L.C.
K. HOVNANIAN AT KEYPORT, L.L.C.
K. HOVNANIAN AT LA COSTA GREENS, L.L.C.
K. HOVNANIAN AT LA COSTA, LLC
K. HOVNANIAN AT LA HABRA KNOLLS, LLC
K. HOVNANIAN AT LA LAGUNA, L.L.C.
K. HOVNANIAN AT LAKE RANCHO VIEJO, LLC
K. HOVNANIAN AT LAKE TERRAPIN, L.L.C.
K. HOVNANIAN AT LAWRENCE V, L.L.C.
K. HOVNANIAN AT LEE SQUARE, L.L.C.

K. HOVNANIAN AT LITTLE EGG HARBOR TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LITTLE EGG HARBOR, L.L.C
K. HOVNANIAN AT LONG HILL, L.L.C.
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MACUNGIE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT LOWER MAKEFIELD TOWNSHIP I, L.L.C.
K. HOVNANIAN AT LOWER MORELAND I, L.L.C.
K. HOVNANIAN AT LOWER MORELAND II, L.L.C.
K. HOVNANIAN AT MAHWAH VI, INC.
K. HOVNANIAN AT MALAN PARK, L.L.C.
K. HOVNANIAN AT MANALAPAN III, L.L.C.
K. HOVNANIAN AT MANSFIELD I, L.L.C.
K. HOVNANIAN AT MANSFIELD II, L.L.C.
K. HOVNANIAN AT MANSFIELD III, L.L.C.
K. HOVNANIAN AT MANTECA, LLC

K. HOVNANIAN AT MAPLE AVENUE, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP IX, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP V, L.L.C.
K. HOVNANIAN AT MARLBORO TOWNSHIP VIII, L.L.C.
K. HOVNANIAN AT MARLBORO VI, L.L.C.
K. HOVNANIAN AT MARLBORO VII, L.L.C.
K. HOVNANIAN AT MELANIE MEADOWS, LLC
K. HOVNANIAN AT MENDHAM TOWNSHIP, L.L.C.
K. HOVNANIAN AT MENIFEE, LLC
K. HOVNANIAN AT MIDDLE TOWNSHIP II, L.L.C.
K. HOVNANIAN AT MIDDLE TOWNSHIP, L.L.C.
K. HOVNANIAN AT MIDDLETOWN II, L.L.C.
K. HOVNANIAN AT MILLVILLE I, L.L.C.
K. HOVNANIAN AT MILLVILLE II, L.L.C.
K. HOVNANIAN AT MONROE II, INC.
K. HOVNANIAN AT MONROE IV, L.L.C.
K. HOVNANIAN AT MONROE NJ, L.L.C.
K. HOVNANIAN AT MONTVALE II, LLC
K. HOVNANIAN AT MONTVALE, L.L.C.
K. HOVNANIAN AT MOSAIC, LLC
K. HOVNANIAN AT MUIRFIELD, LLC
K. HOVNANIAN AT NEW WINDSOR, L.L.C.

K. HOVNANIAN AT NORTH BERGEN. L.L.C.

K. HOVNANIAN AT NORTH BRUNSWICK VI, L.L.C.

K. HOVNANIAN AT NORTH CALDWELL II, L.L.C.

K. HOVNANIAN AT NORTH CALDWELL III, L.L.C.

K. HOVNANIAN AT NORTH CALDWELL IV, L.L.C.

K. HOVNANIAN AT NORTH HALEDON, L.L.C.

K. HOVNANIAN AT NORTH WILDWOOD, L.L.C.

K. HOVNANIAN AT NORTHAMPTON, L.L.C.

K. HOVNANIAN AT NORTHERN WESTCHESTER, INC.

K. HOVNANIAN AT NORTHFIELD, L.L.C.

K. HOVNANIAN AT OCEAN TOWNSHIP, INC

K. HOVNANIAN AT OCEAN WALK, INC.

K. HOVNANIAN AT OCEANPORT, L.L.C.

K. HOVNANIAN AT OLD BRIDGE, L.L.C.

K. HOVNANIAN AT OLDE ORCHARD, LLC

K. HOVNANIAN AT PARAMUS, L.L.C.

K. HOVNANIAN AT PARK LANE, LLC

K. HOVNANIAN AT PARKSIDE, LLC

K. HOVNANIAN AT PARSIPPANY, L.L.C.

K. HOVNANIAN AT PARSIPPANY-TROY HILLS, L.L.C.

K. HOVNANIAN AT PIAZZA D'ORO, L.L.C.

K. HOVNANIAN AT PIAZZA SERENA, L.L.C

K. HOVNANIAN AT PITTSBORO, L.L.C.

K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL IV, L.L.C.

K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL V, L.L.C.

K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VI, L.L.C.

K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VII, L.L.C.

K. HOVNANIAN AT PORT IMPERIAL URBAN RENEWAL VIII, L.L.C.

K. HOVNANIAN AT POSITANO, LLC

K. HOVNANIAN AT PRADO, L.L.C.

K. HOVNANIAN AT RANCHO SANTA MARGARITA, LLC

K. HOVNANIAN AT RANDOLPH I, L.L.C.

K. HOVNANIAN AT RAPHO, L.L.C

K. HOVNANIAN AT RIDGEMONT, L.L.C.

K. HOVNANIAN AT RIVERBEND, LLC

K. HOVNANIAN AT RODERUCK, L.L.C.

K. HOVNANIAN AT ROSEMARY LANTANA, L.L.C.
K. HOVNANIAN AT SAGE, L.L.C.
K. HOVNANIAN AT SANTA NELLA, LLC
K. HOVNANIAN AT SAWMILL, INC.
K. HOVNANIAN AT SAYREVILLE, L.L.C.
K. HOVNANIAN AT SCOTCH PLAINS, L.L.C.
K. HOVNANIAN AT SEASONS LANDING, LLC
K. HOVNANIAN AT SHELDON GROVE, LLC
K. HOVNANIAN AT SHREWSBURY, LLC
K. HOVNANIAN AT SILVER SPRING, L.L.C.
K. HOVNANIAN AT SKYE ISLE, LLC
K. HOVNANIAN AT SMITHVILLE, INC.
K. HOVNANIAN AT SOMERS POINT, L.L.C.
K. HOVNANIAN AT SOUTH BRUNSWICK II, LLC
K. HOVNANIAN AT SOUTH BRUNSWICK, L.L.C.
K. HOVNANIAN AT STANTON, LLC
K. HOVNANIAN AT STATION SQUARE, L.L.C.
K. HOVNANIAN AT SUNRIDGE PARK, LLC
K. HOVNANIAN AT SYCAMORE, INC.
K. HOVNANIAN AT THE CROSBY, LLC
K. HOVNANIAN AT THE GABLES, LLC
K. HOVNANIAN AT THE MONARCH, L.L.C.
K. HOVNANIAN AT THE PRESERVE, LLC
K. HOVNANIAN AT THOMPSON RANCH, LLC
K. HOVNANIAN AT THORNBURY, INC.
K. HOVNANIAN AT TRAIL RIDGE, LLC
K. HOVNANIAN AT UPPER FREEHOLD TOWNSHIP II, L.L.C.
K. HOVNANIAN AT UPPER FREEHOLD TOWNSHIP III, L.L.C.
K. HOVNANIAN AT UPPER MAKEFIELD I, INC.

K. HOVNANIAN AT UPPER PROVIDENCE, LLC
K. HOVNANIAN AT UPPER UWCHLAN II, L.L.C.
K. HOVNANIAN AT UPPER UWCHLAN, L.L.C.
K. HOVNANIAN AT VALLE DEL SOL, LLC
K. HOVNANIAN AT VERONA URBAN RENEWAL, L.L.C.
K. HOVNANIAN AT VICTORVILLE, L.L.C.

K. HOVNANIAN AT VINELAND, L.L.C.
K. HOVNANIAN AT VISTA DEL SOL, L.L.C.
K. HOVNANIAN AT WARREN TOWNSHIP, L.L.C.
K. HOVNANIAN AT WASHINGTON, L.L.C.
K. HOVNANIAN AT WATERSTONE, LLC
K. HOVNANIAN AT WAYNE IX, L.L.C.
K. HOVNANIAN AT WAYNE, VIII, L.L.C.
K. HOVNANIAN AT WEST VIEW ESTATES, L.L.C.
K. HOVNANIAN AT WEST WINDSOR, L.L.C.
K. HOVNANIAN AT WESTSHORE, LLC
K. HOVNANIAN AT WHEELER RANCH, LLC
K. HOVNANIAN AT WILDWOOD BAYSIDE, L.L.C.
K. HOVNANIAN AT WILLOW BROOK, L.L.C.
K. HOVNANIAN AT WINCHESTER, LLC
K. HOVNANIAN AT WOODCREEK WEST, LLC
K. HOVNANIAN AT WOOLWICH I, L.L.C.
K. HOVNANIAN CAMBRIDGE HOMES, L.L.C.
K. HOVNANIAN CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN CLASSICS, L.L.C.
K. HOVNANIAN COMMUNITIES, INC.
K. HOVNANIAN COMPANIES OF CALIFORNIA, INC.
K. HOVNANIAN COMPANIES OF MARYLAND, INC.
K. HOVNANIAN COMPANIES OF NEW YORK, INC.

K. HOVNANIAN COMPANIES OF PENNSYLVANIA, INC.
K. HOVNANIAN COMPANIES OF SOUTHERN CALIFORNIA, INC.
K. HOVNANIAN COMPANIES, LLC
K. HOVNANIAN CONSTRUCTION II, INC
K. HOVNANIAN CONSTRUCTION III, INC
K. HOVNANIAN CONSTRUCTION MANAGEMENT, INC.
K. HOVNANIAN CRAFTBUILT HOMES OF SOUTH CAROLINA, L.L.C.
K. HOVNANIAN DEVELOPMENTS OF ARIZONA, INC.
K. HOVNANIAN DEVELOPMENTS OF CALIFORNIA, INC.
K. HOVNANIAN DEVELOPMENTS OF D.C., INC.
K. HOVNANIAN DEVELOPMENTS OF DELAWARE, INC.
K. HOVNANIAN DEVELOPMENTS OF GEORGIA, INC.
K. HOVNANIAN DEVELOPMENTS OF ILLINOIS, INC.
K. HOVNANIAN DEVELOPMENTS OF KENTUCKY, INC.

K. HOVNIANIAN DEVELOPMENTS OF MARYLAND, INC.
K. HOVNIANIAN DEVELOPMENTS OF MINNESOTA, INC.
K. HOVNIANIAN DEVELOPMENTS OF NEW JERSEY II, INC.
K. HOVNIANIAN DEVELOPMENTS OF NEW JERSEY, INC.
K. HOVNIANIAN DEVELOPMENTS OF NEW YORK, INC.
K. HOVNIANIAN DEVELOPMENTS OF NORTH CAROLINA, INC.
K. HOVNIANIAN DEVELOPMENTS OF OHIO, INC.
K. HOVNIANIAN DEVELOPMENTS OF PENNSYLVANIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF SOUTH CAROLINA, INC.
K. HOVNIANIAN DEVELOPMENTS OF TEXAS, INC.
K. HOVNIANIAN DEVELOPMENTS OF VIRGINIA, INC.
K. HOVNIANIAN DEVELOPMENTS OF WEST VIRGINIA, INC.
K. HOVNIANIAN EASTERN PENNSYLVANIA, L.L.C.
K. HOVNIANIAN ENTERPRISES, INC.
K. HOVNIANIAN ESTATES AT REGENCY, L.L.C.

K. HOVNIANIAN FAIRWAYS AT WESTWORTH, LLC
K. HOVNIANIAN FIRST HOMES, L.L.C.
K. HOVNIANIAN FLORIDA REALTY, L.L.C.
K. HOVNIANIAN FOUR SEASONS @ HISTORIC VIRGINIA, LLC
K. HOVNIANIAN FOUR SEASONS AT GOLD HILL, LLC
K. HOVNIANIAN GREAT WESTERN BUILDING COMPANY, LLC
K. HOVNIANIAN GREAT WESTERN HOMES, LLC
K. HOVNIANIAN HAMPTONS AT OAK CREEK II, L.L.C.
K. HOVNIANIAN HOLDINGS NJ, L.L.C.
K. HOVNIANIAN HOMES - DFW, L.L.C.
K. HOVNIANIAN HOMES AT CAMERON STATION, LLC
K. HOVNIANIAN HOMES AT CAMP SPRINGS, L.L.C.
K. HOVNIANIAN HOMES AT FAIRWOOD, L.L.C.
K. HOVNIANIAN HOMES AT FOREST RUN, L.L.C.
K. HOVNIANIAN HOMES AT GREENWAY FARM PARK TOWNS, L.L.C.
K. HOVNIANIAN HOMES AT GREENWAY FARM, L.L.C.
K. HOVNIANIAN HOMES AT JONES STATION 1, L.L.C.
K. HOVNIANIAN HOMES AT MAXWELL PLACE, L.L.C.
K. HOVNIANIAN HOMES AT RENAISSANCE PLAZA, L.L.C.
K. HOVNIANIAN HOMES AT RUSSETT, L.L.C.
K. HOVNIANIAN HOMES AT THE HIGHLANDS, LLC

K. HOVNANIAN HOMES NORTHERN CALIFORNIA, INC.
K. HOVNANIAN HOMES OF D.C., L.L.C.
K. HOVNANIAN HOMES OF DELAWARE, L.L.C.
K. HOVNANIAN HOMES OF GEORGIA, L.L.C.
K. HOVNANIAN HOMES OF HOUSTON, L.L.C.
K. HOVNANIAN HOMES OF MARYLAND, L.L.C.
K. HOVNANIAN HOMES OF MINNESOTA, L.L.C.
K. HOVNANIAN HOMES OF NORTH CAROLINA, INC.

K. HOVNANIAN HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN HOMES OF SOUTH CAROLINA, LLC
K. HOVNANIAN HOMES OF VIRGINIA, INC.
K. HOVNANIAN HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN LIBERTY ON BLUFF CREEK, LLC
K. HOVNANIAN MANALAPAN ACQUISITION, LLC
K. HOVNANIAN NORTH CENTRAL ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN NORTHEAST SERVICES, L.L.C.
K. HOVNANIAN OF HOUSTON II, L.L.C.
K. HOVNANIAN OHIO REALTY, L.L.C.
K. HOVNANIAN OSTER HOMES, L.L.C.
K. HOVNANIAN PA REAL ESTATE, INC.
K. HOVNANIAN PENNSYLVANIA ACQUISITIONS, L.L.C.
K. HOVNANIAN PORT IMPERIAL URBAN RENEWAL, INC.
K. HOVNANIAN PROPERTIES OF RED BANK, INC.
K. HOVNANIAN SHORE ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTH JERSEY ACQUISITIONS, L.L.C.
K. HOVNANIAN SOUTHERN NEW JERSEY, L.L.C.
K. HOVNANIAN STANDING ENTITY, L.L.C.
K. HOVNANIAN SUMMIT HOLDINGS, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF KENTUCKY, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF PENNSYLVANIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES OF WEST VIRGINIA, L.L.C.
K. HOVNANIAN SUMMIT HOMES, L.L.C.
K. HOVNANIAN T&C HOMES AT FLORIDA, L.L.C.
K. HOVNANIAN T&C HOMES AT ILLINOIS, L.L.C.
K. HOVNANIAN TIMBRES AT ELM CREEK, LLC
K. HOVNANIAN VENTURE I, L.L.C.

K. HOVNIANIAN WINDWARD HOMES, LLC

K. HOVNIANIAN'S FOUR SEASONS AT ASHBURN VILLAGE, L.L.C.

K. HOVNIANIAN'S FOUR SEASONS AT BAKERSFIELD, L.L.C.

K. HOVNIANIAN'S FOUR SEASONS AT BEAUMONT, LLC

K. HOVNIANIAN'S FOUR SEASONS AT CHARLOTTESVILLE, L.L.C.

K. HOVNIANIAN'S FOUR SEASONS AT HEMET, LLC

K. HOVNIANIAN'S FOUR SEASONS AT KENT ISLAND CONDOMINIUMS, L.L.C.

K. HOVNIANIAN'S FOUR SEASONS AT KENT ISLAND, L.L.C.

K. HOVNIANIAN'S FOUR SEASONS AT LOS BANOS, LLC

K. HOVNIANIAN'S FOUR SEASONS AT MORENO VALLEY, L.L.C.

K. HOVNIANIAN'S FOUR SEASONS AT NEW KENT VINEYARDS, L.L.C.

K. HOVNIANIAN'S FOUR SEASONS AT PALM SPRINGS, LLC

K. HOVNIANIAN'S FOUR SEASONS AT RENAISSANCE, L.L.C.

K. HOVNIANIAN'S FOUR SEASONS AT RUSH CREEK II, LLC

K. HOVNIANIAN'S FOUR SEASONS AT RUSH CREEK, L.L.C.

K. HOVNIANIAN'S FOUR SEASONS AT SILVER MAPLE FARM, L.L.C.

K. HOVNIANIAN'S FOUR SEASONS AT ST. MARGARETS LANDING, L.L.C.

K. HOVNIANIAN'S FOUR SEASONS AT VINT HILL, L.L.C.

K. HOVNIANIAN'S FOUR SEASONS, LLC

K. HOVNIANIAN'S PARKSIDE AT TOWNGATE, L.L.C.

KHIP, L.L.C.

LANDARAMA, INC.

M&M AT CHESTERFIELD, LLC

M&M AT CRESCENT COURT, L.L.C.

M&M AT WEST ORANGE, L.L.C.

M&M AT WHEATENA URBAN RENEWAL, L.L.C.

MATZEL & MUMFORD AT EGG HARBOR, L.L.C.

MATZEL & MUMFORD AT SOUTH BOUND BROOK URBAN RENEWAL, L.L.C.

MCNJ, INC.

MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF PENNSYLVANIA, L.L.C.

MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES OF WEST VIRGINIA, L.L.C.

MIDWEST BUILDING PRODUCTS & CONTRACTOR SERVICES, L.L.C.

MMIP, L.L.C.

NEW LAND TITLE AGENCY OF TEXAS, LLC

NEW LAND TITLE AGENCY, L.L.C.

PADDOCKS, L.L.C.

PARK TITLE COMPANY, LLC

PINE AYR, LLC

RIDGEMORE UTILITY, L.L.C.

SEABROOK ACCUMULATION CORPORATION

STONEBROOK HOMES, INC.

TERRAPIN REALTY, L.L.C.

THE MATZEL & MUMFORD ORGANIZATION, INC

WASHINGTON HOMES AT COLUMBIA TOWN CENTER, L.L.C.

WASHINGTON HOMES, INC.

WESTMINSTER HOMES, INC.

WH PROPERTIES, INC.

WOODLAND LAKE CONDOMINIUMS AT BOWIE NEW TOWN, L.L.C.

Information Relating to Part II, Item 14 — Other Expenses of Issuance and Distribution

The expenses in connection with the issuance and distribution by the Company and K. Hovnanian of \$100,000,000 stated amount of 6.00% Exchangeable Notes Units (the “Units”) (equivalent to 100,000 Units) (which includes full exercise of the overallotment option granted to the underwriters), registered pursuant to the Company’s and K. Hovnanian’s Registration Statement on Form S-3 (File No. 333-173365) filed on April 7, 2011, other than underwriting discounts and commissions, are set forth in the following table. All amounts are estimated except the Securities and Exchange Commission registration fee. All of such expenses are being borne by the Company.

Securities and Exchange Commission Registration Fee(1)	\$ 14,260
Trustee’s fees and expenses	4,000
Rating Agency Fees	162,500
Legal fees and expenses	500,000
Accounting fees and expenses	55,000
Printing and duplicating expenses	39,000
Total(2)	<u>\$ 774,760</u>

(1) Registration fee payable in connection with the registration of an indeterminate amount of securities with an aggregate initial offering price not to exceed \$200,000,000 or the equivalent thereof in one or more foreign currencies pursuant to the Registration Statement.

(2) The underwriters in the offering of the Units have agreed to reimburse the Company for \$500,000 of its out-of-pocket expenses related to the offering of the Units.